

Amtrust Financial Services, Inc.  
Form DEF 14A  
April 12, 2011

## SCHEDULE 14A

# Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant:   
Filed by a Party other than the Registrant:   
Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

## AMTRUST FINANCIAL SERVICES, INC.

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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Date Filed:

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**NOTICE OF ANNUAL MEETING  
OF SHAREHOLDERS**

**AND**

**PROXY STATEMENT**

**MAY 23, 2011**

59 Maiden Lane, 6<sup>th</sup> Floor  
New York, NY 10038  
Phone: 212.220.7120  
Fax: 212.220.7130  
*www.amtrustgroup.com*

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**AMTRUST FINANCIAL SERVICES, INC.  
59 Maiden Lane, 6<sup>th</sup> Floor  
New York, New York 10038**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 23, 2011**

April 12, 2011

Dear Shareholder:

You are cordially invited to attend the 2011 Annual Meeting of Shareholders of AmTrust Financial Services, Inc.

( AmTrust, AmTrust Financial, the Company, our, us, or we ), which will be held on Monday, May 23, 2011, commencing at 10:00 a.m. (Eastern time), at our headquarters at 59 Maiden Lane, 6<sup>th</sup> Floor, New York, New York 10038.

At the Annual Meeting, you will be asked to consider and vote upon (1) the election of seven directors, (2) the ratification of the appointment of BDO USA, LLP as our independent auditors, (3) an advisory, non-binding resolution to approve the executive compensation program for our Named Executive Officers, as described in our 2011 annual meeting proxy statement, (4) an advisory, non-binding resolution to recommend the frequency (whether triennial, biennial or annual) with which our stockholders will be entitled to hold an advisory vote on executive compensation, and (5) to consider and act upon such other business as may properly come before the meeting or any adjournment or postponement thereof. Each of the matters to be acted upon at the meeting is more fully described in the attached proxy statement.

Record holders of common stock at the close of business on March 25, 2011, the date fixed by our Board of Directors as the record date for the meeting, are entitled to notice of and to vote on any matters that properly come before the Annual Meeting and at any adjournment or postponement thereof.

A copy of our Annual Report to Shareholders, which includes a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, is being mailed together with this Notice of Annual Meeting of Shareholders and proxy statement. Additional copies may be obtained by writing to AmTrust Financial Services, Inc., 59 Maiden Lane, 6<sup>th</sup> Floor, New York, New York 10038, Attention: Corporate Secretary.

On behalf of the officers, directors and employees of AmTrust Financial, I would like to express our appreciation for your continued support.

Sincerely,

Stephen Ungar

General Counsel and Secretary

**Important Notice Regarding the Availability of Proxy Materials  
for the Annual Shareholders Meeting to Be Held on May 23, 2011:**

The proxy statement, proxy card and annual report to security holders are available at  
*<http://amtrust.investorroom.com>.*

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# PROXY STATEMENT

## General Information

This proxy statement is furnished to you and other shareholders of AmTrust Financial Services, Inc. ( AmTrust, the Company, our, us, or we ) in connection with the solicitation of proxies by our Board of Directors to be used at our 2011 Annual Meeting of Shareholders, which will be held at our headquarters at 59 Maiden Lane, 6<sup>th</sup> Floor, New York, New York 10038, on Monday, May 23, 2011, at 10:00 a.m. (Eastern time) and any adjournment or postponement thereof. All shareholders are entitled and encouraged to attend the Annual Meeting in person. This proxy statement, together with the accompanying proxy card, was first mailed to shareholders on or about April 12, 2011.

All common stock represented by properly executed proxies received pursuant to this solicitation will be voted in accordance with the shareholder s directions specified on the proxy. If no directions have been specified by marking the appropriate squares on the accompanying proxy card, the shares will be voted FOR the slate of directors described herein, FOR the ratification of BDO USA, LLP as our independent auditors, FOR approval of the non-binding resolution to approve the executive compensation program for our Named Executive Officers, as described in this proxy statement and FOR approval of a triennial frequency (i.e., every three years) for the advisory vote on executive compensation. In connection with any other business that may properly come before the Annual Meeting, all properly executed proxies delivered pursuant to this solicitation and not revoked will be voted in the discretion of persons appointed as proxies and named in the proxy. A shareholder signing and returning the accompanying proxy has the power to revoke it at any time prior to its exercise by giving written notice of revocation to our Corporate Secretary, by submitting a proxy bearing a later date, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not constitute, in itself, revocation of a proxy.

