REPORT ON EXAMINATION

OF

FIRST NONPROFIT INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT OF EXAMINATION, made as of December 31, 2014 of the

FIRST NONPROFIT INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

Attest By: ______________________

Date: June 17, 2016

In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 17th day of June, 2016.

____

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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Karen Weldin Stewart, CIR-ML
Commissioner

Delaware Department of Insurance

REPORT OF EXAMINATION

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FIRST NONPROFIT INSURANCE COMPANY

AS OF

DECEMBER 31, 2014

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 17th day of June, 2016

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June 8, 2016

Honorable Karen Weldin Stewart
Commissioner
Delaware Department of Insurance
Rodney Building
841 Silver Lake Blvd.
Dover, Delaware 19904

Dear Commissioner:

In accordance with instructions and pursuant to statutory provisions contained in Certification Number 15.026, dated April 24, 2015, a financial examination has been made of the affairs, financial condition and management of

FIRST NONPROFIT INSURANCE COMPANY

hereinafter referred to as (Company or FNIC) incorporated under the laws of the State of Delaware as a stock company with its registered office in the State of Delaware at 2711 Centerville Road, Wilmington, Delaware 19808. The Company's main administrative office is located at 1 South Wacker Drive, Suite 2380, Chicago, Illinois 60606. This examination was conducted at the Company's administrative office in Chicago, Illinois. The report of this examination is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (DDOI) has performed a multi-state coordinated risk-focused financial examination of the Company. The last examination was conducted as of December 31, 2009. This examination covered the period of January 1, 2010 through December 31, 2014, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company at December 31, 2014. Transactions subsequent to the examination date were reviewed where deemed necessary.

The examination of the Company was performed as part of the multi-state coordinated examination of AmTrust Financial Services, Inc. (AFSI) insurance group of companies as of December 31, 2014. Delaware was the lead state for the AFSI holding company group's commercial lines business segments. We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook)* and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the States of Delaware. The *NAIC Handbook* requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If an adjustment was identified during the course of the examination, the impact of the adjustment was documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Laws of the State of Delaware as required by 18 Del. C. §321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, were not included within the examination report but were separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm, BDO USA LLP. Certain auditor work papers of their 2014 audit have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS OF FACT

This examination had no material adverse findings, significant non-compliance findings, material changes in financial statements, or updates on other significant regulatory information disclosed in the previous examination.

COMPANY HISTORY

The Company was incorporated and commenced business on January 1, 1978 under the laws of the State of Illinois. The Company was originally organized as First Illinois Religious and Charitable Risk Pooling Trust (the Trust), pursuant to the Illinois Religious and Charitable Risk Pooling Trust Act (the Act). The Act was established to provide a stable market for the insurance needs of the non-profit community.

On June 24, 1981, the Trust’s name was changed to First Non Profit Risk Pooling Trust (FNPR) and then again to First Nonprofit Trust (FNT) on February 11, 1991. On April 1, 1993, FNT was reorganized into a reciprocal insurance company as First Nonprofit Insurance Company, a Reciprocal (FNICR). The conversion to reciprocal enabled FNICR policies to come under the protection of the Insurance Guaranty Fund of Illinois. To coincide with the conversion, a second trust was established to maintain the original trust's workers' compensation business in a trust format. In addition, as a reciprocal, FNICR management had the flexibility to ultimately expand operations into additional states.

Effective December 31, 1997, FNICR was merged into a related entity, First Nonprofit Mutual Insurance Company (FNMIC). Subsequently, on August 1, 2002, a mutual insurance holding company was formed called First Nonprofit Mutual Holding Company (FNMHC) as FNMIC converted to a stock company and became a downstream subsidiary of FNMHC, adopting the Company’s current name.

