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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

-against-

AMTRUST FINANCIAL SERVICES, INC.
AND RONALD E. PIPOLY, JR.,

Defendants.

Civil Action No. 1:20-cv-4652

ECF CASE

COMPLAINT

Plaintiff Securities and Exchange Commission (“SEC” or the “Commission”) files this Complaint against Defendants AmTrust Financial Services, Inc. (“AmTrust” or the “Company”) and Ronald E. Pipoly, Jr. (“Pipoly”) (collectively, “Defendants”), and alleges as follows:

SUMMARY

1. From March 16, 2010 through February 29, 2016 (the “Relevant Period”), AmTrust failed to disclose the Company’s process for reporting management’s best estimate of loss reserves — a process performed by Pipoly, the Company’s former Chief Financial Officer (“CFO”). Under Generally Accepted Accounting Principles (“GAAP”), an insurer’s liabilities for the cost of unpaid claims (i.e., loss reserves) are accrued when the claims occur, and must reflect the estimated ultimate cost of settling those claims, including claims that have been incurred but not yet reported to the insurer. In practice, this estimated amount is called

* Not admitted in SDNY, *pro hac vice* application filed herewith.

“management’s best estimate” of loss reserves (“MBE”). GAAP requires insurers to disclose their basis for estimating loss reserves, including major risks and uncertainties concerning these estimates. GAAP further requires insurers to disclose, and in certain circumstances also accrue, loss contingencies when loss reserve estimates are impacted by judgmental adjustments to historical experience.

2. Although AmTrust disclosed the Company’s general actuarial process for estimating loss reserves, the Company failed to:
 - i. disclose and describe Pipoly’s methodologies to determine MBE on a total and segmental basis, including all the quantitative and qualitative factors that Pipoly considered in his analyses;
 - ii. disclose the manner in which Pipoly’s process to determine MBE on a total and segmental basis diverged from the actuarial analyses of AmTrust’s internal and external actuaries; and
 - iii. disclose that Pipoly’s process included consolidated accounting adjustments that diverged from internal actuarial estimates to report MBE in the Company’s consolidated financial statements (“MBE Adjustments”), including the total and segmental amounts of MBE Adjustments, their impact on AmTrust’s reported loss reserves and expenses, and the specific factors or assumptions supporting management’s judgment to record the MBE Adjustments.

AmTrust and Pipoly were negligent in their conduct, and as a result, they failed to disclose the Company’s process for reporting management’s best estimate of loss reserves.

3. Additionally, AmTrust failed to maintain: (i) sufficient supporting documentation for management's best estimate of loss reserves; (ii) a sufficient system of internal accounting controls for management's best estimate of loss reserves; and (iii) effective disclosure controls and procedures for management's best estimate of loss reserves.

JURISDICTION AND VENUE

4. The Court has jurisdiction over this action under Sections 20(b), 20(d) and 22 of the Securities Act of 1933 ("Securities Act") [15 U.S.C. §§77t(b), 77t(d) and 77v] and Sections 21(d), 21(e) and 27 of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. §§ 78u(d), 78u(e) and 78aa]. Defendants directly or indirectly made use of means or instrumentalities of interstate commerce or the mails in connection with the transactions, acts, practices, and courses of business alleged herein.

5. Venue in this district is proper under Section 22 of the Securities Act [15 U.S.C. § 77v] and Section 27 of the Exchange Act [15 U.S.C. § 78aa] because AmTrust is headquartered in this district, both Defendants transact business in this district, and certain acts, practices, transactions, and courses of business constituting the violations alleged herein occurred within this district.