We will pay all expenses in connection with this solicitation of proxies and such costs are those normally expended in connection with an annual proxy statement. Proxies will be solicited principally by mail, but directors, officers and certain other individuals authorized by us may personally solicit proxies. We will reimburse custodians, nominees or other persons for their out-of-pocket expenses in sending proxy material to beneficial owners.

The Board has fixed the close of business on March 25, 2011 as the record date for determining the holders of common stock entitled to notice of and to vote at the Annual Meeting. Each such shareholder is entitled to one vote per share. As of the record date, there were 59,638,526 shares of common stock outstanding.

In voting by proxy with regard to the election of directors, shareholders may vote in favor of each nominee or withhold their votes as to each nominee. Should any nominee become unable to accept nomination or election, the persons appointed as proxies will vote for the election of such other person as a director as the present directors may recommend in the place of such nominee. The information set forth below regarding the nominees is based on information furnished by them. In voting by proxy with regard to the ratification of our independent auditors or approval of the executive compensation program for our Named Executive Officers, shareholders may vote in favor of or against the proposal or may abstain from voting. In voting by proxy with regard to the recommended frequency for which our shareholders will be entitled to hold an advisory vote on executive compensation, shareholders may vote for triennial, biennial or annual frequency or may abstain from voting.

A majority of the outstanding common stock, represented in person or by proxy, constitutes a quorum for the transaction of business at the Annual Meeting. The seven candidates receiving the greatest number of votes will be



elected as our directors. The affirmative vote of the majority of shares cast at the Annual Meeting, represented in person or by proxy, is necessary to ratify the selection of BDO USA, LLP as our independent auditor and to approve the executive compensation program for our Named Executive Officers. The choice among the four choices included in the resolution on the frequency of the advisory vote on executive compensation that receives the greatest number of votes cast will be deemed the choice of the shareholders.

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Shareholder abstentions and broker non-votes will be included in the number of shareholders present at the Annual Meeting for the purpose of determining the presence of a quorum. A broker non-vote occurs when a broker cannot vote a customer's shares registered in the broker's name because the customer did not send the broker instructions on how to vote on the matter and the broker is barred by law or stock exchange regulations from exercising its discretionary voting authority in the particular matter. Brokers will have voting discretion for shares registered in their own name on the proposal to ratify the appointment of our independent auditors, but not in the election of directors, the advisory vote on executive compensation or the advisory vote on the frequency for which our shareholders will be entitled to hold an advisory vote on executive compensation (Proposals 1, 3 and 4). An abstention or broker non-vote has the same effect as a vote against a director nominee, as each abstention or broker non-vote would be one less vote in favor of a director nominee. An abstention or broker non-vote with respect to Proposals 3 and 4 will not be counted as a vote cast for or against such proposals and, therefore, will not affect the outcome of the vote.

## **PROPOSAL 1 ELECTION OF DIRECTORS**

Our Board of Directors consists of seven members, with each director elected to serve a one-year term. All directors will be elected at the Annual Meeting, each to serve for a one-year term until the 2012 Annual Meeting of Shareholders and until the election or appointment and qualification of his or her successor, or until his or her earlier death, resignation or removal. Upon recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has unanimously nominated Ms. Susan C. Fisch and Messrs. Donald T. DeCarlo, Abraham Gulkowitz, George Karfunkel, Michael Karfunkel, Jay J. Miller, and Barry D. Zyskind for re-election as directors at the Annual Meeting. Proxies cannot be voted for more than seven director nominees.

Each of the director nominees who is standing for re-election to the Board of Directors has consented to serve for a new term, if elected. The Board of Directors does not contemplate that any of the nominees will be unable to stand for election, but should any nominee become unable to serve or for good cause will not serve, all proxies (except proxies marked to the contrary) will be voted for the election of a substitute nominee as our Board of Directors may recommend.