On November 15, 2007, Mutual Insurers Holding Company (MIHC) merged into FNMHC with MIHC surviving as ultimate parent and its subsidiary, Milwaukee Insurance Company (MIC), becoming a wholly owned subsidiary of the Company. Subsequently, in September 2012, MIC merged into the Company and ceased to exist. At that time, the Company directly owned HSC Claims Administration, Inc. (HCA), First Nonprofit Consulting, Inc. (FNC), First Nonprofit Insurance Agency, Inc. (FNIA) and Human Services Benefits Company (HSBC).

On May 13, 2013, AFSI, through a sponsored conversion, purchased 100% of the stock of MIHC, thereby owning 100% of the stock of the Company. Shortly after, on June 28, 2013, MIHC merged into AFSI and ceased to exist. Later that year, on November 5, 2013, the

Company's wholly owned entities, HCA and FNC, were dissolved and FNIA and HSBC were sold.

MANAGEMENT AND CONTROL

Directors

Pursuant to the General Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction of, its Board of Directors (Board). The Board shall consist of at least three members. The Board as of December 31, 2014 was comprised of seven members, each elected or appointed in accordance with the Company's bylaws. Each Director shall hold their office until a successor is elected and qualified, or until resignation or removal. The Board of Directors, duly elected in accordance with the Company's bylaws and serving as of the period ending December 31, 2014, is as follows:

Director	Principal Occupation
Donald Thomas DeCarlo	Attorney (Self-Employed)
Barry Dov Zyskind	President, Chief Executive Officer and Director, AFSI
Stephan Barry Ungar	General Counsel and Secretary, AFSI
Stuart Dov Hollander	Insurance Executive and President - Special Risk Division, AFSI
Harry Schlachter	Treasurer, AFSI
Adam Zev Karkowsky	Executive Vice President, Strategic Development – Mergers and Acquisitions, AFSI
Phillip Roger Warth Jr.	Chairman, First Nonprofit Insurance Company

Officers

The bylaws of the Company state the principal officers shall be a President, Treasurer and a Secretary, and such officers or assistant officers or agents for the Board may vary from time to time. As of December 31, 2014, the Company's principal officers and their respective titles are as follows:

Officer	Title
James Joseph Scardino	President
Stephen Barry Ungar	Secretary
Richard James Dacey	Chief Financial Officer and Treasurer

The minutes of the meetings of the Board of Directors, which were held during the period of the examination were reviewed and determined to be in accordance with the Company's bylaws. The attendance at such meetings, the elections of directors and officers and the approvals of investment transactions were reviewed and noted.

Inspection of the Company's files indicated that the Conflict of Interest Statement and the Ethics Code were distributed and completed in compliance with Company guidelines.

Holding Company System

The Company is a member of an insurance holding company system as defined in 18 Del. C. §5001 (6) "Insurance Holding Company System." As of May 13, 2013, 100% of the stock of the Company is owned by AFSI.

The ultimate controlling parties of AFSI are Michael Karfunkel, George Karfunkel and Barry Zyskind through their ownership or interest in G/MK Acquisition Corporation and New Gulf Holdings, Inc. (G/MK). As of December 31, 2006, Michael Karfunkel and George Karfunkel beneficially owned in aggregate 58.7% of the issued and outstanding shares of common stock of AFSI and Barry Zyskind beneficially owned 41% of the issued and outstanding shares of common stock of AFSI through his interest in G/MK. AFSI went public in November 2006 and on August 8, 2007, G/MK merged into AmTrust Financial Group, Inc. (AFG). Subsequently, AFG merged into a wholly owned subsidiary of AFSI. As a result, AFSI issued 9,033,000 shares of common stock each to Michael Karfunkel and George Karfunkel and 6,022,000 shares to Barry D. Zyskind in exchange for the 24,089,000 shares which had been held by AFG. As a result, the structure of ownership changed from indirect ownership through G/MK to each party having direct ownership in AFSI.

