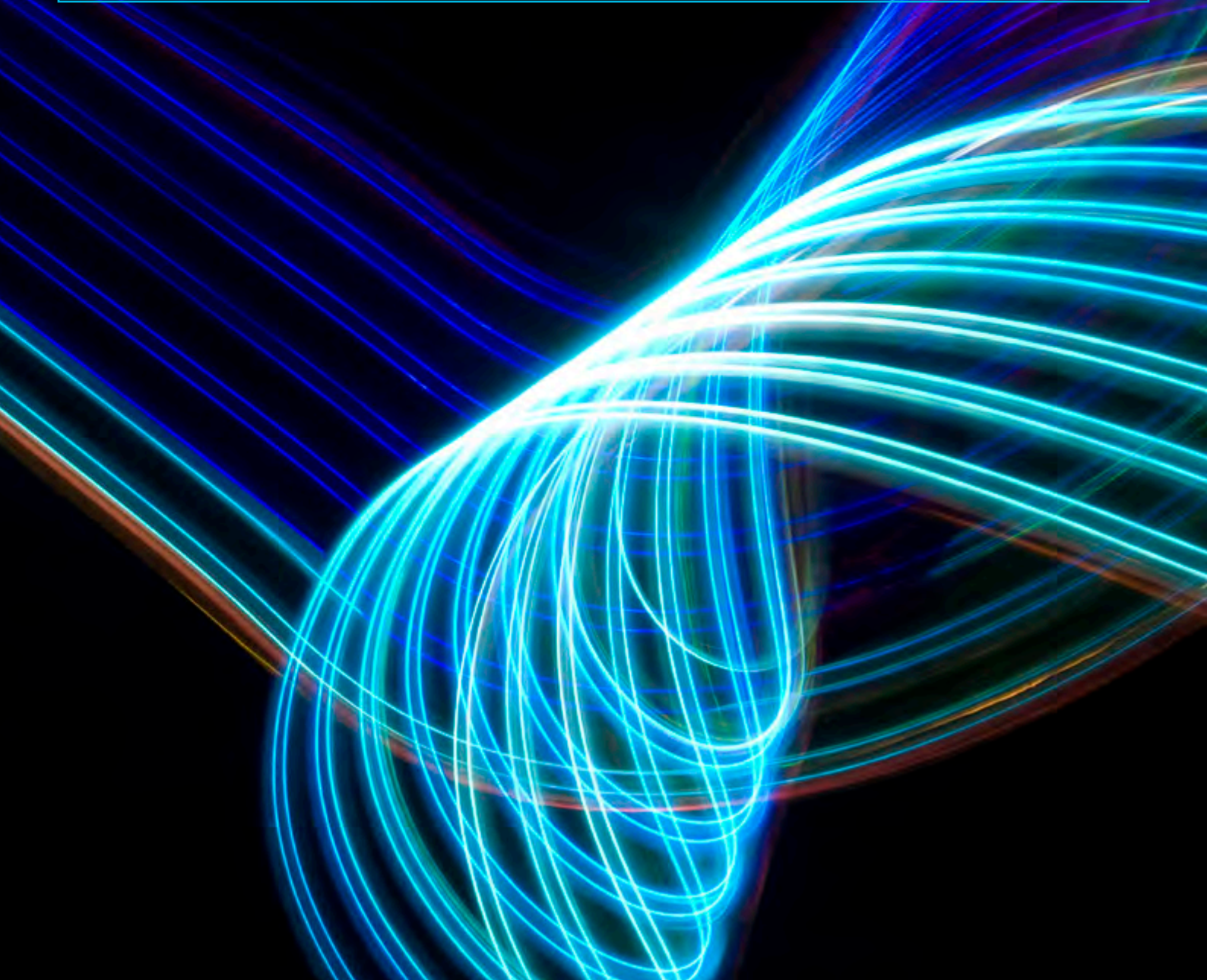
Continuity in an uncertain world™

Amlin

Amlin plc
Annual Report 2010

Performance powered by experts



Performance powered by experts

Amlin is a leading insurance group operating in the Lloyd's, UK, Continental Europe and Bermudian markets. We specialise in providing insurance cover to commercial enterprises and reinsurance protection to other insurance companies around the world.

Highlights within this report

Our investment case

Amlin's powerful investment proposition illustrated with some key facts and people behind our continued success.

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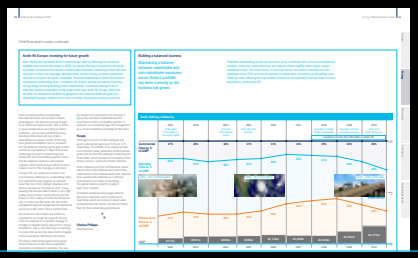
Building a balanced business

A key focus of Amlin's strategy is a balanced portfolio: this chart shows how this balance has been maintained through Amlin's successful expansion.

p.20



Well positioned for growth

Our diverse portfolio, multiple platforms and capital strength provide many opportunities for profitable growth.

p.28

This report is available online at www.amlin.com

Overview

Performance highlights and an introduction to our markets, business structure and strategy.

Strategy

We review Amlin's progress against our strategic priorities and the opportunities and challenges facing the business. Market review provides an update on the trading environment and Amlin's competitive position within its key markets.

Performance

A review of each of our businesses, their financial performance and outlook for 2011.

Governance

An explanation of our approach to corporate governance with key developments during the year, together with profiles of our Board Directors.

Financial statements

Detailed financial information for the year ended 31 December 2010.

Additional information

Useful information for shareholders.


This symbol will direct you to more information within this report

Performance highlights

- Profit before tax of £259.2 million (2009: £509.1 million), after £203.6 million of losses from Chile and New Zealand earthquakes
- Return on equity of 13.9% (2009: 37.0%), above our current estimated cost of capital of 8%
- Strong investment return of £175.0 million (2009: £207.5 million), equivalent to 4.0% on average invested assets (2009: 5.9%)
- Robust combined ratio of 88% (2009: 72%) reflects increased catastrophe and major losses
- Reserve releases of £156.5 million (2009: £174.1 million)
- Dividend (paid and proposed/declared) increased by 15.0% to 23.0 pence per share (2009: 20.0 pence per share)
- Net tangible assets per share increased 8.1% to 313.2 pence (2009: 289.6 pence)
- Strong capital position maintained to support future profitable growth

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Gross written premium	2,172.5	1,543.9	1,034.0	1,044.7	1,113.8
Net written premium	1,910.3	1,322.6	915.7	938.3	1,013.5[1]
Net earned premium	1,748.1	1,317.3	913.5	972.3	973.9[1]
Underwriting contribution	202.1	365.8	222.2	355.0	267.9
Investment contribution	175.0	207.5	18.0	157.0	115.1
Other costs	117.9	64.2	118.6	67.0	40.3
Profit before tax	259.2	509.1	121.6	445.0	342.7
Return on equity	13.9%	37.0%	7.8%	37.8%	34.0%
Net assets	1,729.9	1,593.1	1,216.1	1,052.3	936.4
Net tangible assets	1,545.4	1,430.3	1,105.9	983.3	870.4
Per share amounts (in pence)					
Earnings	45.0	94.1	17.1	66.3	50.4
Net assets	350.6	322.6	259.5	220.7	175.6
Net tangible assets	313.2	289.6	236.0	206.2	163.2
Dividend under IFRS[2]	20.7	17.5	16.0	20.8[3]	10.4
Dividends (paid and proposed/declared) for the calendar year[2]	23.0	20.0	17.0	15.0	20.0[3]
Capital return via B shares	–	–	–	22.4	–
Group operating ratios					
Claims ratio	60%	43%	55%	36%	41%
Expense ratio	28%	29%	21%	27%	31%
Combined ratio	88%	72%	76%	63%	72%
Syndicate 2001 combined ratio	84%	74%	73%	69%	76%
Amlin AG combined ratio	83%	56%	83%	46%	48%
Amlin Corporate Insurance combined ratio	104%	96%	–	–	–

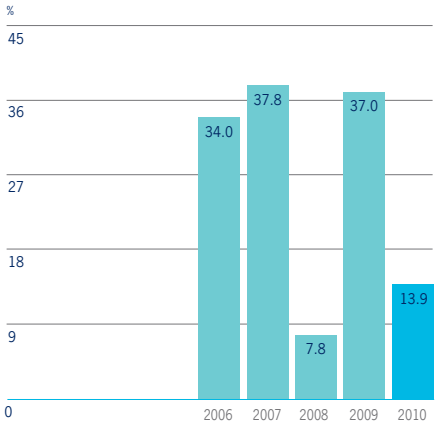
1 Excluding premiums associated with the reinsurance to close of our increased share of capacity in Syndicate 2001
2 All per share dividends are the actual dividends for each share in issue at the time
3 Includes special dividend of 8.0 pence per share

Claims ratio is net claims incurred divided by net earned premium for the year. Expense ratio is underwriting expense incurred divided by net earned premium. The expense ratio does not include expenses that have not been attributed to underwriting, including employee incentive costs, or finance costs. Combined ratio is the total of the claims and expense ratios.

Key performance indicators

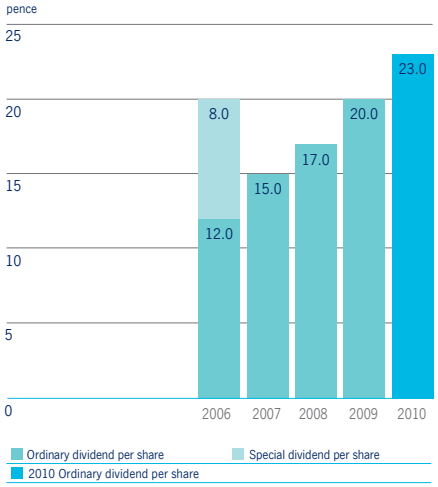
Return on equity

13.9%



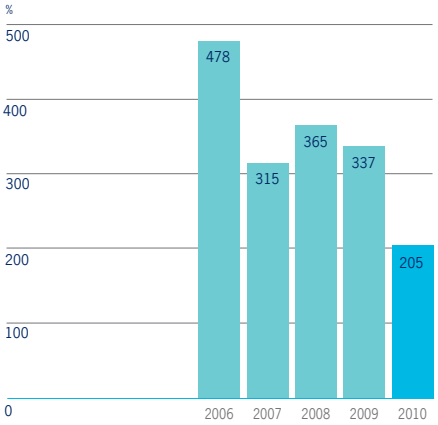
Dividend paid (and proposed/declared)

23.0p



Total shareholder return (five year index)

205%

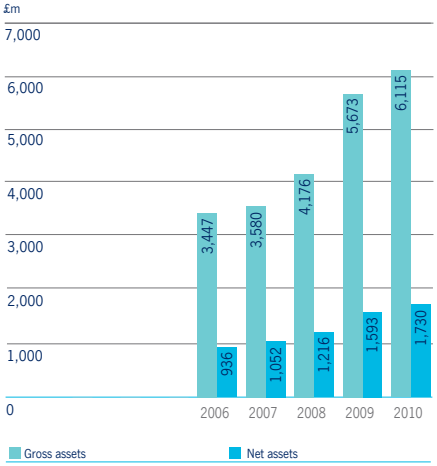


Other key highlights

Gross and net assets

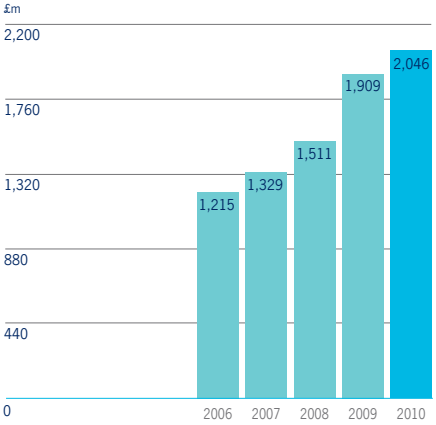
£6.1bn (Gross)

£1.7bn (Net)



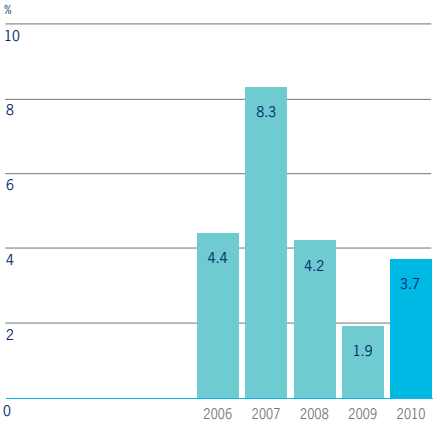
Equity and long-term debt

£2.0bn



Senior underwriter turnover

3.7%



10 reasons to invest in Amlin

Amlin is a specialist insurer and reinsurer with a proven and scalable business model which has delivered outstanding performance for shareholders across the insurance cycle. Key elements of this model are:

1. **Profit focused underwriting**
2. **Breadth and depth of underwriting expertise**
3. **Wealth of industry experience**
4. **Active capital management**
5. **Dynamic management of investment risk**
6. **Strong franchise with first class client service**
7. **Effective risk management**
8. **A diverse and balanced portfolio**
9. **Well positioned for growth**
10. **Cross cycle track record of outperformance**

Profit focused underwriting

Amlin's underwriting approach is highly disciplined and focused on gross underwriting profitability (before investment income and reinsurance) across the insurance cycle, rather than on premium income or market share. This approach is underpinned by incentive structures which reward underwriters for both short and long term profitability.

76%

Amlin Group weighted average combined ratio (2006–2010)

Steve Williams
Leading Class Underwriter
Motor Fleet, Amlin UK

Breadth and depth of underwriting expertise

The skill and experience of our underwriters is critical to achieving outstanding performance. Amlin has strength in depth across an underwriting portfolio that spans more than 30 classes from commercial motor to catastrophe reinsurance, led by more than 110 senior underwriters in 2010.

4.5%

Average turnover of senior underwriters (2006–2010)

John Brown
Leading Class Underwriter
Commercial Property, Amlin London

Wealth of industry experience

Amlin's underwriters are supported by a team of seasoned professionals across all disciplines including claims, investments, risk management, actuarial, catastrophe modelling and finance. Many of Amlin's key people, including 45% of the Executive team, have been with Amlin since its formation in 1998. Amlin's ability to attract high calibre recruits has further enhanced this experienced and stable employee base.

22 Senior managers average years of industry experience

David Harris
Managing Director
Amlin Underwriting Limited

Active capital management

Understanding and managing the level of capital required, adjusting the level of equity and debt employed across the cycle to enhance returns and support growth and returning surplus cash to shareholders are key aspects of our active and flexible approach to capital management. This approach has allowed us to generate an average return on equity of 24.7% over the past five years.

£593.7m[1] Cash returned to shareholders (2006–2010)

1 Including 2010 final dividend

Steve McMurray
Finance Director
Amlin Underwriting Limited

Dynamic management of investment risk

Driven by risk appetite rather than a target return, Amlin's disciplined and responsive approach to investment management has delivered consistently robust returns, even through recent financial market turbulence.

1.1%

Simple average % outperformance of peer group investment return over last 6 years

Jayne Styles
Chief Investment Officer

Strong franchise with first class client service

Amlin's Vision is "to be the global reference point for quality in each of our markets". The strength of our franchise is based on access to expert underwriters and speed of response combined with fair, timely and equitable claims settlement. Our long-standing relationships with brokers and clients are reflected in the consistently high retention levels of renewal business achieved by all Amlin's businesses.

86%

Group 2010 retention ratio

David Turner
Head of Claims
Amlin London

Effective risk management

Amlin has developed a sustainable enterprise risk management process within our business model, enabling us to manage risk effectively and optimise returns for the risks we take. The risk management framework is overseen by a dedicated team of professionals who provide assurance and challenge to management. This capability will be important under Solvency II regulation.

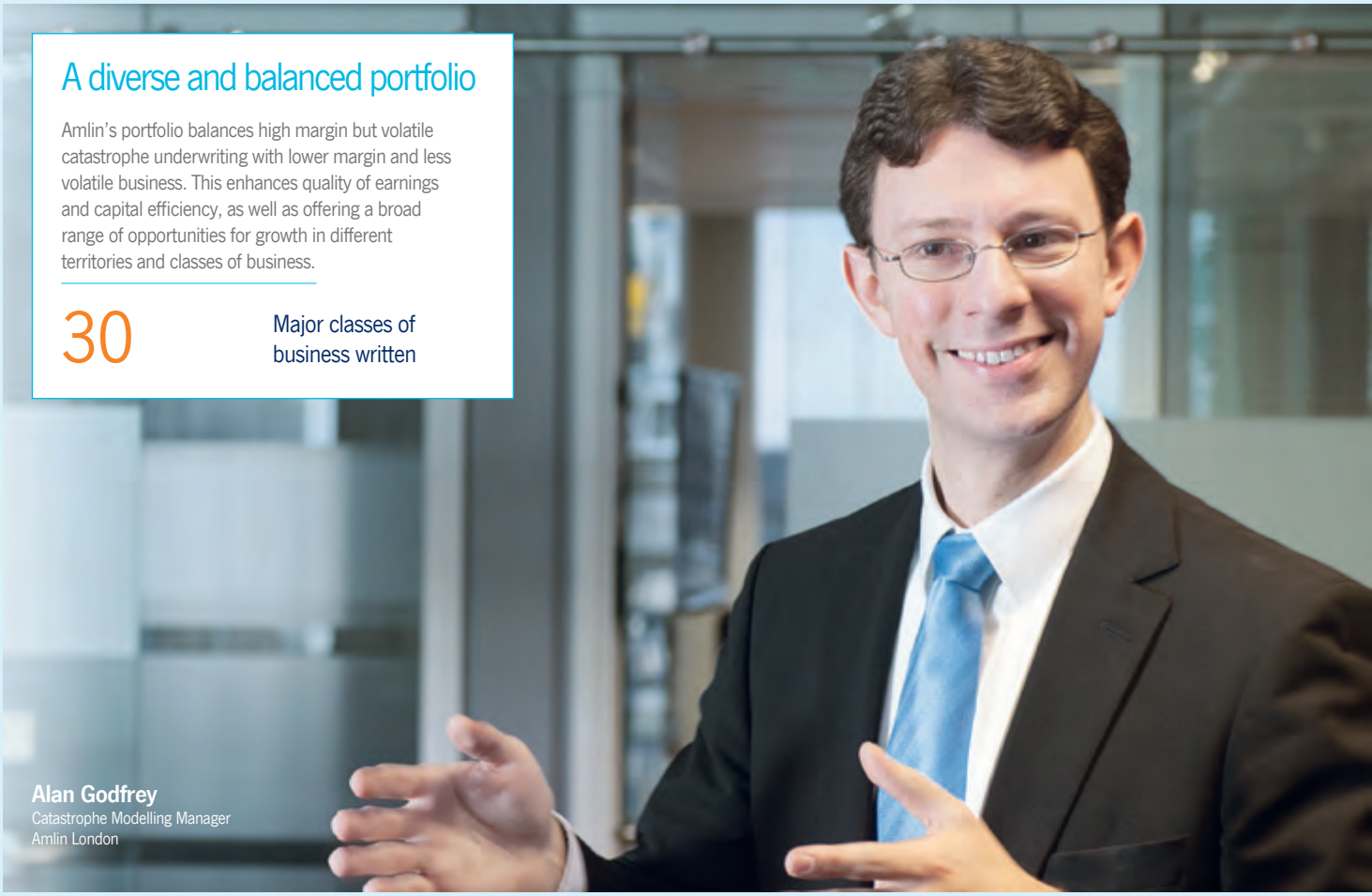
47% Average net claims ratio (2006–2010)

Phil Ellis
Group Actuary

A diverse and balanced portfolio

Amlin's portfolio balances high margin but volatile catastrophe underwriting with lower margin and less volatile business. This enhances quality of earnings and capital efficiency, as well as offering a broad range of opportunities for growth in different territories and classes of business.

30 Major classes of business written



Alan Godfrey
Catastrophe Modelling Manager
Amlin London

Well positioned for growth

Amlin has substantial underwriting franchises with excellent broker relationships and excellent ratings in Lloyd's, Bermuda and Continental Europe, as well as newer businesses in Switzerland and Singapore. With a strong capital position, all these businesses are well positioned for further growth. Amlin's balance sheet strength provides the scope to expand rapidly when market conditions are favourable and the ability to take advantage of suitable acquisition opportunities.

£1.5bn Net tangible assets 2010

Richard Hextall
Group Finance Director

Cross cycle track record of outperformance

Amlin's business model is focused on delivering an average return on equity of at least 15% across the insurance cycle through a diverse and profitable underwriting portfolio, active capital management and optimised investment returns. Over the past five years we have delivered a weighted average return on equity of 24.7% and cumulative profit after tax of £1.4 billion. The business is well positioned to continue this outperformance through further profitable growth.

205% Total shareholder return (2006–2010)

Kevin Allchorne
Head of Reinsurance
Amlin London

A market leading performance

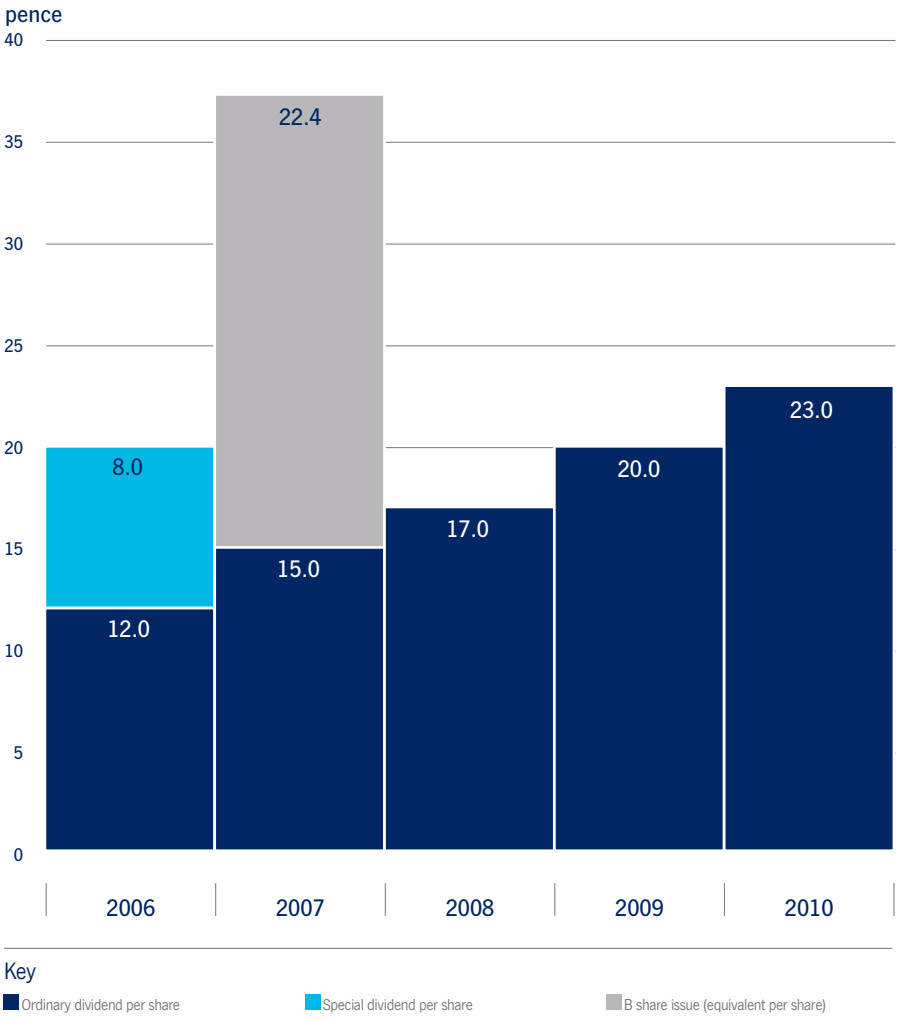
Amlin's strong record of financial performance is the product of a sound core business and consistent delivery against our strategy.

Return of capital

Active capital management is crucial to delivering our objective of a cross cycle return on equity in excess of 15%. We recognise that at certain points in the underwriting cycle the Group will hold equity capital in excess of our forecast capital requirements. In the absence of opportunities to deploy this capital at attractive rates of return we look to return excess capital to shareholders. Since 2006, through a combination of a progressive dividend strategy, special dividend and 'B' share issue, we have returned £593.7 million. We have also repurchased £27.6 million of capital through share buy backs.

£593.7m[1]

1 Including 2010 final dividend



Total shareholder return

Over five years, strong share price growth and healthy dividends mean Amlin has delivered one of the highest total shareholder returns in the global non-life insurance industry.

205%

Peer Groups

European

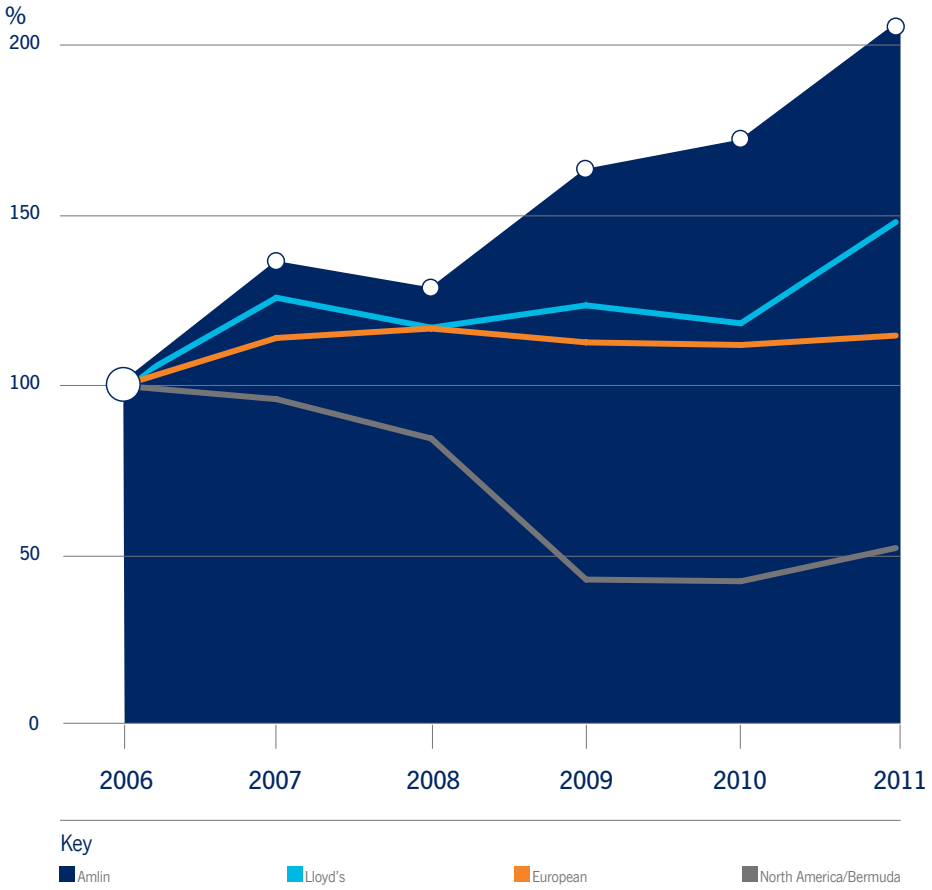
AXA, Hannover Re, Munich Re, RSA, Scor, Swiss Re, ZFS

North America/Bermuda

Ace, AIG, Argo Group, Chubb, Everest Re, IPC, Markel Corp, Max Re, Odyssey Re, Partner Re, Renaissance Re, Transatlantic, Travelers, White Mountains, WR Berkley, XL Capital

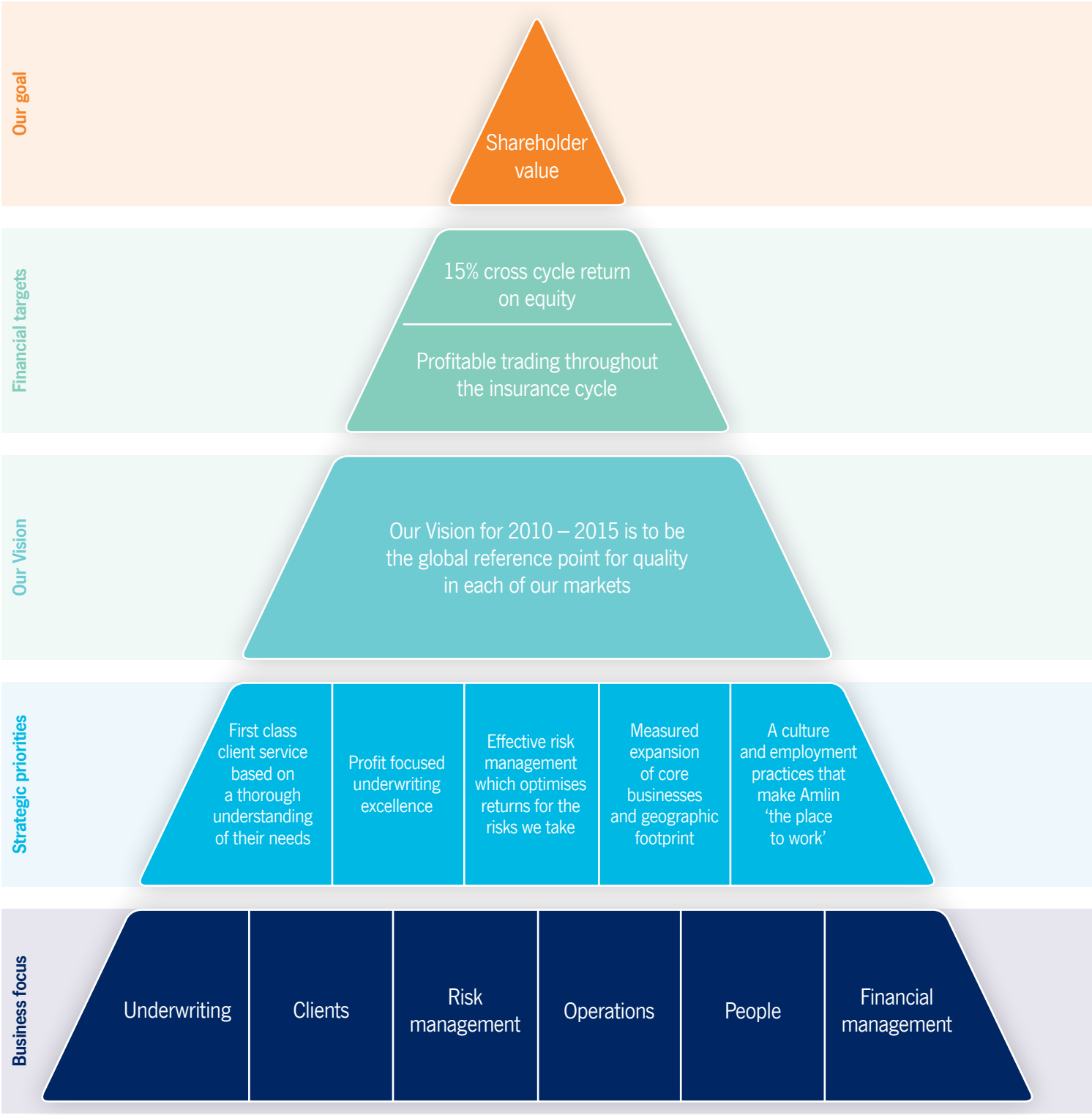
Lloyd's

Beazley, Brit, Catlin, Chaucer, Hardy, Hiscox, Novae



Consistent Vision with a strategy for growth

Our strategy is centred on delivering long-term value to shareholders. We employ our Vision, to be the global reference point for quality in each of our markets, to give strategic focus and drive operational performance. Underpinning our Vision are the strategic priorities that we believe we must deliver to be successful.



Vision

Last year, we reviewed the Vision and strategy for the Group which had been established in 2005. We concluded that, with minor changes, it continues to provide a robust framework for the delivery of shareholder value. The core objective of this strategy remains achieving a cross cycle return on equity of at least 15%. We believe that there is a positive correlation between profitable growth and the price to book multiple and hence creation of shareholder value. We intend to deliver significant growth over the insurance cycle through expansion of the platforms and markets in which Amlin operates.

A key aspect of our strategy is the focus on maintaining a balance between catastrophe and non-catastrophe exposures within our portfolio, together with a broad spread of risk by geography and class. We aim for the mean expected profitability of our total business to offset claims (after reinsurance) in the event of any of the extreme catastrophe scenarios to which the Group's catastrophe underwriting is exposed.

The diversity of the business has been fundamental to our financial and operating performance in recent years and also provides the balance to allow our catastrophe business to grow. We continue to focus on ways in which we can develop our non-catastrophe business, generated via alternative platforms and in different geographies. Amlin Re Europe will contribute to that diversity, giving the Group access to the substantial Continental European reinsurance market and over time developing another diverse business stream. The continued growth of Amlin UK as market conditions improve, and following recent strategic investment, will also expand our non-catastrophe earnings. We continue to invest in our underwriting and marketing capabilities to develop our business.

Growth through acquisition is a key element of our plans as we believe that organic growth alone is less likely to deliver the diversity, quality and scale of growth targeted over our strategic horizon. Investments in the UK and France in 2008 were initial steps in this direction and the acquisition of ACI in 2009 was a material step forward. During 2010, we focused on the integration of ACI and the start up of Amlin Re Europe.

The cycle management focus of our Vision is crucial as we move forward in challenging market conditions. Our underwriting discipline underpins Amlin's record of robust cross cycle performance. The business is well positioned to generate significant growth when the trading environment is favourable, but equally well placed to continue to perform in soft market conditions, where the diversity of the portfolio continues to offer opportunities for selective expansion. As the cycle turns, we have the people and the capital in place to grow significantly.

Strategic priorities for 2011

The Group's priorities represent the key benchmarks against which we will measure our progress in 2011. Other related or business area specific objectives are recognised in the remainder of this report.

Our current focus is on:

- Continued optimisation of the core business
- Further alignment of the business and operations with Solvency II requirements
- Completion of the integration of ACI, and continued performance improvement of its marine business.

1. First class client service based on a thorough understanding of their needs and market trends

- Deliver the platform replacement programme for ACI in accordance with integration plans
- Further develop the Amlin brand and maximise the return from marketing initiatives
- Continued investment in resource and infrastructure to support the Group's expansion.

2. Profit focused underwriting excellence

- Ensure delivery of adequate underwriting returns against allocated capital
- Develop a Group Underwriting Function to drive best practice across the Group
- Further develop our capability to monitor underwriting quality across a broader geographical base.

3. Effective risk management which optimises returns for the risks we take

- Move towards our Solvency II target operating model
- Implement a consistent risk management framework and risk assessment processes across the Group.

4. Measured expansion of our core businesses and geographic footprint

- Complete the establishment of Amlin Re Europe
- Identify and evaluate acquisition opportunities in target markets
- Analyse growth opportunities and enhance relations with key brokers.

5. A culture and employment practices that make Amlin the 'place to work'

- Embed Amlin Values across the enlarged Group
- Implement changes to performance related remuneration across all Group businesses
- Develop proposals for Global Talent Management.

Amlin businesses

Amlin is built on a small number of well capitalised underwriting businesses combined with a focus on optimising our broker distribution, rather than investing in a large network of local offices.

Amlin plc
Gross written premium: £2,172.5m
Net assets: £1,729.9m

Syndicate 2001
Gross written premium: £1,212.2m
Funds at Lloyd's: £476.1m

- Amlin London
  Gross written premium: £889.4m
- Amlin UK
  Gross written premium: £291.9m
- Amlin France
  Gross written premium: €56.9m

Amlin AG
Net assets: $1,569.1m

- Amlin Bermuda
  Gross written premium (direct): $438.6m
- Amlin Re Europe
  Established in October 2010

Amlin Corporate Insurance
Gross written premium: €768.2m
Net assets: €332.4m

Our markets

Reinsurance market

- The global reinsurance market provides risk transfer and contingent capital to insurance companies
- The market is dominated by large reinsurers in Germany, Switzerland, Bermuda, the US and in Lloyd's
- Amlin underwrites reinsurance through its Syndicate 2001, Amlin Bermuda and Amlin Re Europe platforms. The main focus of Amlin's reinsurance portfolio is catastrophe reinsurance.

More information: page 22

Commercial insurance market

- This market provides motor, property and liability insurance to commercial enterprises and individuals
- UK commercial business written by Amlin UK is sourced through Lloyd's and regional brokers
- Amlin Corporate Insurance (ACI) is a major participant in the commercial market in the Benelux countries, sourcing business through the Dutch Beurs co-insurance market and local and international brokers.

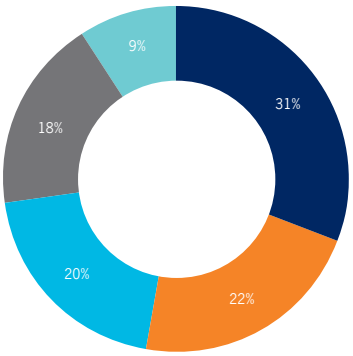
More information: page 26

Global specialty market

- This market insures a wide range of risks which are typically commercial, large and complex, requiring specialist underwriting expertise and individually tailored cover
- Distinct markets include the US surplus lines market and the international marine and aviation markets
- The majority of Amlin's specialty business comes from the US. The acquisition of Amlin Corporate Insurance has significantly increased our presence in Continental European specialty markets, mostly marine
- Our office in Singapore covers Asian energy, cargo, property and aviation business.

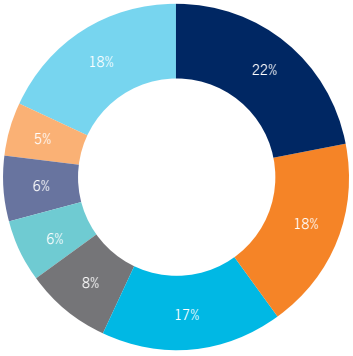
More information: page 24

Group GWP by geography



US	31%	Worldwide	18%
Europe	22%	Other territories	9%
UK	20%		

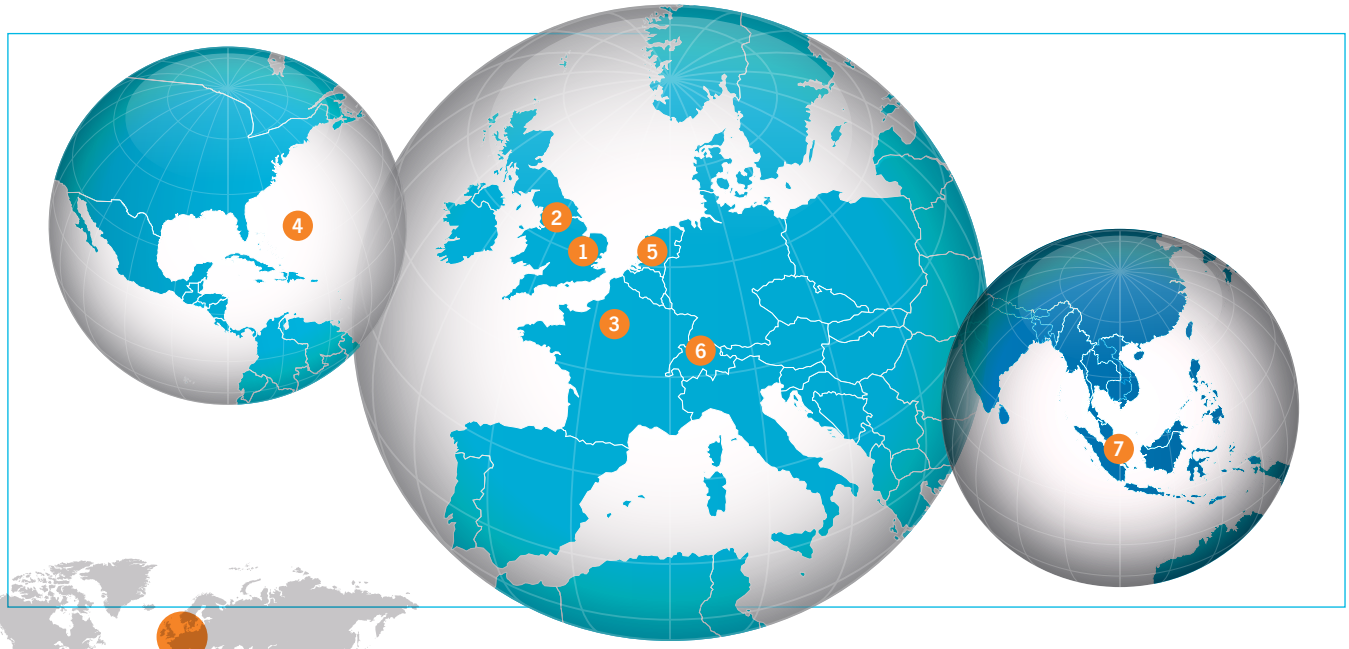
Group GWP by class

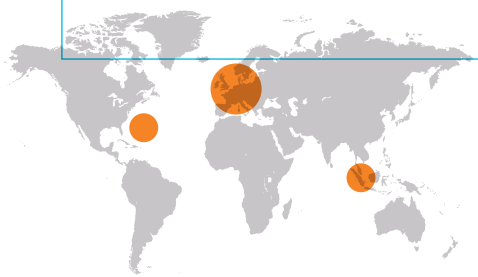


Marine insurance	22%	Liability	6%
Catastrophe reinsurance	18%	Property reinsurance	6%
Property insurance	17%	Proportional reinsurance	5%
Fleet/Other motor	8%	Classes <4%	18%

Global offices

Amlin's global offices are the underwriting and operational centres for our businesses. The majority of Amlin's business is sourced through independent insurance brokers, who provide a global distribution network for Amlin's diverse business lines.





1 Amlin London

Amlin London operates through Syndicate 2001 at Lloyd's. It is organised into four business units: Reinsurance, Property & Casualty, Marine and Aviation, writing more than 30 classes of business and providing a diverse portfolio of risks.

More information: page 28

2 Amlin UK

Amlin UK is our UK commercial insurance business, operating through Syndicate 2001. It is a leader in fleet motor business and also underwrites a range of other commercial lines sourced through both retail and wholesale brokers and other distribution channels. Amlin UK is based in Chelmsford with regional offices in Basingstoke, Manchester, Norwich and Nottingham.

More information: page 30

3 Amlin France

Amlin France was formed in 2010 from the merger of Anglo French Underwriters and ACI France. It is the largest approved Lloyd's coverholder in France and is focused on SME specialty business, underwriting through both Syndicate 2001 and ACI. Amlin France is based in Paris with an office in Lyon.

More information: page 36

4 Amlin Bermuda

Amlin Bermuda writes mainly reinsurance business. Direct business sourced from brokers accounted for 65% of Amlin Bermuda's revenue in 2010. In addition Amlin Bermuda underwrites quota share reinsurance of Syndicate 2001.

More information: page 32

5 Amlin Corporate Insurance

Amlin Corporate Insurance is a leading provider of marine, commercial property and liability insurance in the Benelux region. It has offices in Amstelveen, Rotterdam, Brussels and Antwerp.

More information: page 34

6 Amlin Re Europe

Amlin Re Europe was established in Zurich in 2010 to underwrite non-life treaty reinsurance business for insurers in the Continental European market.

More information: page 37

7 Amlin Singapore

Amlin Singapore operates as part of Amlin London through the Lloyd's Asia platform and is focused on specialty business.

Chairman's statement

Positive performance

"During 2010 we continued to expand the scope of our business, both organically and through acquisition. We also further strengthened our operational capability in order to position the Group for future growth when market conditions allow."

Roger Taylor
Chairman

Results and dividend

2010 was a year with both substantial catastrophe claims and a high incidence of large risk losses. Pre-tax profits of £259.2 million, with a return on equity of 13.9%, were as a consequence lower than in 2009. Earthquakes in Chile and New Zealand accounted for just over £200 million of catastrophe claims, while storms in Europe and floods in Australia, together with the Deepwater Horizon oil spill added to the incremental level of claims.

Protecting and serving our policyholders is our business. We also strive to manage the business in a manner that produces excellent cross cycle returns for shareholders. Two features stand out in the 2010 result. Firstly, the underlying performance of most of Amlin's portfolios was satisfactory. Secondly, the diversity of our reinsurance portfolio meant that the reinsurance account as a whole was profitable in 2010, despite the international earthquake claims.

The Board is proposing a final dividend of 15.8 pence per share (2009 second interim dividend 13.5p), making total dividends declared for the year of 23.0 pence per share, a 15.0% increase over 2009. The final dividend will be paid on 19 May 2011, subject to shareholder approval, to shareholders on the register on 25 March 2011.

Steadily growing the dividend, as illustrated again this year, remains our goal. However, we also remain committed to the active management of capital and the Board has authorised up to £75 million of share buy backs.

Strategic progress

During 2010 we continued to focus on the delivery of our strategic vision through the expansion of the platforms from which Amlin operates, which we believe will support significant growth once trading conditions are favourable. Amlin Corporate Insurance (ACI), was the subject of concentrated attention in every aspect of its activities and, while the 2010 performance was disappointing, we remain confident that it is on course to meet our performance targets.

During 2010 we established a reinsurance business in Switzerland by re-domiciling Amlin Bermuda to Zurich and recruiting a team of reinsurance specialists to create a new business division which trades as Amlin Re Europe. We were pleased to welcome our new colleagues in Amlin Re Europe and delighted that they exceeded their challenging budget for business attaching on 1 January 2011. Our team in Bermuda collaborated in this restructuring but remain based in Hamilton where they continue to run a very successful division for Amlin.

In addition to these developments, our two UK-based operations, Amlin London and Amlin UK, maintained their focus on business development with real success, strengthening links with brokers, bringing in new teams and acquiring additional portfolios. Enhancing the performance of our established platforms is as important as developing new opportunities.

In terms of supporting our strategy, we have remained focused on enhanced reporting of risk across the organisation, to enable us to make progress towards meeting Solvency II requirements. This is a major project for the Group which continues to have the full support and engagement of the Board.

As we prepare for future growth, the value of the Amlin brand is becoming more apparent. It is a key asset to the business, founded on our core values, the quality of our people and our consistent performance. The strength of our brand is reflected in the competitive advantage Anglo French Underwriters (now Amlin France), ACI and other recent smaller acquisitions have derived from becoming part of the Amlin Group. Similarly, our brand was an important factor for the management team of Amlin Re Europe in the positive response received from brokers and prospective clients.

Outlook

As anticipated, we experienced increased competition across most markets which were unaffected by major losses in 2010. Amlin's selective approach to underwriting enabled us to maintain satisfactory margins across much of the portfolio. In some market sectors, most notably the UK fleet motor market, we saw an improving trend. Following the severe winter weather and consequent claims impact on major UK insurers, a more widespread upturn in the UK commercial market may be drawing closer. Amlin UK is extremely well positioned to take advantage of this upturn when it arises.

Amlin's long term performance has been built on underwriting discipline when trading conditions offer limited returns, combined with opportunism when there is scope for profitable growth. With established operations in the UK, Bermuda and Continental Europe, together with the newly created Swiss business, Amlin now has more platforms from which to grow than ever before. There is a real momentum throughout Amlin to develop and enhance our business and a strong capital base to support rapid expansion when market conditions are favourable.

As always the level of catastrophe claims activity will influence financial performance. Tragically, 2011 has started with another major New Zealand earthquake, which this time has led to significant loss of life. Following so quickly after the September 2010 event, it will take a period of time before the full financial effect of the Christchurch damage can be assessed.

Return on equity
13.9%
2009: 37.0%

Dividend
23.0p
2009: 20.0 pence

Total shareholder return
205%
2009: 337%

Committed to governance

The Board believes that high standards of corporate governance are intrinsic to Amlin's culture and values. Our commitment to high standards of conduct is highlighted in the Corporate Governance section.

More information: page 60

Governance and the Board

Amlin continues to strive for excellence in corporate governance. We have a strong culture of accountability, which is reflected throughout the organisation in the serious way that we operate executive processes and subsidiary boards. The Board has focused, not only on the increasingly complex regulatory environment and on challenging and encouraging executive management, but also on strategy development and the integration of recent acquisitions. Alongside the work on Solvency II, the Board's consideration of risk and solvency has progressively deepened over the last couple of years, with a Board-level Risk and Solvency Committee, separating out some of the Audit Committee's responsibilities, having been established with effect from 1 January of this year. I am pleased that Richard Davey, an independent non-executive, has agreed to chair the new committee.

The Board was active in the debate leading up to the adoption of the new UK Corporate Governance Code, with which we intend fully to comply in 2011, including the annual re-election of Directors from the AGM this May. I am confident in recommending to shareholders, following individual as well as collective evaluation, that the Board possesses the necessary skills and diversity of experience that a complex insurer such as Amlin requires. Further governance details are set out in this Annual Report, particularly in the Board Corporate Governance Statement (pp.60), which I commend to you.

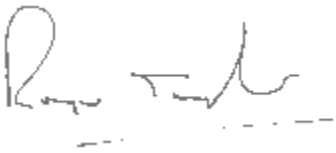
All of the Directors are standing for re-election at the AGM other than Tony Holt, a non-executive since his retirement as Underwriting Director in 2008. I pay tribute to Tony's major contribution to Amlin's success since its formation in 1998. His continued Board involvement over the last two years, including at two key subsidiaries, has helped complete the transition of underwriting leadership to the next generation. For that reason it is particularly fitting that Simon Beale, the Underwriting Director of Amlin London, is being proposed to be elected as a Director at the forthcoming AGM in May.

The Amlin team

Amlin's Vision is to be the global reference point for quality in each of our markets, and our people are crucial to attaining this goal. A pleasing recognition of Amlin's long term investment in training and development and of the professionalism of our people was the granting to Amlin of Chartered Insurer status during 2010, the first time this recognition has been awarded to a London Market insurer. The range of skills and expertise required to deliver a first class service to clients is wider than ever before and we remain committed to ensuring that our people are well equipped to meet client needs wherever we operate.

Rod Dampier, Head of Aviation for Amlin London and a director of Amlin Underwriting Limited, who has been with Amlin since 1997, will be retiring in 2011 after more than 42 years in the London market. I would like to thank him for his contribution to establishing Amlin as one of the most respected aviation markets in the sector. Rod has been supported by a high quality and experienced team and I am confident that his successor, Miles Taffs, and the team will maintain Amlin's excellent underwriting record and considerable reputation in this class.

It has been a demanding year for Amlin, with challenging trading conditions, heightened claims activity and a rigorous focus on regulatory matters. We have continued to make real progress due to the positive leadership of Charles Philipps and his management colleagues, and the ready response of our employees. I would like to thank them all for their energy and commitment.



Roger Taylor
Chairman

Chief Executive's review

Well positioned for growth

"The diversity of Amlin's business stood us in good stead during 2010, generating a ROE of 13.9% despite substantial international catastrophe losses and a challenging trading environment."

Charles Philipps
Chief Executive

Financial results

2010 proved a more challenging year than 2009, with pricing under pressure in many areas and a significantly higher level of claims events. There were substantial catastrophe losses, unusually weighted to the international catastrophe portfolio rather than the US, together with a higher incidence of large risk losses, most notably the Deepwater Horizon oil spill. There was some firming of rates in loss affected areas such as energy, although in catastrophe reinsurance the impact of the Chile earthquake loss on pricing was modest and localised. Some sectors such as UK fleet motor continued to improve, but with these few exceptions there was a general reversal of price increases seen in 2009 and the market was softened, albeit modestly, throughout the year.

Against this background, the 2010 profit before tax of £259.2 million, while materially less than our record 2009 profit of £509.1 million, still represents a solid result, and is a sign of the good underlying performance of our core Syndicate 2001 businesses, as well as the diversity within our reinsurance businesses in London and Bermuda. The return on equity was 13.9% (2009: 37.0%).

The increased claims activity is reflected in the higher combined ratio of 88% (2009: 72%), which brought the underwriting contribution down to £202.1 million (2009: £365.8 million). The investment return of 4.0% on average invested assets was creditable given the low interest rate environment, but was nevertheless also down on 2009 (5.9%).

Amlin London's contribution to pre-tax profit was £143.3 million (2009: £177.5 million). Having incurred significantly more major catastrophe claims, of £132.2 million, compared with £22.1 million in 2009, this result demonstrates solid underlying performance.

Amlin UK contributed £23.5 million (2009: £46.4 million), the lower result reflecting the trough of the UK commercial trading cycle and lower reserve releases, having benefited from a one-off release of £16.0 million in 2009.

Amlin Bermuda contributed £103.4 million (2009: £249.6 million) also reflecting the higher level of catastrophe losses of £103.9 million compared to £20.4 million in 2009, this business being predominantly a catastrophe reinsurer. That both Amlin Bermuda and the reinsurance business in Amlin London produced reasonable returns, despite the impact of the Chile and New Zealand earthquake losses, illustrates the geographical balance of Amlin's catastrophe portfolio between international and US exposures as part of our overall approach to catastrophe underwriting.

Neither Amlin London nor Amlin Bermuda accrued recoveries under their new retrocessional reinsurance programmes which were put in place in 2010. These new programmes were designed to protect Amlin against an accumulation of catastrophe losses, with Amlin's net exposure to a second and subsequent major events dropping progressively if the claims from the first event or cumulative losses exceeded pre-defined amounts. With the 2010 catastrophes we remained just within our retention levels but would have borne significantly lower retained net losses if there had been further major events.

Amlin France, which for most of 2010 included ACI's former French business, suffered from windstorm Xynthia and flooding in the south of France last June which reduced its contribution to £1.9 million (2009: £2.5 million).

Amlin Corporate Insurance

ACI contributed a profit of £16.6 million (2009: £54.4 million), helped by a strong investment performance but with disappointing underwriting returns. The actions taken to improve underwriting performance in its Rotterdam marine business will take time to be recognised in earned figures and the result was also affected by worse than expected performance in its smaller Antwerp commodities cargo account.

There was concerted action throughout 2010 to continue re-underwriting ACI's marine portfolio. This is resulting in improved trends in its hull claims ratios, but in its smaller cargo account softening market conditions have held back progress. In Antwerp the commodities cargo book was also re-priced during the second half of the year and into the 1 January 2011 renewals, with the high level of client retention reflecting the value clients place on ACI's specialist expertise and service capability in this sector.

Re-underwriting activity has resulted in the non-renewal of approximately €71 million of marine business where pricing was considered inadequate and historic claims ratios unacceptable. Much of the remaining portfolio has better historic performance and more acceptable pricing.

ACI's underwriting practices, incentive arrangements, risk management and reserving were brought more into line with Amlin and we strengthened management resource with the recruitment of a Chief Risk Officer and a Chief Operating Officer, both of whom are making a positive impact. ACI has also successfully completed the transition of services such as motor fleet claims and reinsurance processing away from Fortis, leaving only the migration of its systems to Amlin's platform, which is scheduled for completion in mid-2011. All of this has required

Financial strength ratings

Class	AM Best	S&P	Moody's	Fitch
Syndicate 2001	A+ (Superior)	4 (Stable)[1]	A1 (Stable)	Not rated
Amlin AG	A (Excellent)	A (Stable)	A2 (Positive)	Not rated
Amlin Corporate Insurance	Not rated	A- (Stable)	Not rated	A- (Positive)

1 Lloyd's Syndicate Assessment
2 Conning Research & Consulting, The Conning Commentary, December 2010

Key highlights in 2010

- Creation of Amlin AG and launch of Amlin Re Europe
- Significant progress in integrating ACI
- Completion of Solvency II pre-application preparation
- First London Market insurer to achieve Corporate Chartered Insurer status
- Further investment in growth potential through senior recruitment and acquisitions.

a major commitment both by ACI's management and staff and Amlin's teams working alongside them, and we expect to realise the benefits of these actions in future performance.

Outlook

Over-capacity continues to drive competition in many segments of the market, most notably in the US, where premium to surplus ratios in the property and casualty market are at a 30 year low[2]. In many market sectors, particularly reinsurance, downward pressure on pricing has increased despite the impact of the losses borne by the market in 2010. This was reflected in rate reductions in January of 3.2% and 4.4% for our reinsurance books in Amlin London and Amlin Bermuda respectively.

Amlin benefits from the diversity of its portfolio, which gives access to a varied range of market conditions. For example, energy physical damage rates and energy liability rates have increased by 20% and 50% respectively since the Deepwater Horizon oil spill. While drilling activity in the Gulf of Mexico is presently low due to restrictions on permits, the reassessment of marine and energy exposures prompted by this event seems likely to result in demand for increased coverage which may exceed current market capacity when activity resumes. This should create an attractive opportunity to expand our underwriting in this sector.

In the UK, we saw an improving rating trend for fleet motor at the end of 2010, following a more competitive market than expected earlier in the year. This was reflected in an overall rate increase of 7.4% for fleet motor in January. In motor fleet, as elsewhere in the UK commercial market, there is increasing evidence of financial distress as competitors withdraw or reduce capacity on unprofitable business. With similar trends in the personal lines market exacerbated by the impact of the severe winter weather in 2010, we expect to see improvement in pricing for UK commercial lines in 2011. Amlin UK is already taking advantage of growth opportunities in the firmer motor fleet market and has the ability to generate further substantial growth as market conditions improve.

With the benefit of these more favourable trends combined with largely stable pricing in some other key sectors such as marine, Amlin's overall portfolio, saw a January decline of only 1.3% in rates.

Nevertheless, surplus capacity combined with the continued impact of the depressed global economy on premium volume, together with declining investment yields, is creating a challenging environment in which to pursue profitable growth.

Amlin is well positioned, with a profitable core portfolio supported by strong client and broker relationships, as reflected in our high retention ratios. Our disciplined underwriting approach is focused on profit not volume and driven by our cross cycle target of an average return on equity of at least 15%. This discipline and focus has enabled the business to perform well at the bottom of previous cycles.

The Group is benefiting from previous investments in teams and acquisitions which have broadened the client base, distribution and market access of the business. We continue to anticipate opportunities to expand selectively through teams, portfolios and small acquisitions and we expect to add approximately £40 million of new business from the acquisitions of JR Clare and Lead Yacht Underwriters which were completed in January and February respectively this year.

