Amtrust Financial Services, Inc.
Form 424B5
June 25, 2014
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**The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities, nor are they soliciting offers to buy these securities, in any jurisdiction where the offer or sale is not permitted.**

**Filed Pursuant to Rule 424(b)(5)**
**Registration No. 333-192097**

*SUBJECT TO COMPLETION*

*PRELIMINARY PROSPECTUS SUPPLEMENT DATED JUNE 25, 2014*

*PROSPECTUS SUPPLEMENT*

*(To Prospectus dated November 5, 2013)*

*Depositary Shares*

*AmTrust Financial Services, Inc.*

*Depositary Shares, Each Representing 1/40th of a Share of*

*% Non-Cumulative Preferred Stock, Series B*

***We are offering depositary shares, each of which represents a 1/40th interest in a share of our % Non-Cumulative Preferred Stock, Series B, $0.01 par value per share, $1,000 liquidation preference per share (equivalent to $25 per depositary share) (the Series B Preferred Stock ). The depositary shares are evidenced by depository receipts. Each depositary share entitles the holder, through the depositary, to a proportional fractional interest in all rights and preferences of the Series B Preferred Stock represented thereby (including any dividend, liquidation, redemption and voting rights).***

***Dividends on the Series B Preferred Stock represented by the depositary shares when, as and if declared by our Board of Directors or a duly authorized committee of the Board will accrue and be payable on the liquidation preference amount, on a non-cumulative basis, quarterly in arrears on the 15th day of March, June, September and December of each year (each, a dividend payment date ), commencing on September 15, 2014, at an annual rate of %. Distributions will be made in respect of the depositary shares representing the Series B Preferred Stock if and to the extent dividends are paid on the related Series B Preferred Stock.***

***Dividends on the Series B Preferred Stock represented by the depositary shares are not cumulative. Accordingly, in the event dividends are not declared on the Series B Preferred Stock represented by the depositary shares for payment on any dividend payment date, then those dividends will not accumulate and will not be payable. If we have not declared a dividend before the dividend payment date for any dividend period, we will have no obligation to pay dividends for that dividend period, whether or not dividends on the Series B Preferred Stock represented by the depositary shares are declared for any future dividend period.***

***So long as any Series B Preferred Stock remain outstanding, no dividend shall be paid or declared on our common stock or any of our other securities ranking junior to the Series B Preferred Stock (other than a dividend payable solely in common stock or in such other junior securities), unless the full dividends for the latest completed dividend period on all outstanding Series B Preferred Stock and any parity stock have been declared and paid or provided for.***

***The Series B Preferred Stock represented by the depositary shares is not redeemable prior to , 2019. On and after that date, the Series B Preferred Stock represented by the depositary shares will be redeemable at our option, for cash, in whole or in part, at a redemption price of $1,000 per share of Series B Preferred Stock represented by the depositary shares (equivalent to $25 per depositary share), plus any declared and unpaid dividends on the shares of Series B Preferred Stock represented by the depositary shares called for redemption for prior dividend periods, if any, plus accrued but unpaid dividends (whether or not declared) thereon for the then-current dividend period, to, but excluding, the date of redemption, without accumulation of any other undeclared dividends. See Description of the Series B Preferred Stock Redemption in this prospectus supplement. The depositary shares representing the Series B Preferred Stock will be redeemed if and to the extent the related shares of Series B Preferred Stock are redeemed by us.***

***Neither the depositary shares nor the Series B Preferred Stock represented thereby have a stated maturity, nor will they be subject to any sinking fund or mandatory redemption. The Series B Preferred Stock represented by the depositary shares will not have voting rights, except as set forth under Description of the Series B Preferred Stock Voting Rights in this prospectus supplement. A holder of depositary shares representing the Series B Preferred Stock will be entitled to direct the depositary how to vote in such circumstances. See Description of the Depositary Shares Voting Rights in this prospectus supplement.***

***There is currently no public market for the depositary shares or the Series B Preferred Stock represented thereby. We intend to apply to list the depositary shares representing the Series B Preferred Stock on the New York Stock Exchange ( NYSE ) under the symbol AFSI PR B. If the application is approved, we expect trading to commence within 30 days following the initial issuance of the depositary shares representing the Series B Preferred Stock.***

***Investing in the depositary shares and the Series B Preferred Stock represented thereby involves risks. See Risk Factors beginning on page S-17 of this prospectus supplement and on page 2 of the accompanying prospectus, as well as the risks described in the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, to read about important factors you should consider before making a decision to invest in the depositary shares. The depositary shares are not expected to be rated and may be subject to the risks associated with non-investment grade securities.***

| | ***Per Share*** | ***Total*** |
|---|---|---|
| *Public offering price [1]* | *$* | *$* |
| *Underwriting discounts and commissions* | *$* | *$* |
| *Proceeds, before expenses, to AmTrust Financial Services, Inc.* | *$* | *$* |