As of December 31, 2014, through the restructured ownership, Michael Karfunkel owned or controled approximately 1.4% of the issued and outstanding common stock of AFSI, Leah Karfunkel, Trustee (GRAT) owned or controled approximately 12.9%, George Karfunkel owned or controled approximately 23.2%, and Barry Zyskind owned or controled approximately 19.4% of the issued and outstanding common stock of AFSI.

The following page reflects an abbreviated chart displaying the ownership chain of subsidiaries and their domestic affiliation as of December 31, 2014:

First Nonprofit Insurance Company

- Michael Karfunkel (1.4%)
- Leah Karfunkel, Trustee, Michael Karfunkel 2005 GRAT (12.9%)
- George Karfunkel (23.2%)
- Barry Zyskind (19.4%)

AMTRUST FINANCIAL SERVICES, INC. (DE)

- AmTrust International Insurance, Ltd. (Bermuda)
  - Agent Alliance Reinsurance Company, Ltd. (Bermuda)
  - AmTrust Holdings Luxembourg S. A. R. L. (Luxembourg)
  - AmTrust Holdings Luxembourg - Europe S. A. R. L. (Luxembourg)
  - AII Insurance Management Limited (Bermuda)
    - AmTrust Equity Solutions, Ltd. (Bermuda) 50% Owned
      - Rochdale Insurance Company (NY)
      - AmTrust Insurance Luxembourg S. A. (Luxembourg)
      - AmTrust International Underwriters Limited (Ireland)
      - AmTrust International Limited (England)
      - AMT Capital Holdings III S.A. (Luxembourg)
- AmTrust Insurance Company of Kansas, Inc., (KS)
- AmTrust Lloyd's Corporation (TX)
  - AmTrust Lloyd's Ins. Co of Texas (TX)
- AmTrust North America of Florida, Inc. (FL)
  - Associated Industries Ins. Co., Inc. (FL)
- Comp Options Ins. Co., Inc. (FL)
- First Atlantic Title Ins. Corp. (NY)
- **First Nonprofit Ins. Co. (DE)**
- Insco Ins. Services, Inc. (CA)
  - Developers Surety and Indemnity Co. (IA)
    - Indemnity Co. of California (CA)
- Milwaukee Casualty Ins. Co. (WI)
- Security National Insurance Company (DE)
- Sequoia Ins. Co. (CA)
  - Sequoia Indemnity Company (NV)
- Technology Insurance Company, Inc. (NH)
- Wesco Insurance Company (DE)
- AmTrust E&S Insurance Services, Inc. (DE)
- AmTrust North America of Texas, Inc. (DE)
- AmTrust North America, Inc. (DE)
  - AII Reinsurance Broker, LTD (Bermuda)
- AmTrust Underwriters, Inc. (DE)
- Builders & Tradesmen's Insurance Services, Inc. (CA)
- **First Nonprofit Companies, Inc. (IL)**
- AMT Warranty Corp. (DE)
- AMTCS Holdings Inc. (DE)
- OwnerGUARD Corp. (CA)
- RS Acquisition Holdco, LLC (DE)
- 1103-1107 Dekalb Ave LLC (DE)
- AmTrust Ventures I, LLC (DE)
- I.G.I. Underwriting Agency, Inc. (NY)
- Rocklin Sierra College LLC. (DE)
- Rock Run South, LLC (DE)
- Westside Parkway, GA, LLC (DE)
- AFS Realty Member, LLC (DE)

Affiliated Management and Service Agreements

The Company has entered into various agreements with members of the AFSI holding group in an effort to obtain efficiencies in operations and limit certain cost. The Company had the following material intercompany agreements in effect as of December 31, 2014:

Insurance Services, Management and Agency Agreement

The Company entered into an Insurance Services, Management and Agency Agreement on May 13, 2013 with AmTrust North America, Inc. (ANA), by which ANA performs certain marketing, underwriting and administrative services. In exchange, the Company pays a 10% commission on business written; plus commission amounts payable to producing agents for business written. Under terms of the agreement, ANA performs the following services:

- Back Room Administration - includes but not limited to: compliance, underwriting review, policy issuance, billing and collecting of premium, disbursement of funds from the fiduciary account, cancellation and reinstatement of policies, issuance of endorsements, premium audit and billing, unit statistical reporting and any other insurance related administrative services, including the provision of notice, if necessary, to any TPA that may be involved with the Company's policies, cancellations, reinstatements, claims oversight and unit statistical reporting.