While trading conditions also remain difficult in Continental Europe, we believe that ACI will benefit from the improvements made to its risk management practices and the re-underwriting of its marine accounts. The Rotterdam hull portfolio, which was a focus of attention in late 2009 and early 2010, is showing signs of improvement, and actions taken in the Antwerp commodities cargo account in the second half of 2010 should have a positive impact on performance in 2011.

A further challenge is likely to be the substantially lower investment returns expected in 2011. Amlin will not materially increase risk appetite to compensate, however our proven capabilities in investment management, which have enabled us to outperform the investment return of our Lloyd's peers by a simple average of 1.1% since 2005, will stand us in good stead to optimise available returns.

Overall, while we expect market conditions to make 2011 another tough year, we have good levels of underlying performance in both Amlin London and Amlin Bermuda, and with an improving outlook for Amlin UK and the actions taken in ACI we expect to trade through the current cyclical downturn successfully.

Capital

Net tangible assets increased by 8.0% to £1,545.4 million in 2010, after £30.4 million spent on goodwill and intangibles associated with acquisitions and dividends paid of £102.5 million. We remain in a strong capital position with capital and available resources of £695.9 million in excess of our assessed capital requirements. As we move closer to the bottom of the cycle in many lines, efficient capital management in support of our cross cycle goal of at least 15% ROE becomes more critical, but with the introduction of Solvency II looming, it is important to balance this with the need for capital strength.

Our capital strength also supports our policy of steadily increasing the dividend, which with our final dividend of 15.8 pence per share, has increased by 15.0% over 2009. Allowing for this and the current importance of maintaining a more robust position than normal, we have also allocated up to £75 million for share buy-backs over the coming year. We believe that our prospects, both for 2011 and especially when better market conditions return, make it attractive to buy in shares at or near the current price.

Strategy and business development

A major initiative in 2010 was the creation of Amlin AG through the redomicile of Amlin Bermuda to Switzerland. On 5 May 2010 we announced our intention to establish Amlin Re Europe in Switzerland to provide the Group with access to European reinsurance business that does not typically flow into the London and Bermuda market places. Amlin AG's incorporation in Zurich, a major financial centre and home of many global financial and (re)insurance companies, will provide an ideal location for the further growth and expansion of the group's reinsurance activities. We believe that Switzerland provides Amlin with strategic flexibility, a strong professional workforce, a solid legal and regulatory environment and an improved ability to manage our capital.

Amlin Bermuda is now operating as a Bermuda-based branch of Amlin AG but in all other respects exactly as before. Amlin Re Europe has been extremely well received by brokers and prospective clients and has made an excellent start in 2011, writing some €66 million of gross written premium, marginally above plan. With current pricing and the new business strain of incurring expenses before the development of earned premium, we do not expect it to make a material contribution in the current year. We are, however, excited by its longer term prospects.

Chief Executive's review continued

Amlin Re Europe: investing for future growth

Amlin Re Europe represents Amlin's second major start-up following the successful establishment of Amlin Bermuda in 2006. Continental European insurers do not readily buy treaty reinsurance from Lloyd's or Bermudian reinsurers, preferring to deal with local reinsurers in their own language, although Amlin London already provides catastrophe reinsurance to some European companies. The local relationships of Amlin Re Europe's experienced underwriting team, combined with Amlin's existing reinsurance franchise, strong ratings and long-standing broker relationships, are already proving to be an attractive business proposition to the target client base. Amlin Re Europe will further diversify our reinsurance portfolio by geography and class and Amlin AG gives us a substantial European platform from which to further develop the business over time.

Amlin's market position as a specialist international insurer and reinsurer remains advantageous. Our business is small enough to be flexible and opportunistic, able to shrink or grow individual lines according to market conditions, and we have excellent and long-standing relationships with key brokers. Nevertheless we remain mindful of the long term global consolidation trend in insurance and the likelihood that this will be given further momentum by Solvency II. Major brokers are increasingly focused on streamlining their distribution and concentrating premium flows with the optimum carriers in each market segment. Amlin needs to have sufficient critical mass to count in this changing environment.

During 2010, we continued to invest in the core business, extending our underwriting scope and expertise through targeted recruitment. Given that one of our strategic objectives is for Amlin to be seen as 'the place to work', it was pleasing that we were able to attract a very high quality cadre of senior underwriters to join the Group in 2010, mainly for Amlin Re Europe but also in London and Bermuda. We also further strengthened regional management and operational resources in ACI, Amlin France and Bermuda.

We continue to see suitable acquisitions as important to our longer term growth. During 2010 we reviewed our acquisition strategy in the light of valuable lessons learned from recent acquisitions. This is now informing our planning to ensure that we are fully resourced to integrate further acquisitions effectively in the future.

The Group made further significant progress towards Solvency II with the pre-application preparation completed on schedule. This was a major achievement which reflects the hard work and commitment of a substantial team of colleagues across the Group. It is becoming increasingly clear that Internal Model approval will be crucial to the success of businesses such as Amlin in the future and we remain confident of achieving that objective. We continue to expect that Amlin's Target Operating Model, which is at the centre of our preparations for Solvency II (pp.41), will deliver substantial benefits and enhance Amlin's competitive position. In particular, we see leading edge risk management as a crucial competitive advantage for the future.

People

Once again turnover of total employees and senior underwriters was low at 5.2% and 3.7% respectively. The stability of our employee base is an important asset, particularly as the business grows and we meet the challenge of extending the 'Amlin DNA', which has been the foundation of the Group's success, across the broader business.

Amlin's attainment of the first Chartered Insurer status in the London Market was a resounding endorsement of the professionalism and expertise of our people and underlines our continued commitment to our Vision of becoming 'the global reference point for quality in each of our markets'.

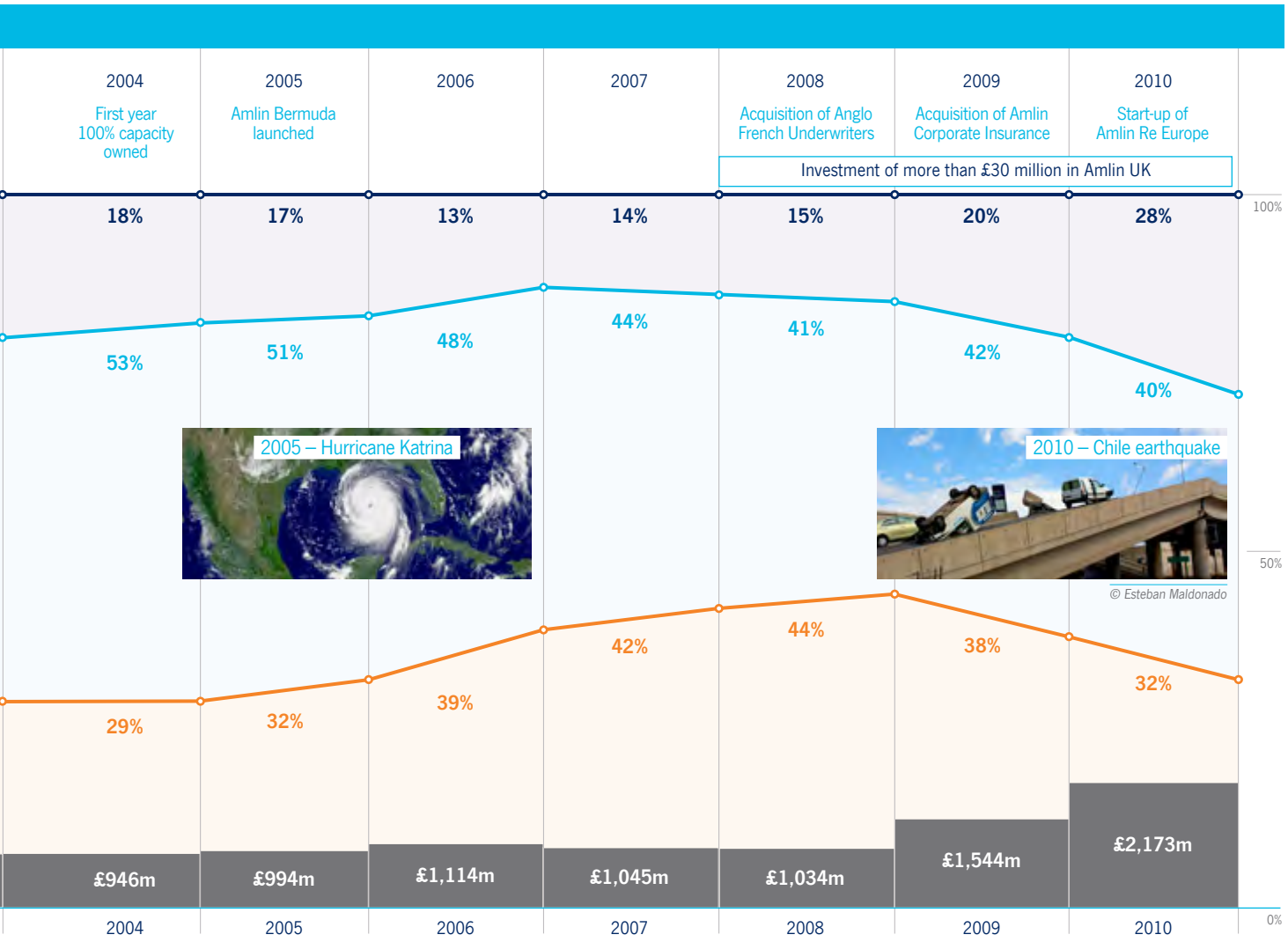
Employees across the Group again showed teamwork, dedication and commitment to meet these varied demands and deliver value to shareholders and clients. I admire and thank them for their outstanding performance.

Charles Philipps
Chief Executive

Building a balanced business

Maintaining a balance between catastrophe and non-catastrophe exposures across Amlin's portfolio has been a priority as the business has grown.

Profitable underwriting across the insurance cycle, combined with a diverse and balanced portfolio, enhances capital efficiency and helps to offset volatility within higher margin catastrophe lines. This chart shows, in premium terms, how Amlin's business mix has developed since 2002 and how the growth in catastrophe reinsurance underwriting since 2005 has been offset by the less volatile commercial and specialty business lines of recent acquisitions, particularly ACI.



Multiple US hurricanes cause $40 billion of insured loss*

Hurricanes Katrina, Rita & Wilma cause largest ever catastrophe loss of $69 billion*

Hurricanes Ike and Gustav cause $40 billion of insured loss*

Major earthquakes in Chile and New Zealand cause insured losses estimated at $8 billion and $3.3 billion respectively

* Loss data from Swiss Re, sigma

* Loss data from Swiss Re, sigma

* Loss data from Swiss Re, sigma

Munich Re, Jan 2011

Market review

Reinsurance

Surplus capacity and a second year of low US catastrophe claims caused a softening in reinsurance pricing in 2010, despite major earthquakes in Chile and New Zealand which caused significant regional market losses.

The reinsurance market provides risk transfer and contingent capital to insurance companies. As a result of a sustained period of consolidation in Europe, Bermuda and the US, the global market is dominated by large reinsurers in Germany, Switzerland, Bermuda, the US and within Lloyd's.

Amlin underwrites reinsurance principally through Syndicate 2001 (Amlin London) and Amlin AG. The main focus of Amlin's core reinsurance portfolio is catastrophe reinsurance, which protects insurers against major losses caused by natural catastrophes such as hurricanes or earthquakes. Amlin London and Amlin Bermuda also write other reinsurance business across a range of classes, mainly covering property risks. Amlin Re Europe, which started underwriting in October 2010, will develop a Continental European reinsurance account focused mainly on property and casualty treaty reinsurance for small and mid-sized insurance companies.

Amlin London and Amlin Bermuda source the majority of their reinsurance business through global reinsurance brokers. Amlin Re Europe also expects to source most of its business through brokers, but it will also develop some business which is not already brokered directly with insurers, in line with market practice in Continental Europe.

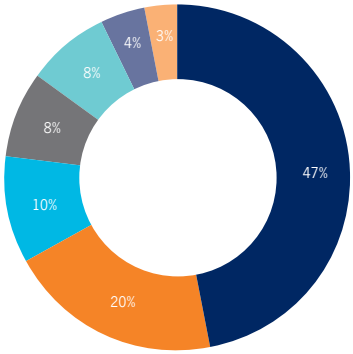
Market commentary

2010 was dominated by substantial international catastrophe claims, most notably from the Chilean earthquake on 27 February, and the major earthquake in New Zealand on 3 September. In addition, European windstorm Xynthia, which occurred in February and the Australian floods in December (and January 2011) were also significant events. By contrast, the level of US catastrophe losses was relatively low, with a second consecutive year of limited landfall hurricane activity. However the Deepwater Horizon oil spill, which started on 22 April, is expected to generate substantial reinsurance claims to the global marine and energy market. Amlin's estimated exposure to each of these events is shown opposite.

At an estimated $8 billion[1], the Chilean earthquake was one of the largest insured earthquake losses ever, but despite this, any upward pressure on catastrophe pricing was confined to the local region. Even with the additional impact of windstorm Xynthia and the New Zealand earthquake, at an estimated $3.1 billion[1] and $3.3 billion[1] respectively, the overall rating environment for international catastrophe business remained materially unchanged.

The unusually low level of catastrophe losses in 2009 combined with the continued recovery in financial markets boosted industry capital, with brokers estimating that the surplus capital in the global catastrophe reinsurance market had increased to more than $50 billion by the end of 2010[2]. However, margins remained attractive in the US catastrophe markets even though the absence of significant catastrophe losses led to a softening in pricing. Rates on Amlin's international catastrophe portfolio fell by 0.5% (2009: increase of 4.1%) and on Amlin's US catastrophe business rates decreased by 4.9% (2009: increase of 10.5%). Property reinsurance rates declined by 9.8% (2009: increase of 1.2%).

Global reinsurance market share by net written premium as of 2009[3]



Continental Europe	47%	Bermuda	8%
US	20%	Ireland	4%
Asia Pacific	10%	Rest of the world	3%
UK	8%		

Amlin Bermuda

Since its formation in 2006, Amlin Bermuda has grown steadily to become one of the leading Bermuda reinsurers. In 2009, the latest year for which data are available, Amlin Bermuda was ranked 8th by total net written premium in the Bermudian market, with a share of approximately 5%[3].

1 Munich Re, Jan 2011
2 Guy Carpenter, Jan 2011
3 Standard and Poor's, Aug 2010 / Amlin estimate
4 Xchanging, Feb 2011
5 Munich Re, Jul 2010
6 Insurance Council of Australia, Jan 2011

Delivery beyond expectation

A long-standing Amlin client was one of the insurers in Chile affected by substantial claims following the earthquake and resulting tsunami, with many policyholders suffering real hardship. As part of our commitment to timely and fair claims settlement, we fast-tracked reinsurance claims payments to support the client's cash flow and to enable them to pay policyholders quickly. The client recognised Amlin's superior service with a significantly increased share of its reinsurance programme at renewal.

$8bn[1] Market insured loss estimate for Chilean earthquake

Amlin's market position

Amlin is a recognised leader in the catastrophe reinsurance market, with Amlin London and Amlin Bermuda viewed by brokers as preferred markets by virtue of their strong Financial Strength ratings (pp.18) and underwriting expertise. Amlin London is the largest catastrophe underwriter in Lloyd's by premium, with a market share of 9% in 2010[4]. Amlin London and Amlin Bermuda offer their capacity only to London treaty reinsurance brokers. This is a key differentiator in the Bermuda market. Both businesses are recognised for excellence in client service which is reflected in consistently high retention levels achieved on renewal business.

Amlin's catastrophe account is underwritten mainly on a treaty excess of loss basis. While the US accounts for the largest proportion of catastrophe premium by geography for both London and Bermuda, the overall catastrophe portfolio is a global one with a significant spread of international business outside the US, reflecting Amlin's strategy to seek profitable diversity within individual business classes as well as across the whole Group underwriting portfolio.

Amlin Re Europe was established in 2010 to provide the Group with access to European reinsurance business that does not typically flow into the London and Bermuda markets, by meeting increased demand for greater diversity of risk transfer and counterparty risk among small and medium sized insurers. Like Amlin's other reinsurance businesses, Amlin Re Europe offers strong ratings and capitalisation, underwriting expertise based on substantial experience in the European market and high levels of client service.

Reinsurance renewal rating indices

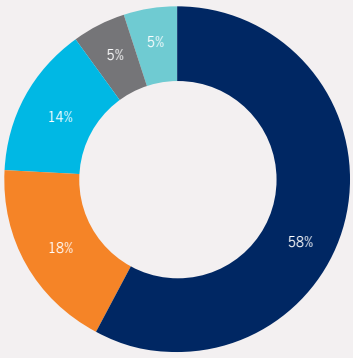
Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
US catastrophe	100	115	146	150	143	144	185	**188**	167	185	175
International catastrophe	100	120	157	**161**	145	131	138	131	119	124	123
Property	100	122	189	**191**	170	146	170	144	126	127	115

Note: figures in bold represent peak ratings

Catastrophe losses to Amlin in 2010

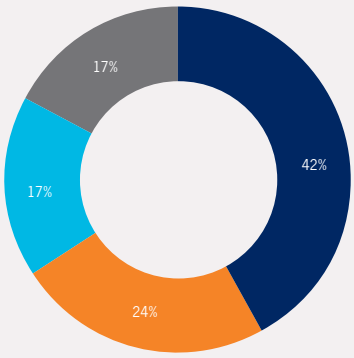
Catastrophe loss	Event date	Market insured loss $m	Amlin reinsurance estimated net loss $m	Amlin specialty estimated net loss $m	Amlin total estimated net loss $m
Windstorm Xynthia[1]	26 Feb	3,100	**–**	1.4	1.4
Chilean earthquake[1]	27 Feb	8,000	**142.6**	12.9	155.5
Australian hailstorms[5]	6 Mar	920	**15.1**	–	15.1
New Zealand earthquake[1]	3 Sep	3,300	**160.0**	–	160.0
Australian Queensland floods[6]	Dec	1,600	**19.6**	5.3	24.9

Reinsurance by class 2010 GWP



Catastrophe reinsurance	58%	Special risks	5%
Property reinsurance	18%	Marine/Aviation reinsurance	5%
Proportional reinsurance	14%		

Reinsurance by broker 2010 GWP



Aon	42%	Willis	17%
Marsh	24%	Other	17%

Market review

Global Specialty

Specialty lines showed variance in pricing during 2010 with over-capacity continuing to drive competition in some sectors. The Deepwater Horizon oil spill, as well as generating an insured market loss expected to exceed $6 billion[1], prompted a market-wide reassessment of energy risks, particularly liability exposures, which is now being reflected in higher pricing.

The global specialty market includes a wide range of risks which are typically commercial, large and complex, requiring specialist underwriting expertise and individually tailored cover. Distinct markets include the US surplus lines market and the international marine and aviation markets. Lloyd's remains an important hub for the insurance of many of these highly specialised risks, but capacity is also provided by global insurers operating world-wide and in regional market centres such as the Dutch Beurs and Singapore.

Amlin has specialist expertise in many different specialty lines, with most being written through Syndicate 2001 via Amlin London, and through ACI in the important Benelux marine market centred on Rotterdam. Our office in Singapore sources local energy and cargo business, which is also underwritten through Syndicate 2001. A substantial proportion of Amlin's specialty business comes from the US, accounting for 25% of Amlin London's specialty premium in 2010.

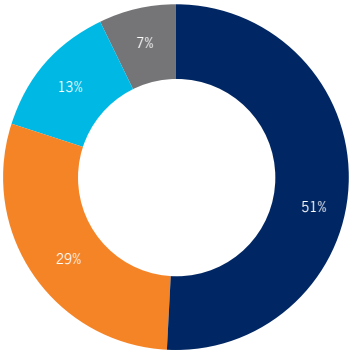
Amlin also provides specialist tailored insurance cover for thoroughbred breeding and racing stock and high value competition horses through Amlin Plus Limited, and for other types of livestock through Crowe Livestock Underwriting Limited.

Amlin sources its specialty business mainly through brokers and other intermediaries. In certain lines, such as Amlin London's marine account, part of the business is written via lineslips and binding authorities, whereby Amlin gives limited and defined underwriting authority to selected intermediaries.

Market commentary

The diversity of the specialty lines market is reflected in the typically mixed picture for pricing and capacity seen during 2010, as illustrated by the index of rate movements for Amlin's portfolio provided in the table opposite. Overcapacity in many lines continued to drive competition, particularly in aviation and the US property and casualty market. However in some loss affected sectors, notably energy physical damage and liability following the Deepwater Horizon oil spill, the softening trend in pricing that had been evident at the start of the year was reversed. The impact of the global economic slowdown was less marked than in 2009 for trade-related sectors such as cargo, but the cargo market remained competitive, especially in Continental Europe.

Global marine premium by line of business 2009: $23.6 billion[2]



Cargo	51%	Offshore/energy	13%
Hull	29%	Marine liability	7%

Our marine portfolio

Following the acquisition of ACI, marine is Amlin's largest specialty class by premium with 2010 gross written premium of £547.4 million, including energy premium of £56.5 million.

On a proforma basis to include ACI for the full year, Amlin's total marine premium for 2009 would have represented 3.4% of global marine premium[2].

1 Towers Watson, Aug 2010
2 IUMI, Sep 2010
3 ICC International Maritime Bureau Piracy Report, Jan 2011
4 One Earth Future Report, Jan 2011
5 Amlin estimate
6 Munich Re, Jan 2011
7 Insurance Council of Australia, Jan 2011

Supporting trade in hazardous environments

Pirates hijacked a record number of ships and crew in 2010, mostly off the coast of Somalia. 53 vessels were captured along with 1,181 crew members, compared to 188 people seized in 2006[3]. While this remains a small proportion of the total volume of shipping in high risk areas, without insurance cover to meet ransom payments which average more than $5 million[4], the escalation in piracy would have had a far greater impact on trade. Amlin supports clients with piracy cover as part of the service provided by our marine insurance teams.

$7–12bn[4] Estimated cost of piracy (2010)

Amlin's market position

Amlin is a major insurer in the global marine market, with a combined gross written premium for Amlin London and ACI's marine account of £547.4 million including energy in 2010. Amlin London underwrites all major international marine classes including energy, cargo, marine hull and liability. Amlin is also a leading provider of yacht insurance through two specialist subsidiaries, Haven Knox-Johnston, which services the small yacht market, and Lead Yacht Underwriters which provides coverage for super-yachts.

ACI is the market leader in marine insurance in the Benelux region with an estimated share of written premium of more than 30% in the Dutch and Belgian marine insurance markets[5]. In the Dutch market ACI writes a diverse regional and international account with a focus on specialist inland and coastal risks such as dredging, lifting and salvage and is also a market leader in cargo. In Belgium ACI is a leading underwriter of specialist commodities cargo business.

In other specialty lines, Amlin pursues a disciplined underwriting approach based on writing a small percentage line across a large number of risks, rather than taking larger shares of fewer risks. This gives us flexibility and the ability to be highly selective to protect underwriting profitability according to market conditions, while the different pricing cycles and demand dynamics across such a broad portfolio give varied opportunities for profitable growth. The expertise of Amlin's underwriters across a wide range of disciplines is well recognised in the market and Amlin's strong Financial Strength ratings (pp.18) give a competitive advantage. Both Amlin London and ACI are also noted for quality client service which is reflected in long standing broker and client relationships and consistently high retention levels achieved on renewal business.

Global specialty renewal rating indices

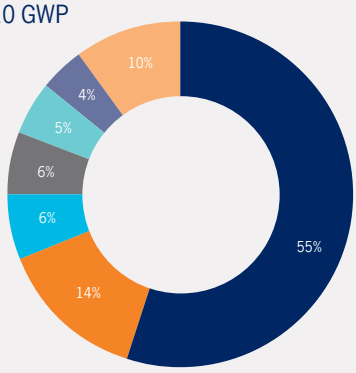
Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Property insurance	100	125	**171**	163	143	136	165	143	133	142	141
US casualty	100	123	172	217	234	**239**	237	223	203	199	197
Marine hull	100	115	148	171	183	189	191	192	192	205	**208**
ACI marine	–	–	–	–	–	–	–	–	–	100	**104**
Offshore energy	100	140	172	189	170	175	**262**	243	209	256	247
War	100	250	**288**	244	220	206	191	175	160	156	153
Airline hull and liabilities	100	**301**	283	235	216	201	158	122	127	141	132

Note: figures in bold represent peak ratings

Catastrophe and large losses to Amlin in 2010

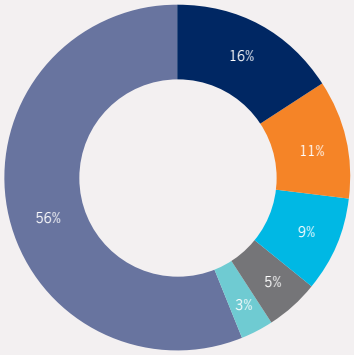
Catastrophe loss	Event date	Market insured loss $m	Amlin reinsurance estimated net loss $m	Amlin specialty estimated net loss $m	Amlin total estimated net loss $m
Windstorm Xynthia[6]	26 Feb	3,100	–	**1.4**	1.4
Chilean earthquake[6]	27 Feb	8,000	142.6	**12.9**	155.5
Australian hailstorms[6]	6 Mar	920	15.1	**–**	15.1
Deepwater Horizon[1]	22 Apr	6,000	2.0	**13.1**	15.1
New Zealand earthquake[6]	3 Sep	3,300	160.0	**–**	160.0
Australian Queensland floods[7]	Dec	1,600	19.6	**5.3**	24.9

Global specialty lines by business class 2010 GWP



Marine insurance	55%	Casualty	5%
Property insurance	14%	War	4%
Energy	6%	Classes < 4%	10%
Aviation insurance	6%		

Global specialty lines by broker 2010 GWP



Aon	16%	RK Harrison	5%
Marsh	11%	Lloyd and Partners	3%
Willis	9%	Others	56%

Market review

Commercial

Commercial insurance markets in Continental Europe remained highly competitive with abundant capacity during 2010. In the UK, an improving trend continued in fleet motor and, while other classes remained near cycle lows, positive signs emerged as the year progressed.

Commercial lines insurance provides motor, property and liability insurance to commercial enterprises ranging in size from sole traders to global corporations. In some markets commercial insurers also provide insurance to local and national government entities.

Amlin's commercial lines businesses comprise Amlin UK, which serves clients in the UK and Ireland, ACI, which operates in the Netherlands and Belgium, and Amlin France, which serves the French corporate market. The insurance markets in these countries are mature and established, with significant commercial premium, as shown opposite.

Amlin sources its commercial insurance mainly through Lloyd's brokers and regional and local intermediaries in the UK and Continental Europe. In the Netherlands, ACI is also a major participant in the Beurs co-insurance market. Each of Amlin's commercial lines businesses is focused on maintaining close relationships with key intermediaries in their respective markets and on providing high levels of service tailored to the needs of brokers and clients in specific industry and business sectors.

Market commentary

During 2010 the commercial insurance markets in which Amlin operates remained generally competitive, with only UK motor fleet business seeing an obvious improvement in pricing.

Competitive pressures in Continental European markets remained intense, driven by ample capacity from both international and local insurers and the continued impact of the economic downturn on demand. In the Benelux markets, favourable results in liability classes attracted additional capacity into the sector, resulting in significant rate reductions during the year. Property rates were stable but remained competitive, although there were some signs of greater discipline for high hazard property risks in France. Motor fleet also remained a soft market in the region.

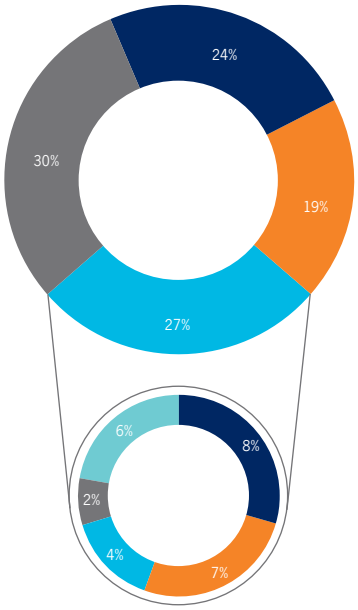
In the UK market, anticipated improvements in pricing in the liability and property sectors were slow to emerge, although there were some signs of greater stability in the second half of 2010.

Amlin's book of business experienced largely stable pricing. However, motor fleet generated a rate increase of 3.1% for the year with a rising trend as the year progressed. This reflected continued withdrawal of capacity from the motor fleet segment as competitors reacted to losses on underpriced business.

Key markets for Amlin

	2009 non-life GWP[1] €bn
France	62
UK	54
Netherlands	52
Belgium	10

European non-life insurance gross written premiums – 2008[1]



Health	24%	Other	27%
Property	19%	Motor	30%

Other breakdown

General liability	8%	Legal expenses	2%
Accident	7%	Other	6%
Marine, aviation, transport	4%		

1 CEA, Nov 2010
2 Munich Re, Jan 2011

Working with clients to manage the unexpected

As the severity and frequency of flood events in Europe increases, clients look for insurance coverage which will respond not only to the predictable consequences of flooding, but also to associated losses such as electrical fires or business interruption. Amlin works closely with brokers and clients to tailor coverage to the specific needs of their businesses and to help clients manage their risk exposures.

$1.0bn[2] Market insured loss from flash floods, France 15 June 2010

Amlin's market position

Amlin UK is a market leader in commercial fleet motor in Lloyd's and also underwrites property and liability business for UK corporate entities together with some specialist lines for private individuals. The property account includes package products aimed at the SME sector which incorporate combined property and liability cover. All of Amlin UK's business is underwritten through Syndicate 2001. The experience and technical expertise of Amlin UK's underwriters and their ability to create and price unconventional programmes gives Amlin a competitive advantage. The business focuses on non-standard and complex risks and works closely with brokers to create niche products which meet client needs across a wide range of business types and sectors.

ACI is a leading provider of commercial property and liability insurance with a top three position by premium volume in these classes in both the Netherlands and Belgium, where it also underwrites commercial motor fleet insurance. ACI benefits from long-standing relationships with major international brokers operating in the Benelux region as well as with a broad range of local brokers and intermediaries.

Amlin France, formed by the combination of Anglo French Underwriters and ACI France during 2010, is the largest Lloyd's coverholder in the French market by premium and writes a diverse range of business including property, cargo, professional liability and specie insurance. Its target market is small and medium sized corporate enterprises, focused on niche areas where its specialist underwriting and pricing skills can generate good returns. The majority of Amlin France's business is underwritten on behalf of either Syndicate 2001 or ACI.

Amlin UK renewal rating indices

Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
UK fleet motor	100	121	136	143	141	137	135	134	137	144	**148**
UK employers' liability	100	115	144	158	**159**	144	135	123	115	114	115
UK professional indemnity	100	110	149	178	**181**	165	154	140	129	128	127
UK property & commercial combined	100	100	100	**127**	126	126	117	110	109	107	106

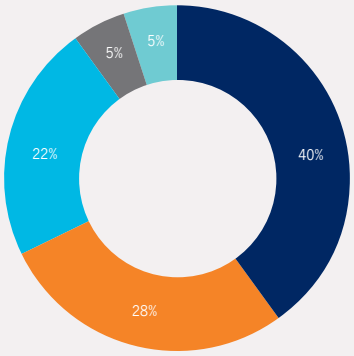
Note: figures shown in bold represent peak ratings. These indices do not include claims inflation

Amlin Corporate Insurance renewal rating indices

Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Property	–	–	–	–	–	–	–	–	–	**100**	97
Liability	–	–	–	–	–	–	–	–	–	**100**	95
Fleet motor	–	–	–	–	–	–	–	–	–	**100**	99

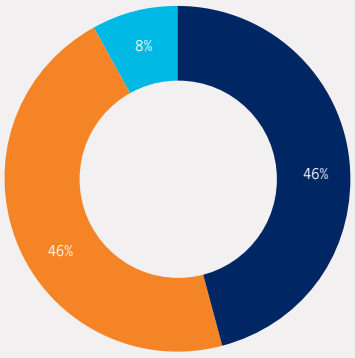
Note: figures shown in bold represent peak ratings. These indices do not include claims inflation

Commercial lines by class 2010 GWP



Property insurance	40%	Professional indemnity	5%
Fleet/Other motor	28%	Classes < 4%	5%
Liability	22%		

Commercial lines by division 2010 GWP



Amlin UK	46%
ACI	46%
Amlin France	8%

Business review

Amlin London

"Competitive pressures increased during 2010 but the breadth of our portfolio, underwriting expertise and strong market position continued to generate opportunities for profitable growth."

Simon Beale
Underwriting Director

Key performance indicators

Gross written premium

£889.4m

2009: £855.7m

Combined ratio

80%

2009: 71%

Retention ratio

86%

2009: 91%

Business development

As described in the market reviews (pp.22-25), the trading environment for Amlin London was variable. Despite the market losses generated by the Chile and New Zealand earthquakes and other major losses such as the Deepwater Horizon oil spill, pricing on much of Amlin London's portfolio weakened during the year. Nevertheless, there were opportunities to write profitable new business, mainly in marine and property and casualty lines. We continued to invest in additional underwriting expertise, with the recruitment of Leading Class Underwriters in hull, specie and professional lines to the marine and property and casualty teams respectively.

Reinsurance pricing, although under pressure, remained attractive, particularly for US risks where catastrophe pricing on Amlin's portfolio was within 10% of peak levels. Reinsurance income consequently remained relatively stable. In line with our strategy to have balanced portfolios of risk within each class of business, Amlin has a substantial international reinsurance book alongside its US catastrophe exposures. The general pattern of the last decade has seen this profitable international catastrophe portfolio counterbalance large US catastrophe claims, for example in 2004, 2005 and 2008. A second quiet year for US catastrophe claims in 2010 meant that the returns on the US catastrophe portfolio and the contribution of other profitable reinsurance lines such as risk excess of loss helped to mitigate the effects of the notable losses experienced on the reinsurance account.

In the marine market, the first part of the year saw a general softening of rates across the majority of marine business lines, but following the Deepwater Horizon loss this trend reversed for the offshore energy and energy liability accounts, where rates showed a strong upturn during the second half of the year reflecting substantially increased demand for liability insurance. Energy liability and control of well rates increased by up to 50%, in particular for deepwater drilling risks. The environment for underwriting energy business also benefited during 2010 from the improvement in both the economy and the oil price which led to an increase in drilling activity.

The US property and casualty market remained highly competitive and rating across the majority of business lines continued to soften. As a result, we reduced exposures in areas no longer offering sufficient potential for profit, while looking to maintain the underlying quality of our core client base. The financial impact of the Chile and New Zealand earthquakes on Amlin's property and casualty portfolio was modest and well contained within reserves. There was a tightening of terms and conditions for loss affected parts of the international book and we witnessed some withdrawals from the market. However we remain in the soft part of the insurance cycle.

During 2010, although there were further significant airline losses, this failed to address the considerable over capacity within the aviation market, which again made it difficult to obtain adequate pricing, particularly for airline business. An exception was the general aviation market, where we cautiously expanded our participation to take advantage of improving pricing.

In November 2009 we acquired Crowe Livestock Underwriting Limited, a Lloyd's coverholder which provides specialist insurance to the livestock industry. During 2010, the business was fully integrated and as anticipated has already proved a valuable complement to our well-established Bloodstock account.

In January 2010, we acquired Lead Yacht Underwriters, one of the largest and most highly respected agencies servicing super and mega-yacht business, which compliments Haven Knox-Johnson, which operates at the smaller end of the market.

1 Claims Performance Monitor 2010, Gracechurch Consulting, Dec 2010

Pictured left to right:
Andrew Wright
Head of Marine
Rod Dampier
Head of Aviation
Kevin Allchorne
Head of Reinsurance
Duncan Dale
Head of Property & Casualty
Simon Beale
Underwriting Director

2010 Highlights

- Profitable result overall and in reinsurance, despite international catastrophe claims
- Growth of 3.9% in GWP to £889.4 million (2009: £855.7 million)
- Combined ratio of 80% despite £132.2 million of major catastrophe claims
- Improved risk reporting, expanded use of catastrophe models and calibration of technical pricing as part of preparation for Solvency II
- New business growth in reinsurance, marine and property and casualty
- Continued investment in underwriting teams
- Further strengthening of relationships with key brokers.

Client service

Despite more competitive market conditions Amlin London maintained a high level of retention across the portfolio, at 86% (2009: 91%), reflecting the value placed on our expertise and high service standards by brokers and clients. During the year, we again participated in the annual survey conducted by Gracechurch Consulting[1] of the attitudes of 200 UK-based brokers towards the claims services offered by insurers in the London market. Amlin ranked third overall, compared to second in 2009, but continued to perform above the market average across all the service attributes covered by the survey and led the market on broker perception of a 'strong commitment to paying fair claims'.

As a result of the continued consolidation among the major brokers, 51% of the international insurance and reinsurance business handled by Amlin is generated by the three largest global brokers Aon, Willis and Marsh.

A priority for 2010 was to further develop strategic relationships with key brokers and to identify and target business development opportunities. As part of this process we also entered into strategic partnerships with two brokers in order to secure high quality new business opportunities for the future.

Underwriting performance

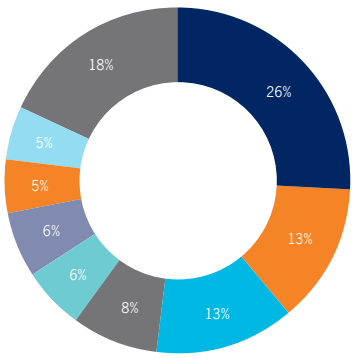
Gross written premium increased by 3.9% to £889.4 million (2009: £855.7 million). Much of the increase was due to net new business generated within the aviation, marine and property and casualty business units, following investment in underwriting teams and a focus on opportunities where rating conditions proved more attractive. Net earned premium was up by 16.8%, reflecting an increase in net written premium in 2009 and 2010 and the earning of 2009 premium at more favourable exchange rates.

The average renewal rate decrease was 3.1%, driven by average reductions on reinsurance business of 4.7%. Average reductions of 2.2% and 5.0% were also evident for the property and casualty and aviation business units respectively. Marine rates were broadly stable.

The division achieved a combined ratio of 80% (2009: 71%). The claims ratio at 44% (2009: 28%) increased by 15% due to the Chile and New Zealand earthquakes. Prior period reserve movements were £80.8 million (2009: £95.1 million). Across the division, reserves for 2003 and prior years, which are well developed, have now been set at close to the actuarial best estimates, releasing £20.0 million at year end. This change has been made to avoid consistent increases in the reserving strength of the division.

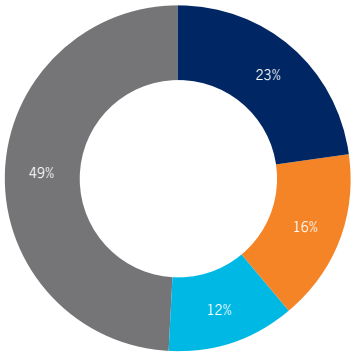
The expense ratio was 36% (2009: 43%). The decrease reflects a positive foreign exchange swing, with a weaker US dollar in 2009 relative to 2010.

Amlin London 2010 GWP by class



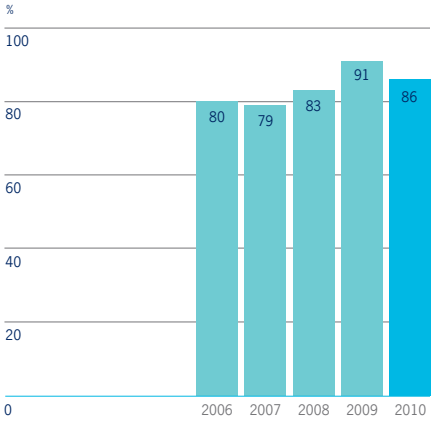
Catastrophe reinsurance	26%	Energy	6%
Property insurance	13%	Proportional reinsurance	5%
Marine insurance	13%	Casualty	5%
Property reinsurance	8%	Classes < 4%	18%
Aviation insurance	6%		

Amlin London 2010 GWP by broker



Aon	23%	Willis	12%
Marsh	16%	Other	49%

Historic retention ratios



Business review

Amlin UK

"While the UK market overall was slower to improve than expected, we took advantage of opportunities for growth in fleet motor and property and continued to build Amlin's profile across the UK commercial market."

Brian Carpenter
Underwriting Director

Key performance indicators

Gross written premium

£291.9m

2009: £190.9m

Combined ratio

95%

2009: 81%

Retention ratio

84%

2009: 84%

Business development

During 2010 the anticipated upward trend in pricing across Amlin UK's portfolio was less than expected.

Despite this we were able to increase gross written premium on our fleet account by 26% and our property account by 186%. In the liability sector the market remained highly competitive and we focused on retaining the existing account on a profitable basis.

Rates in the fleet motor sector did not increase during 2010 to the extent which we had expected, although an improving trend towards the end of the year contributed to an average rate increase of 3.1% for 2010. Nevertheless, following price increases in 2009 and withdrawal of capacity by some competitors, the sector offered opportunities for profitable growth. Our disciplined approach through the bottom of the cycle positioned Amlin UK favourably to provide capacity and gain market share at favourable rates as others withdrew from the market. Consequently we achieved a 26% increase in premiums including £27 million of new business. Amlin UK's specialist private car business also grew from £2 million to £12 million, mainly through meeting capacity shortages arising as a result of market distress in certain niche areas such as taxi operators.

Following investment in our property underwriting capabilities in 2009, growth in this area was a priority for the year and the property account grew by 186% to £88.1 million during the year. Growth was obtained through taking opportunities in niche areas, focusing on relationships with key intermediaries and from a number of new property/commercial combined coverage schemes.

During 2010, we continued to raise Amlin's brand profile with regional and smaller intermediaries through targeted marketing. Awareness of the Amlin brand among target brokers and prospective clients was enhanced by the Amlin Group's European rugby sponsorship and Amlin UK's sponsorship of Essex County Cricket Club. Increased recognition of the Amlin brand, combined with Amlin's strong financial position, contributed to the success of the property team in developing their account and to the overall ability of Amlin UK to generate new business during the year.

The UK liability market remained at the bottom of the pricing cycle during 2010 although modest rating increases were achieved on Amlin's portfolio. The acquisition of profitable new business was difficult in competitive market conditions, although there were more opportunities towards the end of the year when the volume of new business written increased.

During 2010, we made an investment in Manchester Underwriting Management Ltd, a new managing general agent specialising in UK professional indemnity business, which has already begun to generate business for Amlin from its expanding network of brokers.

Insolvency Risk Services (IRS), which was acquired at the start of 2010, is a specialist intermediary which provides insurance coverage for Insolvency Practitioners. IRS acts as broker to the Insolvency profession and places business with a variety of carriers.

In January 2011 we acquired JR Clare Underwriting Agencies Limited, a managing general agent which sources approximately £30 million of household and commercial insurance premium income. Amlin UK will underwrite 100% of JR Clare's business. This acquisition will provide attractive new business in an area of the market where prices are rising.

Client service

Delivering high standards of service to both policyholders and intermediaries remains a priority for the business and we have continued to invest in our claims handling resource. Our claims department now provides support to major

Pictured left to right:
Stuart Laird
Claims Director
Andrew Churchill
General Manager
Brian Carpenter
Underwriting Director
David Overall
Operations Director
Robert Lawther
Deputy Underwriting Director

2010 Highlights

- Underlying growth in gross written premium of 30.7% to £249.6 million
- Growth of 186% in property insurance portfolio to £88.1 million, in line with stated strategy
- Enhanced brand awareness achieved through proactive marketing and Amlin sports sponsorships
- AUA Insolvency Risk Services brokerage business successfully integrated and generating profitable new business growth.

clients through the provision of training for their managers in accident investigation techniques, as part of our overall strategy of dealing with employers' liability claims in the most proactive manner.

We do not outsource our claims functions in the way that a number of our competitors do and are committed to maintaining a fully functioning in-house capability. This includes our highly experienced legal team Just Law who are located in our Chelmsford offices and are therefore readily available for our claims handling staff and policyholders alike.

Underwriting performance

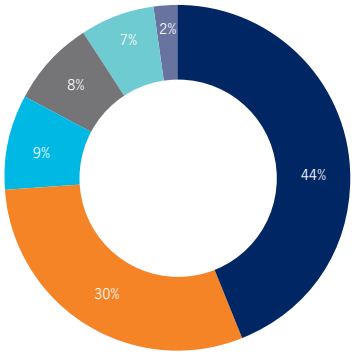
Gross written premium was £291.9 million (2009: £190.9 million). The increase includes an adjustment of £42.3 million following improvements to estimated premium for binder business. Underlying growth in the account was £58.7 million, largely generated in fleet, package and other motor lines. Net earned premium has increased by 34.5%, reflecting net written premium growth in 2009 and 2010.

The average rate increase for the division was 1.5%, with fleet business achieving an average increase of 3.1%.

The combined ratio was 95% (2009: 81%), with a claims ratio of 64% (2009: 53%). The increase in the claims ratio partly reflects lower reserves releases of £17.1 million, compared to £38.7 million last year. Releases in 2009 included £16.0 million from a change in reserving approach on fleet and liability business. Importantly, the underlying claims ratio improved 7% year on year as the division increased its property underwriting and grew its motor business in an improving environment.

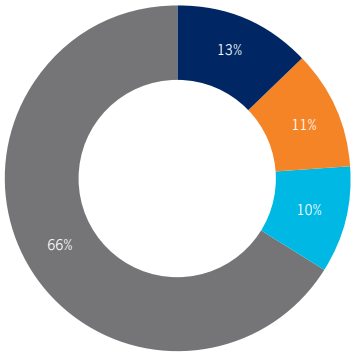
The expense ratio was 31% (2009: 28%), reflecting investment in resource and business infrastructure required to support growth plans.

Amlin UK 2010 GWP by class



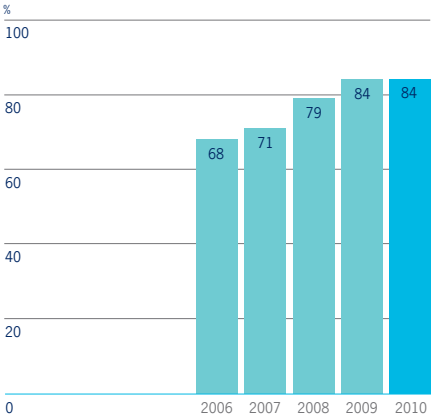
Fleet/other motor	44%	Public/products liability	8%
Property and commercial	30%	Employers' liability	7%
Professional indemnity	9%	Financial institutions	2%

Amlin UK 2010 GWP by broker



Thompson Heath & Bond	13%	Marsh	10%
Miles Smith	11%	Other	66%

Historic retention ratios



Business review

Amlin Bermuda

"We continued to grow our direct book selectively during the year, as margins remained good despite a progressive weakening in the market."

Rob Wyatt
Underwriting Director

Key performance indicators

Gross written premium

$676.4m

2009: $628.3m

Combined ratio

82%

2009: 56%

Retention ratio

90%

2009: 92%

Business development

In spite of increasing competition driven by a greater market appetite for international business, Amlin Bermuda's strong market position and significant capacity helped to maintain our share of desirable accounts. The absence of US catastrophe losses for a second year and limited impact from the Chile and New Zealand earthquakes on the wider international market, meant that the competitive pressures which Amlin Bermuda started to experience in the second half of 2009 continued throughout 2010. Rate reductions were experienced in the U.S. property catastrophe account, particularly in Florida and Texas with only the North East showing improvement.

However, there were opportunities for increased lines on existing programmes and new business was written on the international property catastrophe book, notably in Denmark and also Chile, where greater capacity was offered in the light of improved terms after the earthquake as some competitors withdrew from the market.

Specialty lines growth in 2010 was ahead of target due to the addition of short term trade credit reinsurance business, which presented an attractive opportunity given the much improved terms and conditions for this class in the wake of the global economic downturn and the in-depth expertise of our specialty lines underwriters in this field.

In market segments where rating levels trended downward such as US and International risk excess of loss business, lines were trimmed as terms deteriorated. Similarly, we decided to postpone the development of a facultative reinsurance account, which was one of our 2010 priorities, due to the poor rating environment for this class. However, we will continue to monitor this situation and Amlin Bermuda is positioned to move swiftly into this area following a market changing event.

During 2010 we continued to build Amlin Bermuda's senior underwriting team with the addition of a specialty lines underwriter and the transfer of a casualty reinsurance underwriter from Amlin London. It is intended that the casualty reinsurance account written by Amlin Bermuda will mirror that written with success in Amlin London. The main classes written are expected to be medical malpractice, general casualty and automobile liability, with a strong geographical focus on the US.

As in prior years, Amlin Bermuda continued to write a whole account quota share of Syndicate 2001 to provide balance to the overall account. In 2010, the quota share was maintained at 17.5% except for reinsurance, where the quota share was reduced to 10%. In addition, Amlin Bermuda wrote variable quota shares on a number of classes including marine, aviation, property and other specialist classes.

Client service

All of Amlin Bermuda's direct business is sourced through global brokers operating in the London market. The business retention ratio of 90% demonstrates the strong established relationships built by providing first class service. Amlin Bermuda is committed to efficient and timely responses in both premium processing and settlement of claims and our experienced claims team strives to ensure that turnaround times on claims payments are minimised. We were able to demonstrate this when dealing with the substantial claims arising from the Chile earthquake, when the excellent claims service we delivered alongside Amlin London for a major client has led directly to increased business (pp.23).

In October 2010, Amlin Bermuda Limited was re-domiciled to Zurich to become Amlin AG and Amlin Bermuda now operates as a Bermuda-based branch of Amlin AG. Amlin Bermuda

Pictured left to right:
Rob Wyatt
Underwriting Director
Elizabeth Murphy
Chief Financial Officer
Stuart MacKellar
Managing Director

2010 Highlights

- Increase of 7.7% in gross written premium to $676.4 million, reflecting growth in the pro-rata account and new short term trade credit business
- Selective development of the property catastrophe and risk books, despite tough market conditions
- Strong client relationships demonstrated by retention ratio of 90%
- Combined ratio of 82% despite the impact of the Chile and New Zealand earthquakes
- Creation of Amlin AG through redomicile to Switzerland.

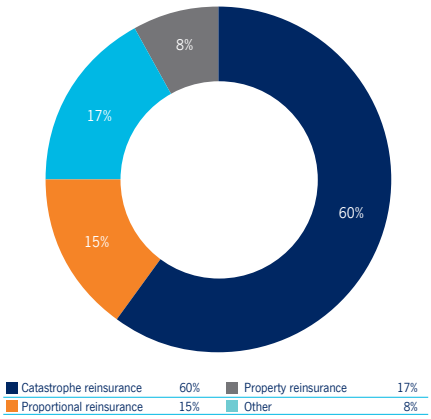
continues to serve its existing reinsurance clients and brokers in exactly the same manner as before and Amlin Bermuda policyholders were unaffected by the redomicile.

Underwriting performance

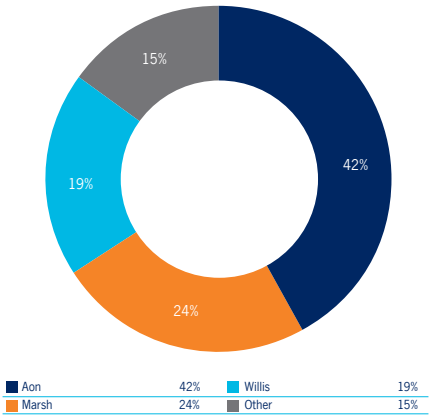
Gross written premium was $676.4 million (2009: $628.3 million), of which $438.6 million was directly generated business (2009: $381.6 million). Growth was aided by a healthy retention ratio (90%), new business successes, favourable exchange rate movements and reinstatement premiums. The average rate movement for the year was a reduction of 4.5%, with US catastrophe business experiencing a reduction of 6.3% and international catastrophe business a reduction of 1.0%. Development on the direct account was partially offset by reduced inter-company quota shares for 2010.

The combined ratio was 82% (2009: 56%). The claims ratio was 64% (2009: 37%), including a 26% impact from the Chile and New Zealand earthquakes. Prior period reserve movements were $19.8 million (2009: $37.6 million). The expense ratio was stable at 18% (2009: 19%).

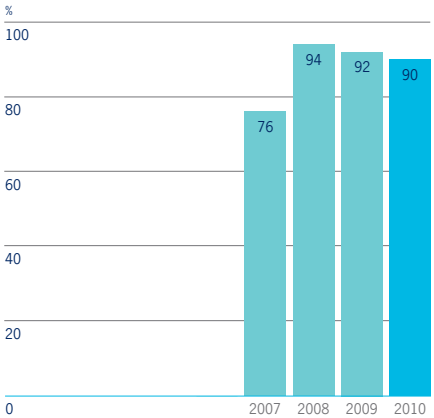
Amlin Bermuda 2010 GWP by class (direct business only)



Amlin Bermuda 2010 GWP by broker (direct business only)



Historic retention ratios



Business review

Amlin Corporate Insurance

"During 2010 we made good progress towards full integration with Amlin and with re-underwriting our marine portfolio. I am confident that we are building a firm foundation for improved future performance."

Patrick Coene
Chief Executive

Key performance indicators

Gross written premium

€768.2m

2009: €236.1m (since acquisition)

Combined ratio

104%

2009: 96% (since acquisition)

Retention ratio

84%

Business development

During 2010 the main focus for ACI remained the continued re-underwriting of underperforming parts of the marine portfolio together with managing the separation from the Fortis Group and full integration with Amlin.

The re-underwriting made considerable progress during 2010 although there remains more work to be done in 2011. Our marine business in Rotterdam, which accounts for 85% of ACI's marine gross written premium, was the main focus of attention in 2009 and the first half of 2010. The re-underwriting of the international hull account, (approximately 40% of ACI's total marine premiums in 2010) continued and the loss ratio on this account has improved as a result. Re-underwriting of the Rotterdam cargo account (approximately 29% of ACI's total marine premiums in 2010) had been hampered in 2009 by insufficient staff, the complexity and size of the book, and some longer term agreements. The team was brought up to strength in 2010 and much of the portfolio was re-underwritten during the year, although increased competition in the cargo market meant that a significant amount of business was declined due to inadequate pricing.

In Antwerp, ACI underwrites a much smaller portfolio which is predominantly commodity cargo business (approximately 13% of ACI's total marine premium in 2010) with a relatively small number of large clients. During 2010, as claims developed on business written from 2008 to 2010, worse than anticipated performance was recognised and the business required significant repricing. Good progress has been made, with re-rating and improved loss prevention measures achieved on a number of key accounts in the second half of the year. This reflects the long-standing relationships between ACI and these key clients and their recognition of the expertise and high standard of service provided by ACI in this specialised sector of the market.

ACI's liability and fleet accounts continued to perform satisfactorily in competitive market conditions. The property book suffered from soft prices and some weather related events, principally windstorm Xynthia, summer storms and floods in Belgium, the biggest for over sixty years, leading to a reduction in profitability.

The integration of ACI into the Amlin Group and the management of the separation from the Fortis Group are discussed in more detail (pp.42). This major project continued to make substantial demands on ACI's management resource during the year. The management team was strengthened by the recruitment of a Chief Risk Officer and a Chief Operating Officer and further investment was made in establishing a local human resources presence and strengthening the local finance team.

Work on the Platform Replacement Programme to replace ACI's legacy systems continues to progress well and the project target remains to migrate ACI's underwriting onto Amlin's existing IT platform in mid-2011.

Significant progress was also made in implementing key aspects of Amlin's underwriting, financial and risk management practices. For underwriting these include tracking of rate movements on ACI's portfolio and greater individual underwriter accountability, supported by line guides, peer review and other controls already employed elsewhere in the Group. Underwriter incentives have also been brought more into line with the profit-focused structures in Amlin's other businesses for 2011. On the marine portfolio, measures were put in place for sharing of relevant pricing and market information between the London and ACI marine teams and to ensure a consistent response to brokers on new marine business opportunities.

In risk management, ACI was brought into the Group's Solvency II programme and work begun to bring reserving into line with Amlin's approach.

Pictured left to right:

Jaap Gispen
Executive Vice President (Marine)

Rudy Benmerijda
Executive Vice President (Belgium)

Nicholas Harvey
Chief Risk Officer

Herman Kreulen
Chief Operating Officer

Patrick Coene
Chief Executive Officer

Michiel Vervliet
Executive Vice President (the Netherlands)

2010 Highlights

- Rotterdam marine business showing signs of improvement following re-underwriting
- Action taken to address poor performance of Antwerp portfolio
- Sound performance from fleet and liability business despite tough market conditions
- Property result affected by weather related claims and large risk losses
- Management team strengthened with new Chief Risk Officer and Chief Operating Officer
- Key aspects of Amlin's underwriting, financial and risk management practices adopted
- Platform Replacement Programme on track for implementation in mid-2011.

With ACI's principal markets remaining soft during the year, efforts were focused on the existing underwriting portfolios and less on new business development. However, client service remained a priority across the business and the initially positive reaction of clients and brokers to ACI's acquisition by Amlin in 2009 was borne out by a retention ratio of 84% and approximately €41 million of new business written during the year. ACI continues to access business through a broad spread of brokers and intermediaries. Approximately 45% of its 2010 business was obtained from the largest global brokers, Aon, Marsh and Willis and the balance produced through national and regional brokers.

Underwriting performance

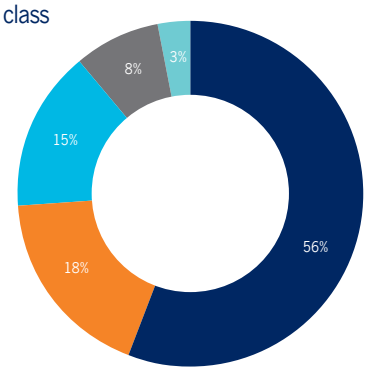
Gross written premium was €768.2 million (2009 from acquisition: €236.1 million). On a like for like basis, the underlying reduction in gross written premium was €37.7 million. The reduction reflects the non-renewal of approximately €71 million of business, predominantly in marine classes, in line with the identified re-underwriting strategy. This fall was partially offset by €43.5 million of income from the Raets Marine agency account, which was regained at the end of 2009 following Amlin's acquisition of ACI.

