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Amtrust Financial Services, Inc.
Form 8-K
July 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) July 28, 2016

AmTrust Financial Services, Inc.
(Exact name of registrant as specified in its charter)

Delaware 001-33143 04-3106389
(State or other jurisdiction (Commission (IRS Employer
of incorporation) File Number) Identification No.)

59 Maiden Lane, 43rd Floor, New York, 10038
New York
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (212) 220-7120

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

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“Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

“Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.133-4 (c))

Item 1.01 Entry into a Material Definitive Agreement.

On July 28, 2016, AmTrust Financial Services, Inc. (the “Company”) and its wholly-owned subsidiary AmTrust International Insurance Ltd. (“AIIIL”), and National General Re Ltd. (“NG Re Ltd.”), a subsidiary of National General Holdings Corp. (“NGHC”), entered into a restatement agreement (the “Restatement Agreement”) to the \$250 million credit agreement dated September 15, 2014 among the Company, as Administrative Agent, ACP Re Ltd. (“ACP Re”), ACP Re Holdings, LLC, as guarantor, and AIIIL and NG Re Ltd., as Lenders (the “Credit Agreement”).

The parties to the Restatement Agreement have agreed to restate the Credit Agreement as a result of a \$200 million contribution (the “Contribution”) by the Michael Karfunkel Family 2005 Trust (the “Trust”) and members of the Michael Karfunkel family to CastlePoint National Insurance Company (“CNIC”). The Contribution will be made in connection with the Conservation Plan developed by the Commissioner of Insurance of the State of California for CNIC as successor by merger to all of its affiliated Tower Group International Ltd. (the “Tower Group”) U.S. insurance companies (the “Conservation Plan”). The following restated terms of the Credit Agreement will become effective upon the approval of the Conservation Plan by the Superior Court of the State of California, which is supervising the Conservation Plan process:

- The borrower will become ACP Re Holdings, LLC, a Delaware limited liability company owned by the Trust;
- The Trust will cause ACP Re Holdings, LLC to maintain assets having a value greater than 115% of the value of the then outstanding loan balance, and if there is a shortfall, the Trust will make a contribution to ACP Re Holdings, LLC of assets having a market value of at least the shortfall (the “Maintenance Covenant”);
- The amounts borrowed will be secured by equity interests, cash and cash equivalents, other investments held by ACP Re Holdings, LLC and proceeds of the foregoing in an amount equal to the requirements of the Maintenance Covenant;
- The maturity date will change from September 15, 2021 to the twentieth anniversary of the date on which the restatement becomes effective;
- Interest on the outstanding principal balance of \$250 million will change from a fixed annual rate of 7% (payable in cash, semi-annually in arrears) to a fixed annual rate of 3.7% (payable in cash, semi-annually in arrears), provided that up to 1.2% thereof may be paid in kind;
- Commencing on the tenth anniversary of the date on which the restatement becomes effective, and for each year thereafter, two percent of the then outstanding principal balance of the loan (inclusive of any amounts previously paid in kind) will be due and payable;
- At the Lenders’ discretion, ACP Re Holdings, LLC may repay the loan using cash or tradeable stock of an equivalent market value of any publicly traded company on the NYSE, NASDAQ or London stock exchange; and
- A change of control of greater than 50% and an uncured breach of the Maintenance Covenant are included as events of default.

Item 8.01 Other Events.

When the Contribution has been made, the following agreements will be terminated: (a) the \$250 million Stop Loss Reinsurance Agreement, dated September 15, 2014, among AIIIL and NG Re, as reinsurers, and CastlePoint Reinsurance Company, Ltd., as subsidiary of ACP Re, (b) the Stop Loss Retrocession Contract among AIIIL, NG Re and ACP Re, and (c) the Commercial Lines Administrative Services Agreement among AmTrust North America, Inc., a subsidiary of the Company, CastlePoint Reinsurance Company, Ltd. and Tower Group’s U.S. insurance companies. AmTrust North America, Inc. will enter into an agreement with the Insurance Commissioner of the State of California, in his capacity as Conservator of and on behalf of CNIC, to continue to provide the services it is currently providing under the Commercial Lines Administrative Services Agreement, which are to administer the run-off of the Tower Group’s commercial lines business written prior to September 15, 2014. The Contribution and consequent

termination of these three agreements is subject to approval of the Conservation Plan by the Superior Court of the State of California.

The Restatement Agreement was negotiated and approved by a sub-committee of the Company's Audit Committee, which was represented by independent legal and financial advisors. In approving the Restatement Agreement, the sub-committee took into consideration the Contribution, the cancellation of the Stop Loss Reinsurance Agreement, and the provision by the Trust of a stronger credit profile to secure ACP Re Holdings' outstanding loan obligations, all of which are beneficial to the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AmTrust Financial Services, Inc.
(Registrant)

Date July 28, 2016

/s/ Stephen Ungar
Stephen Ungar
Senior Vice President, General Counsel and Secretary