*(1) Assumes no exercise of the underwriters over-allotment option described below.*
*We have granted the underwriters an option to purchase up to an additional depositary shares within 30 days after the date of this prospectus supplement at the public offering price, less the underwriting discount, solely to cover over-allotments, if any.*

*Neither the Securities and Exchange Commission, any state securities commission or any other regulatory body has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.*

*The underwriters expect to deliver the depositary shares in book-entry form only through the facilities of The Depository Trust Company and its participants, including Euroclear Bank S.A./N.V., as operator of the Euroclear System, and Clearstream Banking, société anonyme, on or about , 2014.*

*Joint Book-Running Managers*

*Morgan Stanley* *UBS Investment Bank*

*Goldman, Sachs & Co.* *J.P. Morgan*

*Lead Manager*

*Co-Managers*

*The date of this prospectus supplement is June , 2014.*

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You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and in any free writing prospectus filed by us with the Securities and Exchange Commission, or the SEC, for use in connection with this offering. We have not, and the underwriters have not, authorized anyone to provide you with different or additional information and, accordingly, you should not rely on any such information if it is provided to you. We are not, and the underwriters are not, making an offer to sell, or the solicitation of an offer to buy, any of these securities in any jurisdiction where such an offer or sale is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any such free writing prospectus is accurate as of any date other than the respective dates of the related documents or the incorporated documents, as the case may be.

*References in this prospectus supplement and the accompanying prospectus to we, us, our, the Company or AmTr or other similar terms refer to AmTrust Financial Services, Inc. and its consolidated subsidiaries, unless we state otherwise or the context indicates otherwise. Additionally, in this prospectus supplement and the accompanying prospectus, unless otherwise stated or the context otherwise requires, references to dollars or $ are to the lawful currency of the United States.*

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## Prospectus Supplement



## Prospectus

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## ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. The accompanying prospectus is part of a registration statement that we filed with the SEC using a shelf registration process. Under the shelf registration process, from time to time, we may offer debt securities, common stock, preferred stock, depositary shares, warrants and units. In the accompanying prospectus, we provide you with a general description of the securities we may offer from time to time under this shelf registration statement. In this prospectus supplement, we provide you with specific information about the depositary shares that we are selling in this offering and the Series B Preferred Stock represented thereby. Both this prospectus supplement and the accompanying prospectus include, or incorporate by reference, important information about us, the securities being offered and other information you should know before making a decision to invest in the depositary shares. This prospectus supplement also adds to, updates and changes information contained or incorporated by reference in the accompanying prospectus. If any specific information regarding the depositary shares or the Series B Preferred Stock represented thereby in this prospectus supplement is inconsistent with the more general description of the securities in the accompanying prospectus, you should rely on the information contained in this prospectus supplement. You should read this prospectus supplement, the accompanying prospectus and any free writing prospectus we file with the SEC in connection with this offering, as well as the additional information described under Where You Can Find More Information; Incorporation by Reference in this prospectus supplement, before making a decision to invest in the depositary shares. In particular, you should review the information under the heading Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2014, each of which is incorporated by reference herein.

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## SUMMARY

*The information below is only a summary of more detailed information included elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all the information that you should consider before making a decision to invest in the securities in this offering. The other information is important, so please read this entire prospectus supplement and the accompanying prospectus, as well as the information incorporated by reference herein, carefully. You should pay special attention to the Risk Factors section beginning on page S-17 of this prospectus supplement. In particular, you should review the information under the heading Risk Factors in this prospectus supplement, the accompanying prospectus and included in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2014.*

## OUR COMPANY

### Business Overview

AmTrust Financial Services, Inc. is a Delaware corporation that was acquired by its principal shareholders in 1998 and began trading on the NASDAQ Global Select Market on November 13, 2006. We underwrite and provide property and casualty insurance in the United States and internationally to niche customer groups that we believe are generally underserved within the broader insurance market.

Our business model focuses on achieving superior returns and profit growth with the careful management of risk. We pursue these goals through geographic and product diversification, as well as an in-depth understanding of our insured exposures. Our product mix includes, primarily, workers compensation, extended warranty and other commercial property/casualty insurance products. Our workers compensation and property/casualty insurance policyholders in the United States are generally small and middle market businesses. Our extended warranty customers are manufacturers, distributors and retailers of commercial and consumer products. We have also built a strong and growing distribution of extended warranty and specialty risk products, including liability and other property/casualty products, in Europe. The majority of our products are sold through independent third-party brokers, agents, retailers or administrators. Our strategy is to target small to middle size customer markets throughout the U.S. and Europe where our proprietary technology platform enables us to efficiently manage the high volume of policies and claims that result from serving large numbers of small policyholders and warranty contract holders. The technology we have developed offers a level of service that is a competitive advantage in these high volume, lower risk markets by enhancing our ability to service, underwrite and adjudicate claims. Additionally, our ability to maintain and analyze high volumes of loss data over a long historical period allows us to better manage and forecast the underlying risk inherent in the portfolio. Since our inception in 1998, we have grown both organically and through an opportunistic acquisition strategy. We believe we approach acquisitions conservatively, and our strategy is to take relatively modest integration and balance sheet risk. Our acquisition activity has involved the purchase of companies, renewal rights to established books of insurance portfolios, access to distribution networks and the hiring of established teams of underwriters with expertise in our specialty lines.