Rate movements were broadly flat relative to 2009. The retention ratio was 84%.

The combined ratio was 104% (2009 from acquisition: 96%). The claims ratio of 76% (2009 from acquisition: 72%) is disappointing given the effort that has been deployed to improve performance. However, ACI incurred approximately €13 million of claims from natural catastrophe activity with €6.3 million of marine claims caused by the Chilean earthquake, largely from damage to shipbuilding yards, and €6.6 million of large losses from weather related events affecting the Belgian property book. The Antwerp account also performed poorly with a number of large claims incurred in the last quarter. Prior period reserve releases were €49.6 million (2009 from acquisition: €19.0 million).

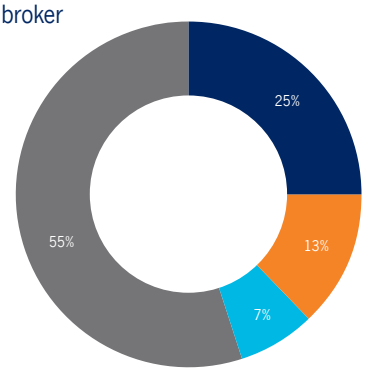
The expense ratio was 28% (2009: 24%) reflecting the increase in costs associated with operating outside the Fortis Group, and strengthening the risk, finance and operations functions.

Amlin Corporate Insurance 2010 GWP by class



Marine insurance	56%	Fleet/other motor	8%
Property insurance	18%	Captives	3%
Liability	15%		

Amlin Corporate Insurance 2010 GWP by broker



Aon	25%	Willis	7%
Marsh	13%	Other	55%

Business review

Amlin France

"Being part of the Amlin group continues to bring new business opportunities. Our market position has been further strengthened by the addition of ACI's French business and by the higher profile we have achieved as Amlin France."

François Martinache
Chairman

Pictured left to right:
Alexandre Martinache *Chief Executive*, François Martinache *Chairman*, Rafaël Odasso *Chief Financial Officer*

2010 Highlights

- Merger of Anglo French Underwriters with ACI France
- Successful launch of Amlin France brand and raising of profile in target markets
- Growth in GWP to €56.9 million mainly due to merger with ACI France
- Significant development of Lyon office.

Key performance indicators

Gross written premiums

€56.9m

2009: €31.4m

Combined ratio

93%

2009: 87%

Retention ratio

75%

2009: 84%

Business development

In 2010 Anglo French Underwriters (AFU) merged with ACI's French business and the combined entity was re-named Amlin France. The merger brought together two complementary businesses: ACI had successfully started to build a property and liability co-insurance business, targeting larger brokers and clients, reaching premiums of approximately €14 million since it commenced business in April 2007, while AFU (which Amlin had acquired in 2008) was the foremost managing general agent serving Lloyd's in France with 2010 premium income of some €36.3 million focused on the SME market.

Much of 2010 was spent on the successful integration of ACI's French business into AFU and the re-branding of the combined business as Amlin France. The combined business made further progress in adopting Amlin's underwriting, finance and risk management procedures and a new remuneration structure more closely aligned with Amlin's profit-focused underwriting philosophy was designed for introduction in 2011.

The combination of the two businesses broadened the scope of Amlin France. The combined business continued to be led by Francois Martinache, the previous President of AFU, and to operate as an underwriting agency, underwriting business on behalf of both Syndicate 2001 and ACI. The merger was well received by the French market. As a consequence, Amlin France saw an increase in the number of new business opportunities. The retention ratio for the combined business was reduced in 2010 to 75% by the non-renewal of a major account following changes to terms and conditions which meant that it no longer met Amlin France's profit focused underwriting criteria.

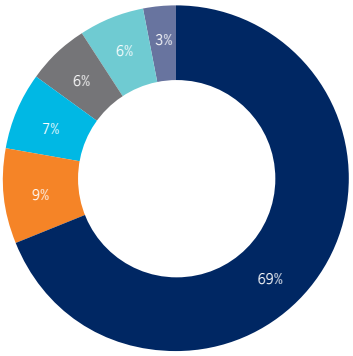
In tandem with the ability of the combined business to offer a broader business proposition to the market, efforts were made to raise the profile of the Amlin France brand with target brokers through active marketing and the successful development of the Lyon office following its launch in 2009. Amlin's sponsorship of European rugby proved particularly valuable to Amlin France and generated substantial interest among target brokers and their clients. During the year 124 new producing brokers were added to Amlin France's intermediary network and new business generated in 2010 across all classes was €18.8 million.

Underwriting performance

Amlin France generated gross written premium of €56.9 million (2009: €31.4 million[1]). The increase includes €19.4 million of premium attributable to ACI France. Despite competitive market conditions, underlying growth was delivered by increasing the share of business underwritten by Syndicate 2001.

The combined ratio was 93% (2009: 87%[1]). The claims ratio deteriorated to 59% (2009: 50%[1]) reflecting the inclusion of relatively higher claims for ACI France. It also reflects the impact of natural losses in 2010 including Winter Storm Xynthia and the European storm in the summer of 2010. The expense ratio improved to 34% (2009: 37%[1]), due to the inclusion of ACI France, which has a relatively lower cost base.

Amlin France 2010 GWP by class



Property	69%	Professional liability	6%
Leisure	9%	Specie	6%
Cargo	7%	General liability	3%

1 Excludes ACI France

Business review

Amlin Re Europe

"We believe that a focused and well capitalised European reinsurer will provide a strong partner for European brokers and clients."

Philippe Regazzoni
Chief Executive

Pictured left to right: Christian Bieri *Chief Underwriting Officer,* Andrea Manella *Head – UK, Switzerland, South Africa & Italy,* Carl Maeder *Head – Germany & Austria,* Marc Dejardin *Head – France, Benelux & Maghreb,* Gregoire Mauchamp *Chief Finance Officer,* Philippe Regazzoni *Chief Executive*

2010 Highlights

- Amlin Re Europe launched in October 2010
- Strong Zurich based reinsurance team recruited by end of 2010 with substantial experience in the European reinsurance markets
- Encouraging broker and client response to Amlin Re Europe's strong business proposition
- Initial underwriting ahead of business plan at €66 million.

Amlin AG was established in 2010 as an independently capitalised, full service reinsurance operation with the objective of providing European reinsurance buyers, especially small and mid-sized companies, with a meaningful alternative for high quality reinsurance capacity. After a decade of consolidation in the European reinsurance market and recent turbulence in global financial markets, reinsurance buyers are increasingly looking to diversify their insurance risk and to spread their counterparty risk.

Solvency II is further expected to increase demand for reinsurance as it is the most accessible source of extra capital for small and mid-sized insurers who may need to source additional capital. Also, it is expected to reinforce the desire to spread counterparty risk. This presents an attractive opportunity for a new and strongly capitalised entrant to offer improved choice to existing European cedants.

In October 2010 Amlin Bermuda Limited was redomiciled from Bermuda to Switzerland and a new Zurich-based Swiss company named Amlin AG was created. The existing operations of Amlin Bermuda now trade as a Bermuda-based branch of Amlin AG and the Zurich-based underwriting unit trades as Amlin Re Europe.

Capitalised at $1.4 billion and with excellent ratings, Amlin AG will be a leading reinsurer in the European market in terms of financial strength, and will also benefit from Amlin's existing broker relationships and reputation as a leading international reinsurer.

Amlin Re Europe commenced underwriting in October 2010, having received approvals from the Swiss Financial Market Authority and the Bermuda Monetary Authority. As much European reinsurance business is renewed at 1 January, little business was written in the latter part of 2010. The new business started 2011 well with approximately 150 clients, around 250 programmes, and €65.6 million of gross written premium. This was ahead of expectation and represents a well diversified initial portfolio.

The Amlin Re Europe team is headed by Philippe Regazzoni, CEO of Amlin AG, and formerly CEO of Swiss Re UK. At the end of 2010 the team comprised a staff of 23, including 10 underwriters mainly recruited from other major European reinsurers. These underwriters have long-standing experience of the European market and the skills to underwrite all major non-life reinsurance classes and products.

Amlin Re Europe will focus on non-life treaty reinsurance for European insurance companies. A key objective is to be a preferred reinsurance partner for brokers, although in line with market practice in Continental Europe, the Zurich operation will conduct both brokered and direct business. Over a four to five year timescale the objective is to acquire around a 1% share of the overall European reinsurance market, equating to approximately €400 million of gross written premium. The progress towards this goal will to a degree depend on market conditions.

The business mix is expected to comprise proportional and non-proportional reinsurance business, with the majority in property and casualty and some special lines business, mainly marine and engineering. The portfolio will include some catastrophe exposures as part of an overall client and market approach.

We believe that continuity in client relationships and a clear and transparent underwriting approach offer an excellent value proposition for clients in this segment. A key feature of Amlin Re Europe's approach will be a focus on developing close relationships with clients, as well as delivering Amlin's first-class service standards.

Risk management

Risk and reward

"During 2010 we focused on the continued development of Enterprise Risk Management within Amlin as part of our preparation for Solvency II. The improvements already achieved are delivering real business benefits."

James Illingworth
Chief Risk Officer

Setting our risk strategy

Amlin recognises that delivery of shareholder value comes from actively seeking and accepting risk while managing that risk within acceptable bounds. We are committed to maintaining and developing a sustainable enterprise risk management process as an integral part of our business model. We aim to provide transparency to our stakeholders on how risk strategy is set, implemented and periodically reviewed. Our risk management policy clearly articulates the importance given to active management of risk within the Group.

The Risk Assessment and Monitoring team (RAM) is responsible for the process design and coordination associated with the identification, analysis and monitoring of the major risks faced by each Division and function. Also for reporting the status of risks to executive management, the Risk and Solvency Committee and the Amlin plc Board. The Group Risk team within RAM achieves this by maintaining effective risk assessment and reporting processes and delivering management information capable of supporting key decisions.

Effective risk management and governance are fundamental to the regulatory regime which will be implemented under the Solvency II Directive and RAM continues to be closely involved with the development of Amlin's Target Operating Model (pp.41).

As part of this process, during the year we made further progress in developing our risk governance to support a larger international Group and to prepare for Solvency II. A formalised framework for risk reporting and oversight has been rolled out across the Group, although each entity is at a different stage of detailed implementation. Risk committees and Boards at Group and entity level receive regular risk reports which highlight where categories of risk sit compared to agreed risk appetite and tolerance levels, as well as areas of control weakness which need addressing. At the end of 2010 a new Group Risk and Solvency Committee was created to support the Board in the discharge of its responsibilities under the UK Corporate Governance Code and Solvency II regulation. This Committee takes over the risk governance responsibilities of the Amlin plc Audit Committee and its role is further described in the Corporate Governance section on (pp.62).

Defining our risk appetite and standards

The Group's risk appetite is set by the Amlin plc Board and drives appetite and risk decisions within all Group entities. The appetite articulates the risk bearing desire and capacity of the Group, with a clear risk appetite statement for each risk category. The appetite statements are supported by risk tolerance limits, which are practical measures put in place to ensure risk appetites are not exceeded. These tolerances are then allocated among the Group's operating entities, with each entity reporting its status against appetite on a quarterly basis.

Risk standards define how this framework will be implemented in practice across the Group in a Solvency II environment, and plans are in place to adopt them in each Division during 2011.

Creating our Own Risk and Solvency Assessment

The Own Risk and Solvency Assessment (ORSA) is a key business process required under Solvency II that brings a coordinated view of risk and solvency together for management. This information helps to ensure that management and Boards are fully aware of risk and capital implications when making decisions and that appropriate mitigation plans are developed to support the successful delivery of business strategies and priorities.

During 2010, a reporting process and infrastructure to support the delivery of the ORSA was piloted with extensive management consultation to ensure that it develops into a key business tool.

The Group and operating company Boards and risk committees now receive quarterly ORSA reports which consolidate existing analytical data on risk exposures for each regulated entity and the Group as a whole. The process captures current risk exposures as well as identifying emerging risks. Risk events and near misses are captured for the purposes of learning and to help prevent recurrence.

The reports highlight the status of each key risk relative to approved tolerances using both deterministic and stochastic modelling techniques. These reports rely on consistent risk assessment processes that were rolled out across all business units and support functions during 2010. In particular, these processes have supported the embedding of Amlin's risk framework in ACI.

We made significant investment during the year in the development and roll out of enterprise risk management training to staff to assist with the adoption of new practices and reinforce a common risk culture across the Group.

Modelling and exposure management

Amlin aims to deliver an attractive cross-cycle return on capital through the maintenance of a diversified portfolio of business combined with excellent capital management. Diversification across different business lines and geographies provides an effective balance of catastrophe and non-catastrophe exposures and reduces the risk of any one event, or series of events, causing unacceptable impairment to the Group's balance sheet.

During 2010 we continued to develop our Dynamic Financial Analysis (DFA) model which is our principal tool for analysing the range of possible outcomes, in terms of expected profitability, for the Group and each regulated entity. This modelling provides the principal support for assessment of our economic and regulatory capital requirements. We are further enhancing this as part of an Internal Model for Solvency II purposes (pp.41). We refined our evaluation of counterparty credit risk through DFA modelling techniques and further developed our use of market risk modelling to assist and provide information to the Investment Management

2010 Highlights

- Group Internal Model approval process initiated with the FSA
- Major improvements in risk reporting achieved and Own Risk and Solvency Assessment (ORSA) developed
- Risk management training programme developed and being rolled out across the Group
- Adoption and implementation of risk management framework within ACI.

Executive in support of their decision making (pp.52). In addition we completed an external review of our investment risk model.

2010 also saw significant development of our operational risk modelling capability. We joined the Association of British Insurers operational risk database, ORIC (Operational Risk Consortium Limited). This has given us access to a risk event database and the ability to create a stochastic model for operational risk, which is now integrated into our overall DFA model.

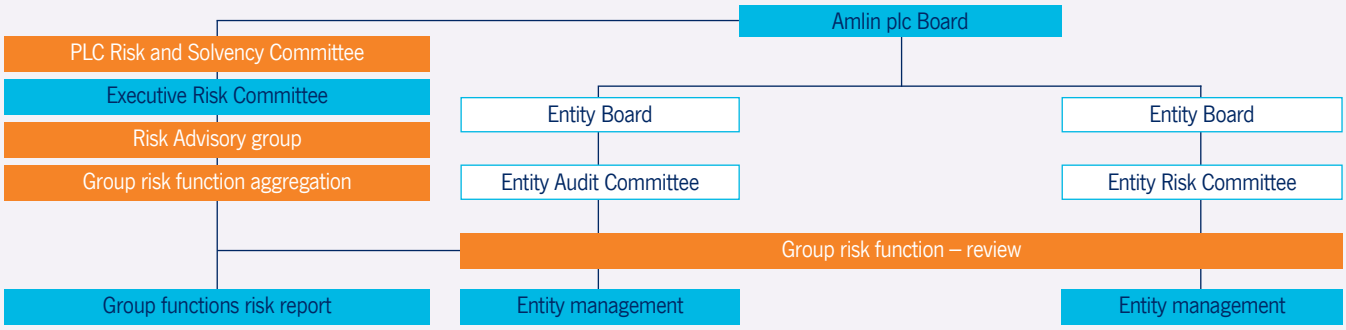
Amlin's DFA modelling is integrated into the ORSA report to support the Board and management in determining appropriate risk strategies, setting and monitoring use of risk appetite.

Our actuarial modelling provides a critical ingredient to our risk management approach but is ultimately used to inform underwriters and management, on whose judgement and experience we ultimately rely and who remain accountable for exercising prudent judgement. We have focused during 2010 on strengthening the use of our Internal Model within key business processes such as business planning, assessment of reinsurance purchase, investment decisions and strategic business decisions. This work has been conducted to support Amlin London, Amlin UK, Amlin France, ACI and Amlin Bermuda in a consistent manner.

Amlin has carefully defined a regime of governance and oversight of its Internal Model to ensure that management is able to review and challenge the use of the model. In due course, these processes will include clear validation and change control techniques to meet our regulatory obligations.

The Group's existing risk governance and reporting structure is shown in the chart below.

Risk governance structure



- Governance accountability discharged by Group and local management
- Governance accountability discharged through local regulated entities
- Advisory activities supporting the effective communication of risk management information

Risk management continued

Principal risks and uncertainties

Principal risks	Nature of risk	Key controls and mitigation strategies
Underwriting – catastrophe risk	The risk of claims arising from inherent uncertainties in the occurrence of insurance losses associated with natural or man-made catastrophic events.	■ Underlying strategy and diversity of exposure ■ Aggregate exposure limits ■ Probable maximum loss limits ■ Modelling of loss scenarios including stochastic DFA Modelling ■ Reinsurance programme
Underwriting – attritional risk	The risks of unexpected or unbudgeted increase in cost of small or large insurance claims.	■ Underwriting authority limits per contract and peer review ■ Business planning processes ■ Technical pricing assessment and underwriting strategy ■ Reinsurance programme ■ Monitoring and performance review
Underwriting – reserving risk	The risk of unexpected or unbudgeted increase in claims emanating from business written where profit has been declared.	■ Reserving process within claims and underwriting management teams ■ In-house actuarial reserve review independent of underwriting teams ■ Reserves are set in excess of actuarial best estimate ■ Reinsurance programme
Market risk – investment market volatility	The risk arising from fluctuations in values of investments.	■ Investment policy and strategic asset allocation ■ Tactical asset allocation ■ Diversified portfolio ■ Modelling and monitoring of investment risk ■ Hedging of market value movements in investments
Market risk – currency fluctuation	Impact on the value of balance sheet or earnings arising from the movement in value of sterling against key non-functional currencies.	■ Asset/liability matching for major currencies ■ Hedging of Amlin Bermuda US dollar and ACI Euro net asset exposures ■ Sale of foreign currency profits ■ Reinsurance programme
Credit risk – reinsurance counter-party	The risk of loss if a counterparty fails to perform its obligations or fails to perform them in a timely fashion.	■ Reinsurer selection and rating ■ Controls over exposures placed with reinsurers ■ Reinsurance debt credit control ■ Collateralised reinsurance
Credit risk – intermediary counter-party	The risk of loss if an insurance or treasury intermediary fails to meet credit obligations in a timely fashion.	■ Credit control procedures ■ Broker credit assessment
Liquidity risk	The risk arising from insufficient financial resources being available to meet liabilities as they fall due.	■ Stress testing of liquidity needs relative to major catastrophe events ■ Maintaining sufficient liquidity in investment portfolio to address claims needs ■ Asset/Liability matching of currencies and duration
Operational risk	Risks resulting from inadequate or failed internal processes, people and systems, or from external events, including regulatory control failures.	■ Procedural controls including workflow management ■ Monitoring of compliance with established procedures and processes ■ Employee manual and Human Resource policies ■ Risk event and near miss reporting process ■ Business Continuity Management planning
Strategic risk	Risks associated with the appropriateness of business strategy in the face of the external environment.	■ Annual Amlin Plc Board strategy awayday ■ Executive Risk Committee and Group Management Committee review of emerging risks ■ Long term strategies developed addressing diversification of underwriting platform ■ Acquisition due diligence and risk assessment processes ■ Risk event and near miss reporting process ■ Establishing task forces such as Climate Change and Environment Panel
Enterprise-level risk	Risks associated with one or more of a portfolio of principal risks occurring and providing an aggregated impact on the organisation as a whole	■ Mitigation strategies for each underlying risk exposure as outlined above ■ Review and consideration of an aggregated group risk profile providing an enterprise-wide view of risk exposures ■ Stress testing of a combination of material risks ■ Reverse stress testing of the ultimate impact of combinations of material risks

Focus on Solvency II

"Solvency II presents a significant opportunity to improve cross-cycle earnings quality by further enhancing our risk management and capital efficiency. In 2010 we made good progress towards Solvency II compliance and remain focused on optimising potential business benefits through our Target Operating Model."

Richard Hextall, Programme Sponsor

Progress in 2010

- Completed QIS5 exercise
- Enhanced risk management framework
- Expanded DFA model into Solvency II compliant Internal Model
- Drove wider use of Internal Model within business
- Developed further our aggregate and catastrophe modelling capabilities.

Solvency II is an EU directive aimed at overhauling the regulation of life and non-life insurers. The key objective of Solvency II is to introduce a more risk-based approach to regulation, with strong incentives for firms to assess their own capital requirements internally. The directive goes beyond existing regulation by aiming to instil a high standard of risk management and governance within each insurer. Implementation is scheduled for 2013 although transitional provisions are now being considered.

Amlin's approach

Under Solvency II, there are two prescribed methods for assessing an insurer's regulatory capital requirements – using either a standard formula set by the regulator or an Internal Model specific to that insurer which is subject to regulatory approval. We believe that obtaining approval for Amlin's Internal Model will give the business greater capital flexibility and competitive advantage over insurers operating under the standard formula. Embedding its use in our decision making will improve risk management and lead to enhanced risk adjusted returns.

Amlin has invested in developing its own capital model using Dynamic Financial Analysis (DFA), which has been operational for several years. We are focused on using the DFA model within the business, recognising that judgement should continue to play a major part in our decision making. This will help with Solvency II compliance and should also allow significant benefits to be extracted for the business.

To help to provide a vision for wider Solvency II compliance, beyond use of the DFA model, management agreed a Target Operating Model at the start of the Solvency II programme.

The Target Operating Model is business focused and designed to protect our successful underwriting culture. By further embedding actuarial analysis and a more formal risk management process into Amlin's operations it will reinforce risk, return and capital management at the heart of our decision making. It assists Amlin in three key areas:

- Assessment of capital requirements
- Assessment of risk appetite and tolerances
- Informing and challenging key business decisions such as reinsurance purchasing.

Effective management of risk and capital is a key strategic priority. The risk framework currently being embedded as part of the Target Operating Model will further enhance definition of the risk standards and risk tolerances which guide our day-to-day business processes and ensure that we do not breach our risk appetite.

We will calculate economic capital for the complete spectrum of risks identified by our risk framework, ensuring that our capital requirement reflects our risk profile and enabling capital to be allocated and returns measured on a risk adjusted basis.

Progress during 2010

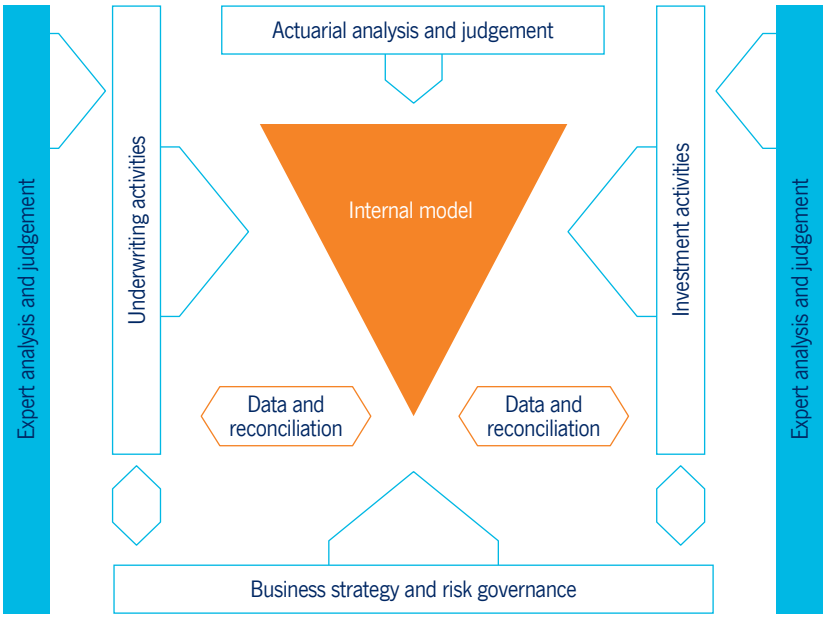
During 2010 Amlin completed the important pre-application preparation for Solvency II on schedule. We made significant progress with the development of the Target Operating Model, embedding various aspects of the Model into the day to day operation of the business, such as improved reporting tools, using output from the Model for the business planning process and in defining risk appetite and tolerances and measuring activity against these. This development is providing improved understanding of the risk profile of each class and assisting underwriting management in understanding the balance between risk and reward for each class.

Other important achievements during the year included the development of an improved and consistent governance structure across the Group and Group policies to support international expansion. A Group-wide management information framework has developed.

2011 Priorities

- Business embedding of 2010 pilots group wide
- Continue embedding Internal Model uses
- Prepare for Internal Model application
- Implement improved group-wide aggregate risk management tool kit
- Embed new capital allocation tool.

Operation of the internal model



Operations

Delivering a framework for growth

"During 2010 we continued to focus on operational excellence and made good progress on a range of improvement initiatives and major programmes, in particular preparations for Solvency II and the ACI Platform Replacement Programme."

Andrew Grant
Group Operations Officer

2010 was another year of change and development for the Group which required some short term solutions as well as continued work towards longer term strategic goals. We continued to invest in our change management capabilities in order to position the Group for future growth, as well as to enable us to meet the needs of Amlin's Solvency II programme.

ACI Platform Replacement Programme

The Platform Replacement Programme (PRP) for ACI was again an important focus during the year. The primary objective of the PRP is to migrate ACI's business operations from the Fortis Group systems environment to a new platform based on existing Amlin Group systems components. Further objectives are to enable ACI business processes to be rationalised across product lines, the adoption of a number of key Amlin standards and improved operational efficiency.

The platform replacement is a complex endeavour in which all ACI's systems will be replaced together. This includes policy and claims administration systems, operational accounting and the general ledger, document production and scanning, market and broker interfaces and other components. The transition to the replacement systems platform also requires migration of approximately 100,000 live policies, open claims and histories.

Insurers rarely replace their entire systems platform in one event. Typically, the platform would be replaced component by component over a period of several years, in order to reduce complexity and cost.

Due to the unusual circumstances of the acquisition of ACI, our initial planning assumption was that we should aim to complete the transition within two years, rather than the three or four years that might more typically be planned. We also concluded that step by step transition was not possible, since it was not practical to establish temporary new interfaces between existing Fortis systems and new ACI systems during transition.

Planning work was completed by the end of 2009 and the main software solutions were selected early in 2010, prior to the design and build phase, to ensure that ACI's specific business needs are met.

By the end of 2010, a number of the major development activities within the Programme were well advanced. Most of the software construction had been finished and testing was underway. The design and build of the data migration processes was also in progress and the initial migrated products were available for testing. Initial systems training material was also developed to enable users to understand how the new systems will operate within the wider business processes they support.

Over the course of 2010 we rationalised the ACI product range to provide similar features and benefits for policyholders, but with less than half the number of products, enabling lower cost and more rapid deployment, by for example, reducing unnecessary differences between countries or similar products within a country.

We also established how key controls will be deployed within ACI's underwriting, claims and technical accounting, through which Amlin's standards for these activities will be achieved.

Key activities planned for the early part of 2011 are:

- Finishing the remaining software development, representing less than 10% of the required enhancements to vendors' base software – and the testing of the systems
- User acceptance testing to ensure that the processes that use the systems are fully operable
- At least two full dress rehearsals of the transition event will be scheduled before the live cutover is undertaken
- Training preparation and delivery to ACI staff.

The target date for the deployment of PRP remains mid 2011, with the remainder of the year as the planned contingency period. From the point of cutover, ACI will be operating wholly within the Amlin environment. Whilst we continue to target a complete cutover for both the Netherlands and Belgium, we may move the date of the transition later in 2011 in order to incorporate more features, reports and controls and to allow ACI's people more time to become familiar with the new systems and processes.

When Amlin purchased Fortis Corporate Insurance from the Dutch state, existing transition services agreements between entities within the Fortis Group stated that the Fortis provision of systems for ACI would terminate on or before 30 June 2011.

We have since agreed with Fortis Insurance Belgium (now AG Insurance) to extend the systems support further so that we do not face a risk of loss of systems support. An extension has been purchased and further periods of extension can be bought if necessary.

Supporting the development of the business

Integrating all Amlin businesses (new and existing) into Amlin's Core Systems Architecture remains a priority, supporting our continuous data improvement agenda. During the year we fully integrated acquisitions Crowe Livestock Underwriting and Lockton's Insolvency Risk Services, while the integration of Amlin France continued. With further work to come to complete this project, we are pleased with the progress that was made in the year.

In May 2010 the Group announced the establishment of Amlin Re Europe. By leveraging existing Amlin infrastructure, such as the core policy and claims management systems, and basic financial reporting and accounting systems, we were able to create the infrastructure for Amlin Re Europe to commence underwriting in the fourth quarter of 2010 with 23 staff fully supported. Further enhancements to the Amlin Re Europe infrastructure and capabilities will continue through 2011 as the business develops.

During the year we further developed an operational risk framework for the Group. The framework includes operational event analysis (both internal and external operational events) to ensure that the causes are understood, potential weakness in the control environment identified and appropriate management action taken.

2010 Highlights

- Platform Replacement Programme for ACI on track for completion in 2011
- Successful launch of Amlin Re Europe
- Development of Group operational risk framework
- Appointment of Chief Information Officer
- Integration of Crowe Livestock Underwriting and Lockton's Insolvency Risk Services.

Industry best practice benchmarks for IT controls and management practices have been defined. The framework will be rolled out across Divisions in 2011.

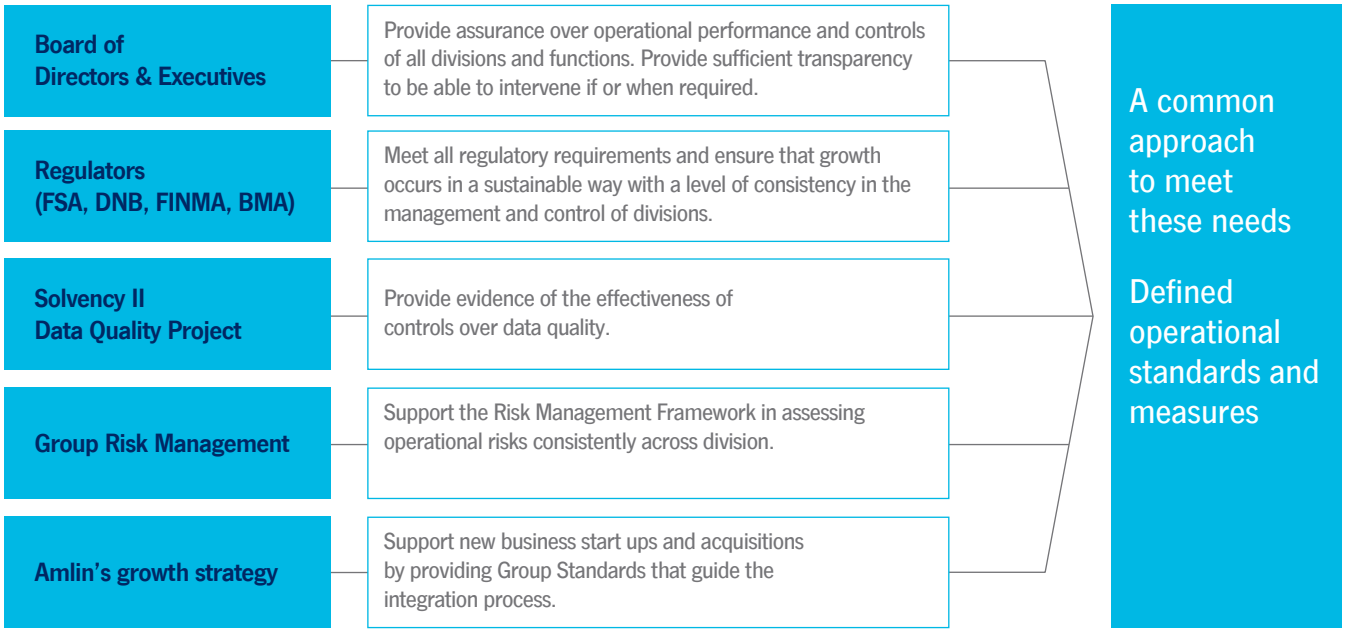
As part of an ongoing review of efficiency, as Amlin becomes a larger and more international business, it was decided during the year to adopt a shared services approach for IT across the Group. This will allow the formation of centres of excellence in the operation of IT infrastructure, supplier management, and procurement that can be leveraged throughout the Group and will enable Group synergies in terms of data centres and IT development. During the year we appointed a Chief Information Officer as part of a renewed focus on our Group technology capability.

Enhancing oversight and risk management

A key role for Operations is in developing operational governance standards within the Amlin operating businesses, in order to provide assurance to the Board on the performance of operational controls and to assist the Group in meeting legal and regulatory expectations over operational risk and integrity of data. At a local level within the business, operational oversight will assist businesses in monitoring and reporting performance against agreed operational standards and help to ensure consistency of measurement and data, as shown in the chart below.

We are developing a Group-wide 'Operational Dashboard' that will allow operating Divisions to report key client service metrics, and internal efficiency and risk measures on a common basis. This will facilitate the meeting of Solvency II data quality requirements as well as allowing the sharing of best practice across the Group.

Operations support for key strategic priorities



People

Developing and investing in talent

"People remain the core of Amlin's success. A key objective of the Group is to be seen as 'the place to work' in the industry and our continued focus on attracting and retaining high calibre professionals across the business during 2010 reflects the importance of this goal."

Mark Farrow
Human Resources Director

Organisational development

2010 was a year of change and organisational development for the Group, both in terms of structure and people. During the year we invested further in management and underwriting resource, both to support current growth within the Group and in preparation for an improved trading environment. Amlin employed a total of 1,391 people at 31 December 2010 and the number of new staff joining the Group during 2010 was 328, of which 55 joined through acquisitions.

One of our objectives for 2010 was to support Group-wide organisational development including the integration of acquisitions, large or small, and the establishment of new ventures. Secondly, as the Group continued its expansion during 2010 in the UK, Continental Europe and Bermuda, we further strengthened our Group and divisional management resource to support the broader scope of the business.

The establishment of a new European reinsurance division, based in Zurich, involved the single largest recruitment programme for a senior underwriting team ever undertaken by Amlin. During 2010, the initial team was supplemented by further underwriting talent and support staff and at year end, Amlin Re Europe's staff totalled 23. We intend to expand the team further as the business grows over the next few years. These new reinsurance specialists bring substantial experience of the European market which adds significantly to Amlin's existing reinsurance expertise, which has focused on the US and global markets.

A major focus for 2010 was the successful integration of ACI's staff in the Netherlands, Belgium and France. Initiatives included the integration of management information, the harmonisation of job evaluation and salary administration structures and the development of new bonus arrangements including a more performance related incentive plan. The ACI management team was also strengthened with two key appointments, being a Chief Risk Officer and Chief Operations Officer, to align its structure and expertise in these areas with other business divisions within the Group.

During 2010 we made senior external and internal appointments across the Group, both in support of business growth, to address the demands of Solvency II, and to support the development of our Target Operating Model. These appointments further strengthened our expertise in areas such as Underwriting, Risk Management, Operations, Finance and Tax.

A global Succession Plan covering all areas of the Group was also established in 2010 furthering the development and integration of all business areas.

Recruitment and retention

In addition to the Amlin Re Europe recruitment, we were also successful in attracting three senior underwriters from leading competitors to join Amlin London in classes targeted for expansion, these being marine hull, specie and professional indemnity.

In March, Amlin UK completed the transfer of AUA (formerly Lockton's) Insolvency Risk Services business, increasing headcount by 40 employees and enhancing Amlin's capabilities in this specialist market segment.

We continued to focus on the retention of Amlin's existing team of skilled and experienced underwriters, many of whom have been with Amlin for more than 15 years. Continuity of business relationships is a key strength of our team and our objective remains to maintain voluntary turnover, excluding retirements, of our senior underwriters below 10% per annum and our overall employee turnover below 15%. During 2010 voluntary turnover of senior underwriters was 3.7% with overall voluntary staff turnover being 5.2%, as shown below. Our senior underwriters, including those joining the Group in 2010, have on average 23 years' experience in the insurance industry and excluding newcomers in 2010, the senior underwriters have an average of 12 years' service with the Amlin Group.

Developing new talent

Alongside our focus on retaining existing experienced employees we recognise the importance of investing for the future, through the training of graduates and other talented people within the business. Four graduates joined the inaugural Amlin London Graduate Development Programme in January 2010, which offers a two year rotational programme designed to provide experience of underwriting, claims, finance, operations and risk management across the Amlin's UK business.

Employee turnover and experience at 31 December 2010

	Senior underwriters	Other underwriters	Underwriting support	Claims staff	Claims support	Operational	Operational support	Group	**Total**
Turnover	7.5%	6.3%	6.9%	3.4%	3.4%	9.9%	10.3%	8.7%	**7.1%**
Voluntary turnover	3.7%	4.7%	5.7%	1.7%	3.4%	8.1%	3.4%	6.9%	**5.2%**
Mean age of employees (years)	45.1	38.5	36.4	41.8	40.2	38.5	44.6	41.2	**39.6**
Mean service of employees (years)	12.4	7.1	6.4	9.7	7.3	5.0	7.3	8.6	**7.2**

Staff turnover

5.2%

2009: 4.9%

Senior underwriter turnover

3.7%

2009: 1.9%

Amlin employees at 31 December 2010

	2010	2009	Senior Underwriters 2010	Senior Underwriters 2009
Amlin Group (including Group shared services)	**210**	176	**–**	–
Amlin London	**284**	256	**36**	33
Amlin UK	**362**	284	**21**	23
Amlin France	**60**	42	**8**	6
Amlin Bermuda	**35**	32	**5**	3
ACI	**417**	371	**33**	28
Amlin Re Europe	**23**	n/a	**10**	n/a
Total	**1,391**	1,161	**113**	93

The programme is supplemented by regular development programmes to build their knowledge of insurance and develop interpersonal skills and all graduates study for the professional qualification of Associate of the Chartered Insurance Institute (ACII).

ACI also has a two-year rotational Young Professionals Programme with eight graduates from The Netherlands and Belgium participating in 2010. The first class of Young Professionals to successfully complete their two year programme is now working within ACI.

Amlin also supports the development of young people in overseas divisions. Amlin Singapore offers an annual internship programme, sponsored by the Monetary Authority of Singapore, which offers a student 12 weeks of training at Amlin Singapore including a two week placement with Amlin London.

Amlin Bermuda funds two-year scholarships for Bermudian students which are offered through the Association of Bermuda International Companies Education Awards and The Bermuda Foundation for Insurance Studies. Three scholarship recipients worked with the company during college breaks in 2010.

As an international business we increased the number of secondments and international assignments between Divisions throughout 2010 enabling the sharing of best practice as well as developing the individuals.

Professional excellence

During 2010 the Chartered Insurance Institute introduced Chartered status, granted by the Privy Council, for insurance companies. This gives Chartered Insurers parity with other professional firms and affords a powerful differentiator to distinguish Chartered Insurers from competitors and peers.

In order to gain Chartered status, an insurer must ensure and demonstrate that staff members acquire and retain the knowledge necessary to be competent in their roles. It is a clear indicator of professional standing and demonstrates a commitment to excellence. In 2010, Amlin Underwriting Limited (AUL) became the first London Market insurer to be awarded corporate Chartered Insurer status.

We believe that, as well as demonstrating to clients and brokers Amlin's continued aspiration to provide the highest levels of skill and service, Chartered status will also enhance Amlin's ability to attract top class graduates who might have previously only considered roles in more recognised professions.

In 2010 the number of Amlin staff studying for professional qualifications increased. In addition to ACII, these included actuarial, accounting, risk management and human resources qualifications.

In addition to our focus on professional qualifications, the Amlin Academy continues to offer high quality management, personal and skills development programmes that aim to build on the existing skills of our staff. The choice of programmes has grown during 2010 and the offering is aimed at all levels of staff.

In order to reach a wider audience and ensure consistent delivery of training across the Group, 2010 saw the implementation of an online Learning Management System (LMS) which offers both internal and external courses.

Remuneration and benefits

A Group Remuneration Policy was approved by the Board of Amlin Plc in 2010. This is discussed in more detail in the Director's Remuneration Report on (pp.77).

During 2010, the Group's reward and remuneration arrangements continued to be reviewed and a more performance related incentive plan was agreed for ACI. A new profit commission scheme will be also introduced in 2011 (pp.79).

As part of our employee contract, Amlin is supportive of flexible working and sabbaticals for long-serving staff, where local business conditions allow. We are working with our European divisions to implement these and other benefits across the wider Group.

Financial management

Capital strength for our clients

"A robust capital position is fundamental to our business model. As the cycle turns, we believe we are in a strong position to materially grow our business."

Richard Hextall
Group Finance Director

Business focus

Active financial management is fundamental to delivering the financial strategy of the business.

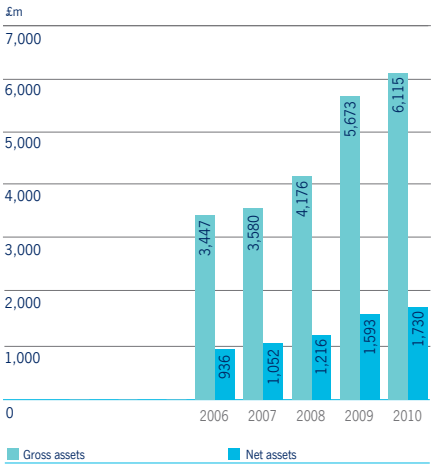
We seek to:

1. Understand the level of capital required.
2. Adjust the level of equity and debt that is employed in order to enhance returns.
3. Enhance cashflow.
4. Effectively manage our investments.
5. Effectively manage our currency exposures.
6. Prudently measure liabilities.

Active financial management is a key area of focus and has allowed us to consistently enhance the returns delivered to shareholders over a number of years. It also positions us to meet the future requirements of Solvency II.

The chart below shows the growth in gross and net assets over the past five years.

Gross and net assets



Determining our capital requirement

Understanding the level of capital required to operate is fundamental to our business. That understanding and its enunciation to stakeholders is important in providing our clients with confidence in our ability to pay their claims, to our regulators in allowing us to trade, to our financing partners in lending to us and to our shareholders in investing in the business. It also informs business planning and consequently affects our strategic direction.

Amlin uses Dynamic Financial Analysis (DFA) to model its capital.

The basic capital requirements are formed around the level of capital required in the business to contain the risk of insolvency to no greater than a probability of 0.5%. This is then uplifted to give a level of economic capital that the Group requires, or in the case of Syndicate 2001 that Lloyd's requires, to support its financial strength rating and strategic needs. For example, we believe that the Group should retain a level of capital sufficient to permit material growth in the aftermath of a major insurance disaster and to be able to respond to other opportunities to enhance long term growth, including through acquisition.

The first table below sets out our assessed capital requirement by operating platform. The second table analyses our capital position at 31 December 2010.

Amlin assessed capital

	VAR 200[1] £m	Assessed capital[2] £m	Variance
Syndicate 2001	**425.5**	476.1	50.6
Amlin AG[3]	**229.0**	641.0	412.0
ACI	**254.0**	295.6	41.6
Group	**746.0**	1,417.5	671.5

Amlin capital analysis

	As at 31 Dec 2010	As at 31 Dec 2009
Net tangible assets	**1,545.4**	1,430.3
Subordinated debt	**318.0**	316.4
Bank facilities[4]	**250.0**	250.0
Available capital	**2,113.4**	1,996.7
Assessed capital[2]	**1,417.5**	1,341.2
	695.9	655.5

Adjusting the capital deployed to enhance returns

The form of capital deployed to meet short and long-term business needs is imperative in balancing the requirements of our stakeholders. Broadly, we have two choices: the provision of capital through equity or debt. When underwriting margins are sufficient to limit the impact of a large catastrophe loss to equity, debt capital will form a greater proportion of the overall capital deployed. When margins weaken, the level of debt capital used to support our underwriting will be reduced.

In line with this philosophy, in recent years our debt to total capital ratio has fluctuated. For example, in 2005 debt increased in order to allow us to open Amlin Bermuda and increase our catastrophe underwriting risk. Margins were very strong and we believed that funding growth through debt was appropriate. Since 2006, the debt ratio has reduced as profits have increased net assets. At the end of 2010 the net debt to total capital ratio stands at nil (2009: nil). We believe this is an appropriate position at this point in the underwriting circle with pricing pressures evident across a number of our key classes. As the cycle turns, we believe we are in a strong position to grow materially.

1 Value at risk for a 1 in 200 year event. The Group benefits from credit for diversification
2 Assessed capital is management's estimate of capital required for current trading purposes
3 For Amlin AG, we continue to believe that $1.0 billion is the minimum amount of capital required to trade with our preferred client base
4 Bank facilities are subject to a number of covenants

2010 Highlights

- Net tangible assets increased by 8.0% to a record £1.5 billion (2009: £1.4 billion)
- Gross assets up 7.8% to £6.1 billion (2009: £5.7 billion)
- Return on equity of 13.9%, giving five year weighted average of 24.7% (2009: 37.0% and 29.1%)

Net tangible assets

£1,545.4m

2009: £1,430.3m

Cash and investments

2.5x shareholders' equity

2009: 2.6x shareholders' equity

We use subordinated debt as part of our capital management strategy. The debt is regulatory compliant, longer-term, unsecured and contains no financial covenants that could lead to early forced repayment. It is also recognised as capital by a number of the rating agencies.

In addition, we have a £250 million unsecured revolving credit facility available by way of cash advances or letter of credit. This facility expires in September 2013 and is currently undrawn.

Managing equity capital for shareholders

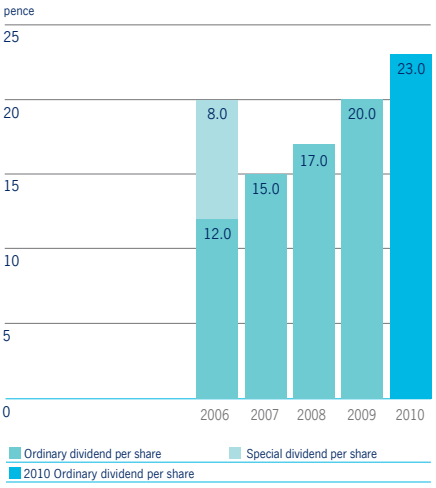
Our financial performance management is centred on delivering a cross cycle return on equity of at least 15%. Given the Group's cyclical underwriting approach, at certain points this will lead to the Group holding surplus equity capital. In order to enhance our return on equity, as actual levels of capital exceed our forecast capital requirements, we will look to return capital to shareholders.

The commitment to return of capital has been clearly demonstrated over recent years and we have employed a number of different mechanisms to do so, so as to appeal across the shareholder base. With the capital strength shown opposite we have allocated up to £75 million of cash for share buybacks over the coming year.

We have also continued to grow the dividend to our shareholders. We intend to increase our dividend per share consistently over the next few years. Our current capital strength should allow us to pursue this policy even if we suffer a major catastrophe loss.

After deducting the final dividend payment of £78.0 million and our share buyback authority of £75 million the core capital need largely matches the equity capital of the business. Our long term debt and banking facilities provide the scope for growth when the market turns.

Dividend per share



Enhancing cashflow

At 31 December 2010, the Group's cash and investments were £4.4 billion, an increase of £0.3 billion on the prior year (31 December 2009: £4.1 billion) reflecting net operating and investment cash inflows. Cash and investments are a multiple of 2.5x shareholders' equity (2009: 2.6x).

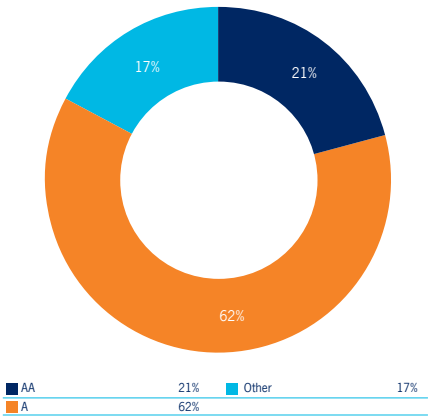
The strength and liquidity of the balance sheet is critical to our proposition as an insurer of choice, providing us with the ability to respond quickly to claims in the event of a large catastrophic loss. Our capital strength and financial management approach mean that the Group can readily absorb the losses from the worst of our realistic disaster scenarios.

We use bank facilities to supplement the working capital strength of the Group. A $200 million secured LOC facility is available to Syndicate 2001 to fund its US regulatory requirements and this reduces any potential funding pressures at times of catastrophic loss. If drawn, security is provided by a fixed charge over a portfolio of assets. Similarly, Amlin AG has a $200 million facility secured over three years in order to provide collateral to US cedants for their regulatory needs. At 31 December 2010 Amlin AG has issued LOCs amounting to $174.6 million.

ACI has an unsecured credit facility that provides a guarantee to a third party of up to €10.0 million and a guarantee/standby LOC for up to £22.5 million. At 31 December 2010 €28.7 million of guarantees were issued.

Efficient cash flow management is an important source of value to an insurer. We retain premium for an average of approximately three years before claims are settled. On large claims where reinsurance recoverables are due, we have to pay the claim before the recovery is made and rapid reinsurance response is important. Accordingly, strong credit management of premiums and reinsurance collectibles improves our performance.

Credit quality of reinsurance debtors



Financial management continued

Investment management process

Asset allocation at 31 December 2010

	at 31 December 2010				at 31 December 2009	
	Policyholders' assets £m	Capital assets £m	Total assets £m	%	Total assets £m	%
Type of asset						
Bonds	1,876.0	1,004.1	2,880.1	66.6%	3,221.8	79.1
Other liquid investments	747.0	291.2	1,038.2	24.0%	557.3	13.7
Equities	–	347.1	347.1	8.0%	167.3	4.1
Property	–	60.2	60.2	1.4%	125.7	3.1
	2,623.0	1,702.6	4,325.6	100.0%	4,072.1	100.0
Type of bond						
Government securities	513.6	211.3	724.9	25.2%	1,188.4	36.9
Government index-linked securities	–	20.4	20.4	0.7%	16.5	0.5
Government agencies / guaranteed	91.7	9.3	101.0	3.5%	171.5	5.3
Supranational	41.6	–	41.6	1.4%	58.1	1.8
Asset backed securities	45.2	27.2	72.4	2.5%	76.0	2.4
Mortgage backed securities	105.5	43.7	149.2	5.2%	136.2	4.2
Corporate bonds	131.4	60.2	191.6	6.7%	432.3	13.4
Pooled vehicles	943.7	579.8	1,523.5	52.9%	1,076.1	33.4
Insurance-linked securities	3.3	52.2	55.5	1.9%	66.7	2.1
	1,876.0	1,004.1	2,880.1	100.0%	3,221.8	100.0
Assets by region						
United Kingdom	265.6	187.1	452.7	16.5%	343.9	11.7
USA and Canada	814.4	550.0	1,364.4	49.6%	1,323.0	45.2
Europe (ex UK)	537.7	282.3	820.0	29.8%	1,188.3	40.5
Far East	25.9	56.5	82.4	3.0%	61.2	2.1
Emerging markets	9.9	20.5	30.4	1.1%	15.9	0.5
	1,653.5	1,096.4	2,749.9	100.0%	2,932.3	100.0
Credit rating of corporate bonds						
AAA	43.3	6.3	49.6	20.9%	165.3	30.7
AA	50.1	9.8	59.9	25.3%	136.9	25.5
A	71.4	32.3	103.7	43.7%	189.9	35.3
BBB	2.4	18.1	20.5	8.7%	35.2	6.5
Other	3.3	–	3.3	1.4%	10.9	2.0
	170.5	66.5	237.0	100.0%	538.2	100.0

Notes:
£4.2 million of government agencies/guaranteed assets are mortgage-backed and £42.2 million are government-guaranteed corporate bonds
The regional table excludes bond pooled vehicles of £1,523.5 million, and insurance-linked securities as held by Leadenhall Capital Partners of £52.2 million
The credit rating table also excludes the £52.2 million with Leadenhall Capital Partners

Effective investment management

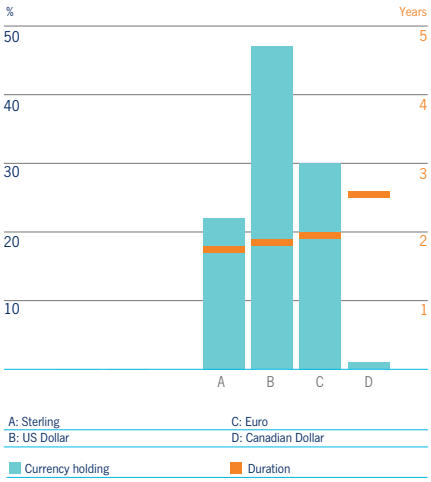
Our approach to investment management is directed by our investment risk appetite. This is based on, amongst other things, the perceived risk and returns of the different asset classes, the outlook for underwriting profits and the strength of our balance sheet. We do not simply target an absolute investment return. Rather, we seek to maximise returns for the level of risk that we are prepared to accept. This is achieved through:

1. Setting appropriate strategic asset allocations using both qualitative and quantitative analysis.
2. Taking short-term tactical asset allocation positions around the strategic asset allocations.
3. Identifying skilled external investment managers to manage the underlying assets.

We distinguish between policyholders' funds, which are the premium received and used to meet future claims expenses, and capital assets, which support the underwriting business.

For policyholders' funds our risk appetite is relatively low, so they are held in a mixture of government and non-government bonds as well as LIBOR plus funds, whose underlying assets are bonds and currencies. The duration of these assets is referenced to the duration of the underlying liabilities which is reasonably short. However, we will from time to time reduce the duration of the assets if we believe that yields will rise. With increased interest rate risk in the second half of 2010 we have shortened the duration of the investment portfolio.

Currency and duration



The above chart includes durations of all assets by currency, ie bonds, cash and LIBOR plus.

The asset durations above are calculated by the custodian. Some differences may occur between custodian durations and those reported by the fund managers due to the use of different prepayment assumptions. The fund manager calculations as at 31 December 2010 are as follows: GBP 1.4; USD 1.6; Euro 1.6; and, Canadian dollars 2.5. Where available on Bloomberg, the durations shown have also been verified by Amlin.

For Group capital, the investment horizon is longer term and this allows investment in more volatile classes such as equities and property although our underlying requirement for transparency remains. The strategic benchmarks for capital are set using a combination of efficient frontier[1] and value at risk models[2]. The table opposite analyses policy holders' and capital asset allocation.

Further commentary on investment performance in 2010 is provided on pages (pp.51). In addition, investment risk is analysed within our risk disclosures on pages (pp.116-126).

Effective currency management

The Group reports in sterling but manages a sterling business in the UK, a US dollar business in Bermuda and Euro businesses in Continental Europe. Amlin AG, which consists of Amlin Re Europe and Amlin Bermuda, reports in US dollars.

For our UK operations, we sell trading currency underwriting year profits into sterling as they crystallise, once we are materially through the Atlantic windstorm season. Amlin AG manages its US dollar trading position and holds its balance sheet mainly in US dollars reflecting its global underwriting profile. Similarly, ACI manages its Euro trading position and holds its balance sheet in Euros reflecting its European underwriting profile. At a Group level, we implement a policy to hedge up to 50% of the net dollar / Euro exposure of the Group to Amlin AG and ACI respectively. The Group's hedges are achieved through the use of forward sales and other derivative contracts.

In the year to 31 December 2010, the strengthening in the US dollar produced foreign exchange gains, before hedging, of £27.8 million on the dollar capital investment in Amlin AG. The hedges deployed reduced this gain by £4.1 million. For ACI, the movement in the Euro produced foreign exchange losses before hedging of £5.3 million. Hedges increased this loss by £0.1 million.

Estimating outstanding claims reserves

Estimation of claims reserves is a key aspect of financial management in that not only does it impact on overall profitability, but it also impacts investment mix as different approaches are taken for capital and policyholders' funds. At 31 December 2010 net claims reserves totalled £2,248.8 million (2009: £2,010.3 million).

Insurance is an inherently uncertain business and much of Amlin's business is large commercial insurance or reinsurance, which can be volatile and difficult to estimate ultimate claims levels for. The subjectivities which must be considered when assessing the level of outstanding liabilities include the risk profile of an insurance policy, class of business, timeliness of notification of claims, validity of claims made against a policy and validity of the quantum of the claim. At any time there are a range of possible outcomes at which the claims reserves could ultimately settle, however, as time passes the uncertainty surrounding likely claims settlement reduces.

Given this uncertainty we follow a prudent approach to the assessment of liabilities. Our underwriting teams, in the UK and Bermuda, are responsible for proposing the level of reserves to be set in their business units. We believe that this ensures that they are accountable for the evaluation and uses their detailed knowledge of the underlying exposures underwritten, particularly as these change through time. Proposed reserves are compared with actuarial 'best estimates' set by the in-house actuarial team. Any required adjustments to the underwriters' proposed reserves are then made and these are the accounted reserves. Consistency of reserving strength is our overall goal.

For ACI, the local actuarial team produces full data on an accident year basis for review by the Group Actuarial team. This review involves production of an independent best estimate by class of business for comparison with the proposed carried reserve. This process is more in line with our future Target Operating Model under Solvency II, although we envisage that the underwriting teams would present a benchmark reserve as well.

The only significant change in approach during 2010 has been to the reserves carried for the 2003 and prior underwriting years for Syndicate 2001, which are now mature in their development patterns. We have moved to carrying the actuarial best estimate, except for a small number of exceptions, to ensure that an inappropriate level of excess reserves do not build up over time. This has led to a release of £20.0 million through 2010.

We estimate that the Group as a whole holds reserves on an accident year basis of at least £175 million in excess of a strict 50:50 actuarial best estimate (2009: at least £200 million). However, it should be noted that the actuarial best estimate has largely followed underwriters' estimates for major claims, including the Chile and New Zealand earthquakes.

With significant catastrophe claims, downward rating pressures and volatile investment markets, 2010 contrasted sharply with the relatively benign trading environment of 2009. Despite the challenging backdrop, Amlin delivered a robust performance.