DEFENDANTS

6. AmTrust is a Delaware corporation headquartered in New York, New York that underwrites and provides specialty property and casualty insurance. During the Relevant Period, AmTrust's common stock was registered with the Commission under Section 12(b) of the Exchange Act, and traded on the NASDAQ Global Market under the symbol, "AFSI." In addition, AmTrust's Series A preferred stock, depository shares of Series B, C, D, E, and F preferred stock, 7.25% Subordinated Notes due 2055, and 7.50% Subordinated Notes due 2055 were registered with the Commission under Section 12(b) of the Exchange Act, and traded on the

New York Stock Exchange (collectively, the “Listed Securities”). On June 21, 2018, AmTrust’s public stockholders approved an offer to purchase their common stock in a going-private transaction. This transaction closed on November 29, 2018, and trading in AmTrust’s common stock was suspended. AmTrust’s common stock was subsequently delisted, and on February 7, 2019, AmTrust voluntarily delisted the Listed Securities as well. As a result, AmTrust’s reporting obligations were suspended, and AmTrust is no longer required to file any reports with the Commission under Section 13(a).

7. Ronald E. Pipoly, Jr. is a United States citizen who resides in Concord, Ohio. He served as AmTrust’s CFO during the Relevant Period and regularly traveled to the Company’s headquarters in New York, New York to perform his duties as CFO.

FACTUAL ALLEGATIONS

Background

8. AmTrust is a multinational insurance holding company that primarily conducts business through its wholly owned subsidiaries, which provide workers’ compensation insurance, property insurance, commercial automobile insurance, general liability insurance, professional and medical malpractice insurance, surety bonds, and extended service and warranty coverage. As of December 31, 2015, AmTrust had 17 wholly owned domestic subsidiaries that provided property and casualty insurance in the United States (the “Domestic Subsidiaries”). Collectively, the Domestic Subsidiaries were licensed to provide workers’ compensation insurance and commercial property and casualty insurance in all 50 states, the District of Columbia, and Puerto Rico. AmTrust’s wholly owned international subsidiaries also provided insurance in Europe and Bermuda.

9. AmTrust was a highly acquisitive company that grew rapidly, both domestically and internationally, and became one of the largest property and casualty insurers in North America. The Company's consolidated gross written premium surged from \$1.2 billion in 2009 to \$6.8 billion in 2015. By December 31, 2015, AmTrust had approximately 6,200 employees serving 12 countries and territories.

10. As a publicly traded insurance company, AmTrust was required to prepare its consolidated financial statements in accordance with GAAP. AmTrust's consolidated financial statements were included in the Company's annual reports, which were signed by Pipoly and filed with the Commission on Form 10-K pursuant to Section 13(a) of the Exchange Act and related rules. AmTrust's consolidated financial statements and periodic reports (collectively, the "Consolidated Financial Statements") also provided information concerning the Company's reporting segments. AmTrust primarily reported its consolidated operating results in three reporting segments: (1) Small Commercial Business ("Small Commercial"); (2) Specialty Risk and Extended Warranty ("Specialty Risk"); and (3) Specialty Program ("Program").

Insurers Must Report Management's Best Estimate of Loss Reserves

11. AmTrust's Consolidated Financial Statements provided the Company's estimated cost of all reported and unreported loss and loss adjustment expenses for claims incurred and unpaid at a given point in time ("loss reserves"). An insurance company is required to record and report these loss reserves in its quarterly and annual financial statements, including estimated costs for claims that have been reported to the company ("case reserves"), and estimated costs for loss and loss adjustment expenses that have been incurred but not reported to the company ("IBNR").

12. Under GAAP, an insurer's liabilities for the cost of unpaid claims, including estimated costs of incurred-but-not-reported claims (IBNR), are accrued when insured events (i.e., claims) occur. These estimated liabilities for unpaid claims (loss reserves) are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends, and any other factors that would modify past experience. Changes in estimated claims costs resulting from (1) the continuous review process, and (2) differences between estimates and payments for claims, shall be recognized in *income* of the period when the estimates are changed or payments are made.

13. Some insurers select their estimate of the ultimate cost of settling claims from a selection of several different reserve methods. In practice, this estimated amount is called "management's best estimate" (MBE). Guidance on management's best estimate states that management should generally select a single loss reserve estimate which represents its judgment about the *most likely* circumstances and events. If management develops a reasonable range of estimates, the amount recorded could be the best estimate within that range.