- Compliance - maintaining all licenses required by applicable state insurance statutes and regulations for the services to be provided; forwarding all claims that involve: (i) complaints and inquiries from state insurance departments, (ii) notices of threatened or initiated litigation, (iii) disputed denials of coverage under policies, or (iv) a demand in excess of policy limits. All forwarded claims to be accompanied by all available information to assist the Company in responding, no later than seven (7) business days after receipt.

- Marketing - prepare approved sales brochures and other materials with respect to policies; communicate information required to promote the sales and servicing of policies.

- Underwriting - accept and underwrite applications without binding authority, calculate and quote rates, and provide loss prevention services to policyholders.

- Reinsurance - perform all services and obligations that are required with respect to reinsurer(s) pursuant to any applicable reinsurance contracts;

- Billing and Collection of Premium - bill for and collect premiums; payment of return premiums; notify the Company of past due premiums and fees within forty-five (45) days of the due date of premium and fees; all insurance charges and premiums collected by ANA are held in a fiduciary capacity in a separate account for the benefit of FNIC. Premium is to be deposited within thirty (30) days of receipt into a fiduciary bank account that must be a member of the Federal Reserve System.

- Disbursement of Funds from Fiduciary Account - remit all premiums net of commission, along with the Monthly Report, within thirty (30) days after the close of each month.

- Claims - render claims services in compliance with applicable law, subject to claim handling rules and practices.

- Miscellaneous Duties - handle all routine customer service correspondence and general clerical administration of policies; maintain files as required; promptly deliver any certificates, booklets, termination notices or other written communications as required; perform collateral functions and other duties related to the marketing and administration.

Intercompany Management Agreement

The Company entered into an Intercompany Management Agreement with AFSI on May 13, 2013. Pursuant to the agreement, AFSI provides certain management services and certain costs are allocated among the Company and its affiliates on a proportional basis. Under this agreement, the Company reimburses AFSI for the following services performed:

- Financial and Accounting Services - includes financial and accounting maintenance of fiduciary account; maintenance of books and records, federal and state tax compliance (including premium and excise tax), investment management, statutory and GAAP accounting, loss reserving, and the development of premium and commission rates.
- Administrative Services - includes regulatory filings and compliance issues, preparation and submission of applications for certificates of authority and certificate of authority expansion, and maintaining rating agency relationships.

- Underwriting Services - includes the appointment of producers and the actual marketing.

- Compensation - the Company reimburses AFSI all direct and operational expenses within 45 days of the end of each calendar quarter.

The agreement provides that on a quarterly basis, all expenses incurred by AFSI on behalf of the Company will be allocated in a manner consistent with 18 Del. C. §5005(a).

Tax Allocation Agreement

Effective May 13, 2013, the Company became party to a Tax Allocation Agreement with other members of the AFSI holding company group. This agreement provides that the allocation of the consolidated federal income tax liability is to be based upon each party's relative contribution to such liability. The agreement also provides an allocation for a particular tax year to each party that reflects their share of consolidated federal income tax liability after adjustments for tax audits or otherwise. The method of allocation among affiliates is based on separate return calculations with current credit for net losses to the extent the losses provide a benefit in the consolidated tax return.

Agreement for Sponsorship and Administrative Services

Effective November 19, 2003, and amended effective January 1, 2005, the Company is party to an agreement with affiliate, First Nonprofit Companies, Inc. (FNC), whereby FNC provides executive services with respect to administration of the Company’s unemployment program for nonprofit entities; in turn, the Company manages, supervises, and administers the operations of FNC. Under terms of the agreement, FNC is allocated its share of the Company’s operating expenses to include salaries, insurance, rent and general office expenses. For the year ended December 31, 2014, the charges to FNC totaled approximately $821,000.