We are committed to driving long-term shareholder value and industry-leading returns on equity by continuing to execute on our lower risk, lower volatility business model and leveraging technology to help maintain a more efficient cost structure, consistently generate solid underwriting profits and ensure strong customer service and retention rates. Additionally, we are focused on further enhancing our economies of scale by opportunistically expanding our geographic reach and product set, growing our network of agents and other distributors, developing new client relationships and executing our acquisition strategy. We are also focused on maintaining our disciplined approach to capital management while maximizing an appropriate risk-adjusted return on our growing investment portfolio. We continue to carefully monitor and maintain appropriate levels of reserves and seek to minimize our reinsurance recoverable exposure in order to maintain a strong balance sheet. We intend to expand our business and capital base to take advantage of profitable growth opportunities while maintaining or improving our A.M. Best ratings. Our principal insurance subsidiaries are rated A (Excellent) by A.M. Best Company ( A.M. Best ), which is the third highest of 16 rating levels.

**Competition**

The insurance industry, in general, is highly competitive and there is significant competition in the commercial business insurance sector. Competition in the insurance business is based on many factors, including coverage availability, claims management, safety services, payment terms, premium rates, policy terms, types of insurance offered, overall financial strength, financial ratings assigned by independent rating organizations, such as A.M. Best, and reputation. Some of the insurers with which we compete have significantly greater financial, marketing and management resources than we do. In the future, we may also compete with new market entrants. Our competitors include other insurance companies, state insurance pools and self-insurance funds. We generally target niche sectors and clients where the market is not as competitive as the broader market and where we have particular expertise and provide differentiated offerings compared to our competitors.

More than one hundred insurance companies participate in the workers compensation market in the United States. The insurance companies with which we compete vary by state and by the industries we target. We believe our competitive advantages include our efficient underwriting and claims management practices and systems and our A.M. Best ratings of A (Excellent). In addition, we believe our lower processing costs allow us to competitively price our insurance products.

We believe the niche markets in the Specialty Risk and Extended Warranty sector in which we do business are less competitive than most other insurance sectors (including workers compensation insurance). We believe our Specialty Risk and Extended Warranty teams are recognized for their knowledge and expertise in the targeted markets. Nonetheless, we face significant competition, including several internationally well-known insurers that have significantly greater financial, marketing and management resources and experience than we have. We believe that our competitive advantages include our ownership of a U.S. warranty provider, which enables us to directly administer the business, the ability to provide technical assistance to non-affiliate warranty providers, experienced underwriting, resourceful claims management practices and good relations with warranty administrators in the European Union, Asia and the United States.

Our Specialty Program segment employs a niche strategy of targeting smaller businesses, which helps to differentiate our offerings from those of our competitors. Most of our competing carriers pursue larger risks. We do not compete for high exposure business and underwrite lower hazard classes of business where service and execution are the basis for attracting and retaining business as opposed to providing the lowest price. Our competitive A.M. Best ratings and financial size allow us to compete favorably for target business.

**Underwriting and Claims Management Philosophy**

We believe that proactive and prompt claims management is essential to reducing losses and lowering loss adjustment expenses and enables us to more effectively and accurately measure reserves. To this end, we utilize our proprietary technology and extensive database of loss history in order to appropriately price and structure policies, maintain lower levels of loss, enhance our ability to accurately predict losses, and maintain lower claims costs than the industry as a whole. We believe a strong underwriting foundation is best accomplished through careful risk selection and continuous evaluation of underwriting guidelines relative to loss experience. We are committed to a consistent and thorough review of each new underwriting opportunity and our portfolio as a whole, and, where permissible and appropriate, we customize the terms, conditions and exclusions of our coverage in order to manage risk and enhance profitability.

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### Business Segments

We manage our business through three segments, Small Commercial Business, Specialty Risk and Extended Warranty and Specialty Program, which are based on the products we provide and the markets we serve.