14. Under GAAP, insurers must disclose their basis for estimating loss reserves. GAAP also requires reporting companies to disclose major risks and uncertainties concerning significant estimates, including loss reserves. GAAP further requires reporting companies to accrue and/or disclose loss contingencies when loss reserves are impacted by judgmental adjustments to historical experience for purposes of estimating future claims costs. Specifically, reporting companies must accrue an estimated loss from loss contingencies if it is probable that a liability has been incurred, and the amount of loss can be reasonably estimated. If the loss cannot be reasonably estimated, then reporting companies must disclose the loss contingencies,

including the nature of the contingencies and judgmental adjustments to historical experience for insufficiently understood claims activity.

Pipoly's MBE Process

15. AmTrust's insurance subsidiaries and/or business units employed internal actuaries who performed actuarial analyses to assist pricing and estimate losses for the subsidiaries' respective lines of business. For each quarter, the insurance subsidiaries' accounting and finance personnel used these actuarial estimates to record loss reserves and expenses in the subsidiaries' accounting records. During the Relevant Period, AmTrust did not have a standardized internal actuarial process to estimate loss reserves, so the insurance subsidiaries' recorded loss reserves and expenses were generally calculated to approximate the reserves estimates of AmTrust's external actuarial consultants. In the United States, the Domestic Subsidiaries' recorded loss reserves and expenses approximated the reserves estimates from AmTrust's primary external actuarial consultant ("Consultant"). These loss reserves and expenses were reported in the Domestic Subsidiaries' statutory financial statements, which were filed with their respective state insurance regulators.

16. After the internal actuaries completed their actuarial analyses, and AmTrust's insurance subsidiaries recorded their respective loss reserves and expenses, Pipoly received and reviewed a report that incorporated these estimates in the Company's consolidated account balances for earned premium and incurred losses, segregated by line of business and reporting segment (the "Initial Loss Picks"). According to Pipoly, he also reviewed other quantitative and qualitative information concerning AmTrust's potential loss reserves and expenses, including monthly claims reports, monthly business reports, reports from external actuarial consultants, and other ad hoc reports prepared and discussed during the period, such as reports for distributions of claims by type of injury, distribution of premium by class codes and hazard

group, claims closure rates, and frequency and severity trends. Based upon this information, Pipoly applied his own judgment and knowledge of the Company's businesses to perform his own independent analysis of AmTrust's loss reserves and expenses to determine MBE for AmTrust's total, net consolidated loss reserves and the net consolidated loss reserves for each reporting segment.¹

17. Pipoly also calculated the MBE Adjustments that were necessary to adjust the Initial Loss Picks for each reporting segment so that AmTrust's consolidated accounts reflected MBE for financial reporting purposes. These MBE Adjustments were recorded in AmTrust's consolidated accounting records to reflect MBE on a reporting-segment basis, which in aggregate also reflected MBE for AmTrust's total loss reserves. Pipoly employed several different accounting methods to record these MBE Adjustments, which generally decreased AmTrust's total and segmental loss reserves and expenses. (Collectively, this entire MBE process is called "Pipoly's MBE Process" or "his MBE Process.")

18. During the Relevant Period, Pipoly was ultimately responsible for his MBE Process, including his determination of AmTrust's MBE and the MBE Adjustments. Pipoly was the only person who fully understood his MBE Process, and he did not maintain any supporting documents for his MBE Process and determination of MBE. Additionally, AmTrust does not have any contemporaneous documentation (e.g., memos, emails or notes) reflecting Pipoly's MBE Process and determination of MBE.

¹ Unless specifically stated otherwise, all future references in this Complaint to AmTrust's loss reserves or expenses relate to AmTrust's *net consolidated* loss reserves or expenses, which reflect AmTrust's gross consolidated loss reserves or expenses net of any external reinsurance, as AmTrust's Consolidated Financial Statements generally present AmTrust's consolidated loss reserves and expenses on a net basis.