The examination determined the intercompany agreement with FNC was not included in the Company's annual 2014 Form B Insurance Holding Company System Registration Statement (Form B) filed May 28, 2015. Pursuant to 18 Del. C. §5004 (b)(3)(e), the annual Form B shall contain all affiliated management agreements, service contracts and all cost-sharing arrangements. Therefore;

It is recommended the Company file the intercompany agreement with affiliate FNC in the annual Form B filing, pursuant to 18 Del. C. §5004 (b)(3)(e).

TERRITORY AND PLAN OF OPERATION

The Company operates as a multi-line insurance property and casualty company licensed in 32 states and the District of Columbia to write the following lines of business: fire, allied lines, commercial multi-peril, inland marine, earthquake, workers' compensation, general liability, umbrella, director's and officers' professional liability, commercial automobile liability, commercial auto physical damage, fidelity, surety, glass, burglary and theft, boiler and machinery, with primary writings in commercial multi-peril (49.4% of direct premiums written) and workers' compensation (27.7% of direct premiums written).

The Company covers more than 300,000 employees at nonprofit organizations nationwide. Additionally, they offer financial services and consulting, administration of group programs, risk management and state unemployment insurance (SUI) through affiliate FNC, and to two programs managed by FNC. These programs include fixed annual costs, budgetary certainty, insurance protection and professional claims administration, with eligible organizations to include more than 1,700 nonprofit and governmental entities. The SUI program offered by the Company includes both individual and group alternatives for nonprofit and governmental employers. All employers are required to pay for SUI. For-profit employers only have one option to cover their SUI obligations, which is to pay a tax into the State

Unemployment Fund. Nonprofits and governmental employers can opt to self-insure, also known as reimbursing, and not pay via the tax method.

Nonprofit organizations eligible for coverage by the Company include, but are not limited to, the following: social service organizations, child and family services, YMCAs and YWCAs, Boys & Girls Clubs, recreational parks, camps and clubs (Special Olympics and community recreation centers), domestic violence and homeless shelters, assisted living centers, charter and private schools, colleges and universities, charitable foundations, mental health and behavioral services, religious charities and service organizations, native American Indian tribal organizations and casinos, governmental sector entities and public school districts. Nonprofit organizations that are ineligible for coverage by the Company include the following: nursing homes, social organizations (American Legions or VFW Halls), medical services (hospitals, laboratories or pharmacies), adult sexual offenders or fire starters and abortion clinics.

Nonprofit SUI insurance program options offered by the Company include the following: bonded service program (risk free, first and last-dollar coverage), unemployment savings program (proprietary interest-bearing reserve, with claims administration and stop-loss insurance), excess loss insurance, surety bonds (required in many states for “reimbursing” employers) and group program management (program design, consultation and administration for nonprofit and public sector associations or affiliated entities). These program options are administered by affiliate FNC. Under an annual surety policy issued by the Company to FNC, the Company is required to reimburse FNC for all claims in excess of individual insured claim fund deposit amounts. These deposits vary by insured participants. All FNC participant contracts with inception dates during the same calendar year are classified into a “pool origination year” for purposes of reporting revenue and insurance recoveries from the Company.

A pool origination year is considered to be complete upon the expiration of all contracts within the pool and the settlement of all related claims. Contracts typically range in length from one to two years. As of December 31, 2014, pool years through 2009 have been closed. As of December 31, 2014, the Company had outstanding loss reserves and incurred but not reported (IBNR) losses of $0 and $1,939,000, respectively.