The following table provides our gross written premium by segment for the three months ended March 31, 2014 and 2013 and the years ended December 31, 2013, 2012 and 2011:

| | Three Months Ended March 31, | | Year Ended December 31, | | |
|---|---|---|---|---|---|
| **(Amounts in Thousands)** | **2014** | **2013** | **2013** | **2012** | **2011** |
| Small Commercial Business | $ 938,927 | $ 375,849 | $ 1,659,980 | $ 933,740 | $ 609,822 |
| Specialty Risk and Extended Warranty | 447,203 | 328,329 | 1,511,649 | 1,118,710 | 1,056,511 |
| Specialty Program | 280,066 | 209,092 | 879,455 | 578,735 | 381,541 |
| Personal Lines Reinsurance | | 30,652 | 65,827 | 118,141 | 102,598 |
| Total | $ 1,666,196 | $ 943,922 | $ 4,116,911 | $ 2,749,326 | $ 2,150,472 |

Additional financial information regarding our segments is presented in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2014, each of which is incorporated by reference herein. See Where You Can Find More Information; Incorporation by Reference.

### Distribution

We market our Small Commercial Business products and Specialty Risk and Extended Warranty products through unaffiliated third parties that typically charge us a commission. In the case of our Specialty Risk and Extended Warranty segment, in lieu of a commission, these third parties often charge an administrative fee, based on the policy amount, to the manufacturer or retailer that offers the extended warranty or accidental damage coverage plan. Accordingly, the success of our business is dependent upon our ability to motivate these third parties to sell our products and support them in their sales efforts. The Specialty Program business is distributed through a limited number of qualified general and wholesale agents who charge us a commission. We restrict our agent network to experienced, professional agents that have the requisite licensing to conduct business with us. We incentivize the sales organizations through profit sharing arrangements to assure the profitability of the business written.

### Acquisitions and Strategic Investments

We have grown at an above-industry average rate through a combination of organic growth and strategic acquisitions of other companies or selected books of businesses. We have balanced our opportunistic acquisition strategy with a conservative approach to risk. We will continue to evaluate the acquisition of companies, distribution networks and renewal rights, and other alternative types of transactions as they present themselves. We seek transactions that we believe can be accretive to earnings and return on equity.

For a more detailed description of our major acquisition and strategic investment activity during 2012 and 2013, and our investment in National General Holdings Corp., see Item 1. Business Acquisitions and Strategic Investments and Item 13. Certain Relationships and Related Transactions, and Director Independence in our Annual Report on

Form 10-K for the year ended December 31, 2013, and Note 12. Acquisitions in our Quarterly Report on Form 10-Q for the three months ended March 31, 2014, each of which is incorporated by reference herein.

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## Geographic Diversity

Our insurance subsidiaries domiciled in the United States are collectively licensed to provide workers compensation insurance and commercial property and casualty insurance, including service contract reimbursement coverages related to our Specialty Risk and Extended Warranty segment, in 50 states, the District of Columbia and Puerto Rico, and in the year ended December 31, 2013, we wrote commercial property and casualty in 49 states and the District of Columbia.

Through our insurance subsidiaries, we are licensed to provide specialty risk and extended warranty coverage in 50 states and the District of Columbia, and in Ireland and the United Kingdom, and pursuant to European Union law, certain other European Union member states.

Based on coverage plans written or renewed in 2013, 2012 and 2011, the European Union accounted for approximately 72%, 72% and 68%, respectively, of our Specialty Risk and Extended Warranty business and in 2013, the United Kingdom, Italy and France accounted for approximately 43%, 26% and 6%, respectively, of our European Specialty Risk and Extended Warranty business.

## Reinsurance

We believe reinsurance is a valuable tool to appropriately manage the risk inherent in our insurance portfolio as well as to enable us to reduce earnings volatility and generate stronger returns. We also utilize reinsurance agreements to increase our capacity to write a greater amount of profitable business. Our insurance subsidiaries utilize reinsurance agreements to transfer portions of the underlying risk of the business we write to various affiliated and third-party reinsurance companies. Reinsurance does not discharge or diminish our obligation to pay claims covered by the insurance policies we issue; however, it does permit us to recover certain incurred losses from our reinsurers and our reinsurance recoveries reduce the maximum loss that we may incur as a result of a covered loss event.

The total amount, cost and limits relating to the reinsurance coverage we purchase may vary from year to year based upon a variety of factors, including the availability of quality reinsurance at an acceptable price and the level of risk that we choose to retain for our own account. For a more detailed description of our reinsurance arrangements, including our quota share reinsurance agreement with Maiden Insurance Company Ltd., see Reinsurance in Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 13. Certain Relationships and Related Transactions, and Director Independence in our Annual Report on Form 10-K for the year ended December 31, 2013 and in Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations in our Quarterly Report on Form 10-Q for the three months ended March 31, 2014, each of which is incorporated by reference herein.

