RatingsDirect®

Amlin Group

Primary Credit Analyst:
Ali Karakuyu, London (44) 20-7176-7301; ali.karakuyu@standardandpoors.com

Secondary Contact:
Dennis P Sugrue, London (44) 20-7176-7056; dennis.sugrue@standardandpoors.com

Table Of Contents

1408680 | 300972161

Amlin Group

SACP* Assessments				SACP*		Support		Ratings
Anchor	a-	+ Modifiers	1	= a		+ 0		= Financial Strength Rating
Business Risk		ERM and Management	1	Liquidity	0	Group Support	0	A/Stable/--
Strong								
Financial Risk		Holistic Analysis	0	Sovereign Risk	0	Gov't Support	0	
Upper Adequate								

*Stand-alone credit profile.
See Ratings Detail for a complete list of rated entities and ratings covered by this report.

Rationale

Business Risk Profile: Strong

- Intermediate industry and country risk exposure owing to significant product risks balanced with a diversified international book of business.
- Strong competitive position based on a long history of leadership and strong, leading franchise in the Lloyd's market.
- Strong cross-cycle operating performance relative to global peers', strengthened by diversified international platforms and the wide range of products it can offer.

Financial Risk Profile: Upper Adequate

- Strong capital and earnings likely to be supported by strong risk-based capital (measured using our model) and continued strong earnings generation.
- High risk position reflects material exposure to potential capital volatility arising from catastrophic losses.
- Strong financial flexibility as financial leverage and coverage remain supportive of the current assessment.

Other Factors

- We combine our view of the group's strong business risk profile and upper adequate financial risk profile to derive an anchor of 'a-'.
- The group credit profile (GCP) is one notch higher than the anchor because of our combined view of Amlin's very strong enterprise risk management (ERM) framework and satisfactory management and governance. This reflects our positive view of the group's risk management culture, risk controls, and strategic risk management of the group.
- We assess Amlin's internal capital model as good under our economic capital model (ECM) criteria and include quantitative credit in our capital model for this.
- Amlin AG is core to the Amlin group's credit profile.
- We continue to consider Amlin Europe N.V. (AE) as highly strategic to the group and the rating is consequently one notch below the group credit profile.

Factors Specific to the Holding Company

- The counterparty credit ratings on the non-operating holding company, Amlin PLC, are two notches lower than the insurer financial strength ratings on the core operating companies of the group to account for the structural subordination of Amlin PLC's creditors to the core entities' policyholders.

Outlook: Stable

The stable outlook reflects our expectations that Amlin will maintain at least strong capital adequacy over the next 12-24 months and that its strong franchise, diversified platforms, and good cycle management will continue to support its superior operating performance.

Upside scenario

Upward rating actions are unlikely, given the challenging pricing environment in most of Amlin's key lines of business. However, we may raise the ratings on Amlin Group if:

- Amlin is able to sustain its strong outperformance of peers, demonstrating resilience of its competitive position to pricing pressure across its reinsurance and specialty classes; and
- The build-out of Amlin Europe's business proves beneficial in the long term to Amlin's overall brand and reputation, particularly in continental Europe, evidenced by profitable top-line growth and a greater contribution to group earnings.

Downside scenario

Although we view downward rating actions as unlikely, we might lower the ratings if, contrary to our expectations:

- Amlin's capital adequacy deteriorates below the 'A' range according to our model over the next 12–24 months.

The positive outlook on AE reflects the potential enhancement of the company's group status to core. This is likely to be triggered by maintenance of the sound underwriting performance with a combined ratio at 95% or below, and return on equity of at least 8%, for 2015 to conform to group expectations. Conversely, if AE does not perform in line with our expectation, we could revise our outlook on AE to stable. The ratings downside is remote while the company remains a highly strategically important or a strategically important subsidiary. The rating is consequently one notch below the group credit profile.

Base-Case Scenario

Macroeconomic Assumptions

- Government yields to increase over the next two-to-three years, but to remain below long-term historical norms until at least 2016.
- Economic growth in developed markets to improve, but remain sluggish, lagging growth in developing markets.
- For detailed macroeconomic forecasts, see "Insurance Industry and Country Risk for the Global Property/Casualty Reinsurance Sector Is Intermediate," published July 18, 2014 on RatingsDirect).