1 The efficient frontier represents the combinations of securities that produce the maximum expected return for a given level of risk
2 VaR is a statistical measure, which calculates the possible loss over a year, in normal market conditions. As VaR estimates are based on historical market data this should not be viewed as an absolute gauge of the level of risk to the investments

Financial management continued

Profitability and return

"Despite significant catastrophe claims, softening underwriting conditions and volatile investment markets, Amlin made a highly creditable 13.9% return on equity."

Profit before tax

£259.2m

2009: £509.1 million

Combined ratio

88%

2009: 72%

Return on equity

13.9%

2009: 37.0%

5 year weighted average

24.7%

2009: 29.1%

Financial performance

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Gross written premium	**2,172.5**	1,543.9	1,034.0	1,044.7	1,113.8
Net written premium	**1,910.3**	1,322.6	915.7	938.3	1,013.5
Net earned premium	**1,748.1**	1,317.3	913.5	972.3	973.9
Underwriting contribution	**202.1**	365.8	222.2	355.0	267.9
Investment contribution	**175.0**	207.5	18.0	157.0	115.1
Other costs	**117.9**	64.2	118.6	67.0	40.3
Profit before tax	**259.2**	509.1	121.6	445.0	342.7
Return on equity	**13.9%**	37.0%	7.8%	37.8%	34.0%

(See Financial Highlights on page 2 for basis of preparation)

Group underwriting performance

	2010	2009	2008	2007	2006
Claims ratio %	**60**	43	55	36	41
Expense ratio %	**28**	29	21	27	31
Combined ratio %	**88**	72	76	63	72

(See Financial Highlights on page 2 for basis of preparation)

Profit before tax was down 49.1% at £259.2 million (2009: £509.1 million), reflecting a significant increase in loss activity in the year, most notably from the Chilean and New Zealand earthquakes, which generated combined losses of just in excess of £200 million. The return on equity was 13.9% (2009: 37.0%). Over the longer term, the Group's performance has been excellent, with a weighted average return on equity since 2006 of 24.7%. This continues to materially exceed our cross cycle target of 15% and our estimated cost of capital over that period of around 10%.

For 2010 underwriting contributed £202.1 million (2009: £365.8 million) to the pre-tax result. The key drivers were Amlin London and Amlin Bermuda contributing £125.6 million and £72.5 million respectively (2009: £155.0 million and £161.8 million). Amlin UK and Amlin France delivered lower returns of £9.4 million and £2.5 million respectively (2009: £27.5 million and £2.5 million), whilst ACI made a loss of £19.6 million (2009: profit £11.2 million). As noted above, underwriting conditions were much less benign than in 2009, with increased loss activity and downward pressure on rates. Given the notable increase in claims activity, the overall underwriting contribution represents a good result.

Across the Group, claims development continued to be positive. Releases from reserves amounted to £156.5 million (2009: £174.1 million), of which ACI contributed £42.4 million. For 2010, our reserving methodology for Syndicate 2001 has been adjusted such that for 2003 and prior underwriting years booked reserves have been taken as the actuarial best estimate, except where justified otherwise. This change in approach added £20.0 million to reserve releases at the year end. Releases in 2009 were boosted by a change of approach to UK commercial claims, which generated an additional release of £16.0 million.

Financial markets continued to be volatile. The contribution from investments was £175.0 million (2009: £207.5 million), reflecting an investment return of 4.0% (2009: 5.9%) on increased average funds under management of £4.2 billion (2009: £3.4 billion). The natural weighting of the investment portfolios towards bonds, which generated low yields compared to 2009, held the overall return down, despite a strong equity performance.

Net foreign exchange losses in the income statement amounted to £12.3 million (2009: net gain of £5.4 million). In addition, a net gain of £13.4 million on our subsidiary net assets exposures was taken to reserves (2009: net loss of £63.5 million).

Underwriting performance

In the context of significant catastrophe claims for our international reinsurance account and downward pressure on rates persisting in many lines of business, the combined ratio of 88% is a sound result (2009: 72%); 12% was added to the claims ratio from the Chilean and New Zealand earthquakes alone.

Gross written premium was £2,172.5 million, an increase of 40.7% on the prior year (2009: £1,543.9 million). ACI, which was acquired on 22 July 2009, added £656.6 million of written premium (2009: £225.2 million). Gross written premium for Amlin UK binder business was uplifted by £42.3 million following improvements in estimates of business written under binding authorities. This change primarily relates to the timing of income recognition and does not materially impact profit in the period.

1 Munich Re, Jan 2011

The underlying increase in written premium, excluding ACI, was £197.2 million, from the addition of new business across Amlin London, Amlin UK and Amlin Bermuda, offset by an average rate decrease of 1.8% across the portfolio (2009: increase 4.4%). The retention ratio was 86% (2009: 90%).

Amlin London wrote gross premium of £889.4 million (2009: £855.7 million), with growth achieved within the aviation, marine and property and casualty business units. Amlin UK's gross written premium increased to £291.9 million (2009: £190.9 million). The uplift includes the aforementioned adjustment of £42.3 million, reflecting improvements to estimated premium for binder business, which is an increasing component of the property account. Underlying growth was supported by an average rate increase of 1.5%, but also net new business generated largely in fleet, other motor and package lines.

Amlin Bermuda contributed £439.0 million of income, an increase of 9.7% (2009: £400.2 million). This included direct income of £282.9 million (2009: £243.1 million). The retention ratio was a healthy 90%. Selective new business success and a favourable foreign exchange movement also contributed to growth.

For 2010, reinsurance expenditure was £262.2 million, representing 12.1% of gross written premium (2009: £221.3 million and 14.3%). The inclusion of ACI accounted for £98.3 million of the overall expenditure. The core reinsurance programmes, covering our insurance businesses, were renewed with structures largely unchanged from 2009. The retrocessional programme in London was restructured in the period, following a review of the value offered by the previous programme. Greater retention of the first major catastrophe loss is now borne by the Group, but cover was purchased which responds in the event of a series of medium sized catastrophes. Amlin Bermuda also purchased similar cover.

Growth in gross premium over 2009 and 2010 and favourable exchange movements drove net earned premium 32.7% higher to £1,748.1 million (2009: £1,317.3 million).

The Group claims ratio for the year increased to 60% (2009: 43%), reflecting Chilean and New Zealand earthquake claims (adding 6% each), a number of individual large risk losses and the inclusion of ACI. Natural catastrophe activity was higher in the year, with overall insured market losses estimated at $37[1] billion compared to $22 billion for 2009.

The Chilean earthquake, which occurred on 27 February 2010, was the largest insured event in the year, with an estimated loss of $8 billion[1]. Amlin's exposures are mainly within the international catastrophe account, where our current estimated claims have been reduced modestly from $132.3 million disclosed in our interim results to $127.5 million, following receipt of further information from reinsured clients. Claims from our other classes are more limited at an estimated $28.0 million.

The New Zealand earthquake, which occurred on 3 September 2010 has an estimated insured loss of $3.3 billion[1]. Amlin's estimated net claims are $160.0 million again predominantly within the international catastrophe account.

The scale and damage arising from both these events continues to be uncertain but, given the size of the earthquakes, our current loss estimates are intended to be conservative. Also, given the caps for exposed policies, there is scope for only limited deterioration to our estimates.

Exposure to Australian flood losses is currently uncertain and depends on how losses develop and the availability of reinsurance and retrocession cover. This is dependent on the ultimate scale of claims, whether the three identified flood losses are considered a single or multiple events, and which underwriting year or policy losses are declared upon. The net loss estimate for the 2010 result is £16.0 million.

There were several large risk losses in the year, in particular the loss of the Deepwater Horizon oil rig in April. While there are a number of complex and unresolved issues regarding liability, coverage and quantum, we continue to estimate that our net exposure resulting from the loss is approximately $15 million.

ACI incurred approximately €13 million of claims from natural catastrophe activity, with €6.3 million of marine claims caused by the Chilean earthquake, largely from damage to shipbuilding yards, and €6.6 million of large losses from flooding affecting the Belgian property book.

Investment performance

The Group investment return for the year was 4.0% and, with average funds under management of £4.2 billion, investments contributed £175.0 million to the 2010 result (2009: 5.9%, £3.4 billion and £207.5 million respectively). The table below shows the breakdown of asset allocation and returns.

Investors' risk appetite varied during the year. In the first half, a number of negative factors, including the European sovereign debt crisis, Chinese policy action aimed at economic slow down and the reversal of global leading economic indicators, led to investor concerns regarding the possibility of a return to recession. Safe haven assets out performed risk assets as investors made the flight to quality. Lower yields were evident for US, UK and core European government bonds.

From the summer, anticipation of further quantitative easing (QE) boosted demand for US and UK bonds. In the US, this proved to be a classic case of 'buy the rumour, sell the fact' and bond yields rose once QE started. In the UK, stronger than expected third quarter GDP data meant that QE was off the agenda, but gilt yields rose.

In the first part of the year we continued our strategy of allocating more Group assets to LIBOR plus funds, so as to widen the opportunity set available to managers and to give them scope to produce positive returns when bond yields increase. However, mid year, key personnel departures at one of our managers meant that we moved some of these funds into cash as we searched for alternatives. Post August we have looked to reduce the level of interest rate risk in our bond portfolios. The average bond weighting during the year was 80%.

Risk assets produced solid returns during 2010. The average equity weighting was 7% although market returns and increased allocations took the weighting to 8% at the end of the year.

Investment mix and returns

	2010		2009	
	Average asset allocation £m	**Return £m**	Average asset allocation £m	Return £m
Bonds	**3,328**	**143**	2,558	200
Other liquid	**460**	**2**	610	3
Equities	**296**	**33**	168	23
Property	**105**	**(3)**	96	(19)
Total	**4,189**	**175**	3,432	207
Bonds	**79%**	**3.9%**	74%	7.3%
Other liquid	**11%**	**0.3%**	18%	0.6%
Equities	**7%**	**9.9%**	5%	23.5%
Property	**3%**	**(0.8%)**	3%	(16.8%)
Total	**100%**	**4.0%**	100%	5.9%

Note: Investment return percentages exclude the impact of currency fluctuation

Financial management continued

The insurance linked securities portfolio continues to be managed by Leadenhall Capital Partners in the form of two standalone investment funds. The risk profile remained constant over the year, with Amlin's investment increased to $111.9 million across both funds. The return on $109.9 million of average funds under management was $11.4 million or 10.4% (2009: $68.8 million, $8.3 million and 12.4%).

Expenses

Total expenses, including underwriting and non-underwriting costs, increased to £610.5 million from £461.6 million in the prior year. Underwriting expenses, excluding foreign exchange movements, amounted to £481.1 million (2009: £360.0 million). Non-underwriting expenses, excluding foreign exchange movements and finance costs, were £89.7 million (2009: £84.0 million).

Underwriting costs represent costs relating to the acquisition and administration of insurance business and claims payments. Non-underwriting expenses include employee incentives, investment management fees, ACI separation and integration costs and corporate expenses not directly attached to underwriting businesses.

Within underwriting costs, acquisition costs accounted for £71.7 million of the increase, due to growth in income. Acquisition costs have remained reasonably stable at 16.9% of gross earned premium (2009: 17.3%). The remaining variance is largely driven by the addition of £32.4 million of expense from a full year of ACI.

ACI separation and integration costs, amounting to £16.6 million, included within non-underwriting expenses are not considered ongoing costs of the business. In addition to items expensed in the period, ACI expenditure on a replacement IT platform of £17.4 million has been capitalised at 31 December 2010. It is anticipated that further expenses of approximately £10 million will be incurred in completion of ACI separation and integration.

Taxation

The effective rate of tax for the period is 14.4% (2009: 10.7%). It is below the UK rate of corporation tax primarily due to Amlin Bermuda, which operates locally with no corporation tax. The increase in the effective rate compared to 2009 is due to the lower relative profit generated by Amlin Bermuda, which was impacted by the Chilean and New Zealand earthquakes and lower investment returns. We continue to believe that Amlin Bermuda is exempt from the Controlled Foreign Corporation tax provisions of the UK tax regime. The table below illustrates the source of Group profits with associated effective tax rates.

Dividends

The Board proposes a final ordinary dividend of 15.8 pence per share. Taken together with the interim dividend of 7.2 pence per share, this provides total dividends of 23.0 pence per share (2009: 20.0 pence per share), an increase of 15.0%.

Net tangible assets

In addition to the £221.9 million profit after tax recognised through the consolidated income statement the Group has also recognised an £85.1 million decrease in net assets, bringing total equity and reserves to £1,729.9 million (2009: £1,593.1 million). The key movements are:

- Dividends totalling £102.5 million (2009: £83.8 million).
- £17.6 million of gains from the currency retranslation of overseas operations (2009: loss £92.8 million) offset by £4.2 million of losses recognising the revaluation of associated hedge instruments (2008: gain £29.3 million) in accordance with hedge accounting rules of IAS39 "financial instruments, recognition and measurement".
- Actuarial gains of £5.9 million (2009: loss of £23.7 million) on Group defined benefit pension schemes.

Intangibles have increased by £21.7 million to £184.5 million (2009: £162.8 million) following the acquisition of AUA Insolvency Risk Services Limited and capitalisation of costs associated with the ACI IT platform replacement programme.

As a result, net tangible assets have risen by 8.0% to £1,545.4 million at 31 December 2010, (2009: £1,430.3 million).

Non-underwriting expenses (excluding foreign exchange and finance costs)

	2010 £m	2009 £m
Employee expenses, excluding employee incentives	**21.7**	16.4
Employee incentives	**27.7**	36.6
Asset management fees	**6.2**	4.7
Other administrative expenses	**17.5**	15.1
ACI integration costs	**16.6**	11.2
Total	**89.7**	84.0

Taxation breakdown

Profit source	**2010 Profit before tax £m**	**2010 Effective tax rate %**	2009 Profit before tax £m	2009 Effective tax rate %
UK	**142**	**25.4**	206	19.8
Bermuda	**106**	**–**	249	–
Continental Europe	**11**	**9.6**	54	24.9
Group	**259**	**14.4**	509	10.7

Outlook

Rating environment

The rating environment in which our businesses are operating remains varied which, given the diversity of our business across classes and platforms, provides us with the opportunity to continue to allocate capacity where margins are most attractive.

This is illustrated at 1 January 2011 renewals. The overall Amlin portfolio saw a fall in rates of 1.3% on renewal. Underlying, the reinsurance accounts of London and Bermuda saw an average renewal rate reduction of 3.7% but the UK fleet motor account had a rate increase of 7.4%. However, rate movements do not provide the whole picture. For example, our reinsurance accounts are under pricing pressure but continue to offer strong margin potential. We are therefore likely to seek to hold our position. By contrast, the UK fleet motor account rate increase is from the bottom of the pricing cycle and after a period of retrenchment, we expect to materially increase our underwriting if the upward pricing trend continues.

It is therefore important to consider the various business units separately in order to get a complete picture of our trading outlook.

Reinsurance pricing overall is softening under the weight of surplus capacity following two benign years for US catastrophe claims. The major earthquakes of 2010 caused an immediate uplift to regional pricing in the loss affected areas, but we do not anticipate any broader market impact in 2011. While newsworthy, the impact of the Australian floods at the end of 2010 and at the start of 2011, look likely to be modest events for reinsurers. However, as we have observed before, the reinsurance market has been disciplined in recent years and this was evidenced in 2010 by nearly $12 billion[1] of capital returned to shareholders through share buybacks and dividends across the industry, a trend we expect to see continued in 2011.

Amlin's 1 January reinsurance renewals, which account for approximately 40.6% of reinsurance business expected to be written for the year, showed reinsurance rates down by 3.2% for Amlin London and 4.4% for Amlin Bermuda. Margins after these modest reductions remain attractive, particularly for US catastrophe business, and Amlin again retained strong support from brokers on more competitive placements.

For the US property and casualty and aviation sectors the return potential remains unattractive despite poor market returns. Property and casualty business in Continental Europe also remains competitive with both local and multinational insurers competing fiercely for market share in the sectors where ACI and Amlin France operate. Competition has been heightened by lower demand in many classes as a result of the economic slowdown. Given the abundance of capacity in these markets, an upturn in pricing seems unlikely in the short term. However ACI's property and casualty performance remains solid and a disciplined approach will through time provide a different trend to a market that has lost discipline. In these sectors of the market, this discipline is often the factor that ensures survival and prosperity through the trough of the cycle.

The marine market offers better prospects for selective underwriting. Rates for our London business were relatively stable and ACI at the 1 January renewals achieved a 2.5% rate increase. The re-underwriting process for Rotterdam and Antwerp continued, which should also lead to an improvement in performance. While it is disappointing to report that a significant amount of business that was deemed by the team in Rotterdam to be unsatisfactorily priced was ultimately lost, the historic performance of the business renewed was significantly better. Following the Deepwater Horizon oil spill, there are good opportunities to expand our energy underwriting.

In the UK, we saw an improving rating trend for fleet motor at the end of 2010 following a more competitive market than expected earlier in the year. This was reflected in an overall rate increase of 7.4% for fleet motor in January. In motor fleet, as elsewhere in the UK commercial market there is increasing evidence of financial distress as competitors withdraw or reduce capacity on unprofitable business. With similar trends in the personal lines market exacerbated by the impact of the severe winter weather in 2010, we expect to see improvement in pricing for UK commercial lines in 2011.

Loss activity

As always the level of natural catastrophe activity in the year will influence our financial performance and the future rating environment. The beginning of 2011 has continued with the active pattern that we saw last year. Australia was battered by cyclone activity, bringing heavy flooding to Southern Queensland and cyclone Yasi followed in February. These events are likely to fall within our normal expectations for natural catastrophe activity. The Christchurch earthquake in February 2011 is a major catastrophe loss with current insured loss estimates ranging from NZ$5 billion to NZ$11.5 billion[2]. At this stage, it is difficult to quantify the potential claims arising from this earthquake, which is exacerbated by its occurrence in the same city as the 2010 event. While we would expect a material level of claims, it is important to recognise that they will not necessarily be proportionate to the claims incurred for the September earthquake. This is partly due to damage overlapping and also due to the non-proportional nature of reinsurance contracts and their finite financial limits.

1 Guy Carpenter: Global Reinsurance Outlook, 10 Jan 2011
2 AIR, Feb 2011

Outlook continued

Benefiting from diversity, investments and new initiatives

The trading environment in 2011 is likely to be unsupportive for general organic growth. However we will find attractive opportunities where pricing has reacted to loss experience, such as in energy and fleet motor.

In addition we can achieve growth by disciplined and selective underwriting, particularly where we have made investment in new people or through acquisitions. For example, the expansion in the UK property book achieved in 2010 resulted from previous investments in the underwriting and claims teams, enhanced marketing and small acquisitions which have positioned the Group well. We expect to continue to take advantage of niche acquisition opportunities such as J R Clare and Lead Yacht, acquired in respectively January and February 2011.

Amlin Re Europe got off to a very strong start at 1 January renewals, writing €65.6 million of gross premium. This confirmed client and broker support for their proposition as a high quality long term business partner in the European reinsurance market and augers well for the future development of this new venture. The successful launch was assisted by Amlin's higher profile in Europe following the acquisition of ACI and the continued development of Amlin France. We are mindful of the weak rating environment in this market and do not expect to record a substantial contribution to profit in the current year. However, the longer term growth prospects offered by this business and the build up of a modest footprint gives us great flexibility to pursue opportunities as this market improves through time.

Investment markets

Our investment performance has in recent years been a differentiator against our peers. Our approach has been risk focused and flexible. In volatile markets this has allowed us to continue to make a strong absolute contribution to the business. The economic background to 2011 appears to be more positive than we have seen in recent years. While there may be some further volatility, for example from the European debt crisis, the outlook for economic growth in the US and much of Europe as well as in the developing world, appears good. This should prove beneficial for equities and we increased our equity weighting to 8% in December 2010.

However, we expect that our overall return for 2011 will be held back by low yields on our bond portfolios and low interest rates which limit the returns on cash and cash equivalents. In addition, if interest rates rise faster than the market expects this will further subdue the investment returns from bonds in 2011 although this will also naturally lead to better prospects into the medium term.

We will review our risk appetite against returns on offer but do not believe that we will be able to substantially improve returns without taking undue risk.

Summary

In a more challenging underwriting environment Amlin's underwriting discipline and broad portfolio should ensure that we continue to generate healthy underwriting returns. We expect to remain in a lower investment return environment but our proactive approach to investments will seek to optimise that return for the risk taken. We are confident of being able to trade successfully through this stage of the pricing cycle and are in a strong position to grow when conditions are more appropriate.

Governance

This section explains our approach to corporate governance with key developments during the year, together with profiles of our Board Directors

Contents

Board of directors

Experienced leadership

Roger Taylor (69)

Chairman ^ “

Appointed a non-executive Director and Chairman in 1998

Chairman of the Nomination Committee. He is non-executive President of Yura International Holdings B.V. and of Yam Invest N.V. and non-executive Chairman of White Ensign Association Limited. He was formerly Chief Executive of Sun Alliance Group plc and, until 1998, Deputy Chairman of Royal & Sun Alliance Insurance Group plc. He was Chairman of the Association of British Insurers from 1997 to 1998.

Charles Philipps (52)

Chief Executive ^

Appointed Group Chief Executive in 1999, having joined the Board as Group Finance Director in 1997

Chartered Accountant. He represented Amlin Corporate Member Limited on the Council of Lloyd’s from 2001 to 2007, was a Vice Chairman of the Lloyd’s Market Association from 2004 to 2007 and President of The Insurance Institute of London 2008 to 2009, having previously served on its Council. He has been a trustee (unpaid) of the Outward Bound Trust since December 2010. He was a director of NatWest Markets Corporate Finance Limited until 1997, having been employed there from 1983. Whilst at NatWest Markets he was responsible for the formation and flotation on the London Stock Exchange of Angerstein Underwriting Trust PLC (which became Amlin plc).

Christine Bosse (50)

Independent Non-Executive +

Appointed a Director in 2008

She was Group Chief Executive Officer of TrygVesta A/S, the largest general insurer in Denmark and second largest in the Nordic region, from 2001 until January 2011. She joined TrygVesta in 1987, serving in various roles prior to her appointment as CEO, including as head of both the underwriting and claims departments and as Human Resources Director, joining its Group Executive Management in 1999. She is a non-executive director of Nordea Bank and chairs the Supervisory Boards of both the Danish Insurance Association and the Danish member of the Child Fund Alliance (Børnefonden). She is a Danish citizen.

Nigel Buchanan (67)

Senior Independent Director (non-executive) * ^ + “

Appointed a Director in 2004

Chairman of the Audit Committee and senior independent director. Chartered Accountant. He is a non-executive director of Butterfield Bank (UK) Ltd and will step down as a trustee (unpaid) of the Outward Bound Trust later in 2011. He retired as a senior client partner of PricewaterhouseCoopers in 2001, where he specialised in financial services clients. He joined a predecessor firm in 1968 and was appointed a partner in 1978.

Brian Carpenter (53)

Underwriting Director, Amlin UK

Appointed a Director in 2000

He heads Amlin UK, which underwrites the Group’s UK motor, property and liability business. He has been a member of the Lloyd’s Market Association’s Motor Committee since 1989 and has also served on the Lloyd’s Market Board and the Business Development Unit Board at Lloyd’s. Prior to joining the Group in 1989 as active underwriter of motor Syndicate 887 (now part of Syndicate 2001) he worked as a broker with Sedgwick and Marsh.

Richard Davey (62)

Independent Non-Executive * ^ “

Appointed a Director in 2005

Chairman of the Risk and Solvency Committee from January 2011. He is a non-executive Vice Chairman of the Yorkshire Building Society, senior independent director of Severn Trent Plc and non-executive Chairman of London Capital Group Holdings plc. The majority of his executive career was spent in investment banking at N M Rothschild & Sons Limited, in roles including Head of Investment Banking and Chairman of the Executive Committee. He retired in 1999. A financial services sector specialist, he advised Lloyd’s of London, and then Equitas, on the Reconstruction and Renewal proposals of the early 1990s.

Marty Feinstein (62)

Independent Non-Executive *

Appointed a Director in 2007

He is a non-executive director of Reynolds American Inc and GeoVera Insurance Holdings, Ltd. He was Chairman and Chief Executive Officer of Farmers Group Inc from 1997 to 2005, when he retired after 35 years’ service with that group. By 2005, Farmers was the third largest property and casualty insurance group in the US. Whilst Farmers was owned by BAT and then by Allied Zurich, between 1997 and 2000 he served in turn as a director of BAT Industries plc and Allied Zurich plc. He is a US citizen.

Richard Hextall (42)

Finance Director

Appointed Group Finance Director in 1999

Chartered Accountant. He was a director of the Lloyd’s Market Association from 2007 to 2010 and a member of its Finance Committee from 2002 to 2009 (Chairman from 2005 to 2007). He was also a member of the Lloyd’s Investment Committee from 2003 to 2007. He has been an independent non-executive director of The City of London Investment Trust plc since 2007. He joined Amlin from Deloitte & Touche, where he was a director specialising in the insurance and financial services sector.

Tony Holt (59)

Non-Executive (non-independent)

Appointed as a non-executive Director in 2009, having joined the Board as an executive Director in 2000

He retired in December 2008 as Group Underwriting Director. In 2009 he was also appointed as a non-executive director of Amlin Underwriting Limited and of Amlin Bermuda Ltd (now Amlin AG). He joined the Group in 1980, was Head of Marine from 1995 to 2000, Head of Non-marine from 2000 to 2008 and Group Underwriting Director from 1999 to 2008. He was a member of the Underwriting Advisory Committee to the Franchise Board of Lloyd’s from 2003 to 2006.

Sir Mark Wrightson Bt (60)

Independent Non-Executive ^ +

Appointed a Director in 2006

Chairman of the Remuneration Committee. He retired as Co-Chairman of Close Brothers Corporate Finance Limited in 2006. He was formerly Chairman of the London Investment Banking Association Corporate Finance Committee and a member of the Panel on Takeovers and Mergers. He is a non-executive director of Domino Printing Sciences plc and was a non-executive director of Tees Valley Regeneration Limited until July 2008 and of British Vita plc from 2004 to 2005.

Current Committee memberships are denoted by the following symbols:

* Audit Committee

^ Nomination Committee

+ Remuneration Committee

“ Risk and Solvency Committee

Directors are British citizens unless stated otherwise

Standing, left to right
Nigel Buchanan, Tony Holt, Roger Taylor, Sir Mark Wrightson, Christine Bosse, Charles Philipps, Brian Carpenter, Marty Feinstein
Seated, left to right
Richard Hextall, Richard Davey

Directors' report

The directors of Amlin plc (the Company) present their report, the audited accounts of the Company and the consolidated accounts of the Company and its subsidiaries (the Group) for the year ended 31 December 2010.

Principal activity, Business Review and key performance indicators

The Group's principal activity is non-life insurance and reinsurance underwriting in the Lloyd's market, Bermuda and Continental Europe. A review of the Group's business, and developments during the year, is set out in the Annual Report (Overview, Strategy and Performance sections) (pp.2-54). Further information is provided in the risk disclosure note and in this Governance section of the Annual Report (pp.103 and pp.60 respectively). The Review and Performance sections, risk disclosure note and Governance section together include the information and analysis required by section 417 of the Companies Act 2006 to be included in a Business Review, including information on key performance indicators and on the Group's financial and other risk management and policies. Such information and analysis is hereby incorporated by reference into this report.

Share capital, treasury shares and dividends

The Company's share capital during the year consisted of ordinary shares of 28.125p each (Shares).

There were 502,076,006 Shares in issue, at the year end (2009: 502,076,006), including Shares held in treasury, throughout the year. No Shares were bought back into treasury during the year (2009: also nil). 1,270,343 Shares were transferred out of treasury during the year to service exercises of employee share options (2009: 1,599,228), leaving 5,875,701 Shares in treasury at the year end (2009: 7,164,424). There have been no issues of shares or further share buy backs or transfers into treasury since the year end but a further 17,550 Shares had by 25 February 2011 been transferred from treasury to satisfy employee share options, leaving 5,858,151 Shares in treasury at that date.

An interim dividend of 7.2p per Share (2009: 6.5p) was paid on 7 October 2010 to shareholders on the register on 10 September 2010. The directors now propose a final dividend of 15.8p per Share (2009: a second interim of 13.5p), to be paid on 19 May 2011 to shareholders on the register at the close of business on 25 March 2011. This makes total dividends for the year of 23.0p per Share (2009: 20.0p). Those shareholders wishing to use any of these dividends, other than the 2009 second interim dividend, to purchase further shares were, and are, able to participate in a Dividend Reinvestment Plan. Details of the Plan are available on the Company's website and shareholders are being reminded of the Plan as this Annual Report is being published.

Directors' interests in shares

	At 31 Dec 2010 and at date of this report No of Shares	At 31 Dec 2009 No of Shares
C Bosse	**3,540**	3,540
N J C Buchanan	**11,200**	11,200
B D Carpenter	**380,221**	379,449
M D Feinstein	**4,000**	4,000
R A Hextall	**164,993**	160,669
A W Holt	**759,102**	259,102
C E L Philipps	**588,805**	569,489
R J Taylor	**17,986**	17,986
Sir Mark Wrightson Bt	**14,888**[1]	8,888

1 Includes 1,000 shares held non-beneficially as a bare trustee

Directors

The directors' biographical details are set out immediately before this report (pp.56). All of the current directors served throughout the year.

All directors will offer themselves for election or re-election at the Annual General Meeting on 12 May 2011 (AGM), in accordance with the new UK Corporate Governance Code provision for annual re-election of all FTSE 350 companies' directors, save for Mr Holt who is not offering himself for re-election but will retire at the conclusion of the meeting. As will be detailed in the separate Notice of AGM, and as referred to in the Board Corporate Governance Statement, Mr Simon Beale is being proposed for election at the AGM as a new Director of the Company.

Directors' interests

The interests of those directors and their related parties who have interests in the shares of the Company, all of which are beneficial except where indicated otherwise, are set out above.

In the cases of the three executive directors, Messrs Carpenter, Hextall and Philipps, the above holdings include beneficial interests held through the Company's Share Incentive Plan (SIP) and details of their interests in share options and long term incentive plans are set out in the Directors' Remuneration Report later in this Governance section of the Annual Report, as are details of the total interests of the trustees of the SIP and of the Group's Employee Share Ownership Trust. Details of transactions between the Group and directors who served during the year are set out in note 37 to the Accounts.

No directors have any other interests in the shares or any other securities of the Company or any of its subsidiaries.

Substantial shareholdings

At 25 February 2011 the Company had been notified of the holdings of 3% or more of its issued ordinary share capital set out at the top of the opposite page.

Corporate governance and Directors' remuneration

The Board Corporate Governance Statement and reports from the Board's Nomination and Audit Committees are set out with other reports later in this Governance section. Details of the Company's rules on the appointment and removal of directors, and on how the Company's Articles of Association may be amended, are set out in the section entitled 'Articles of Association' in the Board Corporate Governance Statement (pp.69). Details of Directors' remuneration and of the Board's Remuneration Committee are set out in the Directors' Remuneration Report, also later in this Governance section.

Employment policies

The People section of the Review provides commentary on the Group as an employer, including its commitment to training and professional development. The Group recognises the importance of employee engagement and therefore operates the Amlin Consultative Forum in the UK and Amlin Corporate Insurance Works Councils in the Netherlands and Belgium as frameworks for discussion and consultation between staff and management in these three countries where the great majority of Group employees work. In addition to engagement through line managers, employee communication is also facilitated by intranet communication and a monthly Group e-newsletter.

The Group's equal opportunities policy aims to ensure that no employee, in application for initial employment or as an existing employee (including in the event of a change in his or her circumstances), receives less favourable treatment because of his or her gender (including gender reassignment), marital or family status, actual or perceived sexual orientation, age, ethnic origin, race, colour, nationality, national origin, creed, political affiliation, part-time status, disability, or any other condition, unless differing treatment can be shown to be legally justifiable.

Substantial shareholders' interests

	Number of Shares held	% of Shares in issue[1]
Invesco Ltd	54,762,605	11.0
Legal & General Group Plc companies	29,913,223	6.0
Baille Gifford & Co	25,136,807	5.1
Majedie Asset Management Ltd	24,810,073	5.0
BlackRock, Inc	24,754,093	5.0
AXA S.A.	23,197,732	4.7
J P Morgan Chase & Co	19,624,490	4.0

1 Based on the Shares in issue, excluding treasury shares, as at 25 February 2011 of 496,217,855

Copies of the Group's policies, some applying to the whole Group and some to the UK with local variations outside the UK, on professional qualifications, family leave, flexible working, sabbaticals, staff harassment and equal opportunities are available on the Company's website or from the Secretary on request. The Group's health and safety policy and details of its local application are publicised to staff, including by intranet. Its operation in the UK is monitored by a staff Health and Safety Committee. The Chief Operations Officer, Mr Andrew Grant, who reports to the Group Chief Executive, is responsible for oversight of health and safety throughout the Group.

Corporate responsibility and charitable donations

A Corporate Responsibility report is set out later in this Governance section (pp.73-75). The Group Chief Executive is responsible at Board level for leading, and reporting to the Board on, the Group's initiatives on corporate responsibility related matters. Relevant policies and terms of reference are available on the Company's website.

As part of a wider corporate responsibility and community budget, the Group made charitable donations during the year of £147,287 (2009: £133,668). The charities budget in the UK is managed by a Community and Charities Panel chaired by a senior underwriter. Non-UK subsidiaries' community and charities budgets are managed locally under the direction of their boards.

Political donations

The Group made no political donations during the year (2009: nil).

Supplier payment policy and performance

The Group's policy is to pay suppliers in accordance with agreed terms of business. Whenever possible, purchase orders are placed on the basis of the Group's standard terms and conditions which include provision for the payment of suppliers within 30 days of the end of the month in which the Group receives the goods or in which the services are provided. Average trade creditors of the Group during 2010, which excludes insurance creditors, represented approximately 30 days (2009: 27 days), based on the ratio of Group trade creditors to the amounts invoiced during the year.

Annual General Meeting

The Notice of AGM, to be held at noon on Thursday 12 May 2011 at the offices of the Company at St Helen's, 1 Undershaft, London, EC3A 8ND, is contained in a separate circular to shareholders which is being mailed or otherwise provided to shareholders at the same time as this report.

Directors' indemnities

The Company has made third party indemnity provisions for the benefit of its directors and certain directors of the Company's subsidiaries. The current indemnities of the directors of the Company were entered into during 2008, with the exception of Mrs Bosse (2009). All of such indemnities remain in force at the date of this report.

Authorisation of directors' conflicts of interest

The Company's Articles of Association permit the authorisation of a director's potential conflict of interest or duty, for instance arising from a director's appointment as a director of another company which may have a business relationship with the Group. Such authorisations may be given by the remaining directors who are independent of the potential conflict. A number of authorisations have been approved by the Board in this manner. Such authorisations do not remove a director's duty to ensure that any actual conflict of interest or duty, should it arise, is dealt with appropriately, usually by the director taking no part in the relevant Board or Committee decision.

Directors' statement on the disclosure of information to the auditors

Each director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Going concern

The Group's business, risk and financial management, performance and position, together with factors that are likely to affect future development, are described in the Performance section of this Annual Report (pp.28-54). Capital management strategy, which covers how regulatory and economic capital needs are measured and how capital is deployed, is described under Financial Management on pages (pp.46-52). The financial position of the Group, including commentary on cash and investment levels, currency management, insurance liability management, liquidity and borrowings, is also covered in that section.

In addition note 2 to the accounts describes capital management needs and policies, and note 3 covers underwriting, market, liquidity and credit risks which may affect the financial position of the Group.

The Group has considerable financial resources to meet its financial needs and, in much of the Group, manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Group is well positioned to manage its business risks successfully in the current uncertain economic environment.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditors

A resolution is to be proposed at the Annual General Meeting for the re appointment of PricewaterhouseCoopers LLP as auditors and ito authorise the Audit Committee to determine their remuneration.

By Order of the Board

C C T Pender
Secretary

1 March 2011

Board corporate governance statement

Intrinsic to our culture and values

"The Board believes that high standards of corporate governance are intrinsic to Amlin's culture and values."

Roger Taylor
Chairman

Board composition and independence

Throughout the year and up to the date of this report the Board of Amlin plc (the Board or plc Board) comprised: the Chairman, who is non-executive, five independent non-executives, one non-independent non-executive (Mr Holt) and three executive directors. Their biographical details are set out earlier (pp.56).

All of the directors with the exception of Mr Holt will be offering themselves for re-election at the forthcoming AGM. Mr Holt asked not to be considered by the Nomination Committee for re-election as he has decided to retire as a director at the conclusion of the AGM.

The Chairman was independent on his appointment in 1998 but, as Chairman, is not classified as independent. Five of the other non-executive directors, all of whom have tenure of between two and seven years, have been determined by the Board as being independent in character and judgement with no relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. Mr Holt is classified as a non-independent non-executive as he was an executive (Underwriting Director) until 2008.

In accordance with the Companies Act 2006 and as permitted by the Company's Articles of Association, the Board has authorised a number of potential conflicts of interest regarding the independent directors.

Mr Buchanan, the senior independent non-executive director, who retired as a partner of PricewaterhouseCoopers LLP (PwC) in 2001, receives a pension annuity from that firm that can vary if PwC's financial results do not meet a certain threshold. The Board believes that Amlin is not a material enough client to a firm of PwC's size for this to affect whether such threshold is met. Therefore, following PwC's appointment in 2009 as auditors, the Board authorised the potential conflict involved in Mr Buchanan continuing to serve as Audit Committee chairman, allowing him to be involved in all aspects of the Committee's work, save that he would step aside from involvement in any financial dispute or litigation between the Group and PwC were it ever to arise.

During the year both Mrs Bosse (until 31 January 2011) and Mr Feinstein (to date) were directors of overseas insurance companies which, like many insurers around the world, purchase reinsurance from the Amlin Group on normal commercial terms. These transactions are not material either to Amlin or, the Directors believe, to the other companies and in both cases the reinsurance relationship is independent of, and pre-dates, their Amlin directorships. The Board remains robustly of the view that such inter-company transactions are an inevitable consequence of engaging non-executive directors with relevant current insurance industry experience (which, in view of the specialist and complex nature of insurance, is highly beneficial to the Company) and that they did not, and do not, affect, and should not be regarded by an objective observer as affecting, the independence of the directors concerned in fulfilling their roles as non-executive directors of Amlin.

Balance of the Board

Chairman	1	Non-Independent NEDs	1
Independent NEDs	5	Executives	3

Chairman and executive director tenure

11 years	2	14 years	1
12 years	1		

NED tenure

2 years	2	5 years	2
3 years	1	7 years	1

- They are central to fulfilling many of our core values such as integrity, professional excellence and sustainability.
- They underpin the objectivity of such processes as insurance reserving, risk management, balance sheet and investment management, the design and operation of executive remuneration and succession planning.
- They are the basis for the accountability of executive management to the Board and of the Board to shareholders.

Regulated subsidiaries within a Group management framework

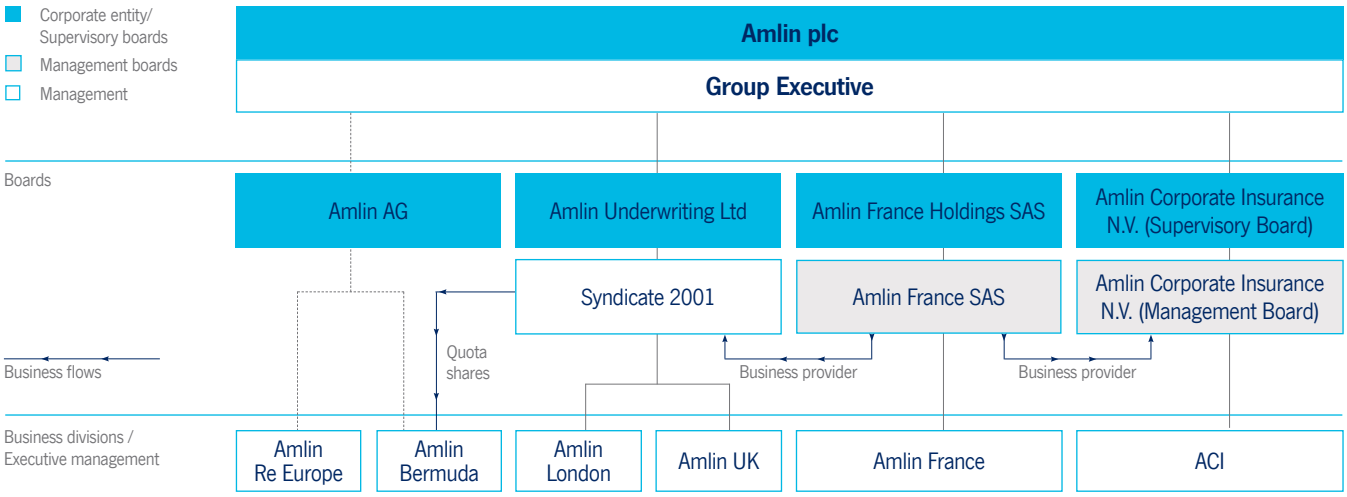
During the year the organisational and governance arrangements of the Group have continued to evolve.

Each of the Group's business platforms come under its own regulated board: Amlin Underwriting Limited (AUL) for the Group's Lloyd's operations (for Amlin London and Amlin UK); Amlin AG (AAG), domiciled in Zurich, Switzerland (for Amlin Re Europe and Amlin Bermuda); Amlin Corporate Insurance NV (ACI), operating in the Netherlands and Belgium; and Amlin France Holdings SAS (AF) for the Group's French business. AAG is the previous Amlin Bermuda Limited, redomiciled and reincorporated in Zurich on 7 October 2010, and now operates with both a Swiss business and a Bermudian branch. AF includes both the previous Anglo French Underwriters (AFU) and ACI in France, sourcing business for both the Lloyd's syndicate and ACI.

AUL's executive governance is split between an Amlin London management committee and an Amlin UK management committee. They each hold quarterly review meetings with Group and AUL executives, in addition to AUL executive directors reporting to the AUL Board. AAG, the other subsidiary containing two business platforms, is run by a unitary board but with underwriting and other management decisions delegated to the local teams in each location.

In parallel with the corporate structure, there are management accountabilities of particular functions, for example finance, operations and risk management, which help embed Group standards and seek to ensure that there is good two way communication between functional management at the centre and each local entity. The relationship between the corporate and management structures is illustrated in the 'Corporate and management structure' chart below.

Corporate and management structure



Board corporate governance statement continued

Risk and Solvency Committee established

Summary Risk and Solvency Committee responsibilities

- Leading the review process of risk management, risk appetite, solvency and capital.
- Reviewing and making recommendations to the Board regarding the Group's Own Risk and Solvency Assessment (ORSA).
- Reviewing the adequacy, effectiveness and governance of the Group's internal model.

Summary Audit Committee responsibilities

- Independent review of accounting policies, practices and reporting.
- Reviewing compliance and internal audit processes, effectiveness and management responsiveness.
- Recommending external auditor appointments and approving their remuneration and terms of engagement.

Separate entity management with a strong Group governance input

Each regulated subsidiary has its own executive management separate from that of the Group, with Group executives including the Chief Executive (Mr Philipps), Finance Director (Mr Hextall) and/or Chief Risk Officer (Mr Illingworth) sitting as non-executives on subsidiary boards along with the relevant business's executive management either on the board or on a management board.

One of the main ways in which the Company ensures that there is sufficient Group influence and control within this delegated structure is through overlapping board memberships (the year end position is illustrated in the 'Board memberships' chart below.

In the UK the Chairman and, at present, three other non-executive directors of the Company also serve as non-executives on the AUL Board in addition to the Group Chief Executive and Group Finance Director. The latter perform "internal non-executive" roles within AUL, which is managed by its own Managing Director, Finance Director and the Underwriting Directors of Amlin London and Amlin UK. Mr Illingworth, a director of AUL and other subsidiaries, is Chief Risk Officer at both Group and AUL levels.

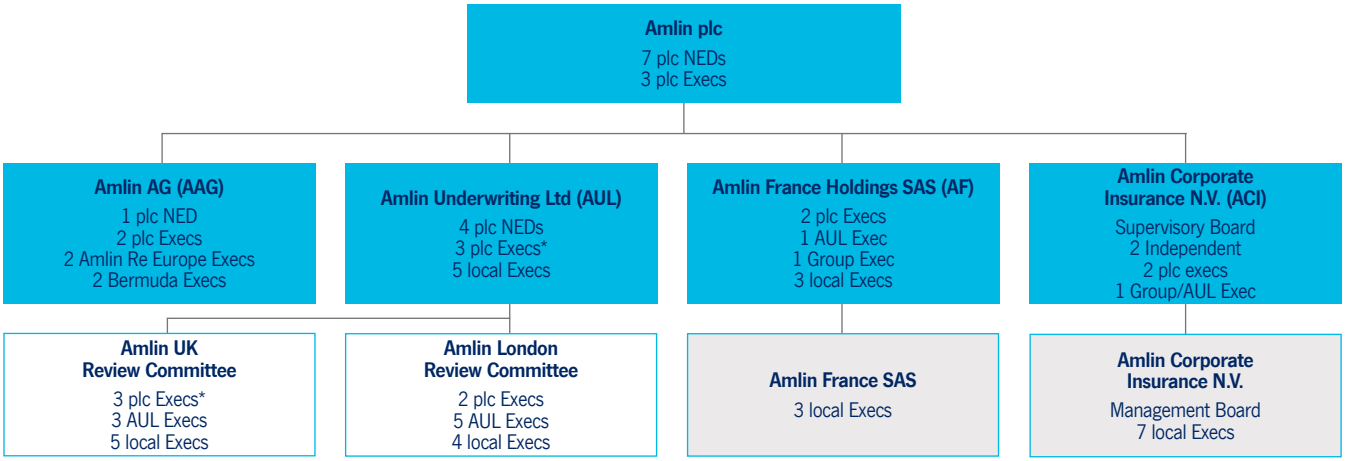
The AAG board has four executive directors from its own businesses (two from Amlin Re Europe and two Amlin Bermuda) and, at the year end, its non-executives were three members of the Amlin plc Board, Messrs Hextall, Holt and Philipps. ACI has a two tier board structure comprising a Supervisory Board made up of two independent directors and three plc/Group executives and a Management Board (whose members usually attend Supervisory Board meetings) presently of six ACI executives. AF's board comprises three Group executives, one executive from each of the Group entities to which it provides business (AUL (for the Lloyd's syndicate) and ACI) and three Amlin France executives.

In terms of plc Board reporting, key indicator reports on each business unit are made to the plc Board in addition to consolidated reports at a Group level, enabling the Board to concentrate on its key strategic and control roles. Presentations are also made to the Board periodically by each business unit.

Board Committee structures

As the plc Board has overall responsibility to shareholders and other stakeholders for the Group's operations, it is necessary not only for the plc Board to direct the overall strategy, values and standards for the Group but for its Board Committees to be able effectively to oversee the aspects of the whole Group relevant to their responsibilities. As with board governance, the distinction between Group and subsidiary responsibilities is reflected in committee structures.

Board memberships



Boards Review Committees Management Board

* inc Brian Carpenter, Underwriting Director

The plc Audit Committee leads the process of review and makes recommendations to the Board regarding the external auditors, financial reporting, internal control and internal audit, and regulatory and compliance matters. The process is designed to ensure that significant risks are identified, evaluated, managed and controlled. AUL and ACI each have their own Audit Committees, which make reports to the plc Audit Committee as well as to their respective boards. In January 2011 a separate Board level Risk and Solvency Committee was established, taking over some of the Audit Committee's responsibilities. It will lead the process of reviewing risk and make recommendations to the Board for risk management, risk appetite, solvency, economic and regulatory capital matters (all matters that during 2010 were reviewed by the Audit Committee). Both the Group and the major subsidiaries will continue to have executive risk committees.

The Nomination Committee reviews succession planning for key roles within the whole Group, reporting the conclusions of its reviews to the Board and, when appropriate, to relevant subsidiary boards. The Remuneration Committee also reports to the Board and, on occasion, reports the conclusions of its reviews and makes recommendations on matters within the control of regulated subsidiaries to such subsidiaries' boards and/or remuneration committees.

This new committee structure from 1 January 2011 is illustrated in the chart below.

Executive, as well as Board, corporate governance

Amlin regards Board level corporate governance as only the most visible aspect of a review and decision-making structure that goes much deeper. It remains the philosophy of the Group that key decisions and processes, including purely executive ones, take place within an objective governance framework, whether they be at Group, subsidiary or divisional level.

Formation of Group Management Committee in early 2010

The Group Executive, consisting of the Group Chief Executive, Group Finance Director, Chief Operations Officer and Chief Risk Officer, is responsible, through the Chief Executive and directly, to the plc Board. Its members also join the Board for its annual planning and strategy session at which the Group strategy is determined or refined. The heads of each business area and each area's chief financial, operations and risk officers report both to the relevant member of the Group Executive and to their operational boards and management committees. In addition to the Group Executive, a Group Management Committee (GMC), including representatives from each of the main business divisions, was formed in early 2010 and meets ten to twelve times a year, assisting the Group Chief Executive and acting as a forum for resolving management and strategic issues.

The business functions themselves are all described in more detail in the Review section of the Annual Report. Summaries of the governance arrangements for some key functions now follow.

Reserving

Responsibility for reserving is that of the regulated boards and, at Group consolidated level, the plc Board but it is important that the process through which executive management reach their reserving decisions is objective and robust. This role is performed by their respective quarterly review or board meetings, which review and finalise the preliminary reserving conclusions for their businesses, reporting at subsidiary board level each quarter and, twice-yearly, to the plc Audit Committee. Quarterly review meetings receive actuarial assessments from the Group Risk Assessment & Monitoring department reviewing the consistency of the key reserving judgements.

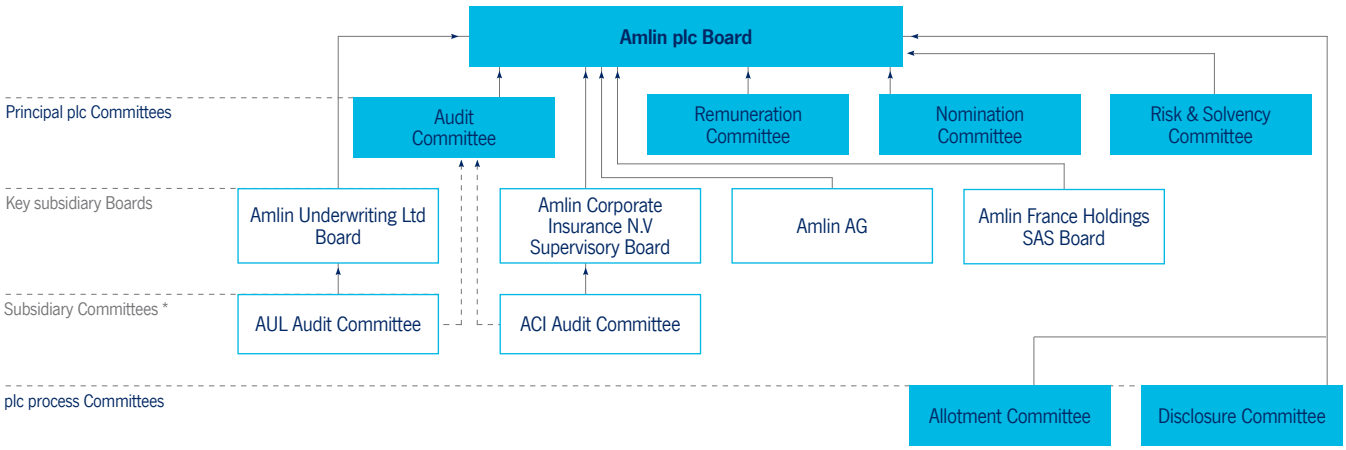
Risk management

In 2010 the Audit Committee had specific responsibilities for risk, as outlined in more detail in that committee's report. That committee, as well as the plc Board, receives quarterly reports from the Chief Risk Officer on the whole Group.

Group Management Committee

- Charles Philipps, Chief Executive
- Richard Hextall, Finance Director
- Andrew Grant, Chief Operations Officer
- James Illingworth, Chief Risk Officer
- Simon Beale, Underwriting Director, Amlin London
- Brian Carpenter, Underwriting Director, Amlin UK
- David Harris, MD, Amlin Underwriting Ltd
- Patrick Coene, CEO, ACI
- François Martinache, Head of Amlin France
- Philippe Reggazoni, CEO, Amlin Re Europe
- Rob Wyatt, Underwriting Director, Amlin Bermuda

Board and Board committee structure



plc Board and Committees

Subsidiary boards and committees

* Not all subsidiary companies' committees are shown

Board corporate governance statement continued

For 2011 the Risk & Solvency Committee will take over this role. A dedicated Group Risk Assessment and Monitoring Department (RAM) oversees the management of risk to ensure that each operating entity manages its risk in accordance with Group policies and allocated risk tolerances. As well as the Chief Risk Officer reporting to the Board and its relevant committee, reports from RAM are reviewed and appropriate executive actions considered by a Group Executive Risk Committee. In addition each regulated entity's board is responsible for the entity's risk, supported by executive risk committees or other executive reporting arrangements. Further details of the Group's risk management, and its development during the year, are set out in the Review section of the Annual Report.

Investments

The setting and execution of the Group's investment strategy has its own hierarchy of responsibilities. The relevant boards are responsible for setting and monitoring their own investment risk appetites within the overall Group investment appetite. Investment advice and many elements of management are outsourced to the Group Investment function headed by the Chief Investment Officer. An Investment Management Executive consisting of the Group Finance Director, Group Chief Executive and Chief Investment Officer has responsibility for strategic asset allocation decisions and advice, with operational and tactical asset allocation decisions being taken by the Group Investments team. The executive is assisted in its decision making and recommendations to the boards by an Investment Advisory Panel (IAP) consisting of the members of the Investment Management Executive plus three external investment experts. Investment management itself is outsourced to external managers. The whole process is governed by both Group and regulated subsidiaries' investment frameworks, which document what decisions may be taken at what level.

Board and Committee meetings and attendance

The plc Board held six regular Board meetings in 2010 (2009: six) and one two-day planning and strategy session (2009: one). No additional special Board meetings were necessary in 2010 (2009: two). The subsidiary operating boards met quarterly. The attendance of each director at plc Board meetings (out of seven possible meetings, including the planning and strategy session) are shown below. The committee attendances of those directors who were members of any of the principal board committees for all, or any part of, the year are shown in the same table.

The Combined Code and UK Corporate Governance Code

During the year ended 31 December 2010 the Company complied with all of the provisions of section 1 (companies) of the Combined Code. From 29 June 2010 this became the UK Corporate Governance Code (the new Code) which took effect for Amlin on 1 January 2011.

The Company participated in the consultation process for the new Code. Since its publication in final form the Board has considered the extent to which the Company already satisfies the new Code and the actions that may be taken to comply fully:

- The Board is satisfied as to the balance of skills, experience, independence and knowledge of the Company possessed by the directors, and of their diversity, to satisfy the new Code;
- Director appointments are made on merit, against objective criteria and with due regard to diversity on the Board, to ensure a satisfactory balance amongst directors;
- The Board is mindful of the new Code's requirement for the annual evaluation to be externally facilitated at least every three years and is currently considering the nature and timing of such facilitation;
- In accordance with the new Code's requirement for the annual re-election of FTSE 350 companies' directors, all of the Company's directors nominated and wishing to continue will, beginning with the 2011 AGM, offer themselves for re-election each year. While it is not proposed to change the Company's Articles, non-executive directors' appointment letters have been re-issued in early 2011 to take account of the new Code including annual re-election.

This report, the following Committee reports (pp.70-72), the Directors' Remuneration report (pp.76-87), and Annex 1 to this report (pp.66-68) together describe how the Company applied the Main and Supporting Principles of the Combined Code during the year. Annex 2 to this report (pp.69) summarises certain governance-related aspects of the Company's Articles of Association (Articles) and is incorporated by reference into the Directors' Report.

Board internal control statement

The Board has overall responsibility for the Group's risk management and internal control systems and has complied with Principle C.2 of the Combined Code and the new Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces. This process has been in place from the start of 2010 to the date of approval of this report and is in accordance with the Combined Code (in respect of 2010) and the new Code (in respect of 2011 to date). The process includes risks arising from social, environmental and ethical matters.

The Board is also responsible for reviewing the effectiveness of established systems of internal control and the directors are aware that any such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or financial loss.

In compliance with Provision C.2.1 of the Combined Code (also C.2.1 of the new Code), the Audit Committee reviews regularly, on behalf of the Board, the effectiveness of the Group's system of risk management and internal control. Monitoring covers all controls, including financial, operational and compliance controls and risk management processes (the latter of which will have the additional input, from 2011 onwards, of the newly established board Risk and Solvency Committee). We can confirm that necessary actions have been or are being taken to remedy any significant identified control failings or weaknesses and the Audit Committee has received regular reports from management to assist with this process.

Attendance by directors at meetings of the Board and Committees in 2010

	Number of meetings attended			
	Board (7 meetings)	Audit (4 meetings)	Nomination (3 meetings)	Remuneration (7 meetings)
C Bosse	5	–	–	6
N J C Buchanan	7	4	3	7
B D Carpenter	7	–	–	–
R H Davey	7	4	3	–
M D Feinstein	7	4	–	–
R A Hextall	7	–	–	–
A W Holt	7	–	–	–
C E L Philipps	7	–	3	–
R J Taylor	7	–	3	–
Sir Mark Wrightson Bt	7	–	3	7
Average % attendance	97%	100%	100%	95%

Control framework

The Board has put in place a management structure with defined lines of responsibility and clear delegation of authority. This structure cascades down through the business units and central functions with clear responsibilities for ensuring that appropriate controls are in place at an operational level, including those in relation to the financial reporting process. A reporting mechanism to monitor how these initiatives are working has also been established. Key elements of the overall control environment are the various executive governance bodies discussed earlier in this Board Corporate Governance statement, including the Group Executive, which meets regularly and is responsible for strategic and operational activities on a day-to-day basis, and the wider Group Management Committee. These bodies receive oral and written reports from Amlin's businesses and support departments. The other key control elements are the subsidiary boards (including where applicable their Audit and/or Risk Committees) and review committees. These boards and review committees are responsible for the day-to-day operations of Amlin's individual subsidiaries or business units, including relevant aspects of internal control.