### **Nominees for Election of Directors**

*Donald T. DeCarlo*, 72, Director since 2006, is an attorney in private practice. From 1997 to 2004, Mr. DeCarlo practiced in the New York offices of Lord, Bissell & Brook, LLP, a law firm, where he was managing partner prior to his departure. Mr. DeCarlo served as a Commissioner of the New York State Insurance Fund from 1997 through 2009.

He is also a director of Jackson National Life Insurance Co. of New York, Greater New York Mutual Insurance Company (an insurer that primarily underwrites large property coverages) and its subsidiaries, Greater New York Custom Insurance Company, Insurance Company of Greater New York and Strathmore Insurance Company, Wright Risk America, Wright Risk America Indemnity Company and several of our subsidiaries. He is also one of our two appointees to American Capital Acquisition Corporation's Board of Directors. From 1987 to 1997, Mr. DeCarlo held a number of positions with the Travelers Group's insurance companies including serving as Senior Vice President and General Counsel of all of the companies from 1994 to 1997. From 1973 to 1986, Mr. DeCarlo was vice president and general counsel of the National Council on Compensation Insurance, a national association that collects, tabulates and provides data used in formulating rates for workers compensation insurance. Mr. DeCarlo received a B.A. from Iona College in 1960 and a J.D. from St. John's University School of Law in 1969. Mr. DeCarlo has also written two books and numerous articles on workers' compensation insurance.

Mr. DeCarlo was selected to serve on the Board of Directors because he is a recognized expert in the workers

compensation industry. He has extensive experience representing insurance industry clients in corporate, regulatory and commercial matters.

*Susan C. Fisch*, 66, Director since 2010, has over 30 years of experience in the insurance industry as a reinsurance broker specializing in workers compensation. From 2001 to 2009, Ms. Fisch was an executive at Willis Re, Inc., an insurance broker, where she created and directed the Workers Compensation Practice Group that was responsible for the creation of new products, placement of workers compensation programs, relationship coordination with reinsurers and new client prospecting. In addition, she provided guidance and strategic direction to Willis Re clients and prospects in all aspects of workers compensation. From 1992

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through 2001, Ms. Fisch was a senior vice president and team leader specializing in workers' compensation at Benfield Blanch. From 1987 through 1992, she was a reinsurance treaty broker focusing on workers' compensation at Enan & Company. From 1978 through 1987, she was employed by Thomas A. Greene Company as a facultative broker and, ultimately, as head of the casualty facultative department in the company's San Francisco office. She began her career with Towers Perrin, an actuarial company, in 1976. Ms. Fisch has been a frequent speaker at workers' compensation seminars. Ms. Fisch holds a B.A. degree and a Master's degree in Education from the University of Pittsburgh.

Ms. Fisch was selected to serve on the Board of Directors because of her extensive knowledge of and contacts in the workers' compensation industry.

**Abraham Gulkowitz**, 62, Director since 2006, is a partner of Brookville Capital, a hedge fund specializing in credit analysis, which was a wholly-owned indirect subsidiary of Morgan Stanley until March 1, 2011 when it was spun off and became part of FrontPoint Partners, L.P. Mr. Gulkowitz has worked at Brookville Capital since 2002. From 1978 to 2002, Mr. Gulkowitz served in various positions, including as a Senior Managing Director and a member of the partners' management group, at Bankers Trust/Deutsche Bank, an investment bank. His responsibilities included the analysis of economic and business issues related to leveraged financing transactions as well as mergers and acquisitions, private equity and real estate investments. Mr. Gulkowitz joined Bankers Trust in 1978 from Chase Manhattan Bank where he was a financial market analyst. Prior to that, he was an economics research assistant to Alan Greenspan. Mr. Gulkowitz is also a member of Gryphon Investor Group's advisory board. Mr. Gulkowitz received his M.B.A. from New York University, where he also did post-graduate work in economics.

Mr. Gulkowitz was selected to serve on the Board of Directors because of his diverse and extensive financial experience and because he qualifies as our Audit Committee financial expert.