Company-Specific Assumptions

- Pricing in Amlin's main lines of business to decline by 0%-5%, on average, over the next two years in the absence of any major loss event, reflecting an excess amount of capital.
- Overall premium growth is likely to increase 5% or just below over 2015–2017 and net combined ratio is expected to remain at about 90%, (assuming average loss experience). We expect return on equity to be between 13%-15% over the same period.
- Catastrophe risk exposure to remain within stated risk tolerances.

Key Metrics

	2016f	2015f	2014
Gross premiums written	2,827	2,692	2,564
Change in gross premiums written (%)	5.0	5.0	3.9
Net income (attributable to all shareholders)	226	216	236
Return on revenue (%)	8.9	8.9	10.2
Return on shareholders' equity (%)	13.3	12.6	14.0
Net combined ratio (%)	90.5	90.5	88.0
S&P Capital Adequacy	Strong	Strong	Very Strong

F--Forecast.

Company Profile: Large And Successful Lloyd's Business Underpinning An Increasingly Diversified Group

Amlin is a large, diversified specialist commercial insurance and reinsurance group which wrote £2.6 billion of gross premiums in 2014. The group has changed its exposure mix through the cycle as catastrophe risk has been reduced and balanced by diversifying the group's other underwriting platforms. Non-catastrophe classes have grown from 40% of the group's reinsurance premium (44% of GWP in 2014) in 2009 to 56% in 2014. The charts below show the group's premium split by lines of business and geography.