Business planning

The Group has developed a formal structured business planning process which operates for all business elements. This operates on an annual cycle with proposed plans being presented to and agreed by relevant subsidiary boards prior to being consolidated and approved by the plc Board. Monitoring processes operate monthly and Board reporting quarterly. The Group's financial performance monitoring includes detailed reporting against budgets and the preparation of longer-term projections.

Risk assessment

Amlin's Risk Assessment process includes output from a system for reporting on all the significant identified risks to the achievement of Group objectives and on the nature and effectiveness of the controls and other management processes to manage these risks. Risk appetites are set for key categories of quantifiable risk, for example catastrophe, reserving, investment and operational risk. The system encompasses self assessment of controls by risk owners throughout the business coupled with independent challenge of these assertions by the Group Risk team. Significant risks, their potential impact on the Group's financial position, any variations from the agreed risk appetites, and the actions taken to manage those risks, are reviewed regularly by the Group's Risk Committee of senior executives and by the Audit Committee (during 2010) or the Risk and Solvency Committee (from 2011).

Amlin has continued to develop its Group Internal Model during 2010 with the intention that it captures all the key economic and risk factors which could impact the performance of the Group. It has also developed a process to collate and report information from the internal model consolidated into an Own Risk and Solvency Assessment (ORSA) which both the Audit Committee and the Board have reviewed. This process and the ORSA document will be developed further in 2011.

Internal audit and compliance

Internal audit and compliance monitoring work is carried out by the Group's Internal Audit and Risk Assessment & Monitoring departments respectively. The latter also provides compliance advice. The heads of both departments report to the Group Chief Executive and to the Audit Committee. The Group has established risk based audit and compliance programmes for reviewing and evaluating the internal controls and compliance procedures used in the management of risk.

Assessment

The plc Board receives regular reports from the Audit Committee which reviews the main processes established by the Group, including the matters which are the regulatory responsibility of the boards of AUL, ACI, AF and AAG. These processes are designed to ensure that significant risks are identified, evaluated, managed and controlled. They also permit the Audit Committee to determine whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring.

The Audit Committee has also performed a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the period covered by the report, including the work of internal audit. The Audit Committee assists the Board in discharging its review responsibilities. The review for this Annual Report has for the first time included the Amlin Re Europe division of Amlin AG (ARE). The Committee reviewed a report on the design of ARE's underwriting controls that were put in place from when it started writing business in September 2010, which indicated that the design is appropriate. The Board has received regular reports during the year on operational issues at ACI, which has been engaged in a programme of finance, information technology and risk management process changes. The internal control environment at ACI does not yet meet the high standards to which the Group aspires. However, good progress in implementing key controls was made in 2010 and there are plans in place to address further internal control weaknesses, leading to further improvements in the control environment.

The Audit Committee has additionally reviewed and is satisfied with the Group policy whereby arrangements are made for staff in confidence and if they wish via an external reporting line, to raise concerns about possible improprieties in matters of financial reporting or other matters. The Committee is satisfied with such arrangements for the longer standing parts of the business and is assured that appropriate arrangements are being made in certain of the Continental European jurisdictions where such arrangements are not yet fully in place.

By Order of the Board

C C T Pender
Secretary

1 March 2011

Board corporate governance statement continued

Annex 1 to Board Corporate Governance statement: Summary of compliance with the Combined Code

Area of section 1 of the Combined Code	Commentary
A. Directors	
A.1 The Board "an effective board…collectively responsible for the success of the company"	The schedule of matters reserved to the Board for its own and its committees' decisions provides that the Board's primary obligation is to lead and control the Company and its business, with exclusive decision making powers over such matters as: overall strategy and resources; risk appetite; investment strategy; remuneration policies; accounting policies; capital expenditure, acquisitions and debt facilities over certain thresholds; and certain key Group policies, appointments and categories of public announcements. The detailed implementation of all these matters, and day-to-day business, are left to management, which reports formally to the Board at least quarterly on underwriting, financial, risk and other operational matters and objectives. The current schedule of matters reserved to the Board is available in the 'Corporate Governance' section of 'Investor Relations' on the Company's website. The Board meets regularly, usually at full strength, as demonstrated in the 'Board and Committee meetings and attendance' section and table (pp.64). The NEDs met during the year without executive directors or other executive management present, including at least once without the Chairman. The Chairman chairs full NED meetings and the senior independent director chairs meetings when the Chairman is not present.
A.2 Chairman and chief executive "clear division of responsibilities"	There is a division of responsibilities on the Board between the Chairman, who is responsible for leading and running the Board and related matters such as Board induction and evaluation, and the Group Chief Executive, who has executive responsibility for running the Group's business. A statement detailing this division of responsibilities, which includes provision for the Chairman's role in ensuring accountability of the Chief Executive to him and to the Board, in shareholder relations and in ensuring constructive relations between executive and non-executive directors, has been approved by the Board.
A.3 Board balance and independence "a balance of executive and non-executive directors (…in particular independent NEDs)"	The balance of the Board, its strong independent representation and the sharing of Committee work is set out in earlier sections of this Board Corporate Governance statement. Mr Buchanan is the senior independent director designated as an appropriate director to whom shareholders' concerns may be conveyed if contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve them or is inappropriate.
A.4 Appointments to the Board "formal, rigorous and transparent procedure for the appointment of new directors…expected time commitments of NEDs"	The Company's Articles of Association ('Articles') set out clear powers of removal, appointment, election and re-election of directors. The process for nomination to the Board and for considering succession planning is set out in the Nomination Committee report below. The Board continues to satisfy itself that the Chairman has sufficient time available to devote to his duties as non-executive Chairman of the Company (and of AUL). The letters of appointment of the Chairman and the other NEDs, which are available for inspection at the Company's registered office, set out the following expected minimum annual time commitments to the Company and AUL: ■ Chairman of the Company (also of AUL): 75 days ■ Senior independent, including chairing Audit Committee (Mr Buchanan): 30 days ■ Chairmen of Remuneration Committee and Risk and Solvency Committee (Sir Mark Wrightson and Mr Davey respectively): 25 days ■ Member of both a Board Committee and of the AUL Board (Mr Feinstein): 25 days ■ Others (including either a Board Committee or membership of the AUL Board): 20 days. Mr Holt's time spent as a non-executive director of ABL/AAG is not included in the above.

Area of section 1 of the Combined Code	Commentary
A. Directors	
A.5 Information and professional development "timely quality information…induction on joining… regular update (of) skills and knowledge"	The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties, including providing constructive challenge to, and scrutiny of, management. Further information is obtained by the Board from the executive directors and other senior executives as appropriate. All directors are provided with written materials on their responsibilities as directors of a public company and on other relevant regulatory, legal, accounting and insurance industry matters. Updating information on technical and/or industry matters is provided to the Board with opportunities for discussion. During 2010 special sessions were held on a number of aspects of risk management and solvency, particularly those associated with the advent of Solvency II for insurers within the EU, and on the Bribery Act and competition law. A Board visit was also made to ACI's head office and Netherlands operations. In addition, the Company encourages and facilitates other professional development for both executive and non-executive directors as is required for their particular roles. The Company maintains a model director induction programme but this was not operated during the year as there were no new directors. Procedures are in place for directors and Board Committees collectively to take independent professional advice, when necessary, at the Company's expense. The Board and its committees are supported by the Company Secretary and his team who, under the direction of the Chairman, advise the Board on governance matters and help to ensure good communication and information flows within the Board, including between executive and non-executive directors and between the Board and its Committees. The Secretary also facilitates the Board updating and induction work outlined above. Subsidiary Boards (other than ABL which, until it became a branch operation of AAG, had its own local arrangements in Bermuda) and executive level committees are also serviced, attended and minuted by the Secretary or another member of his team.
A.6 Performance evaluation "formal and rigorous annual evaluation of its own performance"	Since the last annual report the Board has completed an annual evaluation of the performance of the Board, its Committees and each director. The annual evaluations were initiated by a questionnaire completed by each director giving his assessment of both collective and individual performances. The results of the latest internal Board evaluation were summarised by the Chairman at its meeting in February 2011 and the Board agreed its conclusions. Each Board Committee evaluated its performance at the turn of the year, and the conclusions were also reported to the Board in February 2011. The Chairman discusses any issues arising from the evaluation of each individual director, including the performances of executive directors in respect of their boardroom as opposed to executive roles (which are evaluated as part of the Group's regular Performance Development Review process), with the director concerned. The Chief Executive's total performance is reviewed by the Chairman. The Chairman's own evaluation was conducted by the non-executive directors led by the senior independent director, taking into account the views of the executive directors. The senior independent director discussed and agreed the conclusions with the Chairman.
A.7 Re-election "re-election at regular intervals…planned and progressive refreshing of the board"	The Articles of Association of the Company provide for re-election at regular intervals, as more fully described in the next section of this report. Details of the procedures whereby appointments and re-appointments to the Board are considered are set out in the Nomination Committee report (pp.70). Board and individual directors' evaluations are taken into account by that committee when considering specifications for new NEDs, succession planning and nominations for re-election at AGMs. Further details of the terms of appointment of both the non-executive and executive directors are also set out in the Directors' Remuneration report.

Board corporate governance statement continued

Annex 1 to Board Corporate Governance statement: Summary of compliance with the Combined Code continued

Area of section 1 of the Combined Code	Commentary
B. Remuneration	
B.1 The level and make-up of remuneration "levels…sufficient to attract, retain and motivate directors…avoid paying more than is necessary…significant proportion (of executive remuneration) linked to performance"	The Directors' Remuneration report (pp.76-87) sets out the policies and practices which demonstrate the Company's implementation of this Code principle and provisions.
B.2 Procedure "formal and transparent procedure"	The above sections entitled 'Board composition and independence' and 'Board and Committee meetings and attendance' demonstrate the appropriate membership and meeting frequency of the Remuneration Committee. There are generally around five main meetings each year with a varying number of other meetings to give formal approvals or to deal with urgent or unscheduled matters. Further details of the Remuneration Committee's terms of reference and the Board's policy and practices regarding NED remuneration and terms of office are set out in the Directors' Remuneration report (pp.76-87).
C. Accountability and audit	
C.1 Financial reporting "present balanced and understandable assessment of… position and prospects"	The Audit Committee's role in ensuring that the Group's financial reporting meets the standards of transparency and balance that are required and in monitoring reporting to regulators is set out in more detail in the Audit Committee report following this report. A 'going concern' statement is included in the Directors' report (pp.59).
C.2 Internal control "sound system of internal control"	The Board's statement and commentary on its review of the effectiveness of the Group's system of internal control is set out in the 'Board internal control statement' (pp.64-65).
C.3 Audit Committee and auditors "formal and transparent arrangements for… (applying) financial reporting and internal control principles"	The role of the Audit Committee and the conduct of the relationship with the auditors is set out in the Audit Committee report (pp.71-72).
D. Relations with shareholders	
D.1 Dialogue with institutional shareholders "dialogue based on mutual understanding of objectives"	The Company is committed to a process of continuing dialogue with its shareholders, including making appropriate contact with institutional investors and their representative bodies when there are specific matters to discuss. Other details of the dialogue, and its reporting to the Board, are set out in the 'Investor relations' section of the Annual Report (pp.75).
D.2 Constructive use of Annual General Meeting "use AGM to communicate with investors and encourage their participation"	Shareholders are encouraged to attend the AGM by the Chief Executive making a presentation there on the Group's progress. The voting participation at its last three AGMs was proxies representing 68%, 77% and 77% of its shares in issue in 2008, 2009 and 2010 respectively. Electronic proxy voting, details of which are included in the 2011 AGM circular and Notice of Meeting, is made available. The totals of proxy votes on each resolution, including details of any votes withheld, are announced at the meeting after each resolution has been dealt with on a show of hands and the full proxy voting results are always announced through a regulatory news service and on the Company's website. In the event of a close result as indicated by the proxies held by the chairman of the meeting, the chairman would call a poll but this did not prove necessary at any of the AGMs referred to. The Board believes that the immediacy of voting on a show of hands with the proxy votes immediately being announced, rather than a laborious process of conducting a formal poll on every resolution, is appreciated by the shareholders who attend the meeting.

Annex 2 to Board Corporate Governance statement: Summary of Director and shareholder governance provisions in the Articles of Association

Area of section 1 of the Combined Code	Commentary
Directors	
Appointments to the Board	The Company's Articles set out clear powers of removal, appointment, election and re-election of directors. A director may be removed either by a unanimous resolution of fellow directors or by an ordinary resolution of the Company in general meeting. As regards appointments, the Board may appoint additional directors at any time but such appointees must, if they wish to continue, be elected by shareholders by an ordinary resolution at the AGM following their appointment. Directors may also be appointed by election at the AGM. The Articles also provide that no term of office may exceed the period between election or re-election by shareholders and the AGM in the third year following such election or re-election. Although the Board intends to comply from the 2011 AGM with the UK Corporate Governance Code annual re-election provision for FTSE 350 companies, it is not intended to amend the Articles in this respect.
Re-election to the Board	The Articles of Association of the Company provide that, following a director's election by shareholders at the Annual General Meeting immediately following his or her initial appointment by the Board, each director's term of office before being required to submit himself or herself to shareholders for re-election is three years. This term has historically been shortened to one year for any NED who has served on the Board for nine years or more. As referred to immediately above, from 2011 it is intended that all directors will generally submit themselves for re-election annually.
Relations with shareholders	
Procedure at Annual General Meeting	Voting at the Annual General Meeting is conducted on a show of hands unless a poll is called for (which the Chairman himself would do if the proxies he held indicated any sort of close result). Advance voting on a poll is not offered. However, Shareholders' proxy votes can be submitted electronically through the CREST settlement system and the Company's Registrar's website and a proxy may cast his vote on a show of hands or on a poll in different ways in respect of different blocks of shares within the same holding.

Nomination Committee report

Leadership and succession

The Nomination Committee seeks to ensure that the Board, its committees, and those filling other leadership positions, have the right balance of experience and qualities to deliver the strategic leadership, values, management and framework of controls required for the Group's success.

Roger Taylor
Chairman

Terms of reference

The Nomination Committee (the Committee) is responsible for identifying, and nominating for the approval of the Board, all candidates for Board appointment and proposed election or re-election to the Board, whether non-executive or executive, and for assisting the Board in its oversight of succession planning, including for key executives throughout the Group.

Re-nomination of directors to the Company's Annual General Meeting (AGM) is considered on a case by case basis before recommendations are made. This remains the case now that the Board, from the 2011 AGM, has adopted annual re-election of all directors. The Committee's terms of reference require it to give full consideration to succession planning, in respect of both the Board and senior executive roles, taking into account the challenges and opportunities facing the Group and what skills and expertise are needed in the future. They also require the Committee to keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace. The Committee also recommends to the Board the appointment of, and changes in, members of the Board's main Committees. No director may participate in any decision regarding his or her own position. The Committee's terms of reference are available in the 'Corporate Governance' section of 'Investor Relations' on the Company's website.

Membership, meetings and attendance

The Committee's membership, number of meetings and attendance during the year are set out in the 'Board and Committee meetings and attendance' section of the Board's Corporate Governance statement.

Activities

During the year the Committee reviewed the general structure, size and composition of the Board and concluded that the present Board balance and the composition of each main Board Committee, now increased in number by the Risk and Solvency Committee, remained appropriate but that an additional independent non-executive director to share the increasing Committee work would be appropriate during 2011. Accordingly, late in the year, the Committee approved an appropriate specification and appointed search consultants. The recruitment process is ongoing at the date of this report.

In reviewing the make-up of the seven present non-executive members of the Board (including the Chairman), the Committee noted the balance illustrated opposite, which demonstrates an appropriate balance of insurance and other financial sector knowledge to enable the non-executives collectively to perform their role of overseeing a complex insurance business. All but the Chairman have served as non-executives for seven or fewer years.

The executive members of the Board also bring skills and experience to the Board that are complementary to each other. Its membership is kept under review and, following the year end, the Committee recommended the proposal to the Annual General Meeting of the election of an additional executive director, Mr Simon Beale, the Underwriting Director of Amlin London, as detailed in the notice of meeting published at the same time as this report. There is also regular, formal and direct reporting to the Board by other senior Group executives, most frequently in 2010 from Mr Beale and from the Chief Risk Officer (Mr Illingworth) and the Chief Investment Officer (Mrs Styles).

In October the Committee concluded its regular review of the succession plan regarding senior executive roles in the Group. With a few exceptions, the plan continues to identify short term contingencies for fulfilling each role at short notice as well as one or more potential internal candidates as permanent successors. The Committee was satisfied that the overall plan is well conceived and effectively managed. The Committee paid particular attention to the few roles in respect of which the plan is less well developed.

Board skills and experience

Former UK insurance executives	2
Former non-UK insurance executives (US and Continental Europe)	2
Other financial sector specialists	3

Non-executive director succession plans, including in respect of the Chairman led by the senior independent director, were also reviewed by the Committee during the year.

Board and Committee evaluation

The Committee took account of the conclusions of the recently concluded annual Board evaluation when considering the nomination of directors for re-election at the 2011 AGM. The Committee has also recently conducted its own annual self-evaluation and concluded that it had during 2010 fulfilled its duties effectively. The conclusions of the Committee evaluation were reported to the Board early in 2011.

By Order of the Board, on the recommendation of the Nomination Committee

C C T Pender
Secretary

1 March 2011

Audit Committee report

Monitoring and challenge

The Audit Committee provides independent monitoring, guidance and challenge to executive management. Its aim is to ensure high standards of reporting, controls and compliance, in the belief that excellence in these areas enhances the effectiveness, and reduces the risks, of the business.

Nigel Buchanan
Committee Chairman

Terms of reference, relationship with subsidiaries and independent advice

The terms of reference of the Audit Committee (the Committee) are designed to enable it to take an independent view of the appropriateness of the Group's: accounting policies, practices and reporting; risk management, compliance and internal control processes; and internal audit process and effectiveness. The terms of reference also place responsibility on the Committee to consider the appointment and fees (both audit and non-audit) of the external auditors, who have unrestricted access to it. They were reviewed twice during the year, first in February 2010 when the following main changes were made:

- The previous joint Committee of the Company and the main UK operating subsidiary, Amlin Underwriting Limited, was split into separate committees. Two of the principal regulated subsidiaries operate their own audit committees, of which the Group Finance Director is a member alongside non-executive directors of such subsidiaries (with the membership of the Company's Committee remaining exclusively independent non-executives of Amlin plc).
- Greater emphasis was placed in the early 2010 changes on the Committee's role in understanding and monitoring risk, including review of the outcomes of the 'Own Risks and Solvency Assessment' prepared by the Chief Risk Officer.
- An explicit authority was added for the Committee to engage its own independent external advice at the Company's expense should it deem it necessary. During 2010 no member of the Committee, nor the Committee collectively, found it necessary to obtain such separate advice beyond the advice that is directly provided to the Committee by the external auditors.

The terms of reference were reviewed again in November 2010 as a result of certain of the risk review duties of the Committee being taken out and re-allocated to the new Risk and Solvency Committee that was instituted on 1 January 2011.

The Committee's new terms of reference, which continue to take full account of the Smith Report on the role of audit committees, are available in the 'Corporate Governance' section of 'Investor Relations' on the Company's website.

Membership, meetings and attendance

The Committee's membership and number of meetings and attendance during the year are set out in the 'Board and Committee membership and attendance' section of the Board Corporate Governance statement. Both the Nomination Committee in making its recommendations to the Board, and the Committee in its own self-evaluation, reviews the Committee's membership. All of the Committee's members (Messrs Buchanan, Davey and Feinstein) have, in the Board's view, recent and relevant financial experience. Mr Buchanan, the Committee Chairman, is a former senior audit partner of PricewaterhouseCoopers LLP (PwC), responsible before his retirement from the firm for the audits of several major UK based financial services organisations. Mr Davey's banking career included service on executive management and risk committees as well as corporate finance advice to major insurance companies. He currently serves on the Audit Committee of a major UK Building Society and was also at one time Finance Director of an international financial group. Mr Feinstein, a former CEO of one of the largest property and casualty insurers in the USA, has over 35 years' commercial experience of the insurance industry. This combination of audit, wider financial services and insurance executive experience provides, in the view of the Board, an appropriate group of experienced professionals to fulfil the duties of the Committee. Mr Davey (as its chairman) and Mr Buchanan also serve on the new Risk and Solvency Committee, retaining a strong link between the risk and audit review processes.

The Chairman of the Company, the Group Chief Executive and the Group Finance Director usually attend the Committee's meetings, as does the Chief Risk Officer and the Head of Internal Audit.

The Committee received and considered detailed papers and information sufficiently in advance of its meetings for its members to consider them appropriately, making suggestions for improvements when required. At least once a year the Committee meets, both on its own and with the external auditors, without any executive management present. The Committee also meets privately with the Head of Internal Audit, who has a private line of communication with the Committee Chairman. His executive reporting line is to the Group Chief Executive and he is appointed, and may only be dismissed, by the Committee.

Activities

The Committee's activities may be divided into four interlinked areas: financial reporting and external audit; risk; internal control; and internal audit.

Financial reporting and external audit

The prime financial reporting focus of the Committee during the year was, as ever, on the integrity of the Company's interim and preliminary results statements and its Annual Report. In addition to the usual consideration of the appropriateness of the accounting policies being adopted, the Committee particularly concentrated on: accounting for acquisitions (Amlin Corporate Insurance (ACI)); the basis of the Group's pension fund accounting; taxation provisioning; and the consistency and robustness of the Group's insurance reserves. On the latter both the reserving process and its results were reviewed, including comparisons of actuarial estimates and actual reserves held, and, where necessary, challenged. The Committee was satisfied that the significant assumptions underlying the reported figures, including those relevant to determining fair values and to the recoverability of reinsurance debt, were justified and that there was appropriate and meaningful disclosure of the critical judgement and key estimates made, which took account of the volatile nature of the markets to which the Group is exposed. In addition, each Interim Management Statement of the Company was reviewed by the Committee.

Audit Committee report continued

The Committee reviewed the external auditors' engagement and service plans, their independence and the extent and reasons for them providing non-audit services (a breakdown of the fees for which is set out in note 13 to the Accounts). A new policy governing the types of non-audit services for which the external auditors may be appointed was adopted by the Committee in early 2010 and operated thereafter during the year. The Committee remained satisfied that the provision of such non-audit services by PwC has not compromised their independence as auditors. Reports were received from the external auditors in respect of each set of financial statements, highlighting the material judgemental areas, which were then discussed by the Committee with the auditors alongside reports from management.

Risk

As referred to above when describing changes to the Committee's terms of reference, the Committee's involvement in reviewing the Group's risk management processes deepened during the year with the further development of the Group's risk management processes as set out in the Risk section of the Review in this Annual Report.

The Chief Risk Officer (and occasionally other members of the Risk Assessment & Monitoring department as appropriate) attended each Committee meeting to report on the overall work of the department.

In addition to detailed quarterly reporting by the Chief Risk Officer to the Committee, the Committee held several special meetings on risk during the year, sometimes in conjunction with the Audit Committee of AUL and also often attended by non-executives who are not members of the Committee. Management made presentations on risk management, its governance and the processes for recommending risk appetite and for reviewing both existing and emerging risks for the Group, particularly linking these to the forthcoming requirements of Solvency II. The meeting also reviewed the main components of the Group's Dynamic Financial Analysis model, which is a key component in setting Group's risk management framework and the Group's Individual Capital Assessment.

As referred to in the Board Corporate Governance Statement, responsibility at Board committee level for risk and solvency passed on 1 January 2011 to a separate committee. The Audit Committee retains overall responsibility for recommending the annual control statement.

Internal control

Details of the Committee's role regarding internal control issues are set out in the 'Board internal control statement' (pp.64-65) within the Board Corporate Governance statement.

Internal audit

The Committee reviewed the plans and work undertaken during the year by the Group's Internal Audit department, including reports relating to overseas subsidiaries, and the consequential actions agreed with management. Reporting to the Committee includes summaries of the findings of all internal audit reports, enabling members of the Committee to question the Head of Internal Audit on any report. The Committee closely scrutinised management's progress in addressing the relevant issues, challenging management to move more quickly when it considered it appropriate. During the year the Committee has been mindful of the need to ensure that internal audit focus is aligned with the areas of greatest risk facing the Group.

The Committee also monitored the Group's compliance with Financial Services Authority, Lloyd's and other regulatory requirements and recommendations, and reviewed the main 'whistle blowing' procedures operated by the Group.

Committee evaluation and reporting

During the year the Committee conducted its annual self-evaluation of its terms of reference, composition, procedures, contribution and effectiveness. The Committee concluded that during 2010 it had received sufficient, reliable, and timely information from management to enable it to fulfil its responsibilities and that it had fulfilled the duties placed upon it by its terms of reference. The conclusions of its evaluation were agreed and reported to the Board early in 2011.

By Order of the Board, on the recommendation of the Audit Committee

C C T Pender
Secretary

1 March 2011

Corporate responsibility

Valuing our relationships

"Amlin aims to build a sustainable business through the consistent application of our values in relationships with shareholders, employees, clients and other stakeholders. We seek to make a positive contribution to the communities in which we operate, placing integrity and professional excellence at the heart of our business practice."

Charles Philipps
Chief Executive

Our Vision to be the "reference point for quality in each of our markets" is underpinned by a set of core values which both determine and reflect the way in which all employees of the Amlin Group engage with our stakeholders, both internal and external to the business.

Marketplace

Amlin remains one of the largest participants in the Lloyd's market, although the volume of our premium written through Lloyd's dropped from 75% in 2009 to 58% in 2010. Our focus in 2010 was predominantly on the integration and development of our non-Lloyd's European platform (pp.18).

Nonetheless, we value the opportunities presented through the Lloyd's markets worldwide and participated in feasibility studies of potential new markets in Asia and South America. Amlin professionals continue to work with the Lloyd's market associations, boards and committees to improve market operations, governance and technology.

Summary results of the ethnographic study of the London and Bermuda reinsurance markets, commissioned by the Insurance Intellectual Capital Initiative, were presented at the 2010 Monte Carlo Rendezvous in September. Amlin specific feedback has provided us with a useful operational benchmark against our peers in two of our most important markets. This study is due to be extended into the European market in 2011.

Amlin Corporate Insurance is a member of the Dutch Insurance Association Exchange (VNAB) which accounted for €1,146 billion of industrial and commercial gross written premium in 2009. The insurers and brokers within VNAB operate in accordance with the so-called "Beursprinciples" and the majority of ACI's business is written under this code. Executive Vice President, Michiel Verlivet is Chairman of the insurer membership and ACI underwriters play an active role in various technical subgroups.

Richard Hextall, Amlin's Group Finance Director, has joined the UK Insurance Forum run by HM Treasury and charged with shaping the future of our industry.

Raising industry standards

Amlin recognises the importance of raising professional standards in our industry if it is to attract and retain high calibre new talent. Chief Executive, Charles Philipps served on the Chartered Institute of Insurance Task Force, charged with improving standards of professionalism across the industry. The resulting Aldermanbury Declaration was signed by a large number of market participants.

In 2010, Amlin became the first London market insurer to achieve Corporate Chartered Insurer status. All 420 frontline underwriting and claims staff from Amlin London and Amlin UK were included in this submission (pp.45).

Amlin is also supporting a new risk management course for the financial services industry which was launched in January 2011 by the Institute of Risk Management, chaired by Amlin's Head of Group Risk, Alex Hindson.

Attracting new talent

We participated in the City of London Business Traineeship programme for the first time in 2010. The programme aims to foster links between the financial and business services sector and talented individuals from local boroughs who may seek a career in the City. We were impressed with the quality of the candidates put forward and will participate again in 2011. Our engagement was recognised as Amlin Plus General Manager, Simon Hepworth was awarded Project Champion of the Year.

Employees

Amlin's Vision includes being recognised as "the place to work", with staff who understand our strategy and their role in delivering and exceeding our goals. An important element in achieving this is being a responsible employer, operating first class employment practices and actively engaging with our employees (pp.44-45).

Our core values

Professional excellence
We are professional in all we do, continually developing our skills and expertise.

Integrity
We are fair and honest and we deliver on our commitments.

Leadership
We take clear and considered views of the future. We communicate our objectives and empower our team to achieve them.

Superior performance
We seek to excel in both the levels of service and the results we achieve.

Teamwork
We work together to deliver excellent performance, taking responsibility, holding ourselves accountable and respecting the contribution of others.
We communicate effectively and give each other the space to do the job.

Focus on sustainability
We take a measured approach in our business strategy and in our acceptance and management of risk to secure the long-term viability of the business.

Corporate responsibility continued

The 2009 acquisition of Amlin Corporate Insurance increased employee numbers by over 50% and presented us with new challenges in relation to European working practices, languages and aligning ACI's employee offering with that of the remainder of the Amlin Group.

We encourage employee engagement through the intranet, a regular e-zine and via a quarterly Consultation Forum for UK employees and a Works Council representing the ACI employees. Since the Group's combined workforce now exceeds 1,000 in more than four European countries, we will be examining options for a Group-wide employee representative group.

Amlin seeks to align employee interests further by awarding shares to all eligible employees under the Share Incentive Plan. The 2010 award means that those employed since the middle of 2007 could now have a stake in the Company equity valued in excess of £10,000 at 31 December 2010.

The good conduct of employees in their management of business relationships and with colleagues is critical to creating pride in the Company and to our aspiration to be a socially responsible company. Amlin's core corporate values are an important part of the Code of Conduct (available on our website) to which all employees are expected to adhere.

Community

In the UK

Amlin's UK charity and community activities are guided and facilitated by a panel which meets at least quarterly and comprises senior representatives from each UK business area.

In 2010, we delivered a second successful Community Action Learning project at Newlands Bishop Farm, near Solihull. The farm is run as a commercial enterprise and offers people with learning difficulties the opportunity to gain practical skills with which to work in the local community centre. This unique programme within the Lloyd's market again met our objectives, both in terms of community benefit and as a management development opportunity.

We retained Macmillan Cancer Support as the Group corporate charity in 2010. Following our 2009 support of their special patient grant fund, we reverted in 2010 to funding a Clinical Nurse Specialist at Imperial College Healthcare NHS Trust.

In 2010 Amlin UK staff raised over £20,000 for Farleigh Hospice, a local adult hospice with centres in Chelmsford, Maldon and Braintree, Essex.

Our major fundraising event in 2010 was an Amlin Go-Karting day for teams of brokers. This generated a profit of £34,000, which was split equally between Macmillan and Farleigh Hospice.

Amlin sponsored Art for Youth London for a second year and it once again proved a highly successful event. The three-day sale in the Royal College of Art yielded a profit in excess of £83,000 for the charity, UK Youth, in their centenary year.

In Bermuda

Philanthropy is an important part of corporate life in Bermuda and, despite its relatively small size, Amlin Bermuda plays an active role in the local community. With a continued focus on organisations involved in youth, education and sport, the charity committee developed multi-year strategic partnerships with three charitable organisations - WindReach, YouthNet and the Youth Athletic Organisation - each of whom were allocated $20,000 in 2010.

Amlin Bermuda's $75,000 budget for its scholarship programme for Bermudian students funded new two-year scholarships in 2010, offered through the Association of Bermuda International Companies Education Awards (ABICEA) and The Bermuda Foundation for Insurance Studies. Three scholarship recipients worked with the Company during college breaks. Senior Amlin executives support the ABICEA through board, committee, interview panel and mentoring panel membership.

Other locations

Amlin Singapore has supported the General Insurance Association's Global Internship Programme from the outset and is now in its fourth year of sponsorship. The division also provided speakers for the Association's Talent Outreach Project.

Amlin's three European divisions do not yet have formal charity and community policies, but are considering corporate social responsibility initiatives in their local markets.

Environment

2010 saw an unprecedented volume of weather related events which, despite not being market changing catastrophes, cumulatively generated a large volume of insured losses. Amlin evaluates the risks and opportunities presented by climate change through the Climate Change & Environmental Panel, which is composed of senior underwriters, chaired by the Chief Risk Officer and which meets on a quarterly basis.

The role of insurance

Amlin is a member of ClimateWise, an insurance industry collaboration which aims to improve understanding of climate change risk and contribute to the reduction of these risks over the longer term. Our comprehensive report on environmental activities for the year to 31 May 2010 under the six ClimateWise principles is available on our website. The Lloyd's market consolidated report was the highest scoring ClimateWise participant in 2010 according to PriceWaterhouseCooper's Independent Review.

Amlin's CEO and Chief Risk Officer are members of the Geneva Association and participate in their discussions. The objectives of the Association's climate-linked research have been to identify and analyse issues of specific relevance to the insurance industry, such as the likely range of future claims costs, and the political, educational and social challenges to be addressed.

Amlin continues to engage with the Risk Predication Initiative organised by the Bermuda Institute of Ocean Sciences, notably in research in forecasting extreme weather events. We propose to organise a symposium in 2011 to raise awareness of this research among our London market peers and align it with Lloyd's emerging market risk research. We have also requested that RPI broaden their research to include European windstorm which will complement other work in this area by the modelling agencies and large reinsurers.

Our carbon footprint

We measure our annual carbon footprint including data from all Group companies over which financial control was exercised and for whom financial results were published in that year.

We include employee commuting (determined by an online survey which yielded an 81% response in 2010), waste/recycling and water usage to give a full picture of our corporate impact. Amlin's footprint was 5.64 tonnes per employee inclusive of these factors (or 4.57 tonnes if compared with the scope of most FTSE calculations). The average CO_2 range for a UK financial services company is between 5.0 and 5.5 tonnes per employee.

Business air travel is a major contributor to our carbon emissions impact and, following extensive testing, we are installing video conferencing systems in our major office locations during 2011. We therefore anticipate reduced requirement for business travel between these locations in 2012.

Our recycling achievement was again recognised with a tenth successive Gold Award from the City of London Authority under their Clean City Awards Scheme 2010.

Reporting

Deloitte LLP carried out limited assurance in accordance with the International Standard on Assurance Engagements 3000 on both the 2008 and 2009 Carbon Footprint. The independent assurance statement, together with the basis of reporting and results summary, is published on our website.

We were placed in the top three of all FTSE companies for the assurance of carbon emissions in a 2010 report undertaken by Carbon Smart in conjunction with an independent advisory panel, institutional investors and accountancy firms.

Amlin also ranked as the leading UK organisation for the transparent reporting of carbon emissions and carbon intensity by the Environmental Investment Organisation. This is the first of a series of global and regional rankings that are intended to be the basis for a new Environmental Tracking Carbon Index Series designed to impact share price.

Investor relations

Amlin continues to enjoy the support both of a strong institutional investor base and of private investors. Analyst coverage also remains extensive with some 18 equity analysts and several credit analysts following Amlin's progress.

A key objective of Amlin's investor relations is to be open, transparent and accessible in communications about our business and its performance, so that Amlin's business model and investment proposition are well understood by the investment community and investors and other stakeholders can make informed judgements about the Company. As part of our investor relations strategy, we seek to identify and engage with suitable prospective long term institutional investors to broaden Amlin's investor base, as well as maintaining positive dialogue with our existing investors and taking account of their views and concerns.

An important part of this strategy was the programme of contact with institutional investors through formal road-shows and individual meetings undertaken by the Chief Executive, Finance Director and Head of Investor Relations during the year. Amlin's expansion into the Continental European market through ACI, Amlin France and the start-up of Amlin Re Europe has raised Amlin's profile among European investors. We continued to take advantage of this interest through meetings with target investors in Paris, Frankfurt and Scandinavia, as well as presenting Amlin's investment case at selected investor seminars. Amlin also attracted increased attention from investors focusing on value relative to long term performance, particularly in North America. The proportion of shares held by both European and North American institutions increased during 2010.

Financial Dynamics continued to assist with Amlin's Investor Relations strategy. Among other services, Financial Dynamics supports the feedback we receive from regular informal dialogue with analysts by providing detailed analysts' feedback based on formal 'no names' interviews before and after results announcements on the issues analysts perceive as relevant to Amlin, as well as broader commentary on market sentiment and trends. These reports are used to inform Amlin's communications with the stock market and ensure that relevant issues and concerns raised by analysts are addressed. We also actively seek feedback from institutional investors both informally on a direct basis and through formal reviews conducted by Financial Dynamics and RBS Hoare Govett, Amlin's stockbroker.

The Preliminary and Interim results presentations for analysts are web cast so that all investors can access them simultaneously and slide presentations are also made available on Amlin's website. As part of maintaining a productive dialogue with analysts and the wider investment community we also hosted a presentation on ACI and a reception for analysts and investors attended by senior Amlin managers and underwriters.

Shareholder profile

A substantial proportion of Amlin's shares is held by supportive long term institutional investors. As shown in the chart below, the proportion owned by US institutions at the end of 2010 was 16.8%, compared to about 18% for the UK market as a whole and around 14% for the UK non-life insurer peer group. The proportion held by Continental European insurers was 6.1%, compared to about 8% for the UK market as a whole.

At the year end an estimated 1.6% of the Company was owned by directors and staff, including shares held on their behalf by trustees of the Employee Share Ownership Trust and the Share Incentive Plan (SIP). An estimated 9% (2009: 15%, excluding the newly acquired ACI) of Group employees were shareholders and 76% (2009: 84%) held shares through the SIP at the year end. Excluding the SIP, 40% (2009: 41%) of staff had outstanding options or conditional share awards under one or more of the Company's share plans.

Sector profile

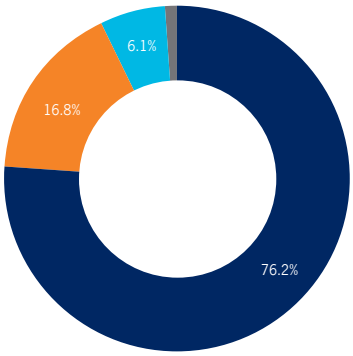
The two principal stock market indices of which Amlin shares were a constituent over the last five years are the FTSE 350 index and the FTSE All Share Non-Life Insurance index. The total shareholder return generated by Amlin has outperformed both these indices in the past five years.

At the year end Amlin was ranked 124 in the FTSE 350 index by market capitalisation (2009: 116). The average volume of shares traded daily on the London Stock Exchange was 1.2 million shares per day, equivalent to approximately 0.25% per day, compared with a daily average of 2.1 million or 0.42% in 2009.

Reporting

We aim to continually improve the quality and transparency of our corporate reporting. In 2010 we received the ICSA Hermes Transparency in Governance awards for Best FTSE 250 report and Best Audit Disclosure in the FTSE 250.

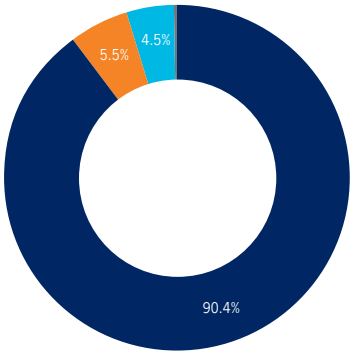
% Shareholders by geography at 31 December 2010



UK	76.2%	Europe excluding UK	6.1%
North America	16.8%	Rest of World	0.9%

Source: Orient Capital, based on shareholdings of 10,000 shares or more

% Shareholders by type at 31 December 2010



Institutional Investors	90.4%	Private Investors	4.5%
Brokers	5.5%	Corporate stakeholders	0.1%

Source: Orient Capital, based on shareholdings of 10,000 shares or more

Amlin again participated in the Carbon Disclosure Project in 2010, which was undertaken on behalf of 534 investors with combined assets of $64 trillion. Our report is publicly available on their website. We remain a member of the FTSE4Good Index.

Shareholdings on register by size

By size of holding	Number of holdings	%	Number of shares	%
Up to 50,000	2,105	82.8	12,798,885	2.5
50,001 to 100,000	93	3.7	6,661,729	1.3
100,001 to 500,000	204	8.0	50,006,877	10.3
500,001 to 1,000,000	59	2.3	42,115,299	8.4
1,000,001 to 5,000,000	63	2.5	129,379,784	25.8
5,000,001 to 10,000,000	10	0.4	71,166,035	14.2
Over 1,000,001	9	0.3	189,947,397	37.8
Totals	2,543	100.0	502,076,006	100.0

Directors' remuneration report

Supporting our objectives

Amlin's remuneration policies are designed to support its vision and strategic objectives, specifically:

Sir Mark Wrightson
Chairman

Committee members

- Sir Mark Wrightson Bt (Chairman)
- Christine Bosse
- Nigel Buchanan

Details of the Committee's attendance are set out on pp.64 in the Board Corporate Governance Statement.

Terms of Reference

The Committee's terms of reference, which are published on the Company's website, are, in summary, to determine the total individual remuneration packages of each executive director of the Company and of the Chairman, the Company Secretary and certain other senior Group employees (in each case including exit terms), and to recommend to the Board the framework and broad policies of the Group in relation to senior executive remuneration. The Committee also determines the targets for performance-related remuneration and exercises the Board's powers in relation to all the Company's share and incentive plans.

Overview

Executive remuneration structure in 2010

The structure of the various elements of senior executive remuneration is summarised in the chart below. Senior executives participate in a Long Term Incentive Plan measured over a three year performance period (the LTIP) and through one of two other long term plans with the potential to earn significant rewards by reference to five year performance periods, thereby incentivising the longer term sustainability of the business (the Capital Builder Plan for underwriters and the Performance Share Plan (PSP) for non-underwriters).

The splits of annual remuneration (i.e. excluding long term incentive plan payments) of each current executive director in 2009 and 2010 are summarised in the chart on the opposite page. The splits between fixed and annual performance payments show that a significant proportion of directors' remuneration in respect of both years was performance related and that the annual performance rewards represented a lower percentage of total remuneration for all directors in 2010 than in 2009. In the case of the non-underwriting directors this was in response to lower financial returns against the targets set for bonus purposes and, in the case of the underwriter who is a director, in response to lower absolute levels of underwriting profitability in the relevant underwriting years compared with a year earlier. The splits between the categories of reward, together with the longer term performance rewards described later in this report, reflect the Committee's objective of aligning management and shareholders' interests.

Further details of each element of the above components of 2010 remuneration are set out in later sections of this report.

External background

2010 continued the increased public and regulatory focus on senior executive and financial services remuneration set off by the 2008 banking crisis. During the year the Committee continued to monitor and consider the actual and potential implications for Amlin of external developments, including those initiated by the European Union, the Financial Services Authority and, through the new UK Corporate Governance Code, the Financial Reporting Council. The Committee's approach, as well as complying with the principles, Codes and regulations that apply to Amlin, continues to be to consider the rationale and analysis behind other proposals, that may not strictly apply to Amlin, on their merits and to consider voluntary application when appropriate.

Committee review activities in 2010

In parallel with considerations spurred by external developments, the Committee has continued to review a number of aspects of the Company's remuneration structures, policies and practices, seeking to ensure that they continue to support the strategic objectives of the Company and that

Elements of executive remuneration

	Fixed		Annual performance	Longer-term		
Underwriters	Salary and benefits	Pensions[1]	Profit commission	LTIP awards	Capital Builder Plan	All employee SIP[2]
Non-underwriters	Salary and benefits	Pensions[1]	Bonus	LTIP awards	Performance Share Plan	All employee SIP[2]

1 Pension provision is Defined Contribution or a combination of Defined Benefit and Defined Contribution
2 Share Incentive Plan allocation of up to £3,000 of shares per annum
Note: Sizes of boxes are for illustration only and do not reflect typical proportionate values

- To secure the maximum possible alignment between the interests and long term career development of executive directors and other senior employees with the ambitions of the Group and the creation of value for shareholders.
- To have first class employment practices, contributing to Amlin being "the place to work" for high quality people in its sector. This requires levels and structures of remuneration that are appropriate to attract, retain, incentivise and reward the high calibre talent that is required for the success of the Group.
- To reward management focus both on immediate financial measures, such as return on equity and underwriting returns, and on longer term objectives such as underwriting cycle management and the long term sustainability of the business.

stated remuneration objectives are being delivered. The only significant change in remuneration arrangements since those described a year ago is the Committee's recently agreed changes to the basis of the underwriters' annual incentive arrangement (the Profit Commission scheme). These changes, which have commenced from the 2011 underwriting year, recognise that Amlin's traditional basis of rewarding Lloyd's underwriters needs to adapt both in response to the changing structure of the Group and to the views of shareholders. For the first time all Profit Commission payments will be subject to an annual monetary cap expressed as a percentage of salary and parts of the overall reward will be based on Group return on equity targets and on meeting personal objectives, rather than the whole reward being determined merely as a percentage of relevant underwriting profits. Whilst the previous helpful features of PC, such as an extended payment period based on three year accounting, are being retained, the Committee believes that these reforms will create a better balanced overall reward structure for underwriters and increase the alignment of their interests with those of shareholders. Further details of the changes are set out in the description of the PC scheme later in this report (pp.79).

Towards the end of the year the Committee also conducted its first specific remuneration risk review, which identified a few desirable minor changes in procedure but otherwise confirmed the Committee's view that the risks from the Company's remuneration arrangements are acceptable and subject to appropriate controls.

Remuneration policies

Overall remuneration levels

During the year the Committee re-affirmed the Group Remuneration Policy, comprising guiding principles and policies applicable to the Group as a whole, which was discussed and agreed by the Board. The key policy, that base salaries across all categories of staff will be determined by job size, market rate and personal performance (with the market rate having regard to the median for the appropriate market) and that variable pay will be designed so that top quartile performance will be rewarded with top quartile remuneration, was re-affirmed. This and the other principles and policies adopted are reflected in this report.

In determining individuals' remuneration, the Group takes account of remuneration statistics for the non-life insurance sector in which the Group operates and, where applicable for certain roles, wider remuneration statistics. This policy of aiming to encourage and reward superior rather than merely average performance is considered the most appropriate to support the success of the Group. Salaries are generally reviewed as at 1 April each year.

In the UK remuneration for underwriters and those performing other technical insurance-related roles is strongly influenced by the Lloyd's sector in which most of the Group's UK employees operate. Lloyd's underwriting businesses tend to relate a significant proportion of the potential rewards of underwriters to the absolute profitability of the relevant underwriting unit, often on an uncapped basis. Similar remuneration structures and policies have applied for staff in Amlin Bermuda. As noted above, from the 2011 underwriting year Amlin's PC scheme has been reformed.

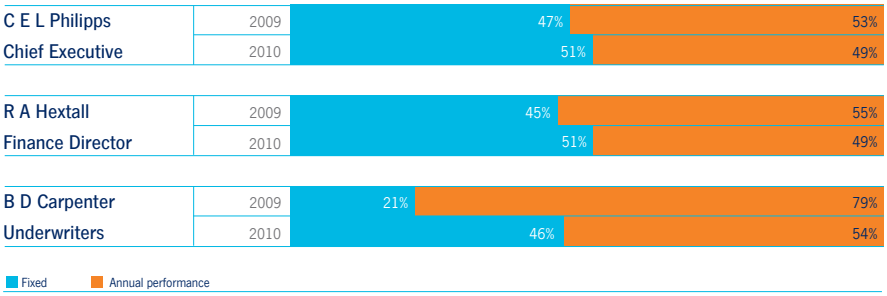
The remuneration policies applied in the Group's businesses in the Netherlands, Belgium and France (ACI and Amlin France), acquired by the Group in 2008 and 2009, have been integrated with those of the Group on the basis of an appropriate balance between local and existing Amlin practices. In all spheres of operation, the Committee aims to keep the market practices of its competitors for staff under review and believes that, as market and Amlin's own practices evolve, it is always important to ensure that remuneration structures support the Group's competitive advantage.

Structure of directors' and employees' remuneration

The remuneration of all executive directors consists of three principal elements: (1) base salary, benefits and pension contributions; (2) shorter term performance rewards (on an annual or underwriting year basis); and (3) longer term performance rewards (measured over three or five year performance periods). This is also the case for other senior executives throughout the Group although the balance between the three elements varies according to seniority and location.

Excluding all long term incentive plans, in 2010 an estimated average of 51% of the three executive directors' remuneration received was performance related (2009: 62%), with a markedly higher proportion for the director who is an underwriter (54% compared with 79% in 2009) than for the two non-underwriters (49% compared with 54% in 2009). Details of the long term incentive plan participations are set out below. Underwriters and other senior executives below main Board level are also eligible to receive significant proportions of their total remuneration as performance related benefits.

Split of executive directors' annual remuneration in 2009 and 2010



Bonus and PC payments are those paid or due at the year end. Long-term incentive plan awards or payments are not included.

Directors' remuneration report continued

Shareholding targets

An objective was set when the Long Term Incentive Plan (LTIP) was introduced in 2006 that executive directors would retain or build up shareholdings in the Company to the value of at least 125% of their base salaries and other senior executives to the value of at least 50%. The shareholdings of all the executive directors were above the target throughout 2010, mostly by a substantial margin. Of the other senior executives covered by the policy (the Group Management Committee), all those who have been with the Group since 2006 have met their shareholding targets and the rest are expected to do so as incentive plans vest. The targets were reviewed by the Board during the year and re-affirmed as remaining appropriate. The Committee believes that the combination of these shareholdings and the structure of performance incentives continue to ensure that the interests of management and shareholders in the success of the Company are closely aligned.

Applying core values

The Remuneration Committee, comprising wholly independent non-executive directors, seeks to perform its role consistently with Amlin's stated core values, which include:

- Integrity (independence, objectivity);
- Professional excellence (proper process and governance, on the basis of full information and professional advice); and
- Leadership (being aware of market trends, but shaping Amlin's policies to its own specific needs).

Following the review of senior non-underwriters' remuneration reported in last year's report, the Committee believes that the overall balance between fixed and performance rewards is appropriate and no further changes were made in this respect in 2010.

Non performance-related rewards: benefits

Non performance-related benefits to which executive directors and other employees are generally entitled are private health insurance, cover for death in service and permanent disability and a choice of other benefits, such as subsidised gym membership, private dental costs, etc. Senior staff, including executive directors, also receive a car allowance.

Non performance-related rewards: employer pension contributions

The Company pays a percentage of base salary into either a Group occupational or stakeholder pension plan. Executive directors serving during the year participate in the relevant Group pension plans on the same basis as other senior employees. Pensionable salary is base salary only. The Group has both defined contribution (DC) and defined benefit (DB) schemes. At the year end, 415 out of the Group's total employees of 1,330 were accruing any element of DB pension. These included 66 out of 844 staff in the UK and Bermuda (2009: 66 out of 790) and 349 out of 382 at ACI. DB participants included one of the three executive directors (2009: one).

In respect of DC pensions, the Group contributes a percentage of base salary depending on seniority, age and the percentage of salary (if any) that the employee chooses to contribute. The maximum total DC employer contribution made for any director in 2010, for a director with only DC contributions and aged over 50, was 20.9% of base salary (2009: 20.5%). In January 2011 a salary sacrifice option was introduced for UK employees in respect of employee DC pension contributions, with the consequential employer NIC saving being shared equally between the Group and an additional payment into the employee's DC pension. From April 2011, those Directors and other UK staff who would otherwise exceed the new lowered £50,000 UK annual pension tax relief allowance will be given the option to convert the excess into a non-pensionable taxable allowance.

The Group's DB schemes for UK and, when applicable, UK-originated staff working overseas have been closed to new entrants since 1998 and the scheme for ACI Belgian employees since September 2010. The ACI Netherlands DB scheme remains open for qualifying new employees. Remaining active DB members of the UK scheme continue accruing additional years' service under the schemes but generally only based on 2006 pensionable salaries, with salary increases from April 2006 onwards being pensioned through DC arrangements. Further details of the Group's commitments in respect of DB pensions are set out in note 28 to the Accounts.

The DB employee contribution rate in the UK is 5% of DB pensionable salary (6% in the Netherlands and nil in Belgium). DB employer contribution rates vary according to actuarial advice in order to deliver the promised levels of pension. The employer contribution rate for the main UK scheme is currently 19%.

The present normal retirement age for UK staff is 65. Non-UK retirement and pension ages vary according to local law and practice.

Shorter term performance rewards: annual bonus scheme for non-underwriting directors and employees (Group Bonus Scheme)

For those executive directors and other employees who are not directly involved in underwriting or claims settlement, the Group's shorter term performance incentive is a cash bonus scheme (the Group Bonus Scheme for all other than Continental European staff, who have separate but broadly similar arrangements with those operated by ACI having been reviewed by the Committee during the year). The senior sections of the Group Bonus Scheme reward and incentivise participants against a mixture of business performance, measured by reference to the Group's return on equity (ROE) compared with target returns set by the Committee at the beginning of each year, and the individual's performance against agreed stretching personal objectives. The mix of business and individual bonus elements varies by seniority, with 70% of the potential target reward at the most senior role levels, including participating executive directors, being rewarded on Group business performance and 30% on personal performance. The total 'on-target' and maximum bonus levels also increase with seniority.

In respect of 2009, 50% of base salary was payable to executive directors for 'on-target' performance, rising to a potential maximum payment of 120% of base salary. In 2009 the Committee reviewed the level of the potential maximum payment and concluded that the Committee's policy of "top quartile remuneration for top quartile performance" was not being fulfilled. From 2010 the executive directors' scale was therefore changed for 2010 to 75% for 'on-target' performance, rising to a potential maximum of 165% of base salary if both the Group business and personal performance elements were to reach their maxima. Similarly proportional increases were made to the scales applying below director level. The same scales apply for 2011.

For directors and those at other senior management levels, any element of payment of annual bonus in respect of 2010 and subsequent years that is above the base salary maximum percentage for the relevant management level for 2009 (for example, 120% for executive directors) will be deferred for three years from the usual date of payment. Total or partial claw-back of such deferred cash bonus will also apply in the event either of the Committee finding that a participant has not complied with internal standards or controls or has caused reputational damage to the Company, or of any results or accounts on which the bonus was based proving to be incorrect or requiring to be re-stated. Provisions also apply whereby a leaver during the three year deferral period will forfeit the deferred bonus unless they leave for one of a number of specified "good leaver" reasons, including circumstances agreed by the Committee to be exceptional. In view of the material potential long term share-based incentive component in all senior executive remuneration, the Committee believes that this degree of deferment and potential clawback of annual cash bonus payments provides an appropriate overall balance between immediate and deferred performance related pay, and between payment in cash and in shares.

Shorter term performance rewards: profit share for underwriting directors and employees (Profit Commission (PC) Scheme)

Shorter term incentives for underwriters (whether or not they are executive directors of Amlin plc) in the UK and Bermuda businesses, and for certain other underwriting division staff, have consisted until the 2010 underwriting year principally of a cash profit share relating to underwriting profits in respect of each underwriting year (known as profit commission or PC).

For 2010 and prior years PC is paid on an underwriting year basis, usually partly related to the part of the business in which the relevant participant works and partly to wider Syndicate 2001 and Amlin Bermuda underwriting performance. Rewards are also divided between those which are purely calculated as a percentage of underwriting profit and, for a few senior underwriters, those which are also related to underwriting performance relative to external peers and/or other objectives. The maximum percentage of each business unit's underwriting profit which may be paid out under the 2010 and earlier years' scheme in respect of each underwriting year is 4.5% unless the business unit has achieved a superior result to its market peers in which case the highest maximum applying to any division is 4.83%. Around 3% of each underwriting year's profit of Amlin Bermuda is also made available to a parallel scheme for those contributing to that subsidiary's results, with further discretionary payments intended to be managed so that up to around 4.5% of its underwriting profit over the long term is paid out under the scheme.

Significant structural changes have been made to the scheme for the 2011 and subsequent underwriting years, as follows:

- Participation will be restricted to underwriters with underwriting authority, with other underwriting division staff moved onto the Group Bonus Scheme (GBS);
- The scheme will now consist of two elements, both the previous underwriting profit basis (PC element) and an element of GAAP based performance award similar to the GBS. The latter is split 50:50 between a Group ROE-based award and an award based on performance against personal objectives;
- Profit pools have been rationalised so they more closely align to the present divisional structure of the business rather than by reference to historic structures; and
- All payments will be capped as a percentage of annual salary, based on job role. These caps have been set at sufficiently high levels not to harm the competitiveness of Amlin's position in the market, recognising that an incentive structure for underwriters with a high potential proportion of variable pay is critical to the continuing success of the Group.

In addition, provisions have been introduced so that a loss in one year will be offset against profits in another.

The new arrangements involve an allocation of 4% of relevant underwriting profit to the PC element, compared with up to 4.83% previously. The performance award element has been modelled to cost an estimated further 1% of profit over an underwriting cycle, making estimated total potential rewards of 5% of relevant underwriting profit overall.

For all underwriting years, rewards will continue to crystallise at the end of 36 months from the start of an underwriting year with, at the Committee's discretion (which it has exercised in recent years), the possibility of payments on account of up to 30% of the forecast reward a year earlier. In this way, despite it being an annual scheme, rewards are based on an assessment of liabilities, and hence underwriting profits, struck between two and three years after business is written, by which time the uncertainty over the level of those liabilities has materially reduced.

Longer term performance rewards: long term incentive plan for non-underwriting directors and other senior management (Performance Share Plan)

The Amlin Performance Share Plan 2004 (PSP) is intended to aid the recruitment, retention, motivation and reward of a small number of key senior executives who are not underwriters, including relevant executive directors. Awards have been made each year since 2004. During the year awards were made to a total of 24 participants (2009: 22) over an aggregate of 661,558 shares (2009: 435,181), including both nil cost share options (over shares to be provided by the Group's Employee Share Ownership Trust ('ESOT') for UK and Bermuda based participants) and conditional awards to be met by shares in treasury (for those based in Continental Europe).