REINSURANCE

Assumed

The Company does not actively assume business from any affiliated or unaffiliated companies. As of December 31, 2014, the Company reported $52,316 of assumed premium related to assumed business in run-off with the Pennsylvania Manufacturers Association (PMA). The Company stopped assuming business from PMA in 2011. As of December 31, 2014, there were case loss and loss adjustment expense reserves of approximately $870,000 and approximately $1,072,000 of assets pledged as collateral with Comerica Bank related to the business in run-off with PMA.

Ceded

Intercompany Reinsurance

Effective June 1, 2013, the Company entered into an intercompany reinsurance agreement whereby it cedes 100% of its primary retention, after third party reinsurance, to Bermuda affiliate, AIIL. The 100% quota share agreement includes policies with an effective date of June 1, 2013 and after, including all of the existing reserves and unearned premium reserve as of June 1, 2013.

Third Party Reinsurance

The Company is covered under an AFSI corporate workers' compensation excess of loss reinsurance program, whereby AFSI Companies retain the first $5,000,000 up to a maximum of $510,000,000, in four layers. The first layer provides 50% coverage from $5,000,000 to $10,000,000. The second layer provides 100% coverage from $10,000,000 to $341,700,000. The third layer provides 87.5% coverage from $341,700,000 to $381,700,000 and the fourth layer provides 100% coverage from $381,700,000 to $510,000,000.

The Company is covered under an AFSI corporate property per risk excess of loss reinsurance arrangement, whereby AFSI Companies retain the first $2,000,000 per risk on property losses and cedes amounts in excess of $2,000,000 on each loss. The limit per occurrence under this arrangement is $30,000,000.

The Company is covered under an AFSI corporate property catastrophe excess of loss reinsurance arrangement, whereby AFSI Companies retain the first $20,000,000 per occurrence on property losses, net of recoveries under the property per risk reinsurance referenced above, up to a maximum of $400,000,000 per occurrence, in two layers. The first layer provides 100% coverage from $20,000,000 to $360,000,000 and the second layer provides 87.5% coverage from $360,000,000 to $400,000,000.

The Company purchases quota share reinsurance for its non-program umbrella business, whereby it cedes 70% up to $5,000,000 of loss per policy and 100% above the $5,000,000 loss per policy.

The Company is covered under AFSI's corporate casualty excess of loss reinsurance arrangement, whereby AFSI Companies retain the first $2,500,000 per occurrence and cede up to a maximum of $40,000,000, with 100% coverage from $2,500,000 to $40,000,000.

Effective November 1, 2014, the Company is covered under AFSI's corporate property quota share reinsurance arrangement, with 10% coverage up to $20,000,000.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Delaware Department of Insurance and present the financial condition of the Company for the period ending December 31, 2014. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.

Assets
Liabilities, Surplus and Other Funds
Statement of Income
Reconciliation of Capital and Surplus from Prior Examination

The narrative on the reserve related balances is presented in the "Comments on Financial Statements" section of this report.

Assets
December 31, 2014

	Assets	Nonadmitted Assets	Net Admitted Assets	Notes
Bonds	$ 109,309,320	$ -0-	$ 109,309,320	1
Cash and short-term investments	7,005,544		7,005,544	
Investment income due and accrued	817,947		817,947	
Uncollected premiums and agents' balances in course of collection	8,661,596	4,002,761	4,658,835	
Deferred premiums, agents' balances and installments booked but deferred	5,137,332		5,137,332	
Amounts recoverable from reinsurers	355,775		355,775	
Current federal and foreign income tax recoverable and interest thereon	4,746,368		4,746,368	
Net deferred tax asset	7,772,950	5,926,293	1,846,657	
Electronic data processing equipment and software	34,385		34,385	
Furniture and Equipment	39,702	39,702		
Aggregate write-ins for other than invested assets:				
Cash value of officers life insurance	5,478,991		5,478,991	
Leasehold improvements	202,924	202,924		
Prepaid expenses	913,259	913,259		
Total Assets	$ 150,476,093	$ 11,084,939	$ 139,391,154	