Chart 1

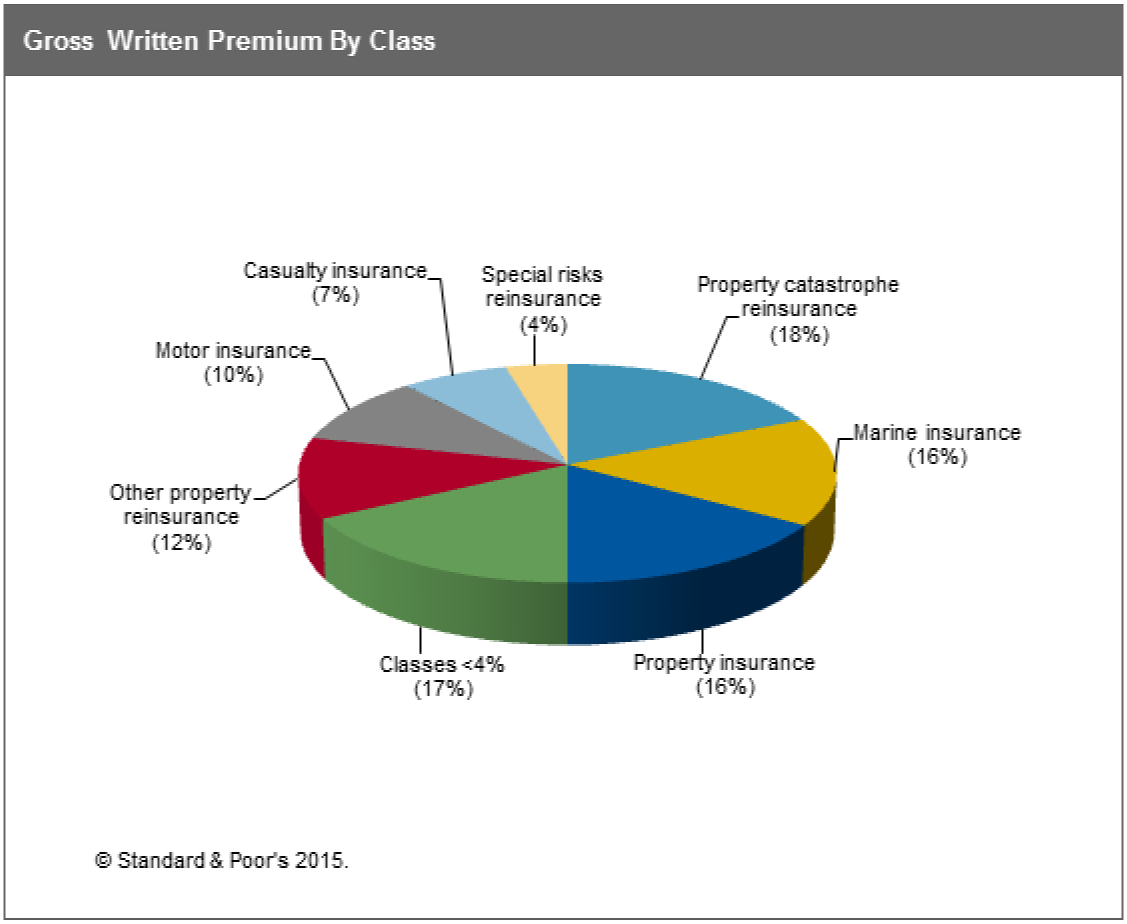
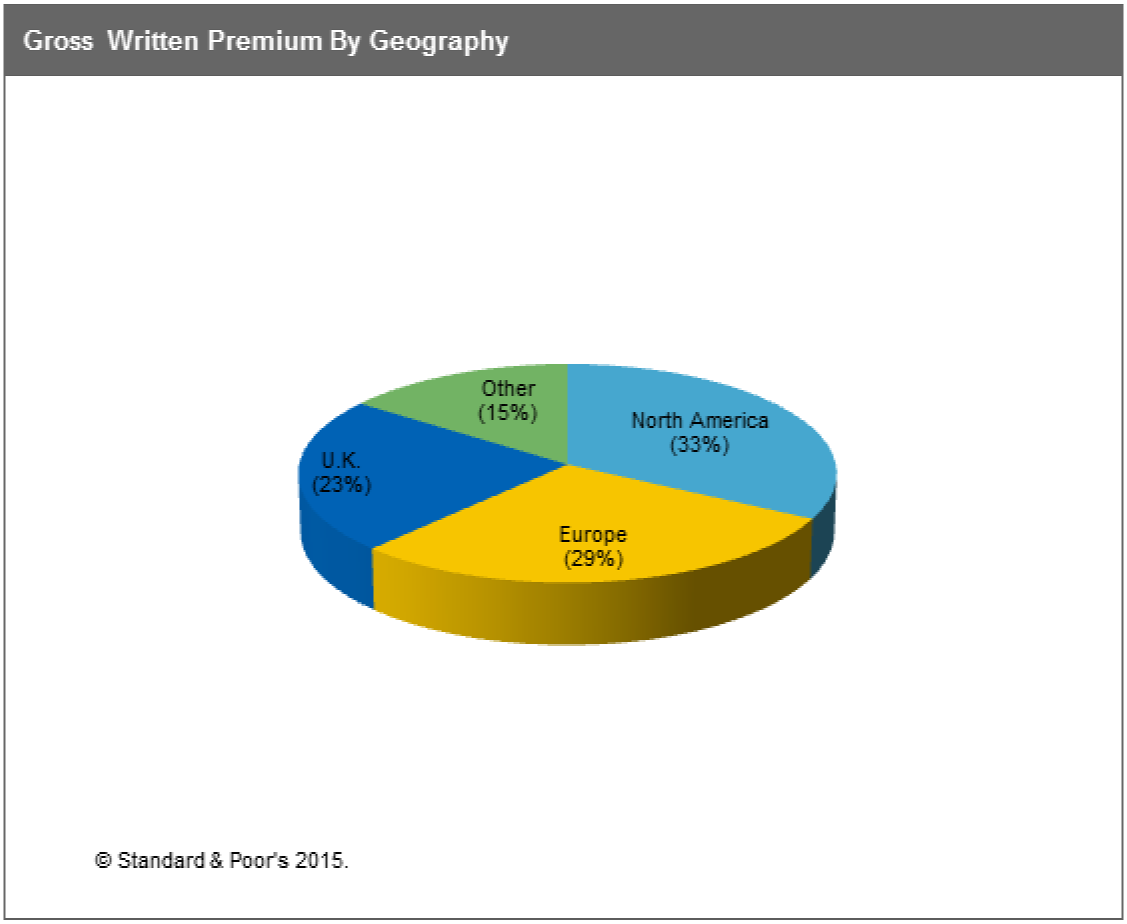

Gross Written Premium By Class
Casualty insurance (7%)
Special risks reinsurance (4%)
Property catastrophe reinsurance (18%)
Motor insurance (10%)
Marine insurance (16%)
Other property reinsurance (12%)
Classes <4% (17%)
Property insurance (16%)
© Standard & Poor's 2015.