**George Karfunkel**, 62, Director since 1998, has been associated with American Stock Transfer & Trust Company, LLC, a stock transfer company, since 1971, where he is currently a director and that he founded with his brother, Michael Karfunkel and sold to an Australian private equity firm in 2008. Mr. Karfunkel's real estate holdings include major office buildings in New York, Chicago and several other cities, which he holds through entities he controls with Michael Karfunkel. The Karfunkels also are co-owners of Worldwide TechServices, LLC, a computer maintenance and services company. Mr. Karfunkel serves as vice chairman of The Upstate Bank, a nationally-chartered community bank.

Mr. Karfunkel has been selected to serve on the Board of Directors because he is a successful businessman with 40 years of experience in the ownership and management of and investment in the financial services industry, including insurance, banking and real estate. In addition, Mr. Karfunkel, together with Michael Karfunkel and Mr. Zyskind, are our founding shareholders, and, as a group, own and control the majority of our issued and outstanding stock.

**Michael Karfunkel**, 68, Chairman of the Board of Directors since 1998, is a businessman with significant interests in the financial services industry, including insurance, banking and real estate. He is a director and Chairman of American Capital Acquisition Corporation (ACAC), an insurance holding company, which was formed in 2009 (see Certain Relationships and Related Transactions). Mr. Karfunkel's real estate holdings include major office buildings in New York, Chicago and several other cities, which he holds through entities he controls with his brother, George Karfunkel. The Karfunkels also are co-owners of Worldwide TechServices, LLC, a computer maintenance and services company. Mr. Karfunkel is currently a director and was the former President and co-owner, with George Karfunkel, of American Stock Transfer & Trust Company, LLC, the largest independent stock transfer agent in the United States, which he founded in 1971 and, with George Karfunkel, sold to an Australian private equity firm in 2008. Mr. Karfunkel is Mr. Zyskind's father-in-law.

Mr. Karfunkel has been selected to serve on the Board of Directors because he has a 40 year record of developing and managing successful businesses, including the Company, Maiden Holdings, Ltd. and ACAC. His experience includes the management of large investment portfolios, mergers and acquisitions, and corporate finance, all of which are integral to our success. In addition, Mr. Karfunkel, together with George

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Karfunkel and Mr. Zyskind, are our founding shareholders, and as a group, own and control the majority of our issued and outstanding common stock.

*Jay J. Miller*, 78, Director since 1998, has practiced law specializing in securities matters and corporate transactions for more than 40 years. Mr. Miller served as our Secretary (without compensation) from 1998 to 2005. Mr. Miller also serves as a director of several of our wholly-owned subsidiaries, and is Chairman of the Board of Gulf USA Corporation, a property and natural resource company. He is also a director of Integrated Business Systems, Inc., a real estate management technology company. In March 2009, Mr. Miller became a director and member of the Audit Committee of One West Bank, a federally-chartered thrift institution. Mr. Miller received a B.A. from Syracuse University in 1952 and a J.D. from Columbia University School of Law in 1955.

Mr. Miller was selected to serve on the Board of Directors because he is a corporate and securities lawyer with extensive experience representing clients in all industries, including financial services, and has been involved in transactions nationally and internationally. He has served on our Board of Directors, as well as the boards of directors of our significant subsidiaries, since Michael Karfunkel and George Karfunkel acquired the Company in 1998 and has valuable historical knowledge of our development, and is a respected advisor to management and the other members of the Board.

*Barry D. Zyskind*, 39, Director since 1998, has held senior management positions with the Company since 1998 and currently serves as our Chief Executive Officer and President. Mr. Zyskind also serves as an officer and director of many of our wholly-owned subsidiaries. Mr. Zyskind currently serves as non-executive chairman of the board of Maiden Holdings, Ltd., an insurance holding company (see Certain Relationships and Related Transactions ). Prior to joining us, Mr. Zyskind was an investment banker at Janney Montgomery Scott, LLC in New York. Mr. Zyskind received an M.B.A. from New York University's Stern School of Business in 1997. Mr. Zyskind is Michael Karfunkel's son-in-law.