Liabilities, Surplus and Other Funds
December 31, 2014

		Notes
Losses	$ -0-	2
Reinsurance payable on paid losses and loss adjustment expenses	394,000	
Loss adjustment expenses	-0-	2
Commissions payable, contingent commissions and other similar charges	105,298	
Other expenses	4,404,693	
Taxes, licenses and fees	666,508	
Advance premium	889	
Ceded reinsurance premiums payable	2,941,000	
Funds held by company under reinsurance treaties	92,568,000	3
Payable to parent, subsidiaries and affiliates	2,207,012	
Total liabilities	$ 103,287,400	
Common capital stock	$ 5,000,000	
Surplus notes	6,500,000	
Gross paid in and contributed surplus	36,100,525	
Unassigned funds (surplus)	(11,496,771)	
Surplus as regards policyholders	$ 36,103,754	
Totals	$ 139,391,154	

Statement of Income
December 31, 2014

UNDERWRITING INCOME	
Premiums earned	$ -0-
DEDUCTIONS	
Losses incurred	$ -0-
Loss adjustment expenses incurred	-0-
Other underwriting expenses incurred	4,375,156
Total underwriting deductions	4,375,156
Net underwriting gain or (loss)	$ (4,375,156)
INVESTMENT INCOME	
Net investment income earned	$ 2,675,025
Net realized capital gains or (losses)	780,156
Net investment gain or (loss)	$ 3,455,181
OTHER INCOME	
Net gain or (loss) from agents' or premium balances charged off	$ (367,000)
Finance and service charges not included in premiums	
Aggregate write-ins for miscellaneous income	60,373
Total other income	$ (306,627)
Net income before dividends to policyholders and before federal income taxes	(1,226,602)
Dividends to policyholders	
Net income after dividends to policyholder but before federal income taxes	(1,226,602)
Federal and foreign income taxes incurred	(40,980)
Net income	$ (1,185,622)

Reconciliation of Capital and Surplus from Prior Examination
December 31, 2009 to December 31, 2014

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Surplus Notes	Unassigned Surplus	Total
December 31, 2009	$ 5,000,000	$ 36,100,525	$ 7,000,000	$ 5,357,689	$ 53,458,214
Operations 2010 (1)				(532,148)	(532,148)
Surplus Notes (2)			(500,000)		(500,000)
Operations 2011 (1)				228,181	228,181
Operations 2012 (1)				(3,803,830)	(3,803,830)
Operations 2013 (1)				(8,956,509)	(8,956,509)
Prior Year Adjustment (3)				(2,319,234)	(2,319,234)
Eliminate DTA (4)				(2,146,197)	(2,146,197)
Operations 2014 (1)				2,156,891	2,156,891
Audit Adjustment (5)				(1,481,614)	(1,481,614)
December 31, 2014	$ 5,000,000	$ 36,100,525	$ 6,500,000	$ (11,496,771)	$ 36,103,754

(1) Operations defined as: Net income, change in net deferred income tax, change in non-admitted assets, and change in provision for reinsurance.

(2) Surplus Notes: The Company has two floating rate surplus notes of $5,000,000 and $1,500,000. The $5,000,000 note is repayable in one lump-sum payment due on June 17, 2034 and accrues interest at the three-month London Interbank Offered Rate (LIBOR) plus 3.80%. The $1,500,000 note is repayable in one lump-sum payment due on December 15, 2035 and accrues interest at the three-month LIBOR rate plus 3.75%. Interest is paid quarterly with approval from the Department.

(3) Adjustment to reporting year 2012 recorded in 2013.

(4) Elimination of Deferred Tax Asset (DTA) due to sale of subsidiaries.

(5) Audit adjustment in 2014.

COMMENTS ON FINANCIAL STATEMENTS

(1) Bonds **$109,309,320**

Long-term bonds constitute the largest category of invested assets at December 31, 2014, representing approximately 78.4% of the Company's reported total admitted assets, with 91.8% of the bonds considered investment grade (rated as Class 1 or Class 2 by the NAIC).