Chart 2



Syndicate 2001 remains the second-largest syndicate at Lloyd's and a key component of the group. Its underwriting capacity remained at £1.4 billion in 2014 to write a diversified book of more than 30 primary and reinsurance classes around the world.

Amlin Europe (considered highly strategic to the group) is a midsize European commercial lines insurer formed from the merger of Amlin's French operations and Amlin Corporate Insurance (ACI) to align its continental interests. With GPW of €528 million in 2014 (2013: €536 million) written through AE, we anticipate AE will continue to be a material part of the group.

Zurich-domiciled Amlin AG is comprised of Bermuda-based reinsurer Amlin Bermuda and Zurich-based Amlin Re Europe. This enhances the group's European footprint by providing access to continental European reinsurance business not traditionally written through Lloyd's, while still maintaining its presence in international catastrophe reinsurance business through a branch in Bermuda.

Business Risk Profile: Strong

In our opinion, Amlin's business risk profile combines our view of its strong competitive position and its intermediate industry and country risk assessment.

Insurance industry and country risk: Intermediate risk, owing to globally diverse insurance operations; limited by high product risk

The group's industry and country risk exposure is well-diversified across the global property/casualty (P/C) reinsurance sector and several primary markets across Europe, the U.K and the U.S, which we consider to have largely intermediate insurance industry and country risk. We consider that Amlin's reinsurance operations are exposed to moderate industry risks. We see the industry's (and Amlin's) product risk via its exposure to property catastrophe risks as increasing volatility. We do not expect significant changes in our assessment of Amlin's industry and country risk over the next three years. For the purposes of our industry and country risk analysis, we view the syndicate's subscription business written at Lloyd's as reinsurance because we believe the risk profiles are similar.

Table 1

Industry And Country Risk: Major Markets

Insurance Sector	IICRA	Business mix*
Global P&C Reinsurance	Intermediate Risk	41
United Kingdom P&C	Intermediate Risk	19
United States P&C	Intermediate Risk	11
Netherlands P&C	Low Risk	8
Belgium P&C	Intermediate Risk	5
France P&C	Low Risk	3
Global P&I	Intermediate Risk	3
Ireland P&C	Intermediate Risk	3
New Zealand P&C	Intermediate Risk	2
Singapore P&C	Low Risk	2
Canada P&C	Low Risk	1
Mexico P&C	Intermediate Risk	1
Norway P&C	Low Risk	1
Wieghted Average IICRA	Intermediate Risk	100

*Based on gross premiums written. P/C--Property and casualty. P&I--Protection and Indemnity.

Competitive position: Strong, diversified franchise with leading performance track record; targeting new sources of business

We view Amlin's competitive position as strong (in common with its peers), based on the growing diversity of its operating platforms and its continued outperformance relative to its peers. The group leverages its position as one of the largest and most highly respected franchises at Lloyd's against its new, international operations throughout Europe. We believe that its product range and the diversity of its book of business help manage earnings volatility and should support its track record for cross-cycle outperformance. This is historically demonstrated by a five-year average net combined ratio of 91%, which is better than the peer average.

Syndicate 2001 is the second largest at Lloyd's and writes approximately 6% of the entire Lloyd's market. Lloyd's global licensing, brand, diversity, and broker relationships provide Amlin with access to high-quality specialist business at a lower cost than if it were operating on a stand-alone basis. Amlin has a strong franchise at Lloyd's through its highly profitable property catastrophe reinsurance business (18% of total group GPW in 2014). It is also a recognized leader in numerous business classes in the Lloyd's market.

Outside of the London market, we expect Amlin's competitive position to be supported by the growth of Amlin Re Europe to compliment the reinsurance business written in Bermuda, enabling the group to access two of the world's most important markets. However, Amlin does not have the scale or market influence of its peers in Bermuda. The European subsidiary, though performing in line with management's expectations, is still nascent. We expect Amlin Re Europe will continue to make up around 10% of the group premium in upcoming years (2014:10%).