19. After Pipoly had determined and recorded AmTrust's MBE for a particular period, he compared AmTrust's MBE to the estimates provided by AmTrust's Consultant, which had provided an Actuarial Central Estimate ("ACE") and reasonable range of loss reserves to AmTrust each year based on its actuarial analysis and assessment of AmTrust's businesses. (For quarterly reporting purposes, AmTrust created an "implied" ACE by applying the ultimate loss ratios in the Consultant's most recent report to AmTrust's earned premium for the current period, and then subtracted changes in paid losses and case reserves.) Specifically, Pipoly compared AmTrust's total MBE to the Consultant's ACE and confirmed that MBE fell within the Consultant's reasonable range for AmTrust's total loss reserves.

20. This reasonable range expanded rapidly as AmTrust's gross written premium surged from \$1.2 billion in 2009 to \$6.8 billion in 2015. For example, the reasonable range stretched over \$400 million in 2013, over \$700 million in 2014, and over \$900 million in 2015. During the Relevant Period, AmTrust's reported MBE always fell within the Consultant's reasonable range but it diverged from the Company's Initial Loss Picks and the Consultant's ACE. Specifically, AmTrust's total MBE always diverged below the Company's Initial Loss Picks, and almost always diverged below the Consultant's ACE. Additionally, AmTrust's MBE for each reporting segment generally diverged below the Company's Initial Loss Picks, particularly in the Program segment. Although AmTrust's reported MBE diverged from its internal actuarial estimates, AmTrust never disclosed the MBE Adjustments during the Relevant Period.

21. According to Pipoly, AmTrust's reported MBE diverged below these actuarial estimates because MBE incorporated management's long-term expectations for AmTrust's businesses, including management's belief that future claims costs would be lower than the

subsidiaries' historical experience and the industry generally. Management's belief was primarily based upon: (i) AmTrust's initiatives to administer more claims internally, rather than relying on third-party administrators, which management expected to reduce future claims costs; and (ii) AmTrust's increasing market position and reduced reliance on third-party administrators, which management expected to reduce future medical and legal expenses. These judgmental adjustments impacted significant accounting estimates in the Company's Consolidated Financial Statements, and should have been disclosed as loss contingencies, but they were not disclosed during the Relevant Period.

22. Moreover, when Pipoly determined AmTrust's MBE, he failed to: (i) properly consider the actuarial analyses supporting the Company's Initial Loss Picks, including but not limited to the actuarial methodologies, claims data, development factors, assumptions and expectations incorporated in the internal actuaries' various reserve models and ultimate loss ratios; and (ii) properly consider the actuarial analyses supporting the Consultant's ACE and reasonable range, including but not limited to the actuarial methodologies, claims data, development factors, assumptions and expectations incorporated in the Consultant's various reserve models and ultimate loss ratios.

23. Consequently, when Pipoly's determination of MBE differed from AmTrust's Initial Loss Picks and the Consultant's ACE, he did not have a sufficient basis to reasonably conclude whether his determination of MBE represented the most likely outcome of AmTrust's claims — as compared to the Initial Loss Picks and the Consultant's ACE — because Pipoly did not sufficiently understand: (i) the reasons why his MBE actually differed from these actuarial estimates; (ii) the specific assumptions, factors, and/or expectations causing these

differences; and (iii) whether the specific assumptions, factors, and/or expectations supporting his MBE Adjustments were already incorporated or reflected in these actuarial estimates.

Pipoly's Methods of Recording MBE Adjustments

24. Pipoly recorded MBE Adjustments through the Company's consolidation of intercompany reinsurance transactions involving AmTrust's subsidiaries in Bermuda and Luxembourg. Pipoly also directed AmTrust's accountants to record MBE Adjustments through "bulk" topside entries in AmTrust's general ledger and consolidation schedules.

The Luxembourg Method

25. In certain reinsurance transactions, AmTrust's wholly owned reinsurance subsidiary in Bermuda, AmTrust International Insurance, Ltd. ("AII-Bermuda"), ceded losses to AmTrust's wholly owned reinsurers in Luxembourg, commonly known as the Luxembourg Reinsurance Captives ("LRCs"). AII-Bermuda's ceded losses were fully assumed by the LRCs in these transactions so the ceded and assumed losses matched in the subsidiaries' accounting records (the "Luxembourg Transactions"). During AmTrust's consolidation process, however, Pipoly recorded MBE Adjustments by changing the LRCs' assumed losses so that AmTrust's consolidated accounting records reflected MBE for financial reporting purposes (the "Luxembourg Method"). Pipoly used the Luxembourg Method to report MBE in AmTrust's Consolidated Financial Statements for 2009 through 2012. By December 31, 2012, AmTrust's Initial Loss Picks had been reduced by \$263.8 million of accumulated MBE Adjustments — recorded through the Luxembourg Method — to report MBE.