## Ratings

Our principal insurance subsidiaries are each rated A (Excellent) by A.M. Best. An A rating is the third highest of the 16 categories used by A.M. Best, and is assigned to companies that have, in A.M. Best s opinion, an excellent ability to meet their ongoing obligations to policyholders. Many insurance buyers, agents and brokers use the ratings assigned by A.M. Best and other agencies to assist them in assessing the financial strength and overall quality of the companies from which they are considering purchasing insurance.

These ratings were derived from an in-depth evaluation of these subsidiaries balance sheets strengths, operating performances and business profiles. A.M. Best evaluates, among other factors, the company s capitalization, underwriting leverage, financial leverage, asset leverage, capital structure, quality and appropriateness of reinsurance, adequacy of reserves, quality and diversification of assets, liquidity, profitability,

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spread of risk, revenue composition, market position, management, market risk and event risk. A.M. Best ratings are intended to provide an independent opinion of an insurer s ability to meet its obligations to policyholders and are not an evaluation directed at investors.

**Recent Developments**

***Reinsurance Agreements and Assumption of Premium from Tower***

In January 2014, ACP Re, Ltd. ( ACP Re ), through a subsidiary, agreed to acquire 100% of the outstanding stock of Tower Group International, Ltd. ( Tower ) and merge with Tower (the Merger ). In connection with the Merger, we entered into a Commercial Lines Stock and Asset Purchase Agreement dated January 3, 2014 (the CL SPA ) with ACP Re by which we agreed to purchase from ACP Re the renewal rights and certain other assets related to Tower s commercial lines insurance operations ( Commercial Lines Assets ), including certain of Tower s U.S. domiciled insurance companies, for a purchase price equal to the tangible book value of the companies, which was expected to be $125,000.

In connection with its entry into the CL SPA with us, ACP Re entered into a Personal Lines Stock and Asset Purchase Agreement dated January 3, 2014 (the PL SPA ) with National General Holding Corp. ( NGHC ), by which NGHC agreed to purchase from ACP Re the renewal rights and certain other assets related to Tower s personal lines insurance operations ( Personal Lines Assets ), including certain of Tower s U.S. domiciled insurance companies, for a purchase price equal to the tangible book value of the companies, which also was expected to be $125,000.

The Merger is subject to shareholder and regulatory approval and the acquisition of Tower s insurance companies by us and NGHC pursuant to the CL SPA and PL SPA also requires regulatory approval. Upon announcement of the Merger and the execution of the CL SPA and PL SPA, we, NGHC and ACP Re entered into discussions with Tower s U.S. and Bermuda insurance regulators regarding the overall plan for the administration of the run-off of Tower s business as of the closing of the Merger and our and NGHC s acquisition of the Commercial Lines Assets and Personal Lines Assets going forward. Based on these discussions, we, NGHC and ACP Re determined that the best way to structure the transaction would be for Tower to retain ownership of all its U.S. insurance companies and for us and NGHC, respectively, to (i) acquire the Commercial Lines Assets and the Personal Lines Assets; (ii) administer the run-off of Tower s historical commercial lines claims and personal lines claims at cost, (iii) in their discretion, place commercial lines business and personal lines business with the Tower insurance companies, which they will exclusively manage and fully reinsure for a net 2% ceding fee payable to the Tower insurance companies, (iv) retain the expirations on all business written by the Tower insurance companies through us and NGHC, as managers, and (v) receive the agreement of the Tower insurance companies and ACP Re not to compete with respect to the commercial lines business and personal lines business (the Revised Plan ).

In connection with the Revised Plan, we and NGHC expect to provide ACP Re with financing in an aggregate principal amount of up to $125,000 each, subject to terms to be negotiated, but that will have a term of no shorter than seven years and pay a market interest rate. In addition, we and NGHC will issue a $250,000 aggregate stop loss reinsurance agreement to Tower by which each, as reinsurers, will provide, severally, $125,000 of stop loss coverage. ACP Re will fully reinsure us and NGHC for any payments made by us and NGHC pursuant to the stop loss agreement. The stop loss coverage will attach in the event that paid losses and paid loss adjustment expenses by the Tower insurance companies exceed Tower s reserves as of the closing of the Merger.