Strong diversification across more than 25 classes of commercial insurance and reinsurance and by geography allows the group flexibility in allocating capacity according to relative price adequacy. However, our view of Amlin's competitive position is partially constrained by the Amlin Europe business unit, as we believe this has negatively influenced the group's reputation in recent years. That said, AE's long-standing presence in the Benelux market and good risk diversification relative to its size, supports the group's wider diversification, despite its retrenchment in recent years. More positively, we believe that portfolio pruning is completed and could bring positive long-term benefits to the group through earnings diversification if its operating performance can be sustained at levels conforming to Amlin's expectations. This is a net combined ratio below 95% (2014:91%).

We anticipate that Amlin's competitive position is likely to remain strong over the next two years. We expect the group to withstand pricing pressure, which has been particularly acute in catastrophe lines, by deploying its capital profitably in other lines and regions. In the absence of pricing improvement we believe that the proportion of business from the catastrophe related lines is likely to fall slightly. This will be mitigated by new business from lines facing less pricing pressure. We forecast that the group's gross premium is likely to increase by about 5% or just below over 2015-2016, mostly because of new business in non-catastrophe related segments.

Table 2

Amlin Group Competitive Position					
	--Year-ended Dec. 31--				
(Mil. £)	**2014**	**2013**	**2012**	**2011**	**2010**
Gross premiums written	2,564.0	2,467.4	2,405.6	2,304.1	2,172.5
Change in Gross Premiums Written (%)	3.9	2.6	4.4	6.1	N.M.
Net premiums written	2,295.9	2,125.6	2,074.5	2,013.2	1,910.3
Change in Net Premiums Written (%)	8.0	2.5	3.0	5.4	N.M.
Net premiums earned	2,200.6	2,094.6	1,986.4	1,927.4	1,748.1
P/C: reinsurance utilization - premiums written (%)	10.5	13.9	13.8	12.6	12.1

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Financial Risk Profile: Upper Adequate

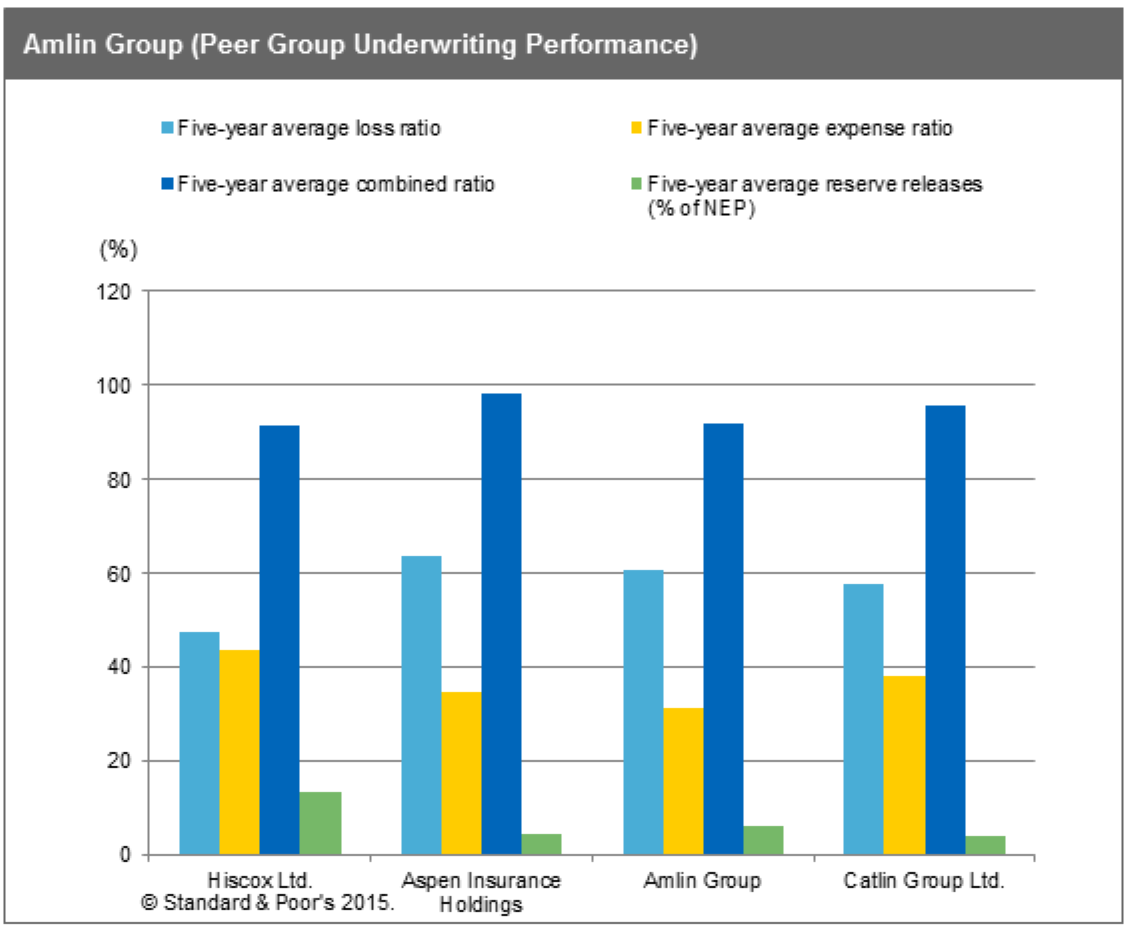
We view Amlin's financial risk profile as upper adequate, reflecting strong capital adequacy, high risk position, and strong financial flexibility.