The Bulk Method

26. For 2013 through 2015, Pipoly directed AmTrust's accountants to record MBE Adjustments through "bulk" topside entries in AmTrust's general ledger and consolidation

schedules (the “Bulk Method”). Like the Luxembourg Method, the Bulk Method did not impact the subsidiaries’ accounting records so the MBE Adjustments were not reflected in the loss reserves and expenses reported in the Domestic Subsidiaries’ statutory financial statements. By December 31, 2015, AmTrust’s Initial Loss Picks had been reduced by \$325 million of accumulated MBE Adjustments — recorded through the Bulk Method — to report MBE.

Pipoly’s MBE Adjustments Impacted AmTrust’s Reported Results

27. Pipoly’s MBE Adjustments decreased AmTrust’s Initial Loss Picks and resulted in lower loss reserves and expenses reported as MBE in the Company’s Consolidated Financial Statements for 2009 through 2015. Additionally, the MBE Adjustments generally resulted in lower reported loss reserves and expenses for each reporting segment, particularly in the Program segment.

28. The following table provides the total MBE Adjustments recorded in each year, AmTrust’s total reported loss and loss adjustment expenses in each year, the accumulated year-end balance of MBE Adjustments for each year, and AmTrust’s total year-end loss reserves reported for each year:

Calendar Year-Ending (12/31)	Total MBE Adjustments Recorded (in 000's)	Total Reported Loss and Loss Adjustment Expenses (in 000's)	Accumulated Year-End Balance of MBE Adjustments (in 000's)	Total Year-End Loss Reserves Reported (in 000's)
2009	(\$31,852)	\$327,771	(\$31,852)	\$1,091,944
2010	(\$62,124)	\$471,481	(\$93,976)	\$1,263,537
2011	(\$96,060)	\$678,333	(\$190,036)	\$1,879,175
2012	(\$73,770)	\$922,675	(\$263,806)	\$2,426,400
2013	(\$74,227)	\$1,517,361	(\$74,227)	\$4,368,234
2014	(\$23,290)	\$2,342,619	(\$97,516)	\$5,664,205
2015	(\$227,439)	\$2,682,208	(\$324,955)	\$7,208,367

AmTrust's Failure to Disclose Pipoly's MBE Process

29. AmTrust's annual Forms 10-K and quarterly Forms 10-Q for the years ended December 31, 2009 through December 31, 2015 failed to disclose the Company's process for reporting MBE in its Consolidated Financial Statements. Specifically, although AmTrust described its general actuarial process for estimating loss reserves, the Company failed to:

- i. disclose and describe Pipoly's methodologies to determine MBE on a total and segmental basis, including all the quantitative and qualitative factors that Pipoly considered in his analyses;
- ii. disclose the manner in which Pipoly's process to determine MBE on a total and segmental basis diverged from the actuarial analyses of AmTrust's internal and external actuaries; and
- iii. disclose that Pipoly's process included MBE Adjustments that diverged from internal actuarial estimates to report MBE in the Company's Consolidated Financial Statements, including the total and segmental amounts of MBE Adjustments, their impact on AmTrust's reported loss reserves and expenses, and the specific factors or assumptions supporting management's judgment to record the MBE Adjustments.