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Pursuant to the foregoing, on April 8, 2014, we terminated the CL SPA and entered into a Commercial Lines Master Agreement with ACP Re (the Master Agreement ), which provides for the implementation of the Revised Plan and our acquisition of the Commercial Line Assets through the entry of the following agreements, subject to regulatory approval and the consummation of the Merger:

- the instrument by which we will provide financing to ACP Re in the aggregate principal amount of up to $125,000;
- we, through a subsidiary, will enter into an administrative services agreement with ACP Re to manage and administer the runoff of commercial lines claims and policies written by the Tower insurance companies prior to the Merger;
- we, or one of our subsidiaries, will enter into a commercial lines managing general agent agreement with ACP Re to manage and administer the ongoing commercial lines policies after the Merger;
- we, through one of our insurance subsidiaries, will enter into a 100% quota share reinsurance agreement with ACP Re to reinsure the net retained business written post-closing by the Tower insurance companies pursuant to the commercial lines managing general agent agreement;
- we, along with NGHC, as reinsurers, will enter into a $250,000 aggregate stop loss reinsurance agreement with a subsidiary of Tower and ACP Re will enter into a reinsurance agreement by which it reinsures the full amount of any payments that we and NGHC would be obligated to pay under the aggregate stop loss reinsurance agreement; and
- we, through a subsidiary, will enter into an investment management agreement with ACP Re to provide investment management services to the Tower insurance companies.

The transaction remains subject to regulatory approval and the consummation of the Merger. There is no assurance that modifications to the terms of the transaction described above will not need to be made in order to obtain regulatory approval.

## CORPORATE AND OTHER INFORMATION

Our principal executive offices are located at 59 Maiden Lane, 43rd Floor, New York, New York 10038, and our telephone number at that location is (212) 220-7120.

Our website address is *http://www.amtrustgroup.com.* Our internet website and the information contained therein or connected thereto are not intended to be incorporated by reference into this prospectus supplement and the accompanying prospectus.

This prospectus supplement refers to brand names, trademarks, service marks and trade names of us and other companies and organizations, and these brand names, trademarks, service marks and trade names are the property of their respective holders.

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## THE OFFERING

*The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Series B Preferred Stock and the depositary shares representing the Series B Preferred Stock, see Description of the Series B Preferred Stock and Description of Depositary Shares in this prospectus supplement and Description of Preferred Stock and Description of Depositary Shares in the accompanying prospectus.*

| | |
|---|---|
| Issuer | AmTrust Financial Services, Inc. ( AmTrust ) |
| Securities offered | depositary shares (or depositary shares if the underwriters exercise their over-allotment option in full), each representing a 1/40th interest in a share of % Non-Cumulative Preferred Stock, Series B (the Series B Preferred Stock ), $0.01 par value per share, with a liquidation preference of $1,000 per share (equivalent to $25 per depositary share), of AmTrust. Each holder of a depositary share will be entitled, through the depositary, in proportion to the applicable fraction of a share of the Series B Preferred Stock represented by such depositary share, to all the rights and preferences of the Series B Preferred Stock represented thereby (including dividend, voting, redemption and liquidation rights).<br><br>We may from time to time elect to issue additional depositary shares representing Series B Preferred Stock, and all the additional depositary shares would be deemed to form a single series with the depositary shares offered hereby. |
| Dividends | Dividends on the Series B Preferred Stock represented by the depositary shares, when, as and if declared by the Board of Directors of AmTrust or a duly authorized committee of the Board, will accrue and be payable on the liquidation preference amount from, and including, the original issue date, on a noncumulative basis, quarterly in arrears on each dividend payment date, at an annual rate of %. Dividends on the Series B Preferred Stock represented by the depositary shares will be computed on the basis of a 360-day year consisting of twelve 30-day months. Any dividends declared or payable on the Series B Preferred Stock represented by the depositary shares will be distributed to holders of depositary shares in the manner described under Description of the Depositary Shares Dividends and Other Distributions in this prospectus supplement. |

Dividends on the Series B Preferred Stock represented by the depositary shares are not

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cumulative. Accordingly, in the event dividends are not declared on the Series B Preferred Stock represented by the depositary shares for payment on any dividend payment date, then such dividends will not accumulate and will not be payable. If our Board of Directors or a duly authorized committee of the Board has not declared a dividend before the dividend payment date for any dividend period, we will have no obligation to pay dividends for such dividend period after the dividend payment date for that dividend period, whether or not dividends on the Series B Preferred Stock represented by the depositary shares are declared for any future dividend period.

During any dividend period, so long as any Series B Preferred Stock represented by the depositary shares remains outstanding, unless the full dividends for the latest completed dividend period on all outstanding shares of Series B Preferred Stock have been declared and paid:

no dividend shall be paid or declared on our common stock or other junior stock, other than a dividend payable solely in junior stock;

no common stock or other junior stock shall be purchased, redeemed or otherwise acquired for consideration by us, directly or indirectly (other than (1) as a result of a reclassification of junior stock for or into other junior stock, or the exchange or conversion of one share of junior stock for or into another share of junior stock, (2) through the use of the proceeds of a substantially contemporaneous sale of junior stock or (3) in connection with grants or settlements of grants pursuant to any equity compensation plan adopted by us) nor shall any monies be paid to or made available for a sinking fund for the redemption of such stock; and

no shares of Series B Preferred Stock represented by the depositary shares or parity stock shall be repurchased, redeemed or otherwise acquired for consideration by us other than pursuant to pro rata offers to purchase all, or a pro rata portion, of the Series B Preferred Stock represented by the depositary shares and such parity stock except by conversion into or exchange for junior stock.