Capital and earnings: Strong, reflecting good earnings generation, prudent reserving, and a robust internal capital model

Amlin group's capital adequacy is strong, in our opinion, supported by our forecast for capital adequacy to remain at this level through 2017. We assess Amlin's economic capital model as good, leading us to give some additional quantitative credit in our model, according to our ECM criteria.

Across the cycle, Amlin continues to outperform its peers in London and Bermuda: its five-year average net combined ratio of 91% compares favorably to the peer average. Return on revenue is broadly in line with peers at 11% (see chart for comparison with close peers based on size and ratings). Reserve releases of £90 million for 2014 have been slightly hit because of Amlin strengthening its claim reserves in response to the New Zealand earthquake (£24 million).

Chart 3



Our base-case expectations reflect continued delivery of strong earnings, with a net combined ratio at 90% (assuming average catastrophe loss of 8pps). We expect very modest growth (if any) from Amlin Europe and the group's direct business to offset pricing pressure in Amlin's reinsurance classes to give modest premium growth of 5% or just below. This should translate to return on equity between 13%-15%, broadly in line with group cross-cycle targets. These earnings expectations should enable Amlin to reinforce its capital adequacy to be comfortably in the 'A' range, allowing for capital distribution year-on-year. Furthermore we expect it to outperform the global reinsurers for which we forecast combined ratios of 97%-102% for 2015 and 99%-104% for 2016 (for more information see "Reinsurers' Shopping Spree Won't Slow Down Falling Rates," published Feb. 16, 2015) reflecting the group's diversified portfolio by lines of business and geography.

Table 3

Amlin Group Capitalization Statistics

	--Year-ended Dec. 31--				
	2014	**2013**	**2012**	**2011**	**2010**
Common shareholders' equity	1,785.9	1,678.6	1,491.4	1,420.4	1,729.9
Change in common shareholders' equity (%)	6.4	12.6	5.0	(17.9)	N.M.
Total reported capital	2,048.0	2,070.2	1,901.8	1,713.2	2,047.9
Change in total capital (reported) (%)	(1.1)	8.9	11.0	(16.3)	N.M.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 4

Amlin Group Earnings Statistics

	--Year-ended Dec. 31--				
	2014	**2013**	**2012**	**2011**	**2010**
Total revenue	2,248.3	2,135.5	2,034.1	1,990.0	1,807.9
EBIT adjusted	230.0	257.1	193.0	(143.5)	N/A
EBITDA adjusted	230.0	257.1	193.0	(143.5)	N/A
Net income (attributable to all shareholders)	236.4	298.7	247.7	(149.5)	221.9
Return on revenue (%)	10.2	12.0	9.5	(7.2)	N/A
Return on shareholders' equity (reported) (%)	14.0	18.8	17.0	(9.5)	N/A
P/C: net expense ratio (%)	32.5	33.5	32.2	29.8	27.5
P/C: net loss ratio (%)	55.6	52.2	56.6	77.8	60.6
P/C: net combined ratio (%)	88.0	85.7	88.8	107.6	88.1