30. In particular, AmTrust's annual Forms 10-K and quarterly Forms 10-Q for the years ended December 31, 2009 through December 31, 2015 failed to disclose the Company's process for reporting MBE of property and casualty lines of business in the Consolidated Financial Statements, including those reported in the Program segment. Specifically, AmTrust generally stated that its loss reserve estimates for property and casualty lines of business were

based upon *multiple actuarial methods* that utilized *industry development factors* by line of business, but the Company failed to:

- i. disclose and describe Pipoly's MBE Process for property and casualty lines of business, including Pipoly's methodologies to determine MBE for these lines of business, and all the quantitative and qualitative factors that Pipoly considered in his analyses;
- ii. disclose the manner in which Pipoly's MBE Process for property and casualty lines of business diverged from the actuarial analyses of AmTrust's internal and external actuaries; and
- iii. disclose that Pipoly's MBE Process for property and casualty lines of business included MBE Adjustments that diverged from internal actuarial estimates, including the total and segmental amounts of MBE Adjustments, their impact on AmTrust's reported loss reserves and expenses, and the specific factors or assumptions supporting management's judgment to record the MBE Adjustments.

AmTrust and Pipoly were negligent in their conduct, and as a result, they violated Sections 17(a)(2) and 17(a)(3) of the Securities Act.

AmTrust's Deficient Books and Records

31. During the Relevant Period, AmTrust's consolidated accounting records reflected MBE but Pipoly did not maintain supporting documents for his MBE Process, including documentation of his methodologies and analyses to determine MBE on a total and segmental basis, and determine the amounts of MBE Adjustments. As a result, AmTrust failed to keep

books and records that in reasonable detail accurately and fairly reflected its transactions as required under Section 13(b)(2)(A) of the Exchange Act.

AmTrust's Deficient Internal Accounting Controls

32. During the Relevant Period, Pipoly was ultimately responsible for AmTrust's process to determine and report MBE in the Company's Consolidated Financial Statements. Pipoly was the only person who fully understood his MBE Process, including his determination of AmTrust's MBE and the MBE Adjustments. When Pipoly performed his MBE Process, he did not properly consider the actuarial analyses of AmTrust's internal and external actuaries. Additionally, Pipoly's analyses and determinations of MBE, including his MBE Adjustments, were not reviewed by anyone else at AmTrust. Finally, although AmTrust's consolidated accounting records reflected MBE, Pipoly did not maintain supporting documentation for his MBE Process, including his analyses and determination of MBE.

33. Despite AmTrust's extraordinary growth during the Relevant Period, the Company did not have sufficient internal accounting controls governing: (i) management's process for determining, recording and reporting MBE; (ii) the supporting documentation that must be maintained to evidence management's determination of MBE; (iii) the amounts and allocations of MBE Adjustments to the Company's reporting segments; or (iv) the manner in which MBE Adjustments must be recorded in AmTrust's accounting records. As a result, AmTrust failed to devise and maintain a sufficient system of internal accounting controls as required under Section 13(b)(2)(B) of the Exchange Act.

AmTrust's Deficient Disclosure Controls and Procedures

34. As described above, AmTrust failed to disclose its process for reporting MBE in the Company's Consolidated Financial Statements, including Pipoly's MBE Process and his

MBE Adjustments. As a result, AmTrust failed to design disclosure controls and procedures to ensure that information which must be disclosed is timely reported, as required under Rule 13a-15(a) of the Exchange Act.

AmTrust and Pipoly Obtained Money or Property

35. AmTrust obtained money or property by offering and selling securities to investors from June 27, 2013 to February 29, 2016. Additionally, Pipoly obtained money or property, including performance-based compensation, from June 27, 2013 to February 29, 2016.

FIRST CLAIM FOR RELIEF

Defendants Violated Section 17(a)(2) of the Securities Act

36. The SEC realleges and incorporates by reference each and every allegation contained in the paragraphs above.

37. By engaging in the conduct described above, Defendants, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce and/or by use of the mails, obtained money or property by means of untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

38. Defendants were negligent in their conduct alleged herein.

39. By reason of the foregoing, Defendants violated, and unless enjoined, will continue to violate, Section 17(a)(2) of the Securities Act [15 U.S.C. § 77q(a)(2)].