Mr. Zyskind has been selected to serve on the Board of Directors because of his position as our Chief Executive Officer, his role in our profitable growth both before and after we became a public company, his knowledge of the industry and experience in corporate finance. In addition, Mr. Zyskind, together with Michael Karfunkel and George Karfunkel, are our founding shareholders and, as a group, own and control a majority of our issued and outstanding stock.

**THE BOARD UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF ALL THE NOMINEES NAMED ABOVE.**

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## **CORPORATE GOVERNANCE**

### **Board of Directors**

Our Certificate of Incorporation provides that our Board shall consist of not less than five directors and not more than thirteen directors, with the exact number to be set by the Board from time to time. Currently, our Board of Directors consists of seven members. Directors elected at the Annual Meeting will each serve for a one-year term until the 2012 Annual Meeting of Shareholders and until the election or appointment and qualification of his or her successor, or until his or her earlier death, resignation or removal.

Our Board of Directors met on five occasions during 2010. Each of our directors attended 75% or more of the aggregate total of the Board meetings and Board committee meetings on which such director served. We encourage and expect all of the directors to attend each annual meeting of shareholders. To that end, and to the extent reasonably practicable, we regularly schedule a meeting of the Board on the day of the annual meeting of shareholders. All of our directors were present at the 2010 annual meeting of our shareholders.

### **Independence of Directors**

Our Board of Directors has determined that four of our seven directors, Donald DeCarlo, Susan Fisch, Abraham Gulkowitz and Jay Miller, are independent directors under the NASDAQ Marketplace Rules. The remaining three directors, Barry Zyskind, George Karfunkel and Michael Karfunkel, do not qualify as independent directors.

We are a controlled company as defined in Rule 5615(c)(1) of NASDAQ's listing qualification standards because George Karfunkel, Michael Karfunkel and Barry Zyskind, directly or indirectly, collectively beneficially own or control approximately 60% of our voting power (see Security Ownership of Certain Beneficial Owners). Therefore, we are exempt from the requirements of Rule 5605 with respect to having:

a majority of the members of our Board of Directors be independent;  
our Compensation and Nominating and Corporate Governance Committees comprised solely of independent directors;  
the compensation of our executive officers determined by a majority of our independent directors or a Compensation Committee comprised solely of independent directors; and  
director nominees being selected or recommended for selection by our Board of Directors, either by a majority of our independent directors or by a nominating committee comprised solely of independent directors.

Michael Karfunkel, who is not an independent director, is a member of our Compensation and Nominating and Corporate Governance Committees.

### **Executive Sessions**

As required under NASDAQ's Marketplace Rule 5605(b)(2), our independent directors have regularly scheduled meetings at which only they are present.

## **Board Committees**

Our Board has established the following committees: Audit Committee, Compensation Committee, Nominating and Corporate Governance Committee, and Executive Committee. Our Audit Committee is comprised entirely of independent directors. Our Board may, from time to time, establish or maintain additional committees as it deems necessary or appropriate.

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The membership of the existing committees as of March 25, 2011 is provided in the following table.

Director	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Executive Committee
Donald DeCarlo	X	X*	X*	
Susan Fisch			X	
Abraham Gulkowitz	X*			
George Karfunkel				X
Michael Karfunkel		X	X	X
Jay Miller	X	X		
Barry Zyskind				X*

\*

Chair

### **Audit Committee**

The Audit Committee oversees our auditing, accounting, financial reporting and internal control functions, appoints our independent public accounting firm and approves its services. One of its functions is to assure that the independent public accountants have the freedom, cooperation and opportunity necessary to accomplish their functions. The Audit Committee also assures that appropriate action is taken on the recommendations of the independent public accountants. Our Audit Committee Charter, which describes all of the Audit Committee's responsibilities, is posted on the Investor Relations section of our website ([www.amtrustgroup.com](http://www.amtrustgroup.com)) and is available in print to any shareholder who requests a copy.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and currently consists of the following independent directors: Mr. Gulkowitz, who is also the Chairman of the Committee, Mr. DeCarlo and Mr. Miller. The Board has determined that each member of the Audit Committee meets the independence requirements contained in the NASDAQ listing standards