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Risk position: High risk, given exposure to catastrophe risks

In our opinion, Amlin exhibits a high risk profile due to its exposure to catastrophe risk, which we believe heightens potential for material capital and earnings volatility. In our opinion, a large proportion of the group's capital is required for its exposure to natural catastrophe losses, consistent with other large global reinsurers. We believe Amlin maintains a relatively high catastrophe risk appetite with significant net maximum line size for high severity classes such as aviation, marine, and property catastrophe risks. However, net exposures reduced moderately after increased retro and reinsurance coverage purchased at cost effective rates in 2014. Despite Amlin's risk exposure being geographically well spread, we believe Amlin has a relatively high catastrophe risk exposure compared with some peers'. Catastrophe-exposed business is, however, offset by its non-subscription-based U.K. commercial lines written through

Amlin UK, which should show good growth and prospective pricing improvements.

Other risk factors, such as reserving and investment risk exposure, are broadly neutral to the group's risk position, in our view. Amlin's reserves have been stable or have exceeded the amount required (enabling the group to release the excess) in each of the past 10 years, with a positive track record of reserve development and an identified surplus in excess of £150 million above best estimate. We allow some quantitative credit for this in our calculation of the group's total adjusted capital.

We believe Amlin maintains a relatively conservative investment portfolio, which is predominantly short-dated, high-quality fixed-income securities (66% of invested assets in 2014). Exposure to high-risk assets, namely equities and property, remains manageable at 16%. We note a temporary increase in the equities and property portfolio (23% of the total invested assets) as of March-end 2015. The portfolio is diversified across asset classes and is somewhat weighted towards the financial services sectors and some corporate sectors, but no material obligor concentrations exist.

Table 5

Amlin Group Risk Position					
	--Year-ended Dec. 31--				
	2014	**2013**	**2012**	**2011**	**2010**
Total invested assets	4,563.5	4,510.0	4,396.1	4,224.0	4,379.4
Net investment income	36.0	32.7	41.6	53.9	54.1
Net investment yield (%)	0.8	0.7	1.0	1.3	N/A
Net investment yield including realized capital gains/(losses) (%)	1.9	2.7	1.3	2.1	N/A
Portfolio composition (% of General account invested assets)					
Cash and short term investments (%)	8.4	6.3	5.3	6.1	2.1
Bonds (%)	71.4	77.8	84.5	86.0	88.2
Equity investments (%)	14.4	11.6	6.5	4.9	8.1
Real Estate (%)	5.6	4.0	3.5	2.8	1.4
Investments in affiliates (%)	0.2	0.3	0.2	0.2	0.1
Other investments (%)	0.0	0.1	0.0	0.1	0.2

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Financial flexibility: Strong with a proven track record of accessing multiple sources of capital

Amlin has a demonstrated ability to access various significant sources of capital, including the hybrid and equity markets, and by issuing insurance-linked securitization. Amlin's junior subordinated bond (£230 million) has a first-call date in December 2016. We believe that the group will manage the financing of its existing debt so that its risk-based capital is maintained within the 'A' range.

Amlin's proven track record of utilizing catastrophe bonds with issuances in 2011, 2013, and 2014 provide further sources of capital flexibility. Amlin also has majority (75% at October 2014) ownership of Leadenhall Capital Partners, a dedicated insurance-linked securities (ILS) fund manager, which increases its ability to provide dedicated reinsurance solutions through the use of third-party capital ($1.9 billion under management as of March-end 2015). We believe the company has a good standing with equity investors, as evidenced by its premium 1.4x price-to-book ratio on June 11, 2015 (compared with a market average of just above 1x). The groupwide reinsurance program and the bank facility of

£300 million should provide greater financial flexibility if need arises for capital. We also assume financial leverage will remain near 25% and EBITDA fixed-charge coverage will be above 9x, given Amlin's strong earnings generation.