SECOND CLAIM FOR RELIEF

Defendants Violated Section 17(a)(3) of the Securities Act

40. The SEC realleges and incorporates by reference each and every allegation contained in the paragraphs above.

41. By engaging in the conduct described above, Defendants, directly or indirectly, in the offer or sale of securities, by use of the means or instruments of transportation or communication in interstate commerce and/or by use of the mails, engaged in a transaction, practice, or course of business which operated or would operate as a fraud or deceit upon the purchasers.

42. Defendants were negligent in their conduct alleged herein.

43. By reason of the foregoing, Defendants violated, and unless enjoined, will continue to violate, Section 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(3)].

THIRD CLAIM FOR RELIEF

**AmTrust Violated Section 13(a) of the Exchange Act
and Rules 12b-20, 13a-1, 13a-13, and 13a-15(a)**

44. The SEC realleges and incorporates by reference each and every allegation contained in the paragraphs above.

45. From June 27, 2013 to February 29, 2016, AmTrust was an issuer of securities registered under Section 12 of the Exchange Act that filed required reports with the Commission under Section 13(a) of the Exchange Act and related rules and regulations that: (a) contained untrue statements of material fact; (b) failed to include, in addition to the information required to be stated in such report, such further material information as may be necessary in order to make the required statements, in light of the circumstances under which they were made, not misleading; or (c) failed to disclose any information required to be disclosed therein.

46. By reason of the foregoing, AmTrust violated, and unless enjoined, will continue to violate, Section 13(a) of the Exchange Act [15 U.S.C. §§ 78m(a)] and Rules 12b-20, 13a-1, 13a-13, and 13a-15(a) thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-13, and 240.13a-15(a)].

FOURTH CLAIM FOR RELIEF

AmTrust Violated Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act

47. The SEC realleges and incorporates by reference each and every allegation contained in the paragraphs above.

48. By engaging in the conduct described above, AmTrust, which was an issuer of securities registered under Section 12 of the Exchange Act: (a) failed to make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflected the transactions and disposition of its assets, and (b) failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

49. By reason of the foregoing, AmTrust violated, and unless enjoined, will continue to violate, Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(b)(2)(A) and 78m(b)(2)(B)].

FIFTH CLAIM FOR RELIEF

Pipoly Aided and Abetted Violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act, and Rules 12b-20, 13a-1, 13a-13, and 13a-15(a)

50. The SEC realleges and incorporates by reference each and every allegation contained in the paragraphs above.

51. By engaging in the conduct described above, Pipoly aided and abetted AmTrust's violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)], and Rules 12b-20, 13a-1, 13a-13, and 13a-15(a) thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-13, and 240.13a-15(a)], in that he, acting with the requisite state of mind, provided substantial assistance to AmTrust in committing these violations.

52. By reason of the foregoing, Pipoly aided and abetted AmTrust's violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)], and Rules 12b-20, 13a-1, 13a-13, and 13a-15(a) thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-13, and 240.13a-15(a)], and unless enjoined, will continue to aid and abet such violations.

PRAYER FOR RELIEF

THEREFORE, the Commission respectfully requests the Court to enter a Final Judgment that:

A. Permanently enjoins Defendants from violating, directly or indirectly, Sections 17(a)(2) and 17(a)(3) of the Securities Act [15 U.S.C. § 77q(a)(2) and (3)];

B. Permanently enjoins Defendant AmTrust from violating, directly or indirectly, Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 12b-20, 13a-1, 13a-13, and 13a-15(a) thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-13, and 240.13a-15(a)];

C. Permanently enjoins Defendant Pipoly from aiding or abetting any violation of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. §§ 78m(a), 78m(b)(2)(A) and 78m(b)(2)(B)] and Rules 12b-20, 13a-1, 13a-13, and 13a-15(a) thereunder [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-13, and 240.13a-15(a)];

D. Orders Defendant Pipoly to disgorge all ill-gotten gains and/or unjust enrichment realized by him, plus prejudgment interest;

E. Orders Defendants to pay civil penalties under Section 20(d) of the Securities Act [15 U.S.C. § 77t(d)] and Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)]; and

F. Grant such further relief as the Court deems just and proper.

Date: June 17, 2020

Respectfully submitted,

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