For any dividend period in which dividends are not paid in full upon the Series B Preferred Stock

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| | |
|---|---|
| | represented by the depositary shares and any parity stock, all dividends declared for such dividend period with respect to the Series B Preferred Stock represented by the depositary shares and such parity stock shall be declared on a pro rata basis. See Description of the Series B Preferred Stock Dividends and Description of the Depositary Shares Dividends in this prospectus supplement. |
| Dividend Payment Dates | Dividends on the Series B Preferred Stock represented by the depositary shares will be payable on the 15th day of March, June, September and December of each year, commencing on September 15, 2014. If any date on which dividends would otherwise be payable is not a business day, then the dividend payment date will be the next succeeding business day with the same force and effect as if made on the original dividend payment date. |
| Dividend Periods | A dividend period is the period from and including a dividend payment date to but excluding the next dividend payment date, except that the initial dividend period will commence on and include the original issue date of the Series B Preferred Stock represented by the depositary shares and will end on and exclude the September 15, 2014 dividend payment date. Assuming an initial issue date of , 2014, the dividend for the initial dividend period will be approximately $ per share of Series B Preferred Stock represented by the depositary shares. |
| Redemption | On and after June , 2019, the Series B Preferred Stock represented by the depositary shares will be redeemable at our option, in whole or in part, at a redemption price equal to $1,000 per share (equivalent to $25 per depositary share) plus declared and unpaid dividends on the shares of Series B Preferred Stock represented by the depositary shares called for redemption for prior dividend periods, if any, plus accrued but unpaid dividends (whether or not declared) thereon for the then-current dividend period, to, but excluding, the date of redemption, without accumulation of any other undeclared dividends. The depositary shares representing the Series B Preferred Stock will be redeemed if and to the extent that the related shares of Series B Preferred Stock are redeemed by us.<br><br>Our ability to redeem the Series B Preferred Stock represented by the depositary shares as described |

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above may be limited by the terms of our agreements governing our existing and future indebtedness and by the provisions of other existing and future agreements. The Series B Preferred Stock represented by the depositary shares will not be subject to any sinking fund or other obligation of ours to redeem, purchase or retire the Series B Preferred Stock. See Description of the Series B Preferred Stock Redemption and Description of the Depositary Shares Redemption in this prospectus supplement.

Ranking

The Series B Preferred Stock represented by the depositary shares:

will rank senior to our common stock and any other junior stock with respect to the payment of dividends and distributions upon our liquidation, dissolution or winding-up. Junior stock includes our common stock and any other class or series of our capital stock that ranks junior to the Series B Preferred Stock represented by the depositary shares either as to the payment of dividends or as to the distribution of assets upon our liquidation, dissolution or winding-up;

will rank at least equally with each other class or series of our capital stock ranking on parity with the Series B Preferred Stock represented by the depositary shares, which we refer to as parity stock, as to dividends and distributions upon our liquidation, dissolution or winding-up. Parity stock includes our previously issued 6.75% Non-Cumulative Preferred Stock, Series A, $0.01 par value per share, $25 liquidation preference per share (the Series A Preferred Stock ); and

will rank junior to each other class or series of our capital stock that by its terms ranks senior to the Series B Preferred Stock represented by the depositary shares as to dividends and distributions upon our liquidation or dissolution or winding-up.

As of the date of this prospectus supplement, we do not have any outstanding shares or series of our capital stock that ranks equally with or senior to the Series B Preferred Stock with respect to the payment of dividends and distribution of assets upon our liquidation, dissolution or winding up, other than the Series A Preferred Stock. As of the date hereof, there were authorized 4,600,000 shares of our Series A Preferred Stock having an aggregate liquidation preference of $115,000,000, all of which were issued and outstanding.