Other Assessments

We regard Amlin's enterprise risk management (ERM) and management and governance practices as very strong, and therefore assess its indicative GCP as one notch higher than the anchor of 'a-'.

Enterprise risk management: Very Strong, supported by strong risk controls and good economic capital modelling

Our assessment of the group's very strong ERM is based on our positive view of the risk management culture, risk controls, risk models, and strategic risk management of the group. Our assessment is further enhanced by the existence of strong controls for catastrophe risk. The decisions regarding the level of catastrophe risk appetite are taken within clear tolerance limits. The risk models used throughout the group are well embedded locally and are actively used for strategic decision making. We anticipate that the group's ERM will enable it to continue to optimize capital allocation and earnings and enhance its risk-return profile. Our assessment of the group's economic capital model, which we consider to be good, enhances our assessment of its ERM.

We now consider that Amlin Europe's ERM practices are aligned and well integrated into the overall Amlin Group. The 2014 re-organisation into Strategic Business Units (SBUs; see below) with strengthened centralized functions (e.g. risk, actuarial, underwriting) improved consistency, alignment, and integration of the local risk unit of AE, in our view.

Management and governance: Satisfactory, supported by extensive management expertise and conservative risk tolerances across the group

Amlin's management and governance is satisfactory, in our opinion. We believe the group has a good track record of strategic planning, wide depth and breadth of expertise within the management ranks, and relatively conservative and sophisticated financial management. Increasing global scale and complexity of Amlin's underwriting platforms has, in our view, benefitted from the robustness of its operating controls and thorough strategic planning process, which has allowed various operating entities to leverage on expertise and skills across the wider Amlin group and therefore manage earnings volatility.

Over the past 12 months the group moved to an operating model based on 'strategic business units' (i.e. reinsurance, M&A and property and casualty). We believe this will provide clients full expertise across each SBU and help Amlin to navigate through the challenging pricing environment.

We do not observe any governance deficiencies in our assessment.

Liquidity: Strong given liquidity of investment portfolio

Amlin's liquidity is considered strong, due to the liquid resources available to it-- mainly premium income and a liquid asset allocation. Amlin's investment portfolio of £4.5 billion is 78% invested in cash, fixed-income securities, or liquid funds, which is almost twice the amount of net claims reserves.

Accounting Considerations

Amlin reports financial results under International Financial Reporting Standards. The annual accounts are audited by PricewaterhouseCoopers. We view accounting as broadly transparent and reflective of the group's economic substance.

Related Criteria And Research

Related criteria

- Assessing Property/Casualty Insurers' Loss Reserves, Nov. 26, 2013
- A New Level Of Enterprise Risk Management Analysis: Methodology For Assessing Insurers' Economic Capital Models, Jan. 24, 2011
- Assumptions: Clarification Of The Equity Content Categories Used For Bank And Insurance Hybrid Instruments With Restricted Ability To Defer Payments, Feb. 9, 2010
- Methodology: Hybrid Capital Issue Features: Update On Dividend Stoppers, Look-Backs, And Pushers, Feb. 10, 2010
- General Criteria: Criteria Clarification On Hybrid Capital Step-Ups, Call Options, And Replacement Provisions, Oct. 22, 2012
- Group Rating Methodology, Nov. 19, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Enterprise Risk Management, May 7, 2013
- Insurers: Rating Methodology, May 7, 2013
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related research

- Amlin Underwriting - Syndicate 2001, June 25, 2015

Ratings Detail (As Of June 25, 2015)	
Operating Company Covered By This Report	
Amlin AG	
Financial Strength Rating	
Local Currency	A/Stable/--
Counterparty Credit Rating	
Local Currency	A/Stable/--
Related Entities	
Amlin Europe N.V.	
Financial Strength Rating	
Local Currency	A-/Positive/--
Issuer Credit Rating	
Local Currency	A-/Positive/--

Ratings Detail (As Of June 25, 2015) (cont.)	
Amlin PLC	
Issuer Credit Rating	
Local Currency	BBB+/Stable/--
Subordinated	BBB-
Domicile	Switzerland

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:
Insurance Ratings Europe; InsuranceInteractive_Europe@standardandpoors.com