The Committee intends to continue making similar discretionary annual awards, although the criteria for inclusion may vary. The rules of the PSP provide that no individual may receive an annual award over shares valued on grant at more than 100% of base salary. In 2010 the maximum such value was awarded to two Directors of the Company eligible for the Plan, the Chief Executive and the Finance Director.

Once the vesting level is determined after five years in accordance with the performance condition (see box above), and provided the relevant participant is still employed by the Group, an award can be exercised within the following 30 months. In certain restricted or exceptional circumstances, including redundancy and early retirement with the agreement of the Committee, an early leaver may be able to exercise early on a pro rata basis (subject to a performance condition measurement over the shorter period to the leaving date). The Committee can make adjustments to take account of variations in capital and similar matters. In the event of the Company being subject to a takeover or similar event before the normal vesting date, vesting will take place early to the extent that the Committee is satisfied that the performance condition has been satisfied up to that date, with the proportion of the award which vests also depending on the time that has elapsed since the award was made.

PSP performance condition

The extent to which PSP awards vest depends on a sliding scale of the Group's average annual post tax return on net tangible assets (Return on NTA) over the ensuing five years. The Committee believes that such a Return on NTA measure most appropriately aligns participants' and shareholders' interests. This absolute performance measure balances the relative measures of the Group's Long Term Incentive Plan. The average return is calculated after five years, with no re-testing. The targets and scales may vary with each grant at the discretion of the Committee but the scale for all of the grants to date has been as follows:

Average Return on NTA per annum	Percentage of shares awarded that will vest
Less than 10%	Nil
10%	20%
Between 10% and 15%	Straight line basis between 20% and 80%
15%	80%
Between 15% and 20%	Straight line basis between 80% and 100%
20% or over	100%

Longer term performance rewards: long term incentive plan for underwriting directors and other senior underwriters (the Capital Builder Plan or Plan)

The Amlin Capital Builder Plan 2006 is designed to reward senior underwriters if they exceed long term target underwriting returns over rolling five year performance periods. The Committee believes that the Capital Builder Plan is a significant retention and recruitment tool for those underwriters who are likely to be most significant in determining the Group's underwriting profitability and development over each performance period. Awards have been made under the Plan to between 50 and 60 participants from Amlin London, Amlin UK and Amlin Bermuda in 2006 to 2010 inclusive and are intended to be made on a similar basis in 2011.

Directors' remuneration report continued

Capital builder performance condition

The basis of the Plan is that participants benefit to the extent that demanding underwriting return targets, for the class or classes of business that they write or oversee, are exceeded over a five year performance period. The targets are set at levels consistent with the Company achieving an overall average return on equity of at least 15% per annum over the insurance cycle. Excess returns are defined as those resulting from the achievement of underwriting loss ratios (i.e. the level of claims, net of reinsurance recoveries, as a percentage of premiums) below (i.e. better than) demanding target claims ratios set for each class that the participant writes or oversees. The maximum permitted excess profit percentage that may be paid out to Plan participants is 10% (i.e. 2% in respect of each overlapping five year performance period), although in most business classes this is lower. Variations in each class's target claims ratio and excess profit percentage depend on the Committee's assessment of the risk, historic experience and long term market prospects of the class.

Payments under the Plan may be made at the Company's discretion in either cash or shares and have a cap of £1 million on the total amount that may be paid to a participant in respect of each rolling five year performance period. Payments will be made over the two years after the end of each performance period. Hence the first payment under the current Plan, in respect of the performance period 2006 to 2010, will shortly be payable in 2011 based on results to the end of 2010. This payment will be of up to 70% of each pool allocated, with the balance of each award being paid a year later.

Longer term performance rewards: the Amlin Long Term Incentive Plan 2006 (the LTIP)

The LTIP replaced grants of executive share options from 2007 onwards. Both senior underwriters and senior non-underwriters, including executive directors, participate in the LTIP. Awards were made in 2010 to 86 participants in all parts of the Group (2009: 61), over a total of 1,274,498 shares (2009: 747,533).

The basis of the performance condition is set out in the 'LTIP performance condition' box above. As with the PSP, awards are either made in the form of nil cost share options to be satisfied by shares held in the ESOT or, to participants in Continental Europe, as conditional awards of shares to be provided from treasury. Awards may be made each year at the discretion of the Committee, based on seniority and with no individual receiving awards over shares having a market value on grant in excess of 100% of annual base salary (or, exceptionally, 200% for a senior new recruit). In 2010 the maximum such value awarded was 100% of base salary to the Chief Executive and the Finance Director. Once the vesting level is determined after three years, and provided the relevant participant is still employed by the Group, awards are exercisable within the following 30 months. The LTIP's provisions are similar to those of the PSP, as referred to above, on such matters as early leavers and variations in capital.

LTIP performance condition

The LTIP's primary performance condition is a relative Total Shareholder Return (TSR) measure, providing a balance to the absolute performance measures used in the Capital Builder Plans for underwriters and the PSP for non-underwriters.

The precise performance conditions are set by the Committee at each award. For all the awards made to date the extent to which awards vest depends on the Company's TSR over the ensuing three years relative to an unweighted index of TSRs for a comparator group of insurers, on the following scale:

The Company's TSR compared with the comparator group index	Vesting percentage
Below index	Nil
Equal to the index	25%
Between index and index plus 25% on a straight line basis	25% to 100%
Index plus 25%	100%

The constituents of the index for the 2010 awards were: Beazley Group, Brit Insurance, Catlin Group, Chaucer Holdings, Hiscox, Lancashire Holdings and Novae Group. Irrespective of relative TSR, no award will vest unless the Committee is satisfied that the Company's financial performance over the performance period has been satisfactory. The performance period is always a single three year period with no provision for re-testing the performance conditions.

Longer term performance rewards: executive share options (Executive Option Schemes)

Executive share options were granted at the discretion of the Committee under the Approved and Unapproved Amlin Executive Share Option Schemes each year from 1997 to 2006 to executive directors and other staff (whether underwriters or not) above a certain level of seniority. Grants were subject to performance conditions which are summarised in respect of directors' outstanding options in the notes to the table 'Directors' PSP, LTIP and share options held' later in this report. No further grants can be made.

All-employee share plans

The Company offers HM Revenue and Customs approved Sharesave options, the current plan having been adopted in 2008 with a ten year life for new grants. An annual offer was made in September 2010. Sharesave offers are made under the plan to staff in all jurisdictions where local tax and regulation makes this practicable without amending the plan, which does not include Continental Europe. Sharesave offers are open to all applicable employees who have been employed for more than a specified number of months at each grant. Exercises are not subject to any performance condition. The Committee considers that the plans are successful in encouraging staff at all levels to build up interests, and subsequently shareholdings, in the Company at an acceptable accounting and administrative cost to the Company.

Since 2007 the Company has also operated an HM Revenue and Customs approved all employee Share Incentive Plan (SIP) allowing offers of shares at no cost to employees. Such free shares are offered or allocated to all Group staff meeting an employment qualification period of around nine months, if necessary in some jurisdictions by adopting similar local plans. The Committee has a policy of making an award of free shares each year, on an equal basis to all eligible executive directors and staff (subject to a pro rata adjustment, where permitted, for part time employees), subject to the annual results. The quantum, between nil and the annual maximum level of £3,000 worth of shares per employee, is decided in the light of the return on equity achieved in the previous year. In March 2010, the level was £3,000 (2009: £1,000) with a take-up of 98% of eligible employees (2009: 98%). Reflecting 2010's lower return on equity than in 2009, the Committee has decided to make an offer of £1,000 worth of Free Shares in March 2011. The SIP also allows offers of Partnership Shares whereby employees may buy shares on a tax deductible basis but it is not intended generally to make such offers and no such offer was made in 2010.

Policy on service agreements and their termination

The Group does not offer service agreements with notice periods in excess of six months, except in the case of executive directors of the Company and the most senior level of management for whom up to a 12 month notice period may apply. The Company is mindful of the need to balance the potential contractual advantages of longer notice periods against the potential cost in the event of termination at the Group's initiative.

In cases of early termination by the Group, the Group observes the guidance on best practice issued in December 2002 by the Association of British Insurers and the National Association of Pension Funds. In such circumstances, the Group seeks to reduce, where practicable, the compensation payable by taking account of the duty of the employee to mitigate his or her loss.

In particular, consideration is given to structuring a proportion of termination payments on a phased payment basis pending the executive finding new employment. The need to take a robust view in settling cases involving poor performance is also recognised.

Details of each executive director's service contract applicable during the year are set out in the section entitled 'Executive directors' service contracts' below.

Policy on outside appointments

The Group's policy is to allow executive directors and other appropriate senior employees to accept one substantive non-Amlin related outside non-executive appointment, subject to permission being obtained in each case and to acceptable procedures for managing any potential conflicts of interest. Such appointments are in the public interest and can often provide useful experience for the executive concerned. Suitable outside appointments, including limited term secondments, relating to Amlin's business, such as market bodies, are encouraged on the additional ground that such appointments are often directly in the Group's interest. Fees from outside appointments related to Amlin's business are generally payable to the Group rather than retained by the employee concerned. In other cases, the Committee has a policy that the first £25,000 per annum of such fees earned are retained by the employee, with any balance above that level being shared equally between the employee and the Group.

Advice to the Committee

The Committee is assisted by the Group's HR Director (Mr Farrow) and by advice and recommendations from the Chief Executive (Mr Philipps). The Chairman of the Company (Mr Taylor) is also invited to attend meetings for most agenda items. The Company Secretary (Mr Pender) acts as secretary to the Committee and advises it on governance and related matters.

The Committee's independent remuneration adviser is Hewitt New Bridge Street (HNBS), which advises it on the structuring and utilisation of the Group's performance related incentives and on remuneration policy generally. The Committee has reviewed HNBS's performance during the year and in January 2011 re-appointed it to continue as the Committee's independent adviser. On occasion HNBS also advises HR on remuneration matters which may not be within the direct purview of the Committee and advises the Board as a whole on the remuneration of the non-executive directors. The HNBS business operates independently within the Aon Corporation group of companies, which also has certain trading relationships with the Company's subsidiaries. A statement regarding the Company's relationship with HNBS is published on the Company's website.

Directors' remuneration received

	Executive directors' salaries £000	Non-executive directors' fees £000	Annual bonuses and/or profit commission £000	Benefits in kind/ allowances £000	**Total year to 31 Dec 2010**	Total year to 31 Dec 2009
C Bosse	–	56.3	–	–	**56.3**	54.8
N J C Buchanan	–	88.3	–	–	**88.3**	81.0
B D Carpenter	327.3	–	417.1	21.6	**766.0**	1,650.4
R H Davey	–	56.3	–	–	**56.3**	54.8
M D Feinstein		64.3	–	–	**64.3**	58.8
R A Hextall	396.3	–	405.2	26.5	**828.0**	844.6
A W Holt	–	62.9	908.4	–	**971.3**	3,160.8
R W Mylvaganam[1]	–	–	–	–	**–**	29.3
C E L Philipps	544.0	–	555.1	30.2	**1,129.3**	1,196.7
R J Taylor	–	230.0	–	–	**230.0**	207.8
Sir Mark Wrightson Bt	–	64.3	–	–	**64.3**	62.6
	1,267.6	622.4	2,285.8	78.3	**4,254.1**	7,401.6

1 Retired from the Board on 13 May 2009

Executive directors' service contracts

The dates of the service or employment contracts of each director who served as an executive during the year, all of which are with the Company's subsidiary, Amlin Corporate Services Limited, are as stated below. Salaries have been periodically reviewed since the original contract dates, with the current annual base salaries as at the date of this report being as stated below.

Directors' service contracts and current salaries

	Date of current service or employment contract	Base salary
B D Carpenter	17 February 1997	£330,000
R A Hextall	26 November 1999	£400,000
C E L Philipps	20 February 1997	£548,000

All of the contracts, as amended where applicable, remain in force at the date of this report and are on a full time basis, provide for 12 months' notice of termination on either side and automatically terminate on the director's contractual retirement date. There are no special provisions for compensation on termination in any director's contract other than that the employer has the right to pay salary in lieu of any required period of notice. Executive directors' service or employment contracts, including amendments, are available for inspection at the Company's registered office.

Remuneration received

The remuneration received in respect of the year ended 31 December 2010 by each of the directors in respect of their periods of service as directors, excluding pension contributions and long term incentive plan payments, is shown in the above table. In addition, Mr Hextall received and retained a non-executive director's fee of £24,000 from the City of London Investment Trust PLC (2009: £23,000). Where applicable, the amounts shown as paid to non-executive directors include fees paid by or on behalf of the Company's subsidiaries. The total base salaries received in 2010 by Messrs Carpenter, Hextall and Philipps increased by 3.1%, 11.2% and 3.0% respectively over 2009. The level of Mr Hextall's year-on-year increase largely reflects a special 10% salary increase from October 2009 awarded, as explained in this report last year, as it had become clear to the Committee that, in the light of his experience and performance in the role, his previous salary was not competitive.

The annual bonuses and/or profit commission amounts shown are those paid or payable in respect of the year. Messrs Hextall and Philipps received performance bonuses under the Group Bonus Scheme, in respect of which they had the business performance ROE targets and percentage payments set out on the next page:

Directors' remuneration report continued

Basis of non-underwriting directors' Group Bonus Scheme business performance payments

	2010	2009
Minimum payment ROE threshold	**7.5%**	6%
On-target ROE	**15%**	12%
Stretch target ROE	**20%**	16%
Maximum payment ROE threshold	**27.5%**	22%
ROE achieved for year:	**14.65%**[1]	37.73%[1]
Percentage of relevant base salary received for business performance element	**51.3%**	84%

1 The ROE used is adjusted by the Committee to remove the effects of final dividends being included in opening shareholders' equity and of foreign exchange items relating to hedging

The bonus thresholds reflected a higher internal ROE budget at the start of 2010 than at the start of 2009. In addition to the business performance related element of their bonus, Messrs Hextall and Philipps are eligible to receive a personal performance related element. In view of each of their exceptional personal performances in 2010 as determined by the Committee, this was awarded at the maximum level of personal performance payment for the year of 50% of salary making a total bonus payment for each of 101.3% of their current salaries (2009: 120%).

The annual bonuses and/or profit commission (PC) for Mr Carpenter and Mr Holt were made up as follows:

Underwriting directors' PC and bonus reported for 2010

	B D Carpenter Accounted for in 2010 £000	2009 £000	A W Holt Accounted for in 2010 £000	2009 £000
First instalment of 2009 year of account PC (30% payable in March 2011) (comparative for 2009 is equivalent payment made a year earlier for 2008 year):	**19.1**	9.3	**–**	193.0
2008 year of account PC (for Mr Carpenter, balance after 30% first instalment) (comparatives for 2009 are payments made a year earlier for the 2007 year, which included a final performance uplift):	**417.1**	1,118.2	**908.4**	2,573.6
Final performance uplift for 2007 year of account PC not accounted for in the 2009 report (comparatives for 2009 are equivalent payments made a year earlier for 2006 year):	**–**	184.0	**–**	331.6
Totals	**436.2**	1,311.5	**908.4**	3,098.2

As previously reported, the Committee agreed in 2008 that Mr Holt would be treated as a "good leaver" as a result of his early retirement from executive office on 31 December 2008. He received no compensation for loss of office but, in consideration for Mr Holt agreeing not to take up any position with a competitor, he is permitted to receive his PC entitlements in respect of the years of account up to and including 2008 as they fall due for payment. The payments falling due as at 31 December 2010 are included above. Other than any final performance uplift payment in respect of the 2008 year of account, these will be his final PC payments. He will also receive any payments due to him under the Capital Builder Plan, apportioned for the relevant periods up to his retirement from executive office, as they fall due. Other than in accordance with these arrangements, no payments were made during the year in respect of any director leaving the Board or ceasing to be employed as an executive by the Group, and nor were any such arrangements agreed.

Directors' pension details

	Defined benefit (DB) or Defined contribution (DC)	DC employer contributions for the year ended 31 Dec 2010 £000	Increase/ (decrease) in DB accrued pension during year ended 31 Dec 2010 £000	Total accrued DB pension at 31 Dec 2010 £000	Transfer value of accrued DB pension at 31 Dec 2009 £000	Transfer value of accrued DB pension at 31 Dec 2010 £000	Transfer value of the change in accrued DB pension during 2010 £000	Change in DB transfer value during 2010 after deducting DB contributions made by director £000
B D Carpenter	DB & DC	21.1	(0.1)	62.2	887.0	1,051.6	–	(6.3)
R A Hextall	DC	59.5	–	–	–	–	–	–
A W Holt	DB (see above)	–	–	237.9	5,044.7	6,038.0	–	752.7
C E L Philipps	DC	113.7	–	–	–	–	–	–

Executive directors' pensions

Pension details, as applicable for each executive and former executive director who served as a Director during the year (non-executives not being eligible), are shown in the table on the previous page. The total DC employer contributions for the directors were £194,269 (2009: £184,936). Mr Holt's total accrued DB pension as at the year end is shown on the basis of him drawing his pension from his normal retirement age. Since the year end but before the date of this report he has exercised his right to draw his pension early, subject to an actuarial adjustment. He accrued no pension during the year and the only changes to his DB pension during the year were as a result of inflation and market changes affecting transfer values. The decrease during the year shown in Mr Carpenter's accrued pension is before its increase due to inflation. The changes in total transfer values during the year are shown before the effects of inflation and, in Mr Carpenter's case, after deduction of his own DB contributions during the year. The inflation measure used for the purposes of this disclosure is the change in RPI. Transfer values are calculated in accordance with regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996, as amended. Only base salary is pensionable.

Executive directors' Capital Builder Plan participations and estimates to date

The applicable classes of business which will determine the rewards payable to each of the directors of the Company participating in the Capital Builder Plan are the classes which they themselves underwrite (or underwrote) or the classes over which they had direct influence at the relevant time and the underwriting results of Syndicate 2001 (the part of the business in which both directors are or were principally engaged) as a whole. There was no material change in the classes in which Mr Carpenter participates between the 2009 and 2010 awards. Mr Holt participates on a time apportioned basis in underwriting years up to his retirement as an executive at the end of 2008.

Awards were made in each of the years 2006 to 2010 inclusive, in respect of performance periods of five underwriting years commencing in the year each respective award was made. Forecasts of rewards in respect of all performance periods are subject to change, particularly materially so in respect of later performance periods. Subject to that caveat, the forecast rewards based on earned premium and reserving as at 31 December 2010, for the periods stated to date, are as set out below. Where a positive result on the syndicate is less than a shortfall against the demanding return targets on individual classes, no payment will be due (as in the case of Mr Carpenter on each of the years as estimated to date).

Directors' estimated Capital Builder Plan rewards for 2006 onwards as at 31 December 2010

	Class/division	Five years of 2006 award £000	First four years of 2007 award £000	First three years of 2008 award £000	First two years of 2009 award £000	First year of 2010 award £000	For all awards since 2006 to date £000
B D Carpenter	Classes	(36)	(62)	(62)	(47)	(125)	n/a
	Syndicate	28	2	6	3	–	n/a
	Totals	–	–	–	–	–	–
A W Holt	Classes	344	117	12	n/a	n/a	473
	Syndicate	25	1	1	n/a	n/a	27
	Totals	369	118	13	n/a	n/a	500

Executive directors' Performance Share Plan, Long Term Incentive Plan and share options participations

As described earlier in this report, all of these incentive plans involve options being granted to relevant UK-based participants over shares in the Company, whether at exercise prices determined in relation to the market price at the date of grant (executive options), a discount to such price (Sharesave) or at a nominal exercise price of £1 in total per exercise (PSP and LTIP).

As at 31 December 2010 the options held under these plans by executive directors, all of whom were directors throughout the year, and their changes during the year, are set out in the tables on the next two pages. In addition each executive director was awarded 772 free shares in the SIP in April 2010 (2009: 284). SIP shareholdings are included in the directors' shareholding interests set out in the Directors' report. The share price on the date of directors' 2010 PSP and LTIP awards (5 March) was 415.5p.

Directors' remuneration report continued

Directors' PSP, LTIP and share options

	PSP, LTIP, or specified option scheme(s)	Over new or ESOT shares	Shares under option on 1 Jan 2010	Awards/grants during the year	Shares under option on 31 Dec 2010	Exercise price per share	Years options exercisable (if performance conditions met)	Potential profit on 31 December 2010 £000
B D Carpenter	LTIP	ESOT	27,492	–	–	Nominal	2010	n/a
	LTIP	ESOT	80,984	–	80,984	Nominal	2011-13	331.1
	LTIP	ESOT	56,127	–	56,127	Nominal	2012-14	229.5
	LTIP	ESOT	–	57,849	57,849	Nominal	2013-15	236.5
	Totals LTIP		164,603	57,849	194,960			797.1
	Totals all		**164,603**	**57,849**	**194,960**			**797.1**
R A Hextall	LTIP	ESOT	28,939	–	–	Nominal	2010	n/a
	LTIP	ESOT	86,066	–	86,066	Nominal	2011-13	351.9
	LTIP	ESOT	61,164	–	61,164	Nominal	2012-14	250.1
	LTIP	ESOT	–	93,085	93,085	Nominal	2013-15	380.6
	Totals LTIP		176,169	93,085	240,315			982.6
	PSP	ESOT	97,362	–	–	Nominal	2010	n/a
	PSP	ESOT	77,816	–	77,816	Nominal	2011-13	318.2
	PSP	ESOT	67,524	–	67,524	Nominal	2012-14	276.1
	PSP	ESOT	86,066	–	86,066	Nominal	2013-15	351.9
	PSP	ESOT	61,164	–	61,164	Nominal	2014-16	250.1
	PSP	ESOT	–	93,085	93,085	Nominal	2015-17	380.6
	Totals PSP		389,932	93,085	385,655			1,576.9
	Exec options	New	58,362	–	–	293.00p	2009-16	n/a
	Sharesave	New	3,552	–	–	266.00p	2010	n/a
	Sharesave	New	–	2,694	2,694	334.00p	2013-14	2.0
	Totals options		61,914	2,694	2,694			2.0
	Totals all		**628,015**	**188,864**	**628,664**			**2,561.5**
C E L Philipps	LTIP	ESOT	45,579	–	–	Nominal	2010	n/a
	LTIP	ESOT	152,164	–	152,164	Nominal	2011-13	622.2
	LTIP	ESOT	95,550	–	95,550	Nominal	2012-14	390.7
	LTIP	ESOT	–	128,627	128,627	Nominal	2013-15	526.0
	Totals LTIP		293,293	128,627	376,341			1,538.9
	PSP	ESOT	190,087	–	–	Nominal	2010	n/a
	PSP	ESOT	153,584	–	153,584	Nominal	2011-13	628.0
	PSP	ESOT	151,929	–	151,929	Nominal	2012-14	621.2
	PSP	ESOT	152,164	–	152,164	Nominal	2013-15	622.2
	PSP	ESOT	95,550	–	95,550	Nominal	2014-16	390.7
	PSP	ESOT	–	128,627	128,627	Nominal	2015-17	526.0
	Totals PSP		743,314	128,627	681,854			2,788.1
	Exec options	ESOT	114,050	–	–	161.77p	2008-15	n/a
	Exec options	New	92,150	–	92,150	293.00p	2009-16	106.8
	Sharesave	New	3,902	–	3,902	246.00p	2011-12	6.4
	Totals options		210,102	–	96,052			113.2
	Totals all		**1,246,709**	**257,254**	**1,154,247**			**4,440.1**

Directors' options exercised during 2010

	Scheme(s)	Met by treasury or ESOT shares	No. of shares exercised	Exercise price per share	Date of exercise	Share price on exercise	Profit on exercise £000
B D Carpenter	LTIP	ESOT	27,492	Nominal	9 Mar 2010	421.00p	115.7
	Total		**27,942**				**115.7**
R A Hextall	Exec Options	New	58,362	293.00p	8 Mar 2010	422.50p	75.6
	LTIP	ESOT	28,939	Nominal	9 Mar 2010	421.00p	121.8
	PSP	ESOT	97,362	Nominal	24 Mar 2010	399.00p	388.5
	Sharesave	New	3,552	266.00p	1 Jul 2010	381.50p	4.1
	Total		**188,215**				**590.0**
C E L Philipps	Exec Options	New	114,050	161.77p	2 Mar 2010	413.10p	286.6
	LTIP	ESOT	45,579	Nominal	9 Mar 2010	421.00p	191.9
	PSP	ESOT	190,087	Nominal	24 Mar 2010	399.00p	758.4
	Total		**349,716**				**1,236.9**

Notes

1 Grants shown in the table opposite as being over new shares may also be satisfied from treasury shares.

2 The potential profit as at 31 December 2010 shown in first table above are based on a year end share price of 408.9p (2009: 358.7p). The high and low closing market share prices during the year were 433.0p and 358.7p respectively (2009: 396.9p and 301.7p). These calculations are before tax and are theoretical as most PSP and LTIP awards were not exercisable at the year end, and some may not meet their performance conditions in full.

3 The primary performance conditions of each of the grants of directors' executive options included in the tables above related to TSR against a comparator group of companies, with a secondary condition that the Company had returned a satisfactory overall financial performance, both measured over a three year performance period. They were not subject to re-testing and, to the extent that an individual's annual grant was over shares valued at over 50% of salary, the Company's TSR had to be upper quartile for the options to be exercised in full. All of such options met their performance conditions in full at the end of the relevant periods.

4 Changes in directors' entitlements during the year resulted from the grants during the year indicated in the table opposite and from the exercises set out in the second table above.

Performance conditions measurements of PSP and LTIP awards

Measurements against PSP performance conditions were determined by the Committee in early 2010 and early 2011 respectively and are summarised below. For each of the 2005 and 2006 awards the average return on net tangible assets over the ensuring five year period exceeded the threshold for maximum vesting of 20%.

PSP performance conditions measurement

Award	Vesting date	Performance period	Average return on NTA for period	% vested
2005	March 2010	2005-09	32.5%	100%
2006	March 2011	2006-10	28.5%	100%

Measurements against LTIP performance conditions were similarly determined. In this case the primary performance condition was 100% met for the 2007 awards but for 2008 only partial vesting has been achieved, as Amlin's TSR over the relevant three year period only outperformed the index by 15.5% compared with the maximum vesting threshold of 25% outperformance.

LTIP primary performance conditions measurement

Award	Vesting date	Performance period	Amlin TSR	Index TSR	% vested
2007	March 2010	2007-09	39.0%	5.6%	100%
2008	March 2011	2008-10	43.7%	28.2%	71.41%

Use of unissued and existing shares for incentive plans

The rules of all those of the Company's incentive plans which can result in the issue or transfer of shares to participants include limits on the overall number of unissued shares over which options may be granted. The only employee schemes under which either unissued or treasury shares are committed to be issued are the executive share option schemes, the Sharesave plans and the schedules to the PSP and LTIP applying to awards to participants in Continental Europe. New shares were also issued in 2007 to the trustee of the Share Incentive Plan as SIP Free Shares but in subsequent years such shares were purchased in the market. Shares awarded under the PSP and LTIP are intended to be satisfied from shares held, or to be purchased, by the Group's Employee Share Ownership Trust (ESOT) unless overseas requirements dictate otherwise.

Grants of options over new and/or treasury shares under any selective plan, after deducting any such options which have lapsed, are limited to 5% of the issued share capital in any 10 year period. Grants over new/treasury shares under any scheme are also limited to 10% over 10 years. The percentages of the year end shares in issue, together with the equivalent percentages a year earlier, relating to each of these limits are shown in the table below.

Directors' remuneration report continued

Utilisation of new and treasury shares

	Percentage of shares then in issue utilised 31 Dec 2010	Percentage of shares then in issue utilised 31 Dec 2009
Executive 5% limit over 10 years	**2.93%**	3.23%
All schemes 10% limit over 10 years	**3.83%**	4.13%

All scheme utilisation figures in the table include shares issued in 2007 to the trustee of the SIP. The SIP's total holding as at 31 December 2010, including shares bought in the market each year since 2008, was 1,447,529 shares (2009: 1,034,459).

In addition, the shares set out in the table below were committed to be transferred to participants by the trustee of the ESOT, subject, where applicable, to the future fulfillment of performance conditions.

ESOT shares currently committed

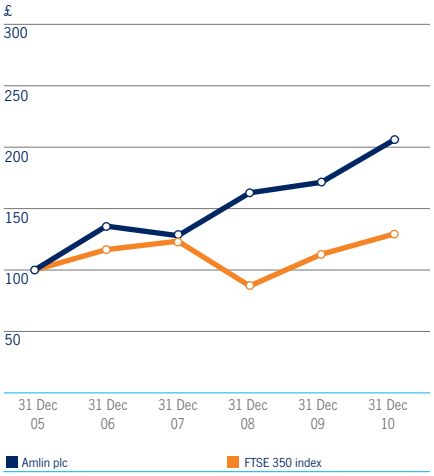
	Number of shares at 31 Dec 2010	**Number of shares as a percentage of the shares in issue on 31 Dec 2010**	Number of shares as a percentage of the shares in issue on 31 Dec 2009
ESOT commitment to PSP	**1,966,608**	**0.40%**	0.39%
ESOT commitment to LTIP	**2,582,748**	**0.52%**	0.41%
Total ESOT commitment	**4,549,356**	**0.92%**	0.80%

Of the total potential commitment of the ESOT as at 31 December 2010 (which is presented on the basis that all awards vest in full), it then held (and holds as at the date of this report) 2,811,679 shares (2009: 1,056,440 against a commitment of 4,000,626). It is intended that the balance will be purchased in the market by the ESOT, using funds advanced by the Company, before they are required. The changes in the shares held by the ESOT during 2010 resulted from the exercises of options and vesting of awards over a total of 980,244 shares and the purchase by the ESOT in the market of 2,735,483 shares principally using the funds advanced to the ESOT by the Group for the purpose.

Total shareholder return performance

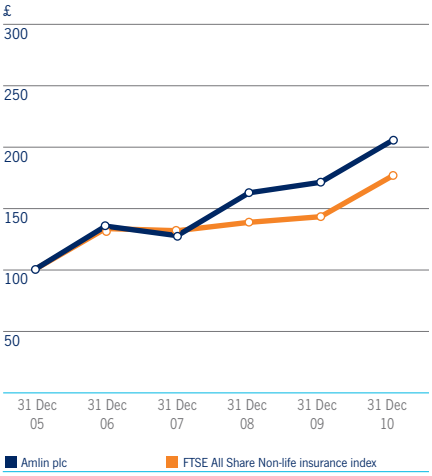
The graphs opposite illustrate the total shareholder return performance of the Company's ordinary shares relative to the FTSE 350 and the FTSE All Share Insurance indices respectively (Amlin's shares are a constituent of both) over the five years to 31 December 2010. Comparisons are shown with both these indices as the performance of Amlin's shares is affected both by the general UK stock market in companies of its size and by its insurance sector. The graphs show the values, at each year end from 2006 to 2010 inclusive, of £100 invested in the Company's shares on 31 December 2005 compared with the values of £100 invested in the relevant index on the same date. To produce a fair value, each point on the graphs is the average of the relevant return index over the 30 days preceding the relevant year end.

Total shareholder return compared with FTSE 350 at 31 December



Source: Datastream

Total shareholder return compared with FTSE All Share Non-Life Insurance Index at 31 December



Source: Datastream

NED current terms of office

	Current term commenced	Date of current letter of appointment	Expected date of expiry of current term[1]
S Bosse	13 May 2009	28 February 2011	AGM in 2012
N J C Buchanan	13 May 2009	28 February 2011	AGM in 2012
R H Davey	13 May 2009	28 February 2011	AGM in 2012
M D Feinstein	24 April 2008	28 February 2011	AGM in 2011
A W Holt	13 May 2009	28 February 2011	AGM in 2012[2]
R J Taylor	24 April 2008	28 February 2011	AGM in 2011
Sir Mark Wrightson Bt	13 May 2009	28 February 2011	AGM in 2012

1 Notwithstanding the legal expiry of current terms of office after three years, the Board has decided to comply with the new UK Corporate Governance Code provision for annual re-election of directors at the 2011 AGM

2 Mr Holt has indicated that he will retire from the Board at the conclusion of the 2011 AGM

Non-executive directors' fees, appointment and removal

The fees paid during the year to non-executive directors of the Company are included in the 'Directors' remuneration received' table earlier in this report (pp.81). Such fees, other than those of the Chairman, are determined by the full Board. The Board receives recommendations in this respect from a committee chaired by the Chairman, with the Chief Executive and two other directors (one executive and one non-executive member of the Committee, each of which rotates each year) as the other members. Recommendations and decisions are made taking account of professional advice and other information on the level of such fees paid by comparable companies for comparable services.

The Chairman's remuneration is determined by similar criteria, but by the Remuneration Committee. The minimum time commitments given by each director, as detailed in Annex 1 to the Board Corporate Governance statement, are also taken into account. The Board's policy is that non-executive fees should be set by reference to the fees paid by financial services companies and listed companies generally of a similar size and complexity. Each non-executive director is paid a basic fee and is paid further for additional services, such as committee or subsidiary Board responsibilities.

Non-executive directors have contracts for services rather than employment contracts. They are not eligible for any of the Group's pension, share or incentive schemes but may, by the agreement of the Board, be paid additional fees (calculated on an appropriate day rate) in the event of exceptional levels of additional time being required, for instance in response to corporate developments. No such fees were paid in 2010 (2009: nil). Their terms of appointment are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office and which are updated from time to time. Non-executive directors are appointed on the recommendation of the Nomination Committee and they may be removed, or not nominated for re-election, in each case in accordance with the Articles of Association of the Company. The commencement and expected year of expiry of each of the non-executive directors' current terms, without taking account of the intended adoption of annual re-election, are set out in the table opposite.

If at the end of a term of office a non-executive director is not nominated to continue, the director is not entitled to any extra payment on termination. In other circumstances three months' notice of termination may be given by either side or, in the case of notice by the Company, three months' fees in lieu of notice.

Status of report

As required by the Large and Medium-Sized Companies and Groups (Accounts & Reports) Regulations 2008, in accordance with which this report has been prepared, the sections entitled 'Remuneration received', 'Executive directors' pensions', 'Executive directors' Capital Builder Plan participations and estimates to date', and 'Executive directors' Performance Share Plan, Long Term Incentive Plan and share options participations' have been audited by PricewaterhouseCoopers LLP. The remainder of this report is unaudited.

By Order of the Board, on the recommendation of its Remuneration Committee

C C T Pender
Secretary

1 March 2011

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the International Accounting Standards Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Pursuant to the Disclosure and Transparency Rules of the Financial Services Authority, each of the directors, whose names and functions are listed in the section of the Annual Report entitled "Board of directors", confirm that, to the best of each person's knowledge and belief:

- the financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and the Company; and
- the Director's Report contained in the Annual Report includes (by reference) a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that they face.

By Order of the Board

C C T Pender
Secretary

1 March 2011

Independent auditors' report to the members of Amlin plc

We have audited the Group financial statements of Amlin plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the related notes 1 to 39. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on (pp.88), the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Board Corporate Governance Statement set out on (pp.60-69) with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on (pp.59) , in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Amlin plc for the year ended 31 December 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Andrew Kail (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
1 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 £m	2009 £m
Gross earned premium	4,5	**2,002.4**	1,541.6
Reinsurance premium ceded	4,5	**(254.3)**	(224.3)
Net earned premium revenue	4,5	**1,748.1**	1,317.3
Investment return	4,6	**175.0**	207.5
Other operating income	4	**5.7**	10.1
Total income		**1,928.8**	1,534.9
Insurance claims and claims settlement expenses	4,7	**(1,168.6)**	(565.1)
Insurance claims and claims settlement expenses recoverable from reinsurers	4,7	**109.5**	0.9
Net insurance claims	7	**(1,059.1)**	(564.2)
Expenses for the acquisition of insurance contracts	4,8	**(339.1)**	(267.4)
Other operating expenses	9	**(244.0)**	(171.2)
Total expenses		**(583.1)**	(438.6)
Results of operating activities		**286.6**	532.1
Finance costs	4,12	**(27.4)**	(23.0)
Profit before tax	4,13	**259.2**	509.1
Tax	14	**(37.3)**	(54.3)
Profit for the year		**221.9**	454.8
Attributable to:			
Equity holders of the Parent Company		**221.8**	454.7
Non-controlling interests		**0.1**	0.1
		221.9	454.8
Earnings per share from continuing operations attributable to equity holders of the Parent Company			
Basic	29	**45.0p**	94.1p
Diluted	29	**44.4p**	92.9p

The attached notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Note	2010 £m	2009 £m
Profit for the year		**221.9**	454.8
(Losses)/gains on revaluation of hedge instruments	15	**(4.2)**	29.3
Foreign exchange gains/(losses) on translation of overseas operations	15	**20.5**	(91.2)
Foreign exchange losses on translation of intangibles arising from investments in overseas operations	15	**(2.9)**	(1.6)
Defined benefit pension fund actuarial gains/(losses)	28	**5.9**	(23.7)
Tax relating to components of other comprehensive income	14	**4.6**	15.0
Other comprehensive income/(expense) for the year, net of tax		**23.9**	(72.2)
Total comprehensive income for the year		**245.8**	382.6
Attributable to:			
Equity holders of the Parent Company		**245.7**	382.5
Non-controlling interests		**0.1**	0.1
		245.8	382.6

The attached notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

		Attributable to owners of the Parent Company							
For the year ended 31 December 2010	Note	**Share capital £m**	**Share premium £m**	**Other reserves £m**	**Treasury shares £m**	**Retained earnings £m**	**Total £m**	**Non-controlling interests £m**	**Total £m**
At 1 January 2010		141.2	300.1	201.7	(21.4)	971.1	**1,592.7**	0.4	**1,593.1**
Profit for the year		–	–	–	–	221.8	**221.8**	0.1	**221.9**
Losses on revaluation of hedge instruments	15	–	–	(4.2)	–	–	**(4.2)**	–	**(4.2)**
Foreign exchange gains on translation of overseas operations	15	–	–	20.5	–	–	**20.5**	–	**20.5**
Foreign exchange losses on translation of intangibles arising from investments in overseas operations	15	–	–	(2.9)	–	–	**(2.9)**	–	**(2.9)**
Defined benefit pension fund actuarial gains	28	–	–	5.9	–	–	**5.9**	–	**5.9**
Tax relating to components of other comprehensive income	14	–	–	4.6	–	–	**4.6**	–	**4.6**
Other comprehensive income for the year		–	–	23.9	–	–	**23.9**	–	**23.9**
Total comprehensive income for the year		–	–	23.9	–	221.8	**245.7**	0.1	**245.8**
Employee share option schemes:									
– share-based payment reserve		–	–	(1.1)	(8.1)	–	**(9.2)**	–	**(9.2)**
– proceeds from shares issued	23	–	0.2	–	3.3	(0.6)	**2.9**	–	**2.9**
Dividends paid	30	–	–	–	–	(102.4)	**(102.4)**	(0.1)	**(102.5)**
Obligation to acquire non-controlling interests		–	–	(1.2)	–	–	**(1.2)**	–	**(1.2)**
Disposal of non-controlling interests		–	–	–	–	–	**–**	1.4	**1.4**
Tax relating to share option schemes	14	–	–	(0.4)	–	–	**(0.4)**	–	**(0.4)**
Transactions with the owners of the Group for the year		–	0.2	(2.7)	(4.8)	(103.0)	**(110.3)**	1.3	**(109.0)**
At 31 December 2010		141.2	300.3	222.9	(26.2)	1,089.9	**1,728.1**	1.8	**1,729.9**

Other reserves comprise £45.7 million (2009: £45.7 million) being the cumulative amount of goodwill written off to reserves on acquisitions prior to January 1999, a capital redemption reserve, charges for share options issued, deferred tax and current tax (see note 14), cumulative foreign exchange gains of £104.0 million (2009: £86.4 million) on investments in overseas operations and £49.6 million (2009: £45.4 million) cumulative losses on hedges of investments in overseas operations.

The attached notes form an integral part of these consolidated financial statements.

For the year ended 31 December 2009	Note	Attributable to owners of the Parent Company							
		Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total £m
At 1 January 2009		134.6	231.5	272.4	(25.1)	602.4	1,215.8	0.3	1,216.1
Profit for the year		–	–	–	–	454.7	454.7	0.1	454.8
Gains on revaluation of hedge instruments	15	–	–	29.3	–	–	29.3	–	29.3
Foreign exchange losses on translation of overseas operations	15	–	–	(91.2)	–	–	(91.2)	–	(91.2)
Foreign exchange losses on translation of intangibles arising from investments in overseas operations	15	–	–	(1.6)	–	–	(1.6)	–	(1.6)
Defined benefit pension fund actuarial losses	28	–	–	(23.7)	–	–	(23.7)	–	(23.7)
Tax relating to components of other comprehensive income	14	–	–	15.0	–	–	15.0	–	15.0
Other comprehensive expense for the year		–	–	(72.2)		–	(72.2)	–	(72.2)
Total comprehensive (expense)/income for the year		–	–	(72.2)	–	454.7	382.5	0.1	382.6
Employee share-option schemes:									
– share-based payment reserve		–	–	0.8	(0.4)	–	0.4	–	0.4
– proceeds from shares issued	23	–	0.2	–	4.1	(1.0)	3.3	–	3.3
Shares issued to fund ACI acquisition:									
– proceeds		6.6	69.8	–	–	–	76.4	–	76.4
– transaction costs		–	(1.4)	–	–	–	(1.4)	–	(1.4)
Dividends paid	30	–	–	–	–	(83.8)	(83.8)	–	(83.8)
Return of capital	23	–	–	1.2	–	(1.2)	–	–	–
Tax relating to share option schemes	14	–	–	(0.5)	–	–	(0.5)	–	(0.5)
Transactions with the owners of the Group for the year		6.6	68.6	1.5	3.7	(86.0)	(5.6)	–	(5.6)
At 31 December 2009		141.2	300.1	201.7	(21.4)	971.1	1,592.7	0.4	1,593.1

The attached notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December 2010

Assets	Note	2010 £m	2009 £m
Cash and cash equivalents	16	**81.5**	70.3
Financial assets	17	**4,310.1**	3,977.9
Reinsurance assets			
– reinsurers' share of outstanding claims	18	**383.1**	421.1
– reinsurers' share of unearned premium	18	**55.3**	52.8
Loans and receivables, including insurance and reinsurance receivables			
– insurance and reinsurance receivables	19	**795.6**	665.9
– other loans and receivables	19	**88.1**	64.3
Deferred acquisition costs	20	**185.8**	145.8
Current income tax assets		**1.2**	7.2
Deferred tax assets	14	**14.7**	29.1
Property and equipment	21	**12.5**	9.9
Intangible assets	22	**184.5**	162.8
Investment in associate and jointly owned entity	36	**2.2**	1.7
Assets of operation classified as held for sale	36	**–**	64.2
Total assets		**6,114.6**	5,673.0
Equity and reserves			
Share capital	23	**141.2**	141.2
Share premium		**300.3**	300.1
Other reserves		**222.9**	201.7
Treasury shares		**(26.2)**	(21.4)
Retained earnings		**1,089.9**	971.1
Equity attributable to equity holders of the Parent Company		**1,728.1**	1,592.7
Non-controlling interests		**1.8**	0.4
Total equity and reserves		**1,729.9**	1,593.1
Liabilities			
Insurance liabilities			
– outstanding claims	18	**2,631.9**	2,431.4
– unearned premium	18	**914.4**	744.8
Other payables, including insurance and reinsurance payables			
– insurance and reinsurance payables	26	**245.9**	243.7
– other payables	26	**139.7**	143.8
Financial liabilities	17	**9.7**	12.9
Current income tax liabilities		**22.0**	36.9
Borrowings	27	**318.0**	316.4
Retirement benefit obligations	28	**15.3**	24.5
Deferred tax liabilities	14	**87.8**	125.0
Liabilities of operation classified as held for sale	36	**–**	0.5
Total liabilities		**4,384.7**	4,079.9
Total equity, reserves and liabilities		**6,114.6**	5,673.0

The attached notes form an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2011. They were signed on its behalf by:

Roger Taylor
Chairman

Richard Hextall
Group Finance Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 £m	2009 £m
Cash generated from operations	34	**183.6**	324.5
Income taxes paid		**(57.0)**	(45.0)
Net cash flows from operations		**126.6**	279.5
Cash flows from investing activities			
Interest received		**54.5**	62.2
Dividends received		**5.8**	5.2
Acquisition through business combination, net of cash acquired		**(13.0)**	(252.7)
Deferred payment for acquired subsidiary		**(0.1)**	(0.3)
Investment in associate and jointly owned entity	36	**(0.5)**	(0.5)
Purchase and disposal of property and equipment	21	**(6.1)**	(6.0)
Purchase and development of intangible assets	22	**(17.4)**	–
Net cash inflows/(outflows) from investing activities		**23.2**	(192.1)
Cash flows used in financing activities			
Net proceeds from issue of ordinary shares, including treasury shares		**2.9**	78.1
Dividends paid to shareholders	30	**(102.4)**	(83.8)
Dividends paid to non-controlling interests	30	**(0.1)**	–
Interest paid		**(27.4)**	(23.4)
Purchase of ESOT and treasury shares		**(12.7)**	(0.7)
Return of capital	23	**–**	(1.2)
Net cash outflows used in financing activities		**(139.7)**	(31.0)
Net increase in cash and cash equivalents		**10.1**	56.4
Cash and cash equivalents at beginning of year		**70.3**	14.1
Effect of exchange rate changes on cash and cash equivalents		**1.1**	(0.2)
Cash and cash equivalents at end of year	16	**81.5**	70.3

The attached notes form an integral part of these consolidated financial statements.

The Group classifies cash flows from purchase and disposal of financial assets in its operating cash flows as these transactions are generated by the cash flows associated with the origination and settlement of insurance contract liabilities or capital requirements to support underwriting. Cash of £214.1 million from net purchases of financial investments was utilised in operations during the year (2009: £13.1 million from net purchases).

Notes to the accounts

For the year ended 31 December 2010

1. Summary of significant accounting policies and critical accounting judgements and estimates

Amlin plc (the Company) is a public limited company registered in England and Wales. The address of the registered office is St Helen's, 1 Undershaft, London EC3A 8ND.

The basis of preparation, basis of consolidation and significant accounting policies adopted in the preparation of Amlin plc and subsidiaries' (the Group) consolidated financial statements are set out below.

Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union (EU). The consolidated financial statements comply with Article 4 of the EU IAS regulation and Companies Act 2006.

The consolidated financial statements have been prepared on the historical cost basis except for cash and cash equivalents, financial assets and liabilities, share options, and pension assets which are measured at their fair value.

Except where otherwise stated, all figures included in the consolidated financial statements are presented in millions of British Pounds Sterling (sterling) shown as £m rounded to the nearest £100,000.

The accounting policies adopted in preparing these financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2009, unless otherwise stated.

In accordance with IFRS 4, the Group has applied existing accounting practices for insurance contracts, modified as appropriate, to comply with the IFRS framework and applicable standards.

Basis of consolidation

The financial statements consolidate the accounts of the Company and subsidiary undertakings, including the Group's underwriting through participation on Lloyd's syndicates. Subsidiaries are those entities in which the Group, directly or indirectly, has the power to govern the operating and financial policies in order to gain economic benefits and include the Company's employee benefit trusts. The financial statements of all subsidiaries are prepared for the same reporting year as the Parent Company. Consolidation adjustments are made to convert subsidiary accounts prepared under different accounting standards into IFRS so as to remove the effects of any different accounting policies that may exist. Subsidiaries are consolidated from the date that control is transferred to the Group and cease to be consolidated from the date that control is transferred out.

All inter-company balances, profits and transactions are eliminated.

Details of material subsidiaries included within the consolidated financial statements can be found in note 35.

As part of our process to improve the presentation of the Group's Consolidated Financial Statements, certain changes have been made to the presentation of Financial assets and Financial liabilities, Insurance liabilities and reinsurance assets, Other payables, and Loans and receivables in order to better reflect the nature of underlying transactions. In addition, changes have also been made to the presentation of the effects of tax in the Consolidated Statement of Comprehensive Income and in the Consolidated Statement of Changes in Equity. These changes in presentation have no effect on the previously reported net income, shareholders' equity or net assets. Comparative information has been amended to reflect this change.

Adoption of new and revised standards

(a) Standards, amendments to published standards and interpretations effective on or after 1 January 2010

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2010:

- IFRS 3 (revised), 'Business combinations';
- IAS 27 (amended), 'Consolidated and separate financial statements';
- Amendment to IAS 39, 'Financial instruments: recognition and measurement – eligible hedged items';
- Amendment to IFRS 2, 'Group cash-settled share-based payment transactions';
- IFRIC 18, 'Transfers of assets from customers';
- IFRIC 17, 'Distribution of non-cash assets to owners'; and
- Annual improvements to IFRSs 2008-2009.

Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Group.

The effects of these changes are as follows:

IFRS 3 (revised), 'Business combinations' and IAS 27 (amended), 'Consolidated and separate financial statements'

IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after 1 January 2010. Changes affect the valuation of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.

IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (revised) and IAS 27 (amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The changes were applied prospectively and had no material impact.

IAS 39 (amended), 'Financial instruments: recognition and measurement – eligible hedged items'

The amendment was issued in July 2008. It provides guidance on certain hedged items. On the designation of a one-sided risk in a hedged item, IAS 39 concludes that a purchased option designated in its entirety as the hedging instrument of a one-sided risk will not be perfectly effective. Additionally, the designation of inflation as a hedged risk or portion is not permitted unless in particular situations. There is no material impact on the Group or Company's financial statements.

IFRS 2 (amended), 'Group cash-settled share-based payment transactions'

The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of 1 January 2010. There is no material impact on the Group or Company's financial statements.

IFRIC 17, 'Distribution of non-cash assets to owners'

The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 'Non-current assets held for sale and discontinued operations' has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. This interpretation does not have a material impact on the Group or Company's financial statements.

IFRIC 18, 'Transfers of assets from customers'

This interpretation was issued in January 2009. It clarifies how to account for transfers of items of property, plant and equipment by entities that receive such transfers from their customers. The interpretation also applies to agreements in which an entity receives

cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use that item to provide the customer with ongoing access to supply of goods and/or services. The Group is not impacted by the adoption of IFRIC 18.

Annual improvements to IFRSs 2008-2009
In April 2008 and 2009, the IASB issued its annual amendments to International Financial Reporting Standards (IFRSs) and the related Bases for Conclusions and guidance made. The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project. The amendments primarily remove inconsistencies and clarify wording. The Group has adopted the amendments to standards as they come into effect for the reporting period beginning on 1 January 2010. However, these amendments have no material impact on the Group or Company's financial statements.

(b) Standards, amendments to published standards and interpretations early adopted by the Group
In 2010, the Group did not early adopt any new, revised or amended standards.

(c) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Group
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective.

IAS 24 (amended), 'Related party disclosures'
The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance.

IAS 32 (amended), 'Financial instruments: Presentation – classification of rights issues'
The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

This amendment will have no impact on the Group after initial application.

IFRS 9, 'Financial instruments: Classification and measurement'
IFRS 9 as issued reflects the first phase of the Board's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets. However, the Group determined that the effect shall be quantified in conjunction with the other phases when issued to present a comprehensive picture.

IFRS 9 amendments to incorporate financial liabilities
The amendments to IFRS 9 issued in October 2010 incorporate the classification and measurement of financial liabilities and are mandatory for annual periods beginning on or after 1 January 2013. The amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the Fair Value Option (FVO). All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9.

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (OCI). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The amendments are deemed to have no impact on the financial statements of the Group.

IFRIC 14 (amended), 'Prepayments of a minimum funding requirement'
The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid.

The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Annual improvements to IFRSs 2009-2010
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011.

The Group however, expects no significant impact from the adoption of the amendments on its financial position or performance.

IFRS 7 (amended), 'Financial instruments: Disclosures – Transfers of financial assets'
The amendment to IFRS 7 is effective for annual periods beginning on or after 1 July 2011 and comparative disclosures are not required for early adoption. The amendment will introduce more extensive quantitative and qualitative disclosures about the transfer of financial assets to assist users in understanding the implications of transfers of financial assets and the potential risks that may remain with the transferor. The amendment is deemed to have no material impact on the Group or Company's financial statements.

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Insurance contract liabilities
The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Group.

The estimated provision for the total level of claims incurred changes as more information becomes known about the actual losses for which the initial provisions were set up. The change in claims costs for prior period insurance claims represents the claims development of earlier reported years incurred in the current accounting period. In 2010, there has been a net positive development of £156.5 million (2009: £174.1 million) for the Group, reflecting favourable experience in the 2009 and prior reported years. Note 3 provides further details of the method the Group applies in estimating insurance contract liabilities.

Notes to the accounts continued

For the year ended 31 December 2010

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

Financial investments

The methods and assumptions used by the Group and Company in estimating the fair value of financial assets are described in note 3.

Intangible assets

Intangible assets are recognised on the acquisition of a subsidiary, on the purchase of specific rights to renew a particular underwriting portfolio and on computer software.

The value of such intangibles arising from the acquisition of a subsidiary or specific renewal rights is largely based on the expected cash flows of the business acquired and contractual rights on that business. Certain key assumptions are used to assess the value of the intangible such as past underwriting performance and past renewal values of underwriting business. These are the subject of specific uncertainty and a reduction in underwriting profitability or renewal patterns of business acquired may result in the value of the intangible being impaired and written off in the current accounting period. Note 22 provides details of any current impairments.

Goodwill impairment

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which goodwill is allocated. Details of the key assumptions used in the estimation of the recoverable amounts are contained in note 22.

The Group has allocated the goodwill to three single cash generating units equivalent to three operating segments of the Group. Note 22 provides further details. The carrying value at the reporting date of goodwill is £61.8 million (2009: £63.9 million).

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The carrying value at the reporting date of the deferred tax asset is £14.7 million (2009: £29.1 million), and of the deferred tax liability is £87.8 million (2009: £125.0 million).

Staff incentive plans

The Group recognises a liability and expense for staff incentive plans based on a formula that takes into consideration the underwriting profit after certain adjustments. Underwriting profit is estimated based on current expectation of premiums and claims and will change as more information is known or future events occur. Where estimates change, related staff incentive plan liabilities may also change.

Retirement benefit obligations

The Group participates in the Lloyd's Superannuation Fund defined benefit scheme and also operates defined benefit schemes in the Netherlands and Belgium.

The amounts included in these financial statements are sensitive to changes in the assumptions used to derive the value of the scheme assets and liabilities.

A gain of £5.9 million (2009: £23.7 million loss) has been recognised in the Statement of Comprehensive Income and a debit of £1.9 million (2009: £2.3 million) has been recognised in the Income Statement. Note 28 provides further details on the Group's retirement benefit obligations.

Significant accounting policies

Foreign currency translation

The Group and Company present their accounts in sterling since it is subject to regulation in the United Kingdom and the net assets, liabilities and income of the Group and Company are currently weighted towards sterling. US dollar and euro revenues are significant but the sterling revenue stream is also currently material. All Group entities are incorporated in the United Kingdom with the exception of Amlin Bermuda Holdings Ltd (incorporated in Bermuda), Amlin AG (Switzerland), Amlin France Holdings SAS (formerly known as Amlin France SAS), Amlin France SAS (formerly known as Anglo French Underwriters SAS) (both France), Amlin Corporate Insurance N.V. (the Netherlands) and Amlin Singapore Pte Limited (Singapore). All Group entities conduct business in a range of economic environments, although these are primarily the United Kingdom, United States of America and Continental Europe. Due to the regulatory environment and the fact that the Group trades through the Lloyd's market, all Group companies incorporated in the United Kingdom have adopted sterling as their functional currency, although Amlin (Overseas Holdings) Limited's Netherlands branch has adopted the euro as its functional currency. The Group company incorporated in Bermuda and Amlin AG's Bermudian branch (Amlin Bermuda) have adopted the US dollar as their functional currency. Amlin Singapore Pte Limited has adopted the Singaporean dollar as its functional currency. The Group companies incorporated in France and the Netherlands and Amlin AG's Swiss operation (Amlin Re Europe) have adopted the euro as their functional currency.

Transactions denominated in foreign currencies are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing in the period in which the asset or liability first arose. Exchange differences are recognised within other operating expenses.

The results and financial position of those Group entities whose functional currency is not sterling are translated into sterling as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates during the period (as an approximation to the exchange rates at the dates of each transaction); and
- On consolidation all resulting exchange differences are recognised as a component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Where contracts to sell currency have been entered into prior to the year end, the contracted rates have been used. Differences arising on the translation of foreign currency amounts on such items are included in other operating expenses.

Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Any

contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

Based on the current assessment, all of the products sold by the Group's insurance entities are insurance contracts within the scope of IFRS 4.

Insurance contracts premium

Gross written premium comprises premium on insurance contracts incepting during the financial year together with adjustments to premiums written in previous accounting periods. The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, is deemed to be written in full at the inception of the contract. Premium is disclosed before the deduction of brokerage and taxes or duties levied on them.

The proportion of gross written premium, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premium. The change in this provision is taken to the income statement in order that revenue is recognised over the period of the risk.

Premium is earned over the policy contract period. The earned element is calculated separately for each contract on a 365ths basis where the premium is apportioned over the period of risk. For premium written under facilities the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts.

Acquisition costs

Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premium they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are written off where they are no longer considered to be recoverable.

Reinsurance premium ceded

Reinsurance premium ceded comprises the cost of reinsurance arrangements placed and are accounted for in the same accounting period as the related insurance contracts. The provision for reinsurers' share of unearned premium represents that part of reinsurance written premium which is estimated to be earned in following financial years.

Insurance contracts liabilities

Claims paid are defined as those claims transactions settled up to the balance sheet date including internal and external claims settlement expenses allocated to those transactions.

Unpaid claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the balance sheet date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels.