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| Liquidation Rights | Upon any voluntary or involuntary liquidation, dissolution or winding-up of AmTrust, holders of shares of the Series B Preferred Stock represented by the depositary shares and, in turn, the depositary shares are entitled to receive out of our assets available for distribution to stockholders, before any distribution is made to holders of common stock or other junior stock, a liquidating distribution in the amount of the liquidation preference of $1,000 per share of such Series B Preferred Stock represented by the depositary shares (equivalent to $25 per depositary share) plus any declared and unpaid dividends, without accumulation of any undeclared dividends. Distributions will be made pro rata as to the Series B Preferred Stock represented by the depositary shares and any parity stock and only to the extent of our assets, if any, that are available after satisfaction of all liabilities to creditors. Any distributions paid on the Series B Preferred Stock represented by the depositary shares will be distributed to holders of depositary shares in the manner described under Description of the Depositary Shares Dividends and Other Distributions in this prospectus supplement. See Description of the Series B Preferred Stock Liquidation Rights and Description of the Depositary Shares Dividends and Other Distributions in this prospectus supplement. |
| Voting Rights | The holders of the Series B Preferred Stock and, in turn, the depositary shares will not have any voting rights, except under limited circumstances, including with respect to certain fundamental changes in the terms of the Series B Preferred Stock represented by the depositary shares, in the case of certain dividend arrearages and except as specifically required by Delaware law. See Description of the Series B Preferred Stock Voting Rights and Description of the Depositary Shares Voting Rights in this prospectus supplement. |
| Maturity | Neither the depositary shares nor the Series B Preferred Stock represented thereby have any maturity date, and we are not required to redeem the depositary shares or the Series B Preferred Stock represented thereby. Holders of the depositary shares will have no right to have the Series B Preferred Stock represented by the depositary shares redeemed. Accordingly, the shares of Series B Preferred Stock and, in turn, the depositary shares will remain outstanding indefinitely, unless and until we decide to redeem them. |

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| Preemptive Rights | Holders of the Series B Preferred Stock and, in turn, the depositary shares will have no preemptive rights. |
| Listing | We intend to apply to list the depositary shares representing the Series B Preferred Stock on the NYSE under the symbol AFSI PR B. If the application is approved, we expect trading to commence within 30 days following the initial issuance of the depositary shares representing the Series B Preferred Stock. We do not intend to list the Series B Preferred Stock represented by the depositary shares on any exchange or expect that there will be any separate public trading market for the shares of the Series B Preferred Stock except as represented by the depositary shares. |
| Tax Consequences | For discussion of the tax consequences relating to the Series B Preferred Stock and the depositary shares, see Certain U.S. Federal Income Tax Considerations in this prospectus supplement. |
| Use of Proceeds | We estimate that the net proceeds to us from the sale of the Series B Preferred Stock represented by the depositary shares issued in this offering will be approximately $ million (or $ million if the underwriters exercise their overallotment option in full) after deducting the underwriting discount and our estimated offering expenses. We intend to use the net proceeds of this offering for general corporate purposes. See Use of Proceeds in this prospectus supplement. |
| Transfer Agent and Depositary | American Stock Transfer & Trust Company, LLC. |
| Risk Factors | See Risk Factors in this prospectus supplement, the accompanying prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2013 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2014, each of which is incorporated by reference herein, for the risks you should consider carefully before deciding to invest in depositary shares representing the Series B Preferred Stock. |

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## SUMMARY HISTORICAL FINANCIAL DATA

The following tables set forth our selected historical consolidated financial and operating information for the periods ended and as of the dates indicated, which is derived from our audited consolidated financial statements and the notes thereto. Our consolidated balance sheet data as of March 31, 2014 and our consolidated statements of operations data for the three months ended March 31, 2014 and 2013 are derived from our unaudited condensed consolidated financial statements. In the opinion of our management, our unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, considered necessary for a fair presentation of the financial information. Operating results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. The following information should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes, which appear in Part II, Items 7 and 8, respectively, of our Annual Report on Form 10-K for the year ended December 31, 2013 and Management s Discussion and Analysis of Financial Condition and Results of Operations and the condensed consolidated financial statements and related notes, which appear in Part I, Items 2 and 1, respectively, of our Quarterly Report on Form 10-Q for the three months ended March 31, 2014, each of which is incorporated by reference herein. For more details on how you can obtain our SEC reports and other information, you should read the section entitled Where You Can Find More Information.

| | Three Months Ended March 31, | | Year Ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2013 | 2012 | 2011 | 2010 | 2009 |
| | (Amounts in Thousands) | | | | | | |
| **Selected Income Statement Data**(1) | | | | | | | |
| Gross written premium | $ 1,666,196 | $ 943,922 | $ 4,116,911 | $ 2,749,326 | $ 2,150,472 | $ 1,560,822 | $ 1,198,946 |
| Ceded gross written premium | (535,915) | (411,816) | (1,551,238) | (1,101,289) | (873,875) | (733,596) | (555,520) |
| Net written premium | $ 1,130,281 | $ 532,106 | $ 2,565,673 | $ 1,648,037 | $ 1,276,597 | $ 827,226 | $ 643,426 |
| Change in unearned premium | (301,230) | (124,112) | (299,683) | (229,185) | (239,736) | (81,567) | (69,544) |
| Net earned premium | $ 829,051 | $ 407,994 | $ 2,265,990 | $ 1,418,852 | $ 1,036,861 | $ 745,659 | $ 573,882 |
| Service and fee income | 90,958 | 60,513 | 331,559 | 172,174 | 108,660 | 62,067 | 30,690 |