(2) Losses **$ -0-**
Loss adjustment expenses **$ -0-**

The Company cedes 100% of net loss and loss adjustment expense reserves, after third party reinsurance, to Bermuda affiliate, AIIL.

The DDOI contracted INS Consultants, Inc. (INS), to conduct an independent review of the Company's gross loss and loss adjustment expense reserves as of December 31, 2014. The Consulting Actuary's analysis was performed using a risk-focused approach according to the guidelines contained in the *NAIC Handbook*. The conclusions set forth in the Consulting Actuary's report were based on information provided by the Company, including the 2014 Annual Statement. The Statement of Actuarial Opinion and the Actuarial Report for the Company were signed by Ronald T. Kuehn, FCAS, MAAA, CERA, CPCU, ARM, FCA, associated with the outside firm Huggins Actuarial Services, Inc.

Based on work performed, the Consulting Actuary found the Company's carried gross loss and loss adjustment expense reserves, as of December 31, 2014, to be reasonably stated.

(3) Funds held by company under reinsurance treaty **$92,568,000**

Funds held of $92,568,000, payable to affiliate AIIL, represents contractual payments due that the Company has retained to secure obligations of AIIL that would otherwise be payable under the intercompany reinsurance agreement.

SUBSEQUENT EVENTS

The following significant events occurred subsequent to the examination date and were considered to have an impact on the Company's financial statements:

- Effective January 1, 2015, the Company's cession to Bermuda affiliate, AmTrust International Insurance Limited (AIIL), was reduced from 100% to 60%.

- Effective January 1, 2016, the Company's cession to Bermuda affiliate, AIIL, was reduced from 60% to 50%.

- Effective November 20, 2015, the DDOI approved a Form A Exemption request from the Company. On July 28, 2015, pursuant to the terms of the Michael Karfunkel 2005 Grantor Retained Annuity Trust (GRAT), the GRAT expired and control of the stock of AFSI held by the GRAT passed from the GRAT to the Michael Karfunkel Family 2005 Trust (2005 Trust), with Leah Karfunkel and Barry Zyskind as the Trustees of the 2005 Trust. The outcome of the transaction resulted in the 2005 Trust acquiring approximately 12.1% of the voting security of AFSI, the ultimate shareholder. However, the transaction did not change the controlling ownership of AFSI considering the aforementioned ownership parties.

- On April 27, 2016, Michael Karfunkel, co-founder of AFSI with his brother, George Karfunkel, passed away.

COMPLIANCE WITH PRIOR REPORT OF EXAMINATION

There were no recommendations in the prior report of examination.

SUMMARY OF RECOMMENDATIONS

It is recommended the Company file the intercompany agreement with affiliate FNC in the annual Form B filing, pursuant to 18 Del. C. §5004 (b)(3)(e).

CONCLUSION

The following schedule reflects the results of this examination and the results of the prior examination with changes between the examination periods:

Description	December 31, 2009	December 31, 2014	Increase (Decrease)
Assets	$128,054,667	$139,391,154	$11,336,487
Liabilities	74,596,453	103,287,400	28,690,947
Common capital stock	5,000,000	5,000,000	
Surplus Notes	7,000,000	6,500,000	(500,000)
Gross paid in and contributed surplus	36,100,525	36,100,525	
Unassigned funds (surplus)	5,357,689	(11,496,771)	(16,854,460)
Surplus as regards policyholders	53,458,214	36,103,754	(17,354,460)
Total liabilities, capital and surplus	$128,054,667	$139,391,154	$11,336,487

The assistance and cooperation of examiners representing the states on the coordinated examination is acknowledged. In addition, the assistance of the consulting actuarial firm, INS Consultants, Inc., the information systems specialist firm, INS Services, Inc., the Company's outside audit firm, BDO USA LLC, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,

James M Perkins

James M. Perkins, CFE
Examiner-In-Charge
State of Delaware Department of Insurance