Unpaid claims reserves are estimated on an undiscounted basis. Unpaid claims reserves acquired through a business combination are measured at fair value, using an applicable risk-free discount rate and having regard to the expected settlement dates of the claims. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the income statement. Provisions are established above an actuarial best estimate, reflecting a risk premium relating to the uncertainty of the actual level of claims incurred. There is therefore a reasonable chance of release of reserves from one underwriting year to the next.

The unpaid claims reserves also include, where necessary, a reserve for unexpired risks where, at the balance sheet date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts entered into by the Group under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Where there is objective evidence that a reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other insurance assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Net investment income

Dividends and any related tax credits are recognised as income on the date that the related listed investments are marked ex-dividend. Other investment income, interest receivable, expenses and interest payable are recognised on an accruals basis.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, which is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors of the Company.

Business combinations

i. Business combinations before 1 January 2010

The acquisitions of subsidiaries are accounted for using the purchase method. The cost of acquisition is measured as the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of exchange, plus any costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

ii. Business combination after 1 January 2010

The Group policy is to apply IFRS 3 (revised) to all acquisitions which take place on or after 1 January 2010. Business combinations are accounted for using the acquisition method.

Notes to the accounts continued

For the year ended 31 December 2010

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

The cost of acquisition is measured as the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of exchange. Under IFRS 3 (revised), with the exception of the costs of registering and issuing debt and securities that are recognised in accordance with IAS 32 and IAS 39 (i.e. as a reduction in proceeds), all other acquisition-related costs are to be expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the fair value of consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

For each business combination, the Group measures any non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Interests in associate entities

Investments in associates are accounted for using the equity method.

Associates are all entities over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's share of its associates' post-acquisition profits and losses after tax is recognised in the income statement each period, and its share of the movement in associates' net assets is reflected in the investments' carrying values in the balance sheet.

Interests in jointly owned entities

Investments in jointly owned entities are accounted for using the equity method.

Operations held for sale

Assets and liabilities held for disposal as part of operations which are held for sale are shown separately in the Consolidated Balance Sheet. The relevant assets are recorded at the lower of their carrying amount and their fair value, less the estimated selling costs. Operations held for sale are being actively marketed to external investors. After one year of where in excess of 50% of the operation is held by the Group, the assets and liabilities are consolidated unless the delay in attracting sufficient external investment is due to circumstances beyond the Group's control and previously considered unlikely. When the Group ceases to hold a 50% interest in the assets and liabilities, it shall be re-designated as fair value through profit and loss.

Intangible assets

i. Syndicate capacity

The cost of Lloyd's syndicate participations that have been purchased in the Lloyd's capacity auctions is capitalised at cost. Syndicate capacity is considered to have an indefinite life as it will provide benefits over an indefinite future period and is therefore not subject to an annual amortisation charge. The continuing value of the capacity is reviewed for impairment annually by reference to the expected future profit streams to be earned from Syndicate 2001, with any impairment in value being charged to the income statement.

ii. Goodwill

Goodwill arising on acquisitions prior to 1 January 1999 was written off to reserves. Goodwill recognised between 1 January 1999 and the date of transition to IFRS (1 January 2004) was capitalised and amortised on a straight line basis over its estimated useful life. Following the transition to IFRS this goodwill is stated at net book value at 1 January 2004. Goodwill that was recognised subsequent to 1 January 2004 is capitalised. Goodwill is tested for impairment annually, or when events or changes in circumstance indicate that it might be impaired, by comparing the net present value of the future earnings stream from the acquired subsidiary, against the carrying value of the goodwill and the carrying value of the related net assets.

iii. Other intangible assets

Other intangible assets comprise costs directly attributable to securing the intangible rights to broker, customer relationships and costs directly attributable to internally-developed software. Costs are recognised as intangible assets where they can be identified separately and measured reliably and it is probable that they will be recovered by directly related future profits. Other intangible assets are reviewed for impairment losses annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other intangible assets are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis based on the estimated useful economic life of the assets, which is estimated to be between five and fifteen years.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and provision for impairment where appropriate. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on the straight line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Leasehold land and buildings	Over period of lease
Freehold buildings	5% per annum
Motor vehicles	33% per annum
Computer equipment	33% per annum
Furniture, fixtures and leasehold improvements	20% per annum

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying value may be impaired. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment and the difference is charged to the income statement.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken to the income statement. Repairs and renewals are charged to the income statement when the expenditure is incurred. The freehold land is not depreciated.

Financial assets

The Group classifies its financial assets at fair value through profit and loss (FV) or available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Other than investments in certain unlisted insurance intermediaries (see below), the Group classifies its financial investments as FV. This classification requires all fair value changes to be recognised immediately within the investment return line in the income statement. Within the FV category, fixed maturity and equity securities are classified as 'trading' as the Group buys with the intention to resell. All other securities are classified as 'other than trading' within the FV category.

The Group has investments in certain unlisted insurance intermediaries which are treated as available-for-sale and are measured at fair value. Changes in fair value of investments are included in Other Comprehensive Income in the period in which they arise. They are tested for impairment annually, or when events or changes in circumstances indicate that impairment might have occurred. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Purchases and sales of investments are recognised on the trade date, which is the date the Group commits to purchase or sell the assets. These are initially recognised at fair value, and are subsequently re-measured at fair value based

on quoted bid prices. Transaction costs are recognised directly in the income statement when incurred. Changes in the fair value of investments are included in the income statement in the period in which they arise. The uncertainty around bond valuation is discussed further in note 3.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. Fair values for over the counter derivatives are supplied by the custodian and checked to the relevant counterparty and Bloomberg. Changes in the fair value of derivative instruments are recognised immediately in the income statement unless the derivative is designated as a hedging instrument. As defined by IAS 39 'Financial Instruments: Recognition and Measurement', the Group designates certain foreign currency derivatives as hedges of net investments in foreign operations. The Group documents at the inception of each hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Any gain or loss on the hedging instrument related to the effective portion is recognised in the Consolidated Statement of Comprehensive Income. The fair values of derivative instruments used for hedging purposes are disclosed in note 17. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Loans and receivables

Loans and receivables are measured at amortised cost using an effective interest rate. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is evidence that the asset is impaired. These are reversed when the triggering event that caused the impairment is reversed.

Borrowings

Borrowings are stated initially at the consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between amortised cost and the redemption value is recognised in the income statement over the period of the borrowings. Transaction costs on borrowings are charged through the income statement over the period of the borrowings.

Borrowing costs

Borrowing costs mainly comprise interest payable on subordinated loans and commissions charged for the utilisation of letters of credit. These costs are charged to the income statement as finance costs, as incurred. In addition, fees paid for the arrangement of debt and letter of credit facilities are charged to finance costs over the life of the facility.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term, highly liquid investments which are believed to be subject to insignificant risk of change in fair value.

Treasury shares

Treasury shares are deducted from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the treasury shares. Any consideration paid or received is recognised directly in equity.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income in the period in which they become payable in accordance with the terms of the lease.

Employee benefits

i. Pension obligations

The Group participates in a number of pension schemes, including several defined benefit schemes, defined contribution schemes and personal pension schemes.

The Lloyd's Superannuation Fund scheme is a multi-employer defined benefit scheme. Amlin Corporate Insurance N.V. (ACI) participates in two defined benefit schemes.

The defined benefit obligation and associated pension costs are calculated annually by independent actuaries using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final liability. The cost of providing these benefits is charged to the income statement to spread the pension cost over the service lives of employees. Actuarial gains and losses arising from the recognition and funding of the Group's pension obligations are recognised in the Statement of Comprehensive Income during the period in which they arise.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the fair value of plan assets less the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised past-service costs and for restrictions on the recognition of a defined benefit asset due to an asset ceiling. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, and that have terms to maturity approximating to the terms of the related pension liability. In respect of ACI's defined benefit scheme in the Netherlands, the fair value of the plan assets reflects the benefits that accrue to ACI under the insurance policy taken out to meet its obligations.

Pension contributions to defined contribution plans are charged to the income statement when due.

ii. Equity compensation plans (equity-settled)

The Company operates a number of executive and employee share schemes. Options issued after 7 November 2002 are accounted for using the fair value method where the cost for providing equity compensation is based on the fair value of the share option or award at the date of the grant. The fair value is calculated using an option pricing model and the corresponding expense is recognised in the income statement over the vesting period. The accrual for this charge is recognised in equity shareholders' funds. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital for the par value and the surplus to share premium.

iii. Equity compensation plans (cash-settled)

The Group operates the Amlin Capital Builder Plan which is deemed a cash-settled share-based payment arrangement. The cost of cash-settled transactions is measured initially at fair value at the grant date. Further details are given in note 24. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

iv. Other benefits

Other employee incentive schemes and long-term service awards, including sabbatical leave, are recognised when they accrue to employees. A provision is made for the estimated liability for long-service leave as a result of services rendered by employees up to the balance sheet date.

Other income

Fee income from providing information services is recognised on an earned basis.

Notes to the accounts continued

For the year ended 31 December 2010

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The Group's and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group and Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered, or to the extent that it has been utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is recognised on the profits of overseas subsidiaries where it is reasonably foreseeable that distribution of the profit back to the UK will take place and the UK dividend exemption is not expected to apply.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Other payables

Other payables are those incurred in the normal course of business and measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied, and have been invoiced by the supplier before the period end, but payment has not yet been made.

2. Capital

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and note 23, and subordinated debt as disclosed in note 27. For business planning purposes, account is also taken of the Group's undrawn debt facilities as disclosed in note 27.

The Amlin corporate member, which supports Syndicate 2001, is required to hold regulatory capital in compliance with the rules issued by the UK's Financial Services Authority (FSA). In addition, being a Lloyd's operation it is also subject to Lloyd's capital requirements. Under FSA rules, the corporate member must hold capital in excess of the higher of two amounts. The first is the Pillar 1 requirement, as prescribed by EU directives, calculated by applying fixed percentages to premiums and claims. The second, Pillar 2, is an Individual Capital Assessment (ICA) calculated internally by the firm. The ICA is defined as the level of capital that is required to contain the probability of insolvency, over a one year timeframe, to no greater than 0.5%. The ICA calculation basis is generally considered to be broadly equivalent to a BBB insurance financial strength rating. The ICA calculation considers all ultimate losses incurred over a one year business planning horizon, and any prior year reserve movements.

For the purposes of setting Lloyd's capital requirements, Lloyd's currently uplifts all ICAs by 35% (2009: 35%) to bring the capital to a level to support a higher financial strength rating. The final capital requirement is then subject to a minimum of 40% (2009: 40%) of the syndicate's agreed regulatory premium capacity limit.

The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund, for which a variable annual levy, for 2010 of 0.5% (2009: 0.5%) of Syndicate gross premium, is payable.

The ICA is reviewed annually by Lloyd's and periodically by the FSA. The FSA expect management to apply their rules continuously. If a firm breaches its Pillar 1 capital it must cease trading; if Pillar 2 capital is breached steps must be taken urgently to restore capital to the required level. Due to the nature of the Lloyd's capital setting process, Funds at Lloyd's requirements are formally assessed and funded twice yearly at discrete periods and must be met for the Syndicate to continue underwriting.

At 31 December 2010 the level of capital held on behalf of the Amlin corporate member was more than £250 million (2009: £200 million) in excess of the Pillar 1 requirement and more than £25 million (2009: £20 million) in excess of the Pillar 2 requirement.

The Group does not seek to retain any assets in excess of the Lloyd's capital requirement within the Lloyd's framework and any surplus is paid to the corporate entities in the Group.

Amlin AG is supervised by the Swiss Financial Market Supervisory Authority (FINMA) and the Bermuda Monetary Authority (BMA).

The FINMA supervision is composed of various qualitative assessments, governance requirements and minimum solvency levels. Amlin AG provides regulatory solvency reporting to FINMA under the rules of Solvency I and the Swiss Solvency Test (SST). Solvency I is based on the Swiss statutory financial statements and required capital is calculated as a fixed percentage of premiums, claims reserves and/or net amount at risk. The SST is based on an economic view and required capital is derived from an internal Dynamic Financial Analysis (DFA) model.

The internal model as well as the 2011 SST is still subject to approval by the FINMA. We calculate available and required capital under the SST using the aforementioned model. The minimum ratio for Solvency I as well as for the SST is set at 100% (the SST minimum ratio will become legally binding in 2011). For both ratios Amlin AG exceeds the 100% minimum ratio.

Under BMA regulations, Amlin AG is licensed as a Class IV insurer and the minimum solvency margin is the greater of US$100 million, 50% of net premiums written in the current financial year, 15% of claims reserves and the Enhanced Capital Requirement (ECR). The ECR is calculated on an annual basis through either the Bermuda Solvency Capital Requirement (BSCR) model or an approved internal model. In addition, as a Class IV insurer, the company is required to maintain a minimum liquidity ratio such that the value of 'relevant assets' is not less than 75% of its 'relevant liabilities'. Amlin AG met this requirement at 31 December 2010.

For trading purposes, Amlin AG believes that it is necessary to hold at least US$1 billion of capital, which is currently in excess of the minimum required by the BMA and FINMA.

Amlin Corporate Insurance N.V. (ACI) is required to hold regulatory capital in compliance with the rules issued by its regulator and as prescribed by EU directives.

Regulatory capital is calculated by applying fixed percentages to premiums and claims. At 31 December 2010, ACI's available regulatory capital was €341.9 million (2009: €308.0 million) compared to a minimum requirement of €112.4 million (2009: €111.0 million). For wider commercial reasons, ACI's capital is managed so as to support its financial strength ratings.

The method by which the Group manages its capital base is described on page 46 of the Performance section under Financial Management.

In addition to regulatory capital requirements, the Group believes that it should retain a level of capital within the Group to allow it to grow its exposures materially in the aftermath of a major insurance disaster, but also to respond to other opportunities to enhance long-term growth, for example through acquisition. The overall capital held by the Group is driven by the business mix, nature and objectives of each business unit and its context within the wider Group.

3. Risk disclosures

3.1 Underwriting risk

The Group accepts underwriting risk in a range of classes of business through Lloyd's Syndicate 2001, Amlin Corporate Insurance N.V. (ACI) and Amlin AG (including the latter's branch operation, Amlin Bermuda). Syndicate 2001's portfolio is underwritten by Amlin London, Amlin UK and through the Group's wholly owned French coverholder, Amlin France (formerly known as Anglo French Underwriters SAS). Amlin France also writes business on behalf of ACI. The bias of the Group's portfolio is towards short-tail property and accident risk but liability coverage is also underwritten.

In underwriting insurance or reinsurance policies the Group's underwriters use their skill, knowledge and data on past claims experience to evaluate the likely claims cost and therefore the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premium charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premium being calculated and charged or may result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to limit the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed which is used to monitor the amount of premium income, and exposure, to be written in total and for each class of business. Progress against this plan is monitored during the year. The Group also operates under a line guide that determines the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) and for each underwriter. These limits can be exceeded in exceptional circumstances but only with the approval of senior management. Apart from the UK and international comprehensive motor liability portfolios, which have unlimited liability, all policies have a per loss limit which caps the size of any individual claim. For larger sum insured risks facultative reinsurance coverage may be purchased. The Group is also exposed to catastrophe losses which may impact many risks in a single event and again reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described in the reinsurance arrangements section on page 109.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby Amlin is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that use their judgement to write risks on our behalf under clear authority levels.

The insurance liabilities underwritten by the Group are reviewed on an individual risk, or contract, basis and through review of portfolio performance. Claims arising are reserved upon notification. Each quarter the entire portfolio of business is subject to a reserving process whereby levels of paid and outstanding (advised but not paid) claims are reviewed. Potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. This provision is subject to review by senior executives and an independent internal actuarial assessment is usually carried out by the in-house actuarial team to determine the adequacy of the provision. Whilst a detailed and disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried.

Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which in aggregate exceed the reserve provision established. This is partly mitigated by the reserving policy adopted by the Group which is to carry reserves in excess of the actuarial best estimate.

The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risk already underwritten which cannot be re-priced until renewal at the end of the policy period.

The Group is exposed to the impact of large catastrophe events such as windstorms, earthquakes or terrorist incidents. Exposure to such events is controlled and measured through loss modelling, but the accuracy of this exposure analysis is limited by the quality of data and the effectiveness of the modelling. The Group's broad risk appetite guidelines are set out on page 38. It is possible that a catastrophe event exceeds the maximum expected event loss. This is particularly the case for the direct property proportion of the loss exposure where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values from a particular scenario. Errors, or incorrect assumptions, in the damage factor calculation can result in incurred catastrophe event claims higher, or lower, than predicted due to unforeseen circumstances or inadequacies in the models used. As explained on page 109 reinsurance is purchased to protect against the impact of any individual or series of severe catastrophes. However, the price and availability of such cover is variable and the amount of loss retained by the Group may therefore also increase or reduce. The Group will alter its insurance and reinsurance exposures to take account of the change in reinsurance availability in order to remain within the risk appetite guidelines.

Sections A to E below describe the business and the risks of Amlin London, Amlin UK, Amlin France, Amlin AG, Amlin Re Europe, Amlin Bermuda and Amlin Corporate Insurance.

Notes to the accounts continued

For the year ended 31 December 2010

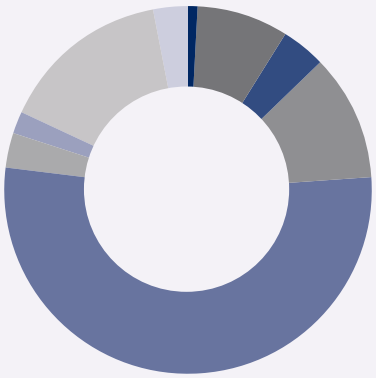
3. Risk disclosures continued

A. Amlin London

The geographic spread of all Amlin London classes is shown below:

Gross premium by geography

Amlin London



Africa	1%
Asia	8%
Caribbean	4%
Europe	11%
North America	53%
Oceania	3%
South & Central America	2%
UK	15%
Other	3%

A. (i) Property reinsurance risks

Reinsurance property classes

	2010 Gross premium £m	Current maximum line size £m	2010 Average line size £m
Catastrophe reinsurance (per programme)	232	62	5.0
Per risk property reinsurance (per programme)	76	25	2.2
Proportional reinsurance	48	5	1.2

Notes:

(1) Limits are set in US dollars converted to sterling at a rate of exchange of £1 = US$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.

(2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.

(3) Premium stated gross of acquisition costs.

Catastrophe reinsurance protects insurance companies against catastrophic losses, such as windstorm or earthquake, which may impact more than one risk written by the client.

This portfolio is a key part of the insurance risk written by the Group. Programmes are placed on a layered or excess of loss basis. Territorial exposures, from a number of programmes, are much higher, but are carefully recorded and analysed through loss simulations or realistic disaster scenarios.

Per risk property reinsurance is also written on an excess of loss basis but covers loss or damage to any single risk within the reinsured's portfolio. This portfolio protects insureds against large individual property losses and will also be affected by large catastrophes.

Proportional reinsurance covers a proportional share of a reinsureds portfolio of business subject to payment of commission and/or profit commission. Almost all proportional reinsurance written by the Group in this class is property business and risk exposure is limited to US$7.5 million for any one risk.

The portfolio of reinsurance business is written with the aim of achieving territorial diversification. However, a severe catastrophe to a major economic zone in Europe, Japan, Australasia or the USA is likely to result in an overall loss to the portfolio prior to retrocessional reinsurance. Amlin London operates to a maximum loss limit applicable to refined scenarios which is an allocation of a total Group tolerance.

A. (ii) Other reinsurance risks

The Group also writes other reinsurance classes which contribute diversified exposure to the portfolio. The main classes with the maximum sum insured lines are shown below:

Aviation, marine and special risks reinsurance classes

	2010 Gross premium £m	Current maximum line size £m	2010 Average line size £m
Aviation reinsurance (per programme)	1	33	3.3
Marine reinsurance (per programme)	17	81	2.3
Special risks	14	17	5.3

Notes:

(1) Limits are set in US dollars converted to sterling at a rate of exchange of £1 = US$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.

(2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.

(3) Premium stated gross of acquisition costs.

The business writes a portfolio of aviation and marine reinsurance risk which protects insurers against losses to their direct portfolios of business. This is written on an excess of loss basis.

The special risks account is mostly terrorism excess of loss reinsurance emanating from all parts of the world and written without excess of loss reinsurance protection.

A. (iii) Property insurance risks

Property classes

	2010 Gross premium £m	Current maximum line size £m	2010 Average line size £m
Direct and facultative property	82	21	3.1
Binding authorities	36	2	0.3

Notes:

(1) Limits are set in US dollars converted to sterling at a rate of exchange of £1 = US$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.

(2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.

(3) Premium stated gross of acquisition costs.

Property cover is provided to large commercial enterprises with high value locations and/or many locations, and also for small commercial property. The perils covered include fire, flood, wind and earthquake damage. Business interruption cover is also provided for loss of earnings sustained due to the perils and properties covered but may also be extended to connected enterprises. Terrorism cover is given on a limited basis particularly where required by local regulation, but nuclear and bio-chemical coverage is excluded in most territories.

Direct and facultative property insurance is written for the full value of the risk, on a primary or excess of loss basis, through individual placements, or by way of delegated underwriting facilities given to coverholders (binding authorities). Binding authority arrangements delegate the day to day underwriting to underwriting agents working on our behalf and therefore, for these contracts we are reliant on coverholders exercising underwriting judgement on our behalf. Coverholders must have local regulatory approval, be Lloyd's registered and also approved by the Amlin Binding Authority Committee. For all binding authorities facilities we receive a monthly or quarterly bordereau which is checked by our underwriting staff. We control the underwriting by setting clear authority levels for coverholders stipulated within the binding authority agreement, regularly monitoring performance and periodically carrying out underwriting visits and/or commissioning third party audits. The coverholder is incentivised to produce an underwriting profit through the payment of profit commission. However, with the day to day underwriting not controlled by the Group, there is a risk that coverholder underwriting or claim decisions are made which would not have been made by Amlin underwriters or claims staff. The maximum value insured under the Binders class is currently limited to US$3 million at any one location.

The property portfolio is also exposed to an above average frequency of individual fire, explosion or weather related claims. The premium charged for the coverage given may not be sufficient to cover all claims made in any year, particularly in a year in which there is an abnormal frequency of claims. This account is mainly situated in the USA and is therefore exposed to large catastrophe events such as California earthquake and hurricane losses.

A. (iv) US casualty risks

The US casualty portfolio of business provides insurance and reinsurance cover to individuals, or companies, in order to indemnify them against legal liability arising from their activities and actions or for incidents occurring on their property. The account is currently written to a maximum liability of US$6 million on any one claim but average lines are US$0.8 million on any one claim. 2010 gross premium was £47 million.

The portfolio is made up of specialist general casualty, professional indemnity, medical malpractice and errors and omissions cover. Small amounts of directors' and officers' liability and auto liability are also written. The class is mostly written on a claims notified basis (responding to all claims made during a defined period) except for small amounts of general liability business which may be written on a losses occurring basis (the policy responds to losses which occur during the period even if reported after the policy has expired).

Claims from this class emanate from professional error, negligence or an accident which causes injury, damage or financial loss. The account is vulnerable to a high frequency of claims, but not individual large losses as the cost to the Group of any individual claim is small. Claims frequency may be impacted by a generic claim type which impacts many individuals and (re)insurance policies such as poor housing design or bad medical practice. The size of many individual claims is subject to the decisions arising from the US court system which can be higher than anticipated. There is also the potential for US courts to impose a 'bad faith' judgement on insurers if it is deemed that the insurer has acted improperly in trying to avoid contractual obligations. Such awards can, in exceptional circumstances, be much higher than the value of the insurance claim.

A. (v) Accident and health, auto and special risks

Syndicate 2001 also writes other property and casualty classes which contribute diversified exposure to the portfolio.

The main classes with the maximum sum insured lines are shown below:

Property and casualty other classes

	2010 Gross premium £m	Current maximum line size £m	2010 Average line size £m
Accident & health	31	3	0.3
Auto	26	3	0.4

Notes:

(1) Limits are set in US dollars converted to sterling at a rate of exchange of £1 = US$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.

(2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.

(3) Premium stated gross of acquisition costs.

The accident and health class is written through medical expense schemes in the USA and direct personal accident cover, or personal accident reinsurance, worldwide. Medical expense cover is subject to a high frequency of claim and significant medical cost inflation. Personal accident insurance and reinsurance could be impacted by a single or series of accidents to high value insured individuals or from a multiple death and injury event such as an air crash or natural catastrophe.

The auto class covers property damage only (fire, theft and collision) in the USA and property damage and third party motor liability combined cover in other international territories. This class could be impacted by unexpected claim frequency, a multi vehicle event such as a severe flood and also large bodily injury award claims emanating from an accident.

A. (vi) Marine risks

Syndicate 2001 writes a broad account of marine risks with maximum lines as follows:

Marine classes

	2010 Gross premium £m	Current maximum line size £m	2010 Average line size £m
Hull	28	10	2.0
Cargo	26	17	3.0
Energy	57	25	4.4
War and terrorism	35	50	8.3
Specie	10	24	2.5
Bloodstock/ livestock	13	4	0.5
Yacht (hull and liability)	31	5	1.2
Liability	28	57	5.1

Notes:

(1) Limits are set in US dollars converted at a rate of exchange of £1 = US$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.

(2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.

(3) Premium stated gross of acquisition costs.

The hull and cargo account is worldwide, covering property damage to ships and loss, or damage, to a large variety of cargo or goods in transit. The hull account can include machinery breakdown and the account written has historically been targeted towards lower value tonnage, smaller 'brownwater' vessels and fishing boats. However, as anticipated following the employment of a new leading class underwriter in December 2009, larger 'blue water' ocean hull risks such as cruise liners, tankers and bulk carriers have also been written. These accounts can be impacted by attritional claims of a small size as well as a single individual large claim. The cargo account in particular could also be involved in a major natural catastrophe loss. In an economic recession, it is expected that premium income will fall from these areas as trade reduces and hull values are impacted by reduced freight rates. This trend has occurred in 2010 with reductions in the quantity and value of cargo shipments. It is also possible that claims frequency could increase due to increased economic pressures affecting fraud and theft claims.

The energy portfolio is mainly offshore rig and construction policies which may be impacted by large individual claims from construction fault or property damage such as fire or explosion, but is also exposed to severe catastrophe losses in the North Sea and Gulf of Mexico. The account includes control of well to limit loss of oil and avoid pollution and also some business interruption cover which indemnifies companies for loss of production.

War business includes aviation, marine and on land terrorism coverage. The account is exposed to single incidents or a series of losses arising from concerted action. Political risk, confiscation and contract frustration business is also written.

Specie business consists of the insurance against damage or theft to fine art, the contents of vaults and other high value goods including jewellers' block and cash in transit. The fine art may be shown at exhibitions which have very high aggregate values at risk. The class is therefore exposed to the potential for a frequency of small claims and also large individual losses. Some specie is written in catastrophe zones e.g. California.

The bloodstock account provides coverage for death, illness or injury to horses mainly in the UK. Business from the USA, Australia and South Africa is also written. This covers racing or eventing horses and breeding studs. The average value insured is below £1 million but there is the potential for an aggregate loss,

Notes to the accounts continued

For the year ended 31 December 2010

3. Risk disclosures continued

such as a stable fire, which could cause multiple claims.

Crowe Livestock, a leading Lloyd's coverholder for the insurance of livestock, was acquired in November 2009. This agency writes a broad portfolio of protection for livestock and specialist products such as zoo animals, with a maximum line of any one policy of US$10 million. The company also writes employers' liability cover for livestock business up to a limit of £10 million. Again, an event affecting several animals across many policies such as disease could result in a loss significantly higher than this.

Yacht business covers property damage and third party injury for small leisure boats and craft. The bulk of the account is smaller value yachts in the UK and Europe, although there are a number of binders written by coverholders elsewhere, such as Scandinavia, Canada and Australia. There is an expectation of a large number of small claims, as average values are low in comparison to other claims written in the Group. Third party liability yacht claims arise from injury or damage caused by one of our policyholders to third parties. There is also the potential for a large catastrophe loss such as a UK windstorm where there are large aggregate sums insured in coastal regions such as southern England.

The marine liability portfolio is written to protect ship-owners, harbours, charterers and energy companies against damage or injury to third parties. This includes the potential for pollution damage and clean up claims. The account could suffer a large catastrophe incident from a collision causing death of crew and passengers or an oil, or chemical, spill which could incur large clean up costs.

A. (vii) Aviation risks

The Group, through Syndicate 2001, underwrites direct and facultative aviation business domiciled in most parts of the world. Maximum lines are as follows:

Aviation classes

	2010 Gross premium £m	Current maximum line size £m	2010 Average line size £m
Airline (hull & liability)	25	84	34.0
General aviation (hull & liability)	15	57	18.5
Risk excess (hull & liability)	10	57	11.0
Airports liability	10	57	28.9
Products	6	50	21.7
Space (hull & liability)	4	46	9.1

Notes:

(1) Limits are set in US dollars converted at a rate of exchange of £1 = US$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.

(2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.

(3) Premium stated gross of acquisition costs.

The airline account is exposed to large claims arising from property damage, death or injury arising from aircraft accidents. The domicile of the airline and passengers has a notable influence on the cost of claims, for example US court awards are generally higher.

The general aviation account covers smaller aircraft or cargo and covers owners or operators, against loss or damage and third party injury. The risk excess account is a book of general aviation reinsurance business written to protect a small number of insurers against large general aviation claims.

Airport liability insurance covers airport operators, refuellers and air traffic controllers against losses arising from injury caused by their activities or occurring on their premises. Product liability covers manufacturers against accidents arising from faulty parts or equipment, or poor servicing of aircraft. Both airport and product liability coverage is written on a losses occurring basis meaning that claims advices can be made after the policy has expired. Space insurance covers property and liability during launch and the operation of satellites whilst in orbit for a limited period, normally of one year.

The aviation account is subject to both small and large claims. Claims involving loss of life or serious injury to high earning passengers or third parties are subject to the ongoing inflation of court awards particularly in the US. Large accidents involving the potential death of 500 or more passengers are feasible and could potentially result in a gross claim to the business of more than the vertical reinsurance programme if, for example, two large aircraft were to collide. Space losses are generally large single claim amounts caused by launch failure or operational failure in orbit. The principal aviation accounts are protected by a reinsurance programme on both a risk sharing (proportional) and excess of loss basis. The Group reinsurance arrangements are discussed on page 109. The space account is written with risks shared with Amlin Bermuda but is not protected by excess of loss reinsurance.

B. Amlin UK

B. (i) Non motor risks

Non motor classes

	2010 Gross premium £m	Current maximum line size £m	2010 Average line size £m
Employers' liability	21	27	10.0
Public/products liability	22	12	3.8
Professional indemnity	25	7	1.6
UK commercial property/package	88	52	0.5
Financial institutions fidelity and liability	6	6	1.9

Notes:

(1) Premium stated gross of acquisition costs.

Amlin UK writes three classes of UK liability. The vast majority of the business emanates from the UK with the balance mainly from Ireland and Canada.

Employers' liability insurance protects employers against accident or injury to employees. This is written on a losses occurring basis (covering events that occurred in the policy period even if they are not notified until after expiry) for limits up to £27 million per employer.

Public liability insurance provides coverage, often written in conjunction with employers' liability, for accident or injury occurring to clients, customers or another third party as a result of contact with the insured's personnel, property or products. This is written on a losses occurring basis currently, for limits up to £12 million per assured.

Professional indemnity covers liability which may arise from services provided by the assured, for example as a result of negligence or error which may lead to financial or physical loss. This includes, but is not limited to, services from architects, engineers, surveyors, advertising firms, medical professionals and financial advisers and is written on a claims made basis (covering losses notified in the policy period).

Amlin UK package policies combine one or more of the liability coverages, mainly employers' and public liability with motor and/or property damage protection. Stand alone property protection is also written within this class, mainly on a 100% basis for small and medium commercial and household properties. The property owners account has continued to develop since the recruitment of a specialist underwriting team in June 2009.

Through AUA Insolvency Risk Services Ltd, an FSA registered broker, Amlin UK writes a portfolio of UK insolvency practitioners which provides protection against fraud or negligence committed by the practitioners and also protects the property assets under their management.

The Group also writes a small account of financial institutions policies covering fidelity, professional indemnity and directors' and officers' liability for companies providing financial services. The current maximum line is £6 million. Approximately half of the income is from Western European financial institutions with the balance spread broadly by territory. Coverage is given on a claims made basis.

The expected claims costs from these lines of business may be impacted by larger than anticipated damage awards to injured parties as well as due to an unforeseen increase in generic claims such as industrial disease or other health hazards. It is expected that claims frequency will increase during an economic downturn as unemployment leads to an increase in action against employers and people are more likely to seek redress for third party advice or behaviour which may have led to financial loss or injury. It is also possible that many claims could arise under many policies from a common cause such as financial advice or generic building defect. The financial institutions account could be affected by a major fraud or a series of related liability claims arising from banking, investment activity, stockbroking or other practices. The property portfolio could sustain a large loss from the effects of a UK windstorm or flood event.

B. (ii) UK motor insurance risks

Syndicate 2001's motor insurance risk is predominantly UK business covering fire, theft, collision and third party property and bodily injury liability. 2010 gross premium was £126 million. Under the requirements of UK law third party liability coverage is unlimited, but matching reinsurance is purchased. The account is biased towards commercial clients such as coach operators, haulage companies, commercial vehicle fleets and company executive fleets. The Syndicate leads two facilities for fleets involved in the transportation of hazardous waste. A small UK agriculture and a specialist private car account is also written.

Claims frequency has improved in recent years due to car and road safety measures but can fluctuate due to factors such as weather conditions. UK inflation is a key factor in determining the size of motor claims. Car values affect the size of theft claims and for physical damage claims size is linked to repair costs. Inflationary pressure on court awards within the UK and Irish legal systems impacts liability claim values. Government intervention such as liability award limit changes or expense recoveries for government bodies, including the National Health Service, will also impact claim size. For the motor account, severe bodily injury and catastrophe damage claims (e.g. UK flood) are limited through the purchase of a reinsurance programme, the highest layer of which is unlimited.

Motor insurance is a highly competitive area of insurance and pricing levels fluctuate. Whilst underwriters accept business subject to sufficient rates per vehicle, in a year where there is an unexpectedly high level of claims the total premium may not be sufficient to cover all the claims. There is also a risk that legal changes impact bodily injury payments and result in a requirement to increase reserves for outstanding claims.

C. Amlin France

In May 2010 Anglo French Underwriters SAS (AFU) and the French operations of ACI were merged to form Amlin France. Prior to the merger AFU was the foremost managing general agent serving Lloyd's in France and ACI had started to build a property and liability co-insurance business in France. The merger has created a business with increased critical mass with greater recognition in the French market.

Drawing business from a large network of brokers across France, Amlin France is able to offer a wide range of direct and facultative insurance products designed to respond to the needs of both individuals and corporate clients. Amlin France's business is situated predominantly in France.

Amlin France writes a diverse book of business on behalf of Syndicate 2001 including property, cargo, professional liability and specie through a network of more than 1,350 independent retail brokers. Although the vast majority of these risks have been written on behalf of Syndicate 2001, there continue to be a limited number of policies which do not involve the Group. The portfolio consists of the following classes with maximum and average line sizes:

Amlin France classes

	2010 Gross Premium €m	Current Maximum line size €m	2010 Average Line Size €m
Property			
– Synd 2001	25	20	27
– ACI	18	50	1.0
Marine			
– Synd 2001	4	10	1.8
Specie			
– Synd 2001	3	3	0.3
Professional indemnity			
– Synd 2001	5	5	0.7
Liability			
– ACI	2	13	2.1

Notes:

(1) Premium stated gross of acquisition costs.

(2) Maximum line size is shown after facultative reinsurance.

In respect of property, Amlin France acts as both a leading underwriter and co-insurer for industrial high hazard risks providing material damage insurance for the industrial and commercial premises of small and medium sized enterprises. Amlin France also provides a comprehensive package, including liability cover for discotheques, bowling alleys, restaurants, bars and casinos. Perils offered include fire, lightning and associated risks, electrical damage, water damage, storm, tempest, hail, snow and glass breakage. Optional coverages include business interruption, indirect losses, theft from individuals and theft from break-ins. Building insurance is also offered for owners who are not occupiers.

In the marine field, Amlin France provides yacht insurance which includes cover for damage, theft and liability as well as for the costs of marine assistance and marine personal accident. Worldwide stock and transit insurance is also provided with All Risks coverage granted on a start to finish basis from the point of supplier to the point of delivery. Transit cover includes all periods when the goods are stocked, in whatever location and without any break in coverage.

Jeweller's block cover is provided for high value contents. All risks coverage is given for stock within the premises, including for break-in, hold-up, fire and water damage. Cover is also given for commercial retail premises such as gunsmiths, perfume and clothing shops and art galleries, including damage caused to art while on show at exhibitions and damage to art kept in private residences. A comprehensive multi-risk product is provided for retailers which includes an extension for fire and water damage within the premises, liability coverage and the preservation of goodwill or business interruption following a loss.

Notes to the accounts continued

For the year ended 31 December 2010

3. Risk disclosures continued

Professional indemnity and financial guarantee insurance is provided to insurance and banking intermediaries as well as financial advisers, real estate agents and financial and investment consultants. This is a multi-layered package which responds to the particular needs of several regulated professions which may require differing types of cover.

Amlin France also offers insurance for events, including cancellation cover, organisers' liability, all risks exhibition cover and all risks coverage on equipment belonging to, hired by or installed by the assured. Amlin France also provides personal accident insurance for professions involving risk and the practice of sporting activities which are deemed hazardous.

For ACI, Amlin France writes a portfolio of large property and liability risks. The property book is mostly written on a co-insurance basis for commercial or industrial premises. The liability account provides general liability coverage for French industrial and commercial enterprises.

D. Amlin AG

In October 2010 the Group re-domiciled its wholly-owned subsidiary, Amlin Bermuda Ltd, from Bermuda to Switzerland following approval from the Swiss Financial Market Authority and the Bermuda Monetary Authority. The new Zurich-based underwriting business (trading as Amlin Re Europe) writes all major non-life reinsurance classes.

Amlin Bermuda Ltd, which was established in December 2005, has become a Bermuda-based branch of Amlin AG.

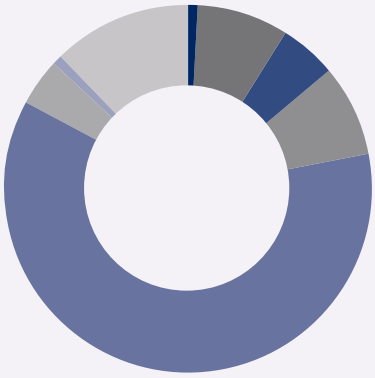
D. (i). Amlin Re Europe

Amlin Re Europe underwrites property catastrophe, property risk, marine, liability and motor business on a proportional and non-proportional basis. The maximum line for all classes is €20m (20% for unlimited motor policies). Business is sourced from Europe and Israel. By January 2011 Amlin Re Europe had written €3.1m of income attaching to the 2010 underwriting year and a further €66m in respect of 2011.

D (ii). Amlin Bermuda

The geographic spread of all Amlin Bermuda classes is shown below:

Gross premium by geography
Amlin Bermuda



Africa	1%
Asia	8%
Caribbean	5%
Europe	8%
North America	61%
Oceania	4%
South & Central America	1%
UK	12%
Other	<1%

Amlin Bermuda has continued to write a portfolio of reinsurance business on a direct basis and to reinsure part of the Syndicate 2001 portfolio. The direct written portfolio consists of the following classes with maximum line sizes and split by territory:

Amlin Bermuda direct business risks

	2010 Gross Premium US$m	Current Maximum line size US$m	2010 Average Line Size US$m
Catastrophe reinsurance (per programme)	266	75	7.2
Proportional reinsurance	67	19	1.4
Per risk property reinsurance (per programme)	70	15	2.8
Special risks	26	32	5.5
Marine reinsurance	6	55	8.1
Accident & health	3	7	3.4
Bloodstock	<1	1	1.1
Casualty	1	5	2.4

Notes:

(1) Premium stated gross of acquisition costs.

Amlin Bermuda's direct business has strong similarities to the portfolio of the Reinsurance business unit of Syndicate 2001. All of the business written emanates from London broker markets and is frequently seasoned business already underwritten by Syndicate 2001. Risk balance is provided by a whole account quota share of Syndicate 2001. This is further supplemented by a number of specific variable quota share treaties on short tail classes such as property and energy.

Property reinsurance is written through treaty arrangements on a proportional, individual risk excess of loss, or catastrophe excess of loss basis. The catastrophe reinsurance portfolio is the largest class of insurance risk written by Amlin Bermuda. Exposures to each programme are currently limited to US$12.5 million per risk and US$75 million any one catastrophe programme. Overall catastrophe loss limits are applied in relation to specific scenarios as an allocation of total Group tolerances. The current highest modelled loss is US$239 million at 1 January 2011.

The special risks account includes small premium classes mostly relating to terrorism reinsurance but also includes nuclear, short-term trade credit and contingency which is written in all parts of the world.

The accident and health class is written through medical expense schemes in the USA and provides personal accident reinsurance worldwide. Personal accident reinsurance could be impacted by a single or series of accidents to high value insured individuals or from a multiple death and injury event such as an air crash or natural catastrophe.

To date Amlin Bermuda has written risks with limited reinsurance protection and therefore it has higher net retained exposures to individual risk losses or catastrophe than the Syndicate currently bears.

E. Amlin Corporate Insurance

In July 2009 Amlin acquired Fortis Corporate Insurance N.V., subsequently renamed Amlin Corporate Insurance N.V. (ACI), a leading commercial insurer operating in the Benelux. As described in Section C, ACI's French operation was merged with Amlin France in May 2010.

ACI writes four main classes of business: motor, liability, property and marine, mainly for commercial clients locally. Exposures are predominantly in Belgium, the Netherlands and France apart from marine transportation risks or where an insured has exposures overseas.

ACI classes

	2010 Gross Premium €m	Current Maximum line size €m	2010 Average Line Size €m
Property and engineering	141	50	3.9
Hull	173	25	0.8
Cargo	180	25	0.9
Builders' risks	76	50	3.8
Liability	111	13	2.1
Fleet Motor	59	unlimited	unlimited

Notes:

(1) This analysis excludes captive companies where there is little or minimum retention of risks.

(2) Maximum linesize is shown after facultative reinsurance.

(3) Premium is stated gross of acquisition costs.

ACI's property account is mainly large schedules of properties (e.g. for municipalities) written on a coinsurance basis in the Netherlands and larger commercial industrial clients in Belgium and France. The company is a leader in both territories. Overseas exposure is written mainly from the large commercial industrial portfolio where there are client operations overseas. The engineering book includes contractors all risks, machinery breakdown and some computer equipment.

The marine portfolio covers general cargo, a large commodities book for Belgian trading corporations, hull, land equipment, builders' risk (where ACI are a recognised market leader), inland hull and large yachts. This portfolio is being re-underwritten due to high loss ratios in some sub-classes and the mix of business is therefore likely to change.

ACI also underwrites a range of marine products via an agency agreement with Raets Marine including marine liability, cargo and hull.

The non-marine liability portfolio in the Netherlands is professional indemnity and general liability written on a claims-made basis, particularly for property related professions and miscellaneous professions such as travel operators. In Belgium, ACI are a recognised leader in medical liability and general liability is written on a losses occurring form.

Across the portfolio maximum and average line sizes are higher for ACI than those written in Amlin London. This reflects the leading position of the company in the local industrial, commercial and marine markets. Furthermore, there is limited aggregation between this portfolio and catastrophe reinsurance business written elsewhere in the Group and all of ACI's book is protected by reinsurance on a per risk and catastrophe excess of loss basis.

The commercial motor account comprises of domestic company fleets including a large leasing and rental fleet written in the Netherlands and a smaller portfolio in Belgium. Over 70% of the book is cars, vans or commercial vehicles. There is a large underwriting agency book in the Netherlands.

Captive business is written in Belgium as fronting for captive reinsurers of large industrial companies. ACI retains small amounts of these risks but receive a fronting fee. Analysis is carried out on captives to manage potential credit risk.

Reinsurance arrangements

Syndicate 2001 purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks, notably for aviation and large property risks. A part of the premium ceded under such facilities is placed with Amlin Bermuda and for risks incepting during 2009, a separate proportional facility is placed for the excess of loss reinsurance portfolio through a Special Purpose Syndicate at Lloyd's, Syndicate 6106. Syndicate 2001 also purchases a number of excess of loss reinsurances to protect itself from severe frequency or size of losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

On large risks, individual facultative reinsurance may be bought which protects against a loss to that specific risk.

Specific risk excess of loss reinsurance is purchased for each class of business. The amount of cover bought depends upon the line size written for each class. The deductibles or amounts borne prior to recovery vary from class to class as do the amounts of co-reinsurance or unplaced protection. Specific programmes are purchased to deal with large individual risk losses, such as fire or large energy losses, and these programmes may be combined at a higher level into a general programme for larger losses.

UK and French direct property business is now protected by a European wind programme which also protects ACI's Dutch and French exposures.

The combined claims to Syndicate 2001 from several losses which aggregate in a single catastrophe event are protected by catastrophe cover. A separate excess of loss on excess of loss programme is purchased to protect the excess of loss reinsurance portfolio against such losses. Since 2006, the amount of excess of loss reinsurance purchased is lower and for the first loss only responds to losses in excess of US$135 million. However, in 2010 combined aggregate and catastrophe protection was also purchased to provide some lower level cover in the event of multiple losses to the portfolio.

Amlin Bermuda purchased combined aggregate and catastrophe excess of loss protection in 2010 to protect its non-proportional and proportional treaty portfolio in excess of US$175 million for the first loss, although aggregate cover is also provided at a lower level for the third and additional loss excess of US$100 million retention.

ACI buys a comprehensive programme for each class of business. Specific cover is placed for engineering, personal accident, motor, liability, energy and builders' risks. A general programme is placed for the remaining marine exposures and the property account is protected by both per risk and catastrophe excess of loss, which is now combined with the Group's other UK and French exposures.

There is no guarantee that reinsurance coverage will be available to meet all potential loss circumstances as, for very severe catastrophe losses, it is possible that the full extent of the cover bought is not sufficient. Any loss amount which exceeds the programme would be retained by the Group. It is also possible that a dispute could arise with a reinsurer which reduces the recovery made. The reinsurance programme is bought to cover the expected claims arising on the original portfolio. However, it is possible for there to be a mismatch, or a gap in cover, which would result in a higher than expected retained loss.

Many parts of the programme also have limited reinstatements and therefore the number of claims which may be recovered from second or subsequent major losses is limited. It is possible for the programme to be exhausted by a series of losses in one annual period and it may not be possible to purchase additional reinsurance at all or for an acceptable price. This would result in the Group bearing higher losses from further events occurring. It should also be noted that the renewal date of the reinsurance programmes does not necessarily correspond to that of the business written. Where business is not protected by risk attaching reinsurance (which provides coverage for the duration of all the policies written) this reinsurance protection could expire resulting in an increase in possible loss retained by Syndicate 2001 if renewal of the programme is not achieved.

Amlin Bermuda purchased combined aggregate and catastrophe excess of loss protection in 2010 to protect its non-proportional and proportional treaty portfolio.

ACI buys a comprehensive programme for each class of business. Specific cover is placed for engineering, personal accident, motor, liability, energy and builders' risks. A general programme is placed for the remaining marine exposures and the property account is protected by both per risk and catastrophe excess of loss.

Notes to the accounts continued

For the year ended 31 December 2010

3. Risk disclosures continued

Realistic Disaster Scenario (RDS) analysis

The Group has a defined event risk appetite which determines the maximum net loss that the Group intends to limit its exposure with respect to major modelled catastrophe event scenarios. Currently these are a maximum of £165 million for Syndicate 2001 and US$330 million for Amlin Bermuda any one zone or £180 million for Syndicate 2001 and US$360 million for a multi-zonal loss. ACI operates with a maximum event limit of €30 million for the modelled European storm event and Amlin AG has a potential maximum of €100 million for a European windstorm. The Group Catastrophe risk team are responsible for aggregating potential scenarios and as at 1 January 2011 levels of exposure are significantly below the potential maximum tolerances, loss from European windstorm scenario being £286 million for the Group. At present the Group is not utilising the full extent of its risk appetite.

These scenarios are extraordinary events – with an estimated occurrence probability of less than 1 in 100 years estimated for the natural peril or elemental losses. The Group also adopts risk appetite maximum net limits for a number of other non-elemental scenarios, including aviation collision and North Sea rig loss.

The risk appetite policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include changes in rates of exchange, non renewal or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements.

A detailed analysis of catastrophe exposures is carried out every quarter and measured against risk appetite. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Group by insureds and ceding companies. This may prove to be incomplete, inaccurate or could develop during the policy period;
- The exposures are modelled using a mixture of stochastic models and underwriter input to arrive at 'damage factors' – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors may prove to be inadequate;
- The reinsurance programme as purchased is applied – a provision for reinsurer counterparty failure is included in the analysis but may prove to be inadequate; and
- Reinstatement premiums both payable and receivable are included.

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate.

Furthermore, there could also be a loss which exceeds these figures. The likelihood of such a catastrophe is considered to be remote, but the most severe scenarios modelled are simulated events and these simulations could prove to be unreliable.

Insurance liabilities and reinsurance assets: Calculation of incurred but not reported (IBNR) and claims development

Amlin adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish reserves which are expected to be at least adequate and that there is consistency from year to year. Therefore, the level of reserves are set at a level above the actuarial 'best estimate' position. However, there is a risk that, due to unforeseen circumstances, the reserves carried are not sufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

Process and methodology

The reserving process commences with the proper recording and reporting of claims information which consists of paid and notified or outstanding claims. For the London market business information is received through Xchanging (the London market bureau) and, in the case of Amlin UK business, service companies, ACI and Amlin Bermuda, directly from brokers and policyholders. Claims records are maintained for each class by the underwriting year to which the policy incepts. For notified or outstanding claims, a case reserve is established based on the views of underwriting management and claims managers, using external legal or expert advice where appropriate. This reserve is expected to be sufficient to meet the claim payment when it is finally determined. For some classes of business, particularly liability business, settlement may be several years after the initial notification of the claim, as it may be subject to complexities or court action. For claims received from Xchanging, the market reserve is generally set by the lead underwriter, but there are circumstances on larger claims where Amlin will post higher reserves than those notified.

To establish a provision for IBNR claims, the underwriting and claims teams in the UK, Bermuda and France use their experience and knowledge of the class of business to estimate the potential future development of each class for every underwriting year. ACI adopts a different approach with Group Actuarial producing a set of best estimate reserves to which local management add additional prudence based on their knowledge of the business. Statistics are used in all cases to fully recognise the different potential development of each class of business. The development period varies by class, by method of acceptance and is also determined by the deductible of each policy written. For casualty business, the policy form will determine whether claims can be made on a claims made (as advised) or on a losses occurring (determined by date of loss) basis. This has a significant impact on the reporting period in which claims can be notified. In setting the IBNR provision estimates are made for the ultimate premium and ultimate gross claims value for each underwriting year. Allowance is then made for anticipated reinsurance recoveries to reach a net claim position. Reinsurance recoveries are calculated for outstanding and IBNR claims, sometimes through the use of historical recovery rates or statistical projections, and provisions are made as appropriate for bad debt or possible disputes. The component of ultimate IBNR provision estimates and reinsurance recoveries that relates to future events occurring to the existing portfolio is removed in order to reflect GAAP accounting practice.

To assist with the process of determining the reserves, triangulation statistics for each class are produced which show the historical development of premium, as well as paid and incurred losses, for each underwriting year, from inception to the date of review. ACI has similar statistics based on the date of premium receipt and claim advice rather than policy inception. Each class triangulation is also independently analysed by the internal actuarial team using actuarial software as appropriate. The aim of the actuarial exercise is to produce 'best estimate' ultimate premium and claims amounts which can be compared to, or used to produce, the figures proposed by divisional management. Amlin London, Amlin UK, Amlin France and ACI meetings are held in which executive management, actuarial staff and business management discuss claims issues and analyse the proposed and independently generated reserves to conclude the provision to be carried.

For Amlin Bermuda, which commenced underwriting in 2005, historical statistics for Syndicate 2001's relevant classes of business have been used as a guide for actuarial review in addition to Amlin Bermuda's own data and the review discussion is conducted in conference or by email correspondence.

Final reserve submissions are provided for the approval of Boards, as required.

Areas of uncertainty

The reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit before tax of a +/- 1% variation in the total net claims reserves would be +/- £22.5 million (2009: £20.1 million).

Large loss case reserves are determined through careful analysis of the individual claim, often with the advice of legal advisers. Liability claims arising from events such as the 11 September 2001 terrorist attacks in the US are examples of cases where there continues to be some uncertainty over the eventual value of claims.

Property catastrophe claims, such as earthquake or hurricane losses, can take several months, or years, to develop as adjusters visit damaged property and agree claim valuations. Until all the claims are settled it requires an analysis of the area damaged, contracts exposed and the use of models to simulate the loss against the portfolio of exposure in order to arrive at an estimate of ultimate loss to the Group. There is uncertainty over the adequacy of information and modelling of major losses for a period of several months after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased inflation or a change in law.

The long tail liability classes, for which a large IBNR has to be established, represent the most difficult classes to reserve because claims are notified and settled several years after the expiry of the policy concerned. This is particularly the case for US liability written on a losses occurring basis.

The use of historical development data, adjusted for known changes to wordings or the claims environment, is fundamental to reserving these classes. It is used in conjunction with the advice of lawyers and third party claims adjusters on material single claims.

The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made.

Dynamic financial analysis (DFA) modelling of risk

To improve our risk management capability, and our assessment of capital requirements, Amlin has developed a stochastic model covering all entities of the Group. This enables standalone modelling for each entity as well as a consolidated Group total position. Amlin is now currently working to incorporate Amlin Re Europe into this model. The output from the model includes a distribution of outcomes from reserves for prior written liabilities, investment performance, and new business underwriting performance. The result is a combined view of the expected best estimate mean profitability and the range of possibilities around it.

The model requires the input of a large number of explicit parameters. Those inputs are based on many different sources of information including detailed historical data on premium and claims, forecast income and exposures, estimated rating levels and catastrophe loss data from proprietary models applied to Amlin's portfolio. It enables projection of an estimated mean ultimate loss ratio and the distribution of results around it. The model explicitly recognises diversification credit, since class results are not all strongly correlated and thus individual classes are unlikely to all produce losses (or profits) in the same year. Due to the inherent uncertainty of predicting the key drivers of business performance, including in particular claims levels, any individual simulation of the model viewed in isolation cannot be relied upon as an accurate forecast. However, the output from many thousands of simulated results can provide a picture of the possible distribution of insurance business results. This output is useful in developing an understanding of the losses which may be borne by the business at varying levels of probability.

There are a large number of uncertainties and difficulties in achieving accurate results from the model. Some of the key issues are:

- The model is based on a best estimate view of business volumes and rate expectations, which may not be borne out in practice;
- A significant change in the portfolio of business could result in the past not being a reliable guide to the future;
- Changing external environmental factors may not be assessed accurately;
- Model risk may be significant in such a complex and developing discipline;
- Key assumptions over levels of correlation between classes may over time prove to be incorrect; and
- Catastrophe model inputs, which estimate the severity and frequency of large catastrophes on the portfolio, may be incorrect.

The result reproduced in the table below represents the modelled loss sustained by the business from a single 1 in 200 bad year i.e. at the 0.5 percentile. This probability is the calculation benchmark required by the FSA and Lloyd's. However, it does not represent the level of capital required for Amlin to support current and expected business levels, which should be considered over a longer period of modelling. Furthermore, Amlin is required to carry higher levels of capital which are sufficient in the eyes of rating agencies and clients. This analysis includes our modelling of the Group, including the ACI portfolio of assets and liabilities. The parameterisation of the ACI portfolio is at a relatively immature stage and therefore the contribution of this element may develop as our understanding improves. For the new European reinsurance portfolio written by Amlin Re Europe, modelling is at an early stage and will develop significantly over the next five years.

2011 forecast	£m
Underwriting risk	(367)
Reserving risk	(283)
Credit (reinsurance counterparty risk)	(53)
Investment (market risk)	13
Liquidity risk	(3)
Operational risk	(61)
Discounting credit	54
Diversified result	(700)

Notes:

(1) All figures are based on business plan forecasts which are currently under review for changes in the trading environment, interest rate outlook and movements in rates of exchange.

(2) These figures are derived from Amlin's Group DFA model and based on data as at the end of Q4 2010.

(3) No dividend or tax is considered.

(4) Investment (market) risk now includes explicit modelling of currency risk.

(5) Non-sterling amounts have been converted at market rates of exchange as at Q4 2010 (US$1.56: C$1.55: €1.17).

(6) Figures include an allowance for investment returns generated on assets backing the insurance liabilities (i.e. discounting). The discounting credit shown represents the release from the balance sheet by discounting the mean best estimate reserves.

(7) Investment income includes Group corporate (surplus) assets. Investment risk after diversification remains positive since at around the 1 in 200 level total investment income (on both surplus and technical assets) exceeds the investment income implicitly assumed via discounting on the technical assets alone.

(8) No credit has been taken for carried reserve margins.

Notes to the accounts continued

For the year ended 31 December 2010

3. Risk disclosures continued

Claims development

The tables below illustrate the development of the estimates of ultimate cumulative claims for the consolidated Group (excluding ACI), Amlin London, Amlin UK, Amlin France (excluding ACI France) and Amlin Bermuda after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Tables for ACI, which include ACI France, have been constructed on an accident year basis. All tables are prepared excluding the effect of intra-group reinsurance arrangements and are prepared on an undiscounted basis. Non-sterling balances have been converted using 2010 exchange rates to aid comparability.

Group (excluding ACI)

Gross basis Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Current ultimate gross written premium	1,108.8	1,103.5	1,112.5	1,270.2	1,214.4	1,189.9	1,381.3	**1,478.6**
Current gross earned premium	1,108.8	1,103.5	1,112.5	1,270.2	1,214.4	1,189.9	1,322.6	**798.8**
Estimate of cumulative claims								
at end of underwriting year	633.1	729.4	1,015.4	610.7	643.1	897.7	704.1	**910.3**
One year later	503.8	720.9	1,053.9	505.3	566.3	758.4	672.0	
Two years later	428.5	681.3	1,017.3	481.8	516.8	728.1		
Three years later	407.6	653.6	981.8	456.2	502.3			
Four years later	401.4	638.6	964.3	445.2				
Five years later	392.4	634.2	943.9					
Six years later	380.7	631.7						
Seven years later	371.5							
Cumulative payments	341.6	589.6	878.0	366.5	365.3	505.8	266.7	**87.5**
Estimated balance to pay	29.9	42.1	65.9	78.7	137.0	222.3	405.3	**822.8**

Net basis Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Estimate of cumulative claims								
at end of underwriting year	529.6	586.6	624.4	544.8	565.8	721.8	618.3	**805.5**
One year later	419.6	533.6	612.1	442.2	495.8	598.3	576.2	
Two years later	357.9	491.8	590.5	432.0	451.8	570.3		
Three years later	338.6	471.1	561.6	408.7	441.6			
Four years later	330.3	453.9	548.6	398.9				
Five years later	322.5	448.4	528.2					
Six years later	312.9	441.8						
Seven years later	303.1							
Cumulative payments	279.8	406.3	471.2	327.7	323.9	391.5	236.5	**84.0**
Estimated balance to pay	23.3	35.5	57.0	71.2	117.7	178.8	339.7	**721.5**

The Group's net aggregate reserve releases from all prior years amounted to £156.5 million (2009: £174.1 million). In part, this arises from the Group's reserving philosophy which aims to make the most recent years, with the greatest uncertainty of result, prudently reserved leaving a potential for subsequent release.

This differs from the £126.9 million stated in the claims development table above as the table above is on an underwriting year basis and the surpluses in this narrative are on an annually accounted basis. The table above excludes any net aggregate reserve releases from 2002 and prior years. Also the table above excludes ACI, which is accounted for on an accident year basis and for which net reserve releases are £43.4 million (2009: £16.4 million). The ACI table also excludes any net aggregate reserve releases from 2002 and prior years.

Further details on these reserve releases and other aspects of the underwriting performance are included in the Performance Section of this Annual Report.

Amlin London

Gross basis Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Current ultimate gross written premium	899.8	910.1	939.0	972.8	891.9	807.9	892.7	**907.9**
Current gross earned premium	899.8	910.1	939.0	972.8	891.9	807.9	857.6	**483.9**
Estimate of cumulative claims at end of underwriting year	487.2	602.3	899.3	463.8	468.7	624.2	454.2	**536.2**
One year later	373.0	607.7	941.1	373.0	407.7	516.5	424.0	
Two years later	325.2	575.7	913.0	349.6	366.6	474.6		
Three years later	310.0	561.1	891.2	334.5	352.8			
Four years later	303.5	550.6	873.7	326.2				
Five years later	304.0	546.2	862.9					
Six years later	299.9	541.6						
Seven years later	290.6							
Cumulative payments	268.3	513.5	813.7	280.4	278.8	359.9	160.4	**31.4**
Estimated balance to pay	22.3	28.1	49.2	45.8	74.0	114.7	263.6	**504.8**

Net basis Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Estimate of cumulative claims at end of underwriting year	402.9	475.0	519.5	406.1	398.2	462.2	375.4	**439.6**
One year later	309.1	430.8	509.9	318.3	347.8	370.1	337.4	
Two years later	264.9	397.5	492.2	306.2	312.7	331.3		
Three years later	249.7	382.2	472.5	292.4	301.0			
Four years later	241.2	369.3	459.5	282.9				
Five years later	241.2	363.8	448.7					
Six years later	237.7	358.6						
Seven years later	228.6							
Cumulative payments	211.7	335.6	406.9	243.4	237.9	247.2	131.2	**27.9**
Estimated balance to pay	16.9	23.0	41.8	39.5	63.1	84.1	206.2	**411.7**

Notes to the accounts continued

For the year ended 31 December 2010

3. Risk disclosures continued

Amlin UK

Gross basis

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Current ultimate gross written premium	209.0	193.4	172.3	152.2	148.1	160.3	215.4	**248.6**
Current gross earned premium	209.0	193.4	172.3	152.2	148.1	160.3	200.8	**106.0**
Estimate of cumulative claims at end of underwriting year	145.9	127.1	116.1	103.6	102.4	118.7	138.1	**169.0**
One year later	130.8	113.2	112.0	107.6	103.8	125.1	152.0	
Two years later	103.3	105.6	103.9	103.0	103.2	127.7		
Three years later	97.6	92.5	90.3	95.6	105.3			
Four years later	97.9	88.0	90.3	93.6				
Five years later	88.4	88.0	80.7					
Six years later	80.8	90.1						
Seven years later	80.9							
Cumulative payments	73.3	76.1	64.0	62.9	52.3	52.1	54.0	**16.6**
Estimated balance to pay	7.6	14.0	16.7	30.7	53.0	75.6	98.0	**152.4**

Net basis

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Estimate of cumulative claims at end of underwriting year	126.7	111.6	104.9	95.4	95.6	104.8	131.1	**160.8**
One year later	110.5	102.8	101.4	99.2	93.2	111.4	142.8	
Two years later	93.0	94.3	97.9	96.6	92.1	113.2		
Three years later	88.9	88.9	88.8	90.2	96.4			
Four years later	89.1	84.6	88.8	90.6				
Five years later	81.3	84.6	79.2					
Six years later	75.2	83.2						
Seven years later	74.5							
Cumulative payments	68.1	70.7	64.0	61.1	51.8	50.5	53.0	**16.6**
Estimated balance to pay	6.4	12.5	15.2	29.5	44.6	62.7	89.8	**144.2**

Amlin France

Gross basis

Underwriting year	2008 £m	2009 £m	**2010 £m**
Current ultimate gross written premium	2.1	25.0	**31.3**
Current gross earned premium	2.1	25.0	**23.2**
Estimate of cumulative claims at end of underwriting year	0.0	13.6	**21.9**
One year later	0.4	15.4	
Two years later	0.4		
Cumulative payments	0.4	14.3	**5.1**
Estimated balance to pay	0.0	1.1	**16.8**

Net basis

Underwriting year	2008 £m	2009 £m	**2010 £m**
Estimate of cumulative claims at end of underwriting year	0.0	13.6	**21.9**
One year later	0.4	15.4	
Two years later	0.4		
Cumulative payments	0.4	14.3	**5.1**
Estimated balance to pay	0.0	1.1	**16.8**

Business written prior to the acquisition of Amlin France in 2008, ceded to Syndicate 2001, is included in the Amlin London table.

Amlin Bermuda

Gross basis

Underwriting year	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Current ultimate gross written premium	1.2	145.2	174.4	219.6	248.2	**290.8**
Current gross earned premium	1.2	145.2	174.4	219.6	239.2	**185.7**
Estimate of cumulative claims at end of underwriting year	0.0	43.3	72.0	154.8	98.2	**183.2**
One year later	0.8	24.7	54.8	116.4	80.6	
Two years later	0.4	29.2	47.0	125.4		
Three years later	0.3	26.1	44.2			
Four years later	0.3	25.4				
Five years later	0.3					
Cumulative payments	0.3	23.2	34.2	93.4	38.0	**34.4**
Estimated balance to pay	0.0	2.2	10.0	32.0	42.6	**148.8**

Net basis

Underwriting year	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Estimate of cumulative claims at end of underwriting year	0.0	43.3	72.0	154.8	98.2	**183.2**
One year later	0.8	24.7	54.8	116.4	80.6	
Two years later	0.4	29.2	47.0	125.4		
Three years later	0.3	26.1	44.2			
Four years later	0.3	25.4				
Five years later	0.3					
Cumulative payments	0.3	23.2	34.2	93.4	38.0	**34.4**
Estimated balance to pay	0.0	2.2	10.0	32.0	42.6	**148.8**

Amlin Corporate Insurance

Gross basis

Accident year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Current ultimate gross written premium	442.7	480.9	500.3	513.7	564.4	659.2	621.2	**678.0**
Current gross earned premium	437.4	471.5	499.9	509.1	543.3	639.2	649.5	**587.2**
Estimate of cumulative claims at end of accident year	222.7	241.7	266.7	303.4	337.2	542.6	432.1	**429.5**
One year later	252.7	277.1	368.9	317.6	351.1	532.9	443.2	
Two years later	238.8	257.4	354.0	318.1	376.5	522.9		
Three years later	234.9	252.5	337.1	304.7	365.5			
Four years later	227.0	243.7	328.2	301.9				
Five years later	224.8	218.5	320.8					
Six years later	223.9	216.6						
Seven years later	222.7							
Cumulative payments	196.0	186.9	288.8	248.9	288.8	376.3	226.5	**95.8**
Estimated balance to pay	26.7	29.7	32.0	53.0	76.7	146.6	216.7	**333.7**

Notes to the accounts continued

For the year ended 31 December 2010

3. Risk disclosures continued

Net basis

Accident year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	**2010 £m**
Estimate of cumulative claims								
at end of accident year	187.3	180.6	216.9	248.0	297.1	417.0	402.1	**394.6**
One year later	200.3	209.5	233.5	262.6	296.9	414.2	416.0	
Two years later	189.6	194.2	216.4	256.4	308.0	408.5		
Three years later	185.8	189.6	202.3	251.1	291.8			
Four years later	173.7	178.7	199.4	244.2				
Five years later	171.7	175.7	190.2					
Six years later	170.8	180.1						
Seven years later	161.9							
Cumulative payments	140.5	154.3	169.4	202.3	227.9	276.9	182.8	**93.0**
Estimated balance to pay	21.4	25.8	20.8	41.9	63.9	131.6	233.2	**301.6**

3.2 Financial investment risk

Market risk

Risk management

The following section describes the Group's investment risk management from a quantitative and qualitative perspective.

The Group has two main categories of assets:

- Underwriting assets. These are premiums received and held to meet future insurance claims.
- Capital assets. These are the capital required by the regulators to support the underwriting business plus working capital and surplus funds. Apart from the outstanding borrowings, these assets do not have specific current liabilities attached to them.

Investment governance

The Group manages its investments in accordance with investment frameworks that are set by the Boards of Amlin plc and its subsidiaries. These frameworks determine investment governance and the investment risk tolerance. They are reviewed on a regular basis to ensure that the Boards' fiduciary and regulatory responsibilities are being met. Day to day management of the investments is delegated to the Investment Management Executive or members of the relevant subsidiary's executive, who are advised by the Chief Investment Officer.

The Investment Management Executive comprises the Chief Executive, Group Finance Director and Chief Investment Officer, and meets at least quarterly to consider whether the strategic asset allocation and tactical asset allocation ranges are appropriate to optimise investment returns within the risk tolerances set by the Boards. Group Investments, led by the Chief Investment Officer, is responsible for tactical asset allocation and the appointment of external investment managers and custodians.

The Investment Advisory Panel, which consists of external investment professionals as well as members of the Investment Management Executive, meets quarterly. The Panel provides challenges to the Group's view of future economic activity and asset class performance. In addition, Group Compliance and external lawyers provide advice on investment regulations.

Risk tolerance

Investment risk tolerances are set by the Board of Amlin Plc and its subsidiaries. The investment process is driven from the risk tolerance which is determined by reference to factors such as the underwriting cycle and the requirements of the capital providers. In a hard underwriting market capital preservation is paramount in order to support the insurance business and, therefore, the risk tolerance for the capital assets will be low. Conversely, the risk tolerance for the underwriting assets under these circumstances will be relatively high due to the strong cash flow. In a soft underwriting market the opposite applies.

Investment risk is independently monitored by the Risk Assessment and Monitoring department using a bespoke investment risk model. The Head of Investment Risk reports regularly to the Investment Management Executive and to the Group Risk Committee.

Strategic asset allocation

Each of the Group's principal subsidiaries has its own strategic asset allocations which are set according to its risk tolerance and liabilities.

The strategic asset allocation for capital assets are set by using a Value at Risk (VaR[1]) model, to determine the optimum asset allocation for the current risk tolerance which ensures that appropriate solvency levels are maintained.

The expected timescale for future cash flows in each currency is calculated by the Group Actuarial team. The average durations are the neutral position for the strategic asset allocation for the policyholders' funds.

Tactical ranges around these strategic asset allocations provide flexibility to ensure that an appropriate risk/reward balance is maintained in changing investment markets.

(1) VaR is a statistical measure, which calculates the possible loss over a year, in normal market conditions. As VaR estimates are based on historical market data this should not be viewed as an absolute gauge of the level of risk to the investments.

Investment management

The investments are run on a multi-asset, multi-manager basis. Exposure to the asset classes is achieved using physical or derivative instruments and may be managed by Group Investments or by outsourced managers, on a segregated, pooled or commingled basis[2]. The manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers have discretion to manage the funds on a day-to-day basis within investment guidelines or prospectuses applicable to their funds that ensure that they comply with the investment frameworks. The managers' performance, compliance and risk are monitored on an ongoing basis.

The managers as at 31 December 2010 were as follows:

Manager	Asset class
Segregated funds	
Aberdeen Fund Management Ltd	US Dollar bonds
ING Real Estate Investment Management (UK Funds) Ltd	Property manager of managers
Insight Investment Management (Global) Ltd	Sterling and Euro bonds
Taube Hodson Stonex Partners LLP	Global equities
Townsend Group Europe Ltd	Global property
Veritas Asset Management (UK) Ltd	Active global equity
Wellington Management International Ltd	US and Canadian Dollar bonds
Pooled vehicles	
BlackRock Inc.	Sterling, Euro and US Dollar liquidity funds
BlueBay Asset Management Ltd	Euro bonds
BNP Paribas Investment Partners	Sterling, Euro and US Dollar liquidity funds
Goldman Sachs Asset Management International	Sterling, Euro and US Dollar liquidity funds and LIBOR plus fund
HSBC Asset Management	US Dollar liquidity funds
Insight Investment Management (Global) Ltd	Sterling liquidity fund
JP Morgan Asset Management	US Dollar liquidity funds
Leadenhall Capital Partners LLP	Insurance linked securities
PIMCO	Sterling and US Dollar bonds
Western Asset Management	US Dollar liquidity fund
Commingled funds	
Corporation of Lloyd's Treasury Services	US Dollar, Canadian Dollar, Australian Dollar, South African and Japanese bonds
Union Bank of Switzerland	Canadian and US Dollar liquid funds

The funds under management with each manager are shown below:

	Aberdeen £m	AG Insurance £m	Black Rock £m	BlueBay £m	BNP Paribas £m	CAAM £m	Corporation of Lloyd's £m	Goldman Sachs £m	HSBC £m	ING £m	Insight £m	JP Morgan £m	Leadenhall Capital £m	PIMCO £m	THS £m	Townsend £m	UBS £m	Veritas £m	Wellington £m	Western £m	Total £m
Total as at 31 December 2010	**253.6**	**–**	**119.5**	**337.5**	**130.4**	**–**	**84.3**	**734.0**	**241.7**	**43.9**	**776.6**	**54.1**	**74.9**	**605.6**	**244.9**	**30.7**	**27.3**	**130.0**	**390.4**	**20.8**	**4,300.2**
%	**5.9**	**–**	**2.8**	**7.8**	**3.0**	**–**	**2.0**	**17.1**	**5.6**	**1.0**	**18.1**	**1.3**	**1.7**	**14.1**	**5.7**	**0.7**	**0.6**	**3.0**	**9.1**	**0.5**	**100.0**
Total as at 31 December 2009	356.3	432.9	35.1	108.4	24.1	61.9	70.9	516.8	91.8	74.2	974.4	41.9	67.5	569.3	184.3	–	28.0	–	423.1	11.2	4,072.1
%	8.7	10.6	0.9	2.7	0.6	1.5	1.7	12.7	2.3	1.8	23.9	1.0	1.7	14.0	4.5	–	0.7	–	10.4	0.3	100.0

Note: The table above excludes the Group's directly held securities of £25.4 million (comprising index linked bonds £20.3 million, insurance linked securities £3.3 million and other liquid investments £1.8 million).

(2) Segregated funds are managed separately for the Group. Pooled funds are collective investment vehicles in which the Group and other investors purchase units. Commingled funds combine the assets of several clients.

Notes to the accounts continued

For the year ended 31 December 2010

3. Risk disclosures continued

Asset allocation

The analysis in this section covers the investments for which the Group investment team has management responsibility.

The total value of investments in the following tables is reconciled to note 17 Financial assets and liabilities as follows:

	2010 £m	2009 £m
Net financial investments per note 17	**4,300.4**	3,965.0
Assets shown separately in the notes to the accounts:		
Accrued income	**14.8**	31.1
Net unsettled payables for investments sold	**(5.1)**	(5.2)
Net assets of operations classified as held for sale	**–**	63.7
Deposits with credit institutions	**35.7**	55.0
Assets not analysed in the investment risk tables that follow:		
Liquid investments	**(10.3)**	(12.8)
Unlisted equities	**(9.0)**	(8.9)
Spread syndicates	**–**	(4.3)
Derivative hedging instruments	**(0.9)**	(11.5)
Total investments in asset allocation tables	**4,325.6**	4,072.1

The asset allocation of the Group's investments is set out below.

	31 December 2010				31 December 2009			
	Underwriting assets £m	Capital £m	Total £m	Total %	Underwriting assets £m	Capital £m	Total £m	Total %
Global equities	**–**	**347.1**	**347.1**	**8.0**	–	167.3	167.3	4.1
Bonds								
Government securities	**513.6**	**211.3**	**724.9**	**16.8**	775.5	412.9	1,188.4	29.2
Government index-linked securities	**–**	**20.4**	**20.4**	**0.5**	16.5	–	16.5	0.4
Government agencies/guaranteed	**91.7**	**9.3**	**101.0**	**2.3**	168.2	3.3	171.5	4.2
Supranational	**41.6**	**–**	**41.6**	**1.0**	58.1	–	58.1	1.5
Asset backed securities – Home equity	**–**	**6.0**	**6.0**	**0.1**	–	8.8	8.8	0.2
Asset backed securities – Autos	**32.1**	**8.3**	**40.4**	**0.9**	34.0	17.1	51.1	1.3
Asset backed securities – Cards	**7.0**	**11.9**	**18.9**	**0.4**	12.6	–	12.6	0.3
Asset backed securities – Other	**6.1**	**1.0**	**7.1**	**0.2**	3.5	–	3.5	0.1
Mortgage backed securities – Prime	**105.5**	**42.9**	**148.4**	**3.4**	99.2	35.2	134.4	3.3
Mortgage backed securities – Alt A	**–**	**0.8**	**0.8**	**–**	–	1.8	1.8	–
Corporate bonds – Basic resources/materials	**–**	**3.7**	**3.7**	**0.1**	–	–	–	–
Corporate bonds – Consumer goods	**4.0**	**0.9**	**4.9**	**0.1**	10.7	1.5	12.2	0.3
Corporate bonds – Consumer services	**7.3**	**6.5**	**13.8**	**0.3**	–	6.8	6.8	0.2
Corporate bonds – Financials	**84.8**	**22.4**	**107.2**	**2.5**	298.5	43.9	342.4	8.4
Corporate bonds – Healthcare	**3.6**	**1.9**	**5.5**	**0.1**	9.4	2.0	11.4	0.3
Corporate bonds – Industrials	**9.0**	**6.4**	**15.4**	**0.4**	16.8	12.1	28.9	0.7
Corporate bonds – Miscellaneous	**0.7**	**–**	**0.7**	**–**	0.3	–	0.3	–
Corporate bonds – Oil & Gas	**7.8**	**7.4**	**15.2**	**0.3**	4.2	1.4	5.6	0.1
Corporate bonds – Technology	**6.0**	**0.9**	**6.9**	**0.2**	5.1	–	5.1	0.1
Corporate bonds – Telecoms	**3.7**	**3.2**	**6.9**	**0.2**	5.6	3.8	9.4	0.2
Corporate bonds – Utilities	**4.5**	**6.9**	**11.4**	**0.3**	5.0	5.2	10.2	0.3
Pooled vehicles	**943.7**	**579.8**	**1,523.5**	**35.2**	536.0	540.1	1,076.1	26.4
Insurance linked securities	**3.3**	**52.2**	**55.5**	**1.3**	3.0	63.7	66.7	1.6
	1,876.0	**1,004.1**	**2,880.1**	**66.6**	2,062.2	1,159.6	3,221.8	79.1
Property funds	**–**	**60.2**	**60.2**	**1.4**	–	125.7	125.7	3.1
Other liquid investments								
Liquidity funds and other liquid investments	**747.0**	**291.2**	**1,038.2**	**24.0**	478.6	78.7	557.3	13.7
	2,623.0	**1,702.6**	**4,325.6**	**100.0**	2,540.8	1,531.3	4,072.1	100.0

Government agencies/guaranteed bonds at 31 December 2010 include £42.2 million of corporate bonds (2009: £102.9 million) and £4.2 million of mortgage backed securities (2009: £12.2 million).

Pooled vehicles held at 31 December 2010 are bond funds of which 31.8% were government/agency bonds, 36.0% were corporate bonds, 20.0% were mortgage backed and asset backed securities and the remaining 12.2% was held in cash.

The industry and geographical splits were as follows:

	31 December 2010			31 December 2009		
Industry	**Corporate bonds %**	**Global equities %**	**Total %**	Corporate bonds %	Global equities %	Total %
Oil & Gas	**6.4**	**13.3**	**10.5**	1.0	13.6	4.0
Basic materials	**1.6**	**3.0**	**2.4**	–	2.1	0.5
Industrials	**6.5**	**10.0**	**8.6**	5.4	10.9	6.7
Consumer goods and services	**7.9**	**23.0**	**16.9**	3.5	28.3	9.5
Healthcare	**2.3**	**11.3**	**7.7**	2.1	6.7	3.2
Miscellaneous	**0.3**	**–**	**0.1**	0.1	–	–
Government guaranteed	**17.7**	**–**	**7.2**	0.5	–	0.4
Mortgage backed securities	**0.1**	**–**	**0.1**	0.2	–	0.1
Telecommunications	**2.9**	**15.3**	**10.2**	1.8	12.4	4.3
Utilities	**4.8**	**1.8**	**3.0**	1.9	2.4	2.0
Financials	**46.6**	**17.4**	**29.2**	82.5	20.9	67.9
Technology	**2.9**	**4.9**	**4.1**	1.0	2.7	1.4
	100.0	**100.0**	**100.0**	100.0	100.0	100.0

Note: The table above excludes government bonds but includes £42.2 million (2009: £102.9 million) of corporate bonds with government guarantees and £4.2 million of mortgage backed securities (2009: £12.2 million).

	31 December 2010			31 December 2009		
Region	**Bonds %**	**Global equities %**	**Total %**	Bonds %	Global equities %	Total %
United Kingdom	**7.0**	**18.7**	**13.6**	9.9	20.8	10.7
USA and Canada	**54.2**	**32.4**	**44.4**	43.0	23.9	41.6
Europe (excluding United Kingdom)	**35.7**	**33.3**	**32.0**	45.0	43.8	44.9
Far East	**2.2**	**10.4**	**8.6**	1.4	11.5	2.1
Emerging markets	**0.9**	**5.2**	**1.4**	0.7	–	0.7
	100.0	**100.0**	**100.0**	100.0	100.0	100.0

Note: The table above includes all bond and equity investments.

Valuation risk

The Group's earnings are directly affected by changes in the valuations of the investments held in the portfolios. These valuations vary according to the movements in underlying markets. Factors affecting markets include changes in the economic and political environment, risk appetites, liquidity, interest rates and exchange rates. These factors have an impact on the Group's investments and are taken into consideration when setting strategic and tactical asset allocations. The price of holdings can also vary due to specific risks, such as the corporate strategy and companies' balance sheet structure, which may impact the value of individual equity and corporate bond holdings. This is mitigated by holding diversified portfolios.

Group assets are marked to market at bid price. Prices are supplied by the global custodian whose pricing processes are covered by their published annual audits. In accordance with their pricing policy, prices are sourced from three market recognised pricing vendor sources including: FT Interactive, Bloomberg and Reuters. These pricing sources use closing trades, or where more appropriate in illiquid markets, pricing models. These prices are reconciled to the fund managers' records to check for reasonableness. Mark to market valuations for over the counter derivatives are supplied by the custodian and checked to the relevant counterparty and Bloomberg. Property funds are based on the most recent price available, which in some instances may be a quarter in arrears. Where a property transaction has taken place the transaction price is used if it is the most recent price available.

As an additional check, where available, prices as at 31 December 2010 have been verified by the Group using available quoted prices on Bloomberg to verify that the prices used are a good estimation for fair value. A month to month price check was completed to ensure that any stale prices, defined as prices which are one month old or more, are identified and investigated. As at 31 December 2010 no stale prices were identified. Further details on the fair value measurement of financial assets and financial liabilities are included in note 3.3.

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3. Risk disclosures continued

Interest rate risk

Investors' expectations for interest rates will impact bond yields[3]. Therefore, the value of the Group's bond holdings is subject to fluctuation as bond yields rise and fall. If yields fall the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration[4]. The greater the duration of a security, the greater its possible price volatility. Typically, the longer the maturity of a bond the greater its duration. The maturity bands of the Group's bond holdings at year end are shown below.

	31 December 2010			31 December 2009		
	Underwriting assets £m	Capital £m	Total £m	Underwriting assets £m	Capital £m	Total £m
Less than 1 year	84.5	52.8	137.3	106.4	53.2	159.6
1-2 years	166.4	69.4	235.8	162.9	150.2	313.1
2-3 years	174.1	81.6	255.7	262.0	131.0	393.0
3-4 years	195.5	26.0	221.5	373.2	83.5	456.7
4-5 years	166.3	52.8	219.1	254.5	51.7	306.2
Over 5 years	145.5	89.5	235.0	367.2	86.2	453.4
	932.3	372.1	1,304.4	1,526.2	555.8	2,082.0

Note: The table above excludes pooled investments of £1,523.5 million (2009: £1,076.1 million) and £52.2 million (2009: £63.7 million) of insurance linked securities managed by Leadenhall Capital Partners LLP.

The duration of underwriting assets is set with reference to the duration of the underlying liabilities. It should be noted that the liabilities are not currently discounted and therefore their value is not impacted by interest rate movements. Cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise and therefore capital values will fall.

The average durations of the bond and cash portfolios for the underwriting assets and associated insurance liabilities of Syndicate 2001, Amlin AG and ACI at year end were as follows:

	31 December 2010		31 December 2009	
Underwriting assets	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Sterling	1.4	3.9	2.4	3.2
US Dollars	0.9	1.9	2.0	3.2
Euro	1.9	4.7	3.1	3.1
Canadian Dollars	2.5	3.8	2.2	3.8

Note: The table above includes pooled investments.

The asset durations above are calculated by the custodian. Some differences occur between custodian durations and those reported by the fund managers due to the use of different prepayment assumptions. Using fund manager calculations for 31 December 2010, the following asset year durations would result: sterling 0.2; US dollars 0.4; euro 1.6; and Canadian dollars 2.5. As an additional check, where available, durations as at 31 December 2010 have been verified by the Group using Bloomberg data. In all instances, the duration differences are within the ranges permitted by the investment guidelines. Liabilities durations are calculated by the Group actuarial team.

Sensitivity analysis

An indication of the potential sensitivity of the value of the bond and cash funds to changes in yield is shown below.

	Syndicate 2001					Amlin AG		ACI		Net (reduction)/ increase in value £m
Shift in yield (basis points)	U/wtg Sterling %	U/wtg US$ %	U/wtg CAN$ %	U/wtg Euro %	Capital Sterling %	U/wtg %	Capital %	U/wtg %	Capital %	
100	(0.5)	(2.5)	(2.3)	(1.7)	(2.9)	(0.9)	(1.9)	(3.8)	(1.2)	(85)
75	(0.3)	(1.9)	(1.7)	(1.3)	(2.2)	(0.7)	(1.4)	(2.8)	(0.9)	(64)
50	(0.2)	(1.3)	(1.2)	(0.9)	(1.5)	(0.5)	(1.0)	(1.9)	(0.6)	(43)
25	(0.1)	(0.6)	(0.6)	(0.4)	(0.7)	(0.2)	(0.5)	(1.0)	(0.3)	(22)
– 25	0.1	0.6	0.6	0.4	0.7	0.2	0.4	0.9	0.3	20
– 50	0.2	1.2	1.2	0.9	1.3	0.4	0.8	1.9	0.6	40
– 75	0.3	1.8	1.8	1.3	2.0	0.6	1.1	2.9	0.9	60
– 100	0.4	2.3	2.4	1.7	2.7	0.8	1.5	3.8	1.2	80

(3) The yield is the rate of return paid if a security is held to maturity. The calculation is based on the coupon rate, length of time to maturity and the market price. It assumes coupon interest paid over the life of the security is reinvested at the same rate.

(4) The duration is the weighted average maturity of the security's cash flows, where the present values of the cash flows serve as the weights.

Foreign exchange risk

Underwriting assets are held in the base currencies of sterling, euros, US dollars and Canadian dollars, which represent the majority of the Group's liabilities by currency, thus limiting the underwriting foreign exchange rate risk. However, foreign exchange exposure does arise when business is written in non-base currencies. These transactions are converted into sterling, euro, US dollars and Canadian dollars (depending where the business is written) at the prevailing spot rate once the premium is received. Consequently, there is exposure to currency movements between the exposure being written and the premium being converted. Payments in non-base currencies are converted back into the policy currency at the time a claim is to be settled, therefore, the Group is exposed to exchange rate risk between the claim being made and the settlement being paid. If a liability in a currency not listed above is considered to be sufficiently large following a major event, for example such as the 2010 New Zealand earthquake, that currency will be bought and held to cover the potential liability.

Further foreign exchange risk arises until non-sterling profits or losses are converted into sterling. Foreign exchange risk is mitigated by converting the subsidiaries' non-base currency profits into the base currency. Given the inherent volatility in some business classes, a cautious approach is adopted on the speed and level of sales, but the Group seeks to extinguish all currency risk on earned profit during the second year after the commencement of each underwriting year. This approach avoids the inherent dangers of 'lumpier' sales. It is not the intention to take speculative currency positions in order to make currency gains.

The Group's assets and liabilities by currency are presented in the table below.

	31 December 2010				31 December 2009			
Currency risk	**Sterling**	**US$**	**CAN$**	**Euro**	Sterling	US$	CAN$	Euro
Cash and cash equivalents	**23.4**	**59.1**	**–**	**23.7**	13.2	10.7	–	45.1
Financial assets	**1,011.9**	**3,060.2**	**115.0**	**1,471.6**	1,104.0	2,580.5	123.3	1,405.2
Reinsurance assets	**(79.4)**	**513.2**	**15.4**	**207.8**	38.8	961.5	39.4	217.7
Loans and receivables	**178.7**	**897.0**	**28.1**	**346.6**	(39.4)	611.8	18.9	171.8
Current income tax assets	**(10.4)**	**14.8**	**1.5**	**1.4**	(1.6)	6.7	0.5	4.9
Deferred tax assets	**(0.5)**	**–**	**–**	**17.4**	16.8	–	–	13.3
Property and equipment	**8.3**	**0.4**	**–**	**4.6**	8.8	0.8	–	0.1
Intangibles	**170.7**	**–**	**–**	**16.1**	80.1	–	–	90.7
Investment in jointly owned entity	**2.2**	**–**	**–**	**–**	1.7	–	–	–
Assets of operation classified as held for sale	**–**	**–**	**–**	**–**	64.2	–	–	–
Total assets	**1,304.9**	**4,544.7**	**160.0**	**2,089.2**	1,286.6	4,172.0	182.1	1,948.8
Insurance liabilities	**589.1**	**2,552.0**	**91.7**	**1,468.5**	498.6	2,654.7	126.5	1,340.3
Other payables	**(4.0)**	**339.0**	**18.3**	**186.9**	(23.7)	192.3	0.3	54.7
Financial liabilities	**8.3**	**2.3**	**–**	**–**	12.9	–	–	–
Current income tax liabilities	**17.7**	**6.6**	**–**	**0.1**	–	–	–	–
Borrowings	**228.3**	**99.7**	**–**	**30.0**	228.0	101.5	–	28.9
Retirement benefit obligations	**–**	**–**	**–**	**17.7**	20.0	–	–	4.9
Deferred tax liabilities	**71.4**	**–**	**–**	**19.2**	102.1	–	–	25.0
Liabilities of operation classified as held for sale	**–**	**–**	**–**	**–**	0.5	–	–	–
Total liabilities	**910.8**	**2,999.6**	**110.0**	**1,722.4**	838.4	2,948.5	126.8	1,453.8
Net assets	**394.1**	**1,545.1**	**50.0**	**366.8**	448.2	1,223.5	55.3	495.0

At 31 December 2010 the investment managers held some forward foreign exchange contracts in their portfolios to hedge non-base currency investments. These were transacted with banks with a short-term rating of at least A1 and are marked to market in investment valuations.

The Group is subject to foreign exchange risk as a result of the translation into sterling of Group companies balance sheets that have a non-sterling functional currency. At 31 December 2010 the material balance sheets that have a non-sterling functional currency were Amlin AG's Bermuda branch with net assets of US$1,573.9 million and Amlin Corporate Insurance with net assets of €320.5 million (2009: US$1,580.6 million and €316.6 million). Foreign exchange gains and losses on investments in overseas subsidiaries are taken directly to reserves in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates'. The gain taken to reserves for the year ended 31 December 2010 was £17.6 million (2009: £92.8 million loss). This reflects the movement in the US dollar rate from 1.61 at the start of the year to 1.56 at the balance sheet date and the movement in the euro rate from 1.13 at the start of the year to 1.17 at the balance sheet date. In order to mitigate the impact of these currency fluctuations, the Group adopts a policy of hedging up to 50% of the net currency exposure resulting from these subsidiaries using options that were accounted for as hedges of net investment in overseas subsidiaries in line with the hedge accounting rules of IAS 39 'Financial Instruments: Recognition and Measurement'. Consequently all realised and unrealised fair value gains and losses on the hedging instruments are taken to reserves to match the underlying movement in the valuation of the net investment in overseas subsidiaries, which includes applicable fair value adjustments and goodwill. At the year end, hedges were in place for US$729.0 million and €204.0 million. These were in the form of long sterling calls/US dollar puts funded by short sterling puts/US dollar calls and long sterling calls/euro puts funded by short sterling puts/euro calls. The net valuation of these trades was a £1.4 million asset (2009: £7.0 million asset) at the year end. The net realised and unrealised loss from hedging options recognised in reserves was £4.2 million (2009: £29.3 million gain) at the year end.

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For the year ended 31 December 2010

3. Risk disclosures continued

If the USD/GBP exchange rate were to deteriorate/improve by 10%, the movement in the net underwriting assets and liabilities and borrowings of the Group, excluding overseas subsidiaries, would result in a £13.7 million foreign exchange gain or £12.5 million loss in the Group income statement at 31 December 2010. If the EUR/GBP exchange rate were to deteriorate/improve by 10%, the movement in the net underwriting assets and liabilities and borrowings of the Group, excluding overseas subsidiaries, would result in a £3.9 million foreign exchange gain or £3.5 million loss in the Group income statement at 31 December 2010.

In relation to translation of overseas subsidiaries, the same exchange rate improvement would result in a decrease of £127.3 million in exchange gain through consolidated reserves. This decrease would be offset by a valuation gain of £36.0 million on the hedges in place. The same exchange rate deterioration would result in an additional £128.2 million exchange gain through consolidated reserves. This gain would be offset by a valuation loss of £34.4 million on the hedges in place.

Liquidity risk

It is important that the Group's companies can pay their obligations as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Group's assets, which may result in realising prices below fair value, especially in periods of below normal investment market liquidity.

The Group funds its insurance liabilities with a portfolio of cash and debt securities exposed to market risk. The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts as of 31 December 2010:

		Contractual cash flows (undiscounted)				
31 December 2010 Financial assets	**No stated maturity**	**0-1 yr**	**1-3 yrs**	**3-5 yrs**	**>5 yrs**	**Carrying amount**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Shares and other variable yield securities	**346.5**	**0.6**	**–**	**–**	**–**	**347.1**
Debt and other fixed income securities	**1,575.8**	**231.4**	**580.3**	**439.7**	**139.2**	**2,880.1**
Property funds	**60.2**	**–**	**–**	**–**	**–**	**60.2**
Liquidity funds and other liquid investments	**1,033.6**	**(0.1)**	**–**	**–**	**–**	**1,033.5**
Derivative financial instruments, net	**4.7**	**–**	**–**	**–**	**–**	**4.7**
Total	**3,020.8**	**231.9**	**580.3**	**439.7**	**139.2**	**4,325.6**

		Expected cash flows (undiscounted)				
Insurance liabilities	**No stated maturity**	**0-1 yr**	**1-3 yrs**	**3-5 yrs**	**>5 yrs**	**Carrying amount**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Insurance contracts	**–**	**671.1**	**557.4**	**198.4**	**137.7**	**1,564.6**
Less assets arising from reinsurance contracts held	**–**	**(87.9)**	**(82.2)**	**(38.6)**	**(29.9)**	**(238.6)**
Total	**–**	**58.2**	**475.2**	**159.8**	**107.8**	**1,326.0**
Difference in contractual cash flows	**3,020.8**	**(351.3)**	**105.1**	**279.9**	**31.4**	**2,999.6**

The expected cash flows and carrying amount for the ACI insurance liabilities have not been included in the table above. The carrying amount of these liabilities is £922.8 million.

		Contractual cash flows (undiscounted)				
31 December 2009 Financial assets	No stated maturity	0-1 yr	1-3 yrs	3-5 yrs	>5 yrs	Carrying amount
	£m	£m	£m	£m	£m	£m
Shares and other variable yield securities	153.1	14.2	–	–	–	167.3
Debt and other fixed income securities	1,139.8	310.4	711.5	771.6	523.1	3,221.8
Property funds	118.8	6.9	–	–	–	125.7
Liquidity funds and other liquid investments	555.9	1.4	–	–	–	557.3
Derivative financial instruments, net	11.5	–	–	–	–	11.5
Total	1,979.1	332.9	711.5	771.6	523.1	4,083.6

		Expected cash flows (undiscounted)				
Insurance liabilities	No stated maturity	0-1 yr	1-3 yrs	3-5 yrs	>5 yrs	Carrying amount
	£m	£m	£m	£m	£m	£m
Insurance contracts	–	945.2	862.3	300.5	362.7	2,431.4
Less assets arising from reinsurance contracts held	–	(159.6)	(139.5)	(58.0)	(70.3)	(421.1)
Total	–	785.6	722.8	242.5	292.4	2,010.3
Difference in contractual cash flows	1,979.1	(452.7)	(11.3)	529.1	230.7	2,073.3

Liquidity, in the event of a major disaster, is tested regularly using internal cash flow forecasts and realistic disaster scenarios. In addition pre-arranged revolving credit facilities are available from bank facilities (note 27). If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the assets.

Credit risk

Credit risk is the risk that the Group becomes exposed to loss if a specific counterparty fails to perform its contractual obligations in a timely manner impacting the Group's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. The Group is exposed to credit risk in its investment portfolio and with its premium and reinsurance receivables. The table below shows the breakdown at 31 December 2010 of the exposure of the bond portfolio and reinsurance receivables by credit quality [5].

31 December 2010	Debt securities £m	%	Liquidity funds £m	%	Insurance and reinsurance premium receivables £m	%	Reinsurance receivables £m	%
AAA	1,060.8	36.8	988.3	100.0	–	–	1.1	0.3
AA	1,398.8	48.7	–	–	–	–	84.3	21.0
A	333.7	11.5	–	–	–	–	249.5	62.1
BBB	26.7	0.9	–	–	–	–	0.2	–
Other	60.1	2.1	–	–	777.0	100.0	66.6	16.6
	2,880.1	100.0	988.3	100.0	777.0	100.0	401.7	100.0

31 December 2009	Debt securities £m	%	Liquidity funds £m	%	Insurance and reinsurance premium receivables £m	%	Reinsurance receivables £m	%
AAA	1,394.7	43.3	494.7	100.0	–	–	7.6	1.7
AA	1,427.9	44.3	–	–	–	–	131.6	29.3
A	205.3	6.4	–	–	–	–	243.1	54.1
BBB	41.2	1.3	–	–	–	–	0.4	0.1
Other	152.7	4.7	–	–	637.8	100.0	66.5	14.8
	3,221.8	100.0	494.7	100.0	637.8	100.0	449.2	100.0

Insurance and reinsurance

The table also shows the total value of premium receivables, representing amounts due from policyholders. The quality of these receivables is not graded, but based on historical experience there is limited default risk relating to these amounts. Premium credit risk is managed through a number of controls that include broker approval, annual financial review and internal rating of brokers and regular monitoring of premium settlement performance.

The reinsurance receivables represent the amounts due at 31 December 2010 as well as amounts expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned and unearned risks. Reinsurance receivables are stated net of provisions for bad and doubtful debts. The credit risk in respect of reinsurance receivables is primarily managed by review and approval of reinsurance security by the Group's Reinsurance Security Committee, prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on the Group's own ratings for each reinsurer and Standard & Poor's ratings. The Group holds collateral from certain reinsurers including those that are non-rated. At 31 December 2010 the Group held collateral of £124.5 million as security against potential default by reinsurance counterparties (2009: £75.8 million). Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The impact on profit before tax of a 1% variation in the total reinsurance receivables would be £4.4 million (2009: £4.7 million). The details of overdue reinsurance assets and insurance receivables are provided in notes 18 and 19.

Investments

As well as failure of a counterparty to perform its contractual obligations, the price of corporate bond holdings will be affected by investors' perception of a borrower's creditworthiness. Credit risk within the investment funds is managed through: restrictions on the exposures by credit rating, as determined by the rating agencies, the credit research carried out by the investment managers and by holding diversified portfolios. £2.5 million of bonds held at 31 December 2010 were subject to downgrades during the year (2009: £26.5 million).

The Group's largest non-government counterparty as at 31 December 2010, excluding liquidity funds, was valued at £46.8 million.

(5) Credit ratings on debt securities are State Street composite ratings based on Standard & Poor's, Moody's and Fitch, depending on which agency / agencies rate each bond.

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For the year ended 31 December 2010

3. Risk disclosures continued

The table below shows the credit rating of the Group's non-government bonds.

Non-government bonds 31 December 2010	Total £m	AAA	AA	A	BBB	Other
Corporate – Financials	107.2	8.9%	41.8%	48.9%	0.4%	–
Corporate – Other	84.4	–	17.9%	58.2%	23.9%	–
Mortgage backed securities	153.4	90.3%	4.2%	0.4%	–	5.1%
Asset backed securities	72.4	82.3%	10.4%	3.4%	1.0%	2.9%
Insurance linked securities	55.5	–	–	–	–	100.0%

Non-government bonds 31 December 2009	Total £m	AAA	AA	A	BBB	Other
Corporate – Financials	342.4	20.8%	30.5%	42.3%	4.1%	2.3%
Corporate – Other	89.9	–	29.3%	47.3%	23.4%	–
Mortgage backed securities	148.4	89.8%	2.1%	1.2%	0.7%	6.2%
Asset backed securities	76.0	85.9%	1.7%	4.1%	6.5%	1.8%
Insurance linked securities	66.7	–	–	–	–	100.0%

The table excludes £42.2 million (2009: £102.9 million) of corporate bonds with explicit government guarantees. The table includes £4.2 million (2009: £12.2 million) of government agency mortgage backed securities.

3.3 Fair value methodology

For financial instruments carried at fair value we have categorised the measurement basis into a fair value hierarchy as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices.
- Level 2 – Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

Shares and other variable yield securities

Listed equities traded on a primary exchange are classified as Level 1. Unlisted equities are valued using internal models, based principally upon management's assumptions, and are classified as Level 3.

Debt and other fixed income securities

The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets.

Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1. This is typically the case for government bonds. Level 1 also includes exchange-traded bond funds, where fair value is based upon quoted market prices and the funds are actively traded. Where the market is inactive or the price is adjusted, but significant market observable inputs have been used by the pricing sources, then these are considered to be Level 2 inputs. This is typically the case for government agency debt, corporate debt, mortgage and asset backed securities and catastrophe bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Property funds

The fair value is based upon valuations provided by the fund manager. The inputs into that valuation are primarily unobservable and, as such, these assets are classified as Level 3.

Participation in investment pools

These are investment funds and the value is based upon unadjusted, quoted and executable prices provided by the fund manager. These are classified as Level 1, except where there is evidence these are not being actively traded at the fund manager's price.

Derivatives

Listed derivative contracts, such as futures, that are actively traded are valued using quoted prices from the relevant exchange and are classified as Level 1. Over-the-counter currency options are valued by the counterparty using quantitative models with multiple market inputs. The market inputs are observable and the valuation can be validated through external sources. These are classified as Level 2. Certain derivatives for which prices or other market inputs are unobservable, are classified as Level 3. This is typically the case for catastrophe swaps.

	Fair Value Hierarchy			Total	Fair Value Hierarchy			Total
	Level 1 £m	Level 2 £m	Level 3 £m	2010 £m	Level 1 £m	Level 2 £m	Level 3 £m	2009 £m
Assets								
Financial assets held for trading at fair value through income								
Shares and other variable yield securities	347.2	–	–	347.2	167.3	–	–	167.3
Debt and other fixed income securities	2,268.1	597.4	20.5	2,886.0	2,236.4	923.0	6.2	3,165.6
Property funds	–	–	60.2	60.2	–	–	125.7	125.7
Other financial assets at fair value through income								
Participation in investment pools	987.4	–	–	987.4	500.6	–	–	500.6
Deposits with credit institutions	18.3	–	–	18.3	6.7	–	–	6.7
Derivative instruments	0.5	9.7	–	10.2	0.2	24.2	–	24.4
Other	–	0.9	5.7	6.6	–	1.3	8.5	9.8
Available for sale financial assets								
Unlisted equities	–	–	9.0	9.0	–	–	8.9	8.9
Total assets	3,621.5	608.0	95.4	4,324.9	2,911.2	948.5	149.3	4,009.0
Liabilities								
Derivative instruments	(0.4)	(8.1)	(1.2)	(9.7)	(0.3)	(12.6)	–	(12.9)
Total liabilities	(0.4)	(8.1)	(1.2)	(9.7)	(0.3)	(12.6)	–	(12.9)
Net financial assets	3,621.1	599.9	94.2	4,315.2	2,910.9	935.9	149.3	3,996.1
Assets shown separately in the notes to the accounts								
Accrued income				(14.8)				(31.1)
Net financial investments (note 17)				4,300.4				3,965.0

The presentation of the fair value hierarchy in 2009 has been improved to enhance comparability with 2010. This has resulted in a gross up of debt and other fixed income securities in the fair value hierarchy by £5.2 million for net unsettled payables for investments sold and purchased, which are already shown separately in the notes to the accounts. This change in presentation has no impact on the primary financial statements.

The table below analyses the movements in assets and liabilities classified as Level 3 investments during the 2010 calendar year:

	Debt and other fixed income securities £m	Property funds £m	Derivative instruments £m	Other £m	Unlisted equities £m	Total £m
At 1 January 2010	6.2	125.7	–	8.5	8.9	149.3
Total net losses recognised in investment return in the income statement	(0.1)	(2.2)	–	–	–	(2.3)
Sales	(5.3)	(93.7)	–	(2.7)	–	(101.7)
Purchases	–	33.8	–	0.2	0.1	34.1
Assets of operation previously classified as held for sale	20.5	–	(1.2)	–	–	19.3
Transfers out of Level 3	(0.6)	–	–	–	–	(0.6)
Foreign exchange losses	(0.2)	(3.4)	–	(0.3)	–	(3.9)
At 31 December 2010	20.5	60.2	(1.2)	5.7	9.0	94.2
Total losses for the period included in income for assets and liabilities held at the end of the reporting period						(0.5)

Notes to the accounts continued

For the year ended 31 December 2010

3. Risk disclosures continued

There were no significant transfers between Level 1 and Level 2 during the year. There were no significant transfers into or out of Level 3 during the year.

The table below analyses the movements in assets and liabilities classified as Level 3 investments during the 2009 calendar year:

	Debt and other fixed income securities £m	Property funds £m	Other £m	Unlisted equities £m	Total £m
At 1 January 2009	0.2	83.5	–	8.6	92.3
Total net gains/(losses) recognised in investment return in the income statement	0.5	(17.5)	–	–	(17.0)
Sales	(0.4)	(6.5)	–	–	(6.9)
Purchases	0.7	8.1	–	0.3	9.1
Acquisitions through business combination	5.1	60.1	8.5	–	73.7
Foreign exchange gains/(losses)	0.1	(2.0)	–	–	(1.9)
At 31 December 2009	6.2	125.7	8.5	8.9	149.3
Total losses for the period included in income for assets and liabilities held at the end of the reporting period					(16.9)

The majority of the Group's investments are valued based on quoted market information or other observable market data. The Group holds 2.2% (2009: 3.7%) of its assets at a fair value based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

4. Segmental reporting

Management has determined the Group's operating segments based on the management information reviewed by the Board of Directors of the Company that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under International Financial Reporting Standard 8 'Operating Segments' (IFRS 8).

The Group is organised into six operating segments. Segments represent the distinct units through which the Group is organised and managed. These segments are as follows:

- Amlin London, consisting of the Reinsurance, Property & Casualty, Marine and Aviation business units, underwritten via Syndicate 2001;
- Amlin UK, underwriting commercial insurance in the UK domestic market, also via Syndicate 2001;
- Amlin France, which writes a diverse book of specialty business in France, via Syndicate 2001 and Amlin Corporate Insurance;
- Amlin Bermuda, which writes predominantly property reinsurance business, including reinsurance ceded by Syndicate 2001.
- Amlin Corporate Insurance, a leading provider of corporate property and casualty insurance in the Netherlands and Belgium; and
- Other corporate companies, comprising all other entities of the Group including holding companies.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement. Revenues are allocated based on the country in which the insurance contracts are issued. Management considers its external customers to be the individual policyholders, and as such the Group is not reliant on any individual customer.

Segmental information provided to the Board of Directors of the Company for the reportable segments of the Group is as follows:

Income and expenses by business segment **Year ended 31 December 2010**	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda[4] £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
Analysed by geographic segment								
UK	137.3	261.7	–	189.6	–	(0.1)	(152.9)	435.6
US	489.7	7.0	–	177.0	–	–	–	673.7
Europe	93.4	18.9	48.6	26.7	289.5	–	–	477.1
Worldwide	12.5	0.7	–	–	367.1	–	–	380.3
Other	156.5	3.6	–	45.7	–	–	–	205.8
Gross written premium	**889.4**	**291.9**	**48.6**	**439.0**	**656.6**	**(0.1)**	**(152.9)**	**2,172.5**
Net written premium	641.1	240.2	39.5	419.9	558.3	(3.6)	14.9	1,910.3
Gross earned premium	882.6	232.3	46.0	429.4	567.5	0.2	(155.6)	2,002.4
Reinsurance premium ceded	(254.7)	(42.1)	(8.9)	(14.5)	(88.3)	(3.5)	157.7	(254.3)
Net earned premium	**627.9**	**190.2**	**37.1**	**414.9**	**479.2**	**(3.3)**	**2.1**	**1,748.1**
Insurance claims and claims settlement expenses	(427.0)	(148.8)	(25.6)	(267.0)	(410.0)	4.4	105.4	(1,168.6)
Reinsurance recoveries	152.1	26.9	3.8	–	46.6	(0.6)	(119.3)	109.5
Expenses for the acquisition of insurance contracts	(173.8)	(42.6)	(9.3)	(56.0)	(78.7)	(0.1)	21.4	(339.1)
Underwriting expenses	(53.6)	(16.3)	(3.5)	(19.4)	(56.7)	(2.2)	3.9	(147.8)
Profit/(loss) attributable to underwriting	**125.6**	**9.4**	**2.5**	**72.5**	**(19.6)**	**(1.8)**	**13.5**	**202.1**
Investment return	36.7	18.5	–	41.4	54.0	101.5	(77.1)	175.0
Other operating income[1]	0.5	0.1	0.5	0.2	1.3	36.7	(33.6)	5.7
Agency expenses [2]	(18.5)	(4.1)	(0.7)	–	–	–	23.3	–
Other non-underwriting expenses	(1.0)	(0.4)	(0.4)	(10.7)	(19.1)	(93.0)	28.4	(96.2)
Finance costs [3]								(27.4)
Profit before taxation								259.2
Combined ratio	80%	95%	93%	83%	104%			88%

Included within the gross written premium of Amlin Bermuda is premium ceded from Amlin London, Amlin UK and Amlin France amounting to £153.4 million on reinsurance contracts undertaken at commercial rates (2009: £157.1 million).

(1) Other operating income is mainly commission receivable by service companies;

(2) Agency expenses allocated to segments represent fees and commission payable to Amlin Underwriting Limited;

(3) Finance costs are incurred in support of the entire business of the Group and have not been allocated to particular segments;

(4) Amlin Re Europe was established in October 2010 to write Continental European non-life reinsurance business. The business written by Amlin Re Europe in 2010 was not material to the Group and is reported within the Amlin Bermuda segment. Amlin Re Europe generated gross written premium of £2.7 million and incurred expenses of £3.7 million in 2010.

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For the year ended 31 December 2010

4. Segmental reporting continued

Assets and liabilities by business segment At 31 December 2010	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
Assets	1,821.3	495.5	37.4	1,681.6	1,720.3	3,526.0	(3,167.5)	**6,114.6**
Liabilities	1,591.9	493.1	36.6	604.3	1,440.7	2,096.6	(1,878.5)	**4,384.7**
Total net assets	**229.4**	**2.4**	**0.8**	**1,077.3**	**279.6**	**1,429.4**	**(1,289.0)**	**1,729.9**

Included in assets are the following:

At 31 December 2010	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
Investments in joint venture	–	–	–	–	–	2.2	–	**2.2**
Additions to non-current assets	–	–	–	0.2	9.8	13.5	–	**23.5**

The net assets of Amlin Bermuda are located in Bermuda, the US and Continental Europe. The majority of the other assets of the Group are located in the UK, the US, Continental Europe and Canada. The corresponding liabilities are also concentrated in these countries, but given the nature of the Group's business some of the liabilities will be located elsewhere in the world.

The Group's total non-current assets are £199.2 million of which £184.1 million is located in the UK and £15.1 million is located in foreign countries such as Bermuda, the US, Continental Europe and Canada.

Depreciation has been charged on property and equipment for the year amounting to £3.5 million (2009: £4.8 million) of which £0.8 million (2009: £1.3 million) has been charged to Amlin London, £0.8 million (2009: £0.8 million) to Amlin UK, £nil to Amlin France (2009: £0.2 million), £0.3 million to Amlin Bermuda (2009: £0.5 million), £0.9 million to Amlin Corporate Insurance (2009: £2.0 million) and £0.7 million to Other corporate companies.

No impairment losses in respect of intangible assets have been recognised during the year.

Income and expenses by business segment Year ended 31 December 2009	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
Analysed by geographic segment								
UK	120.9	164.5	–	185.6	–	–	(157.1)	313.9
US	434.7	0.1	–	161.7	–	–	–	596.5
Europe	88.8	7.4	28.9	19.9	83.8	–	–	228.8
Worldwide	63.5	15.5	–	–	141.4	–	–	220.4
Other	147.8	3.4	–	33.0	–	0.1	–	184.3
Gross written premium	855.7	190.9	28.9	400.2	225.2	0.1	(157.1)	1,543.9
Net written premium	567.7	157.8	25.2	396.4	187.8	–	(12.3)	1,322.6
Gross earned premium	788.7	167.6	22.6	374.7	321.8	0.6	(134.4)	1,541.6
Reinsurance premium ceded	(251.2)	(26.2)	(3.0)	(3.5)	(55.5)	–	115.1	(224.3)
Net earned premium	537.5	141.4	19.6	371.2	266.3	0.6	(19.3)	1,317.3
Insurance claims and claims settlement expenses	(234.7)	(94.2)	(11.9)	(138.5)	(173.0)	1.6	85.6	(565.1)
Reinsurance recoveries	81.4	19.5	2.1	0.1	(17.9)	0.2	(84.5)	0.9
Expenses for the acquisition of insurance contracts	(156.9)	(27.6)	(5.4)	(58.7)	(41.0)	(0.3)	22.5	(267.4)
Underwriting expenses	(72.3)	(11.6)	(1.9)	(12.3)	(23.2)	5.7	(4.3)	(119.9)
Profit attributable to underwriting	155.0	27.5	2.5	161.8	11.2	7.8	–	365.8
Investment return	40.6	22.9	0.4	72.3	53.8	17.5	–	207.5
Other operating income[1]	0.1	0.1	–	1.9	0.8	7.2	–	10.1
Agency expenses[2]	(16.5)	(3.8)	(0.4)	–	–	–	20.7	–
Other non-underwriting expenses	(1.7)	(0.3)	–	13.6	(11.4)	(51.5)	–	(51.3)
Finance costs[3]								(23.0)
Profit before taxation								509.1
Combined ratio	71%	81%	87%	56%	96%			72%

(1) Other operating income is mainly commission receivable by service companies;

(2) Agency expenses allocated to segments represent fees and commission payable to Amlin Underwriting Limited;

(3) Finance costs are incurred in support of the entire business of the Group and have not been allocated to particular segments.

Assets and liabilities by business segment At 31 December 2009	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
Assets	1,917.3	771.0	17.3	1,430.0	1,592.0	3,588.5	(3,643.1)	5,673.0
Liabilities	1,694.4	723.3	13.9	448.3	1,311.8	1,802.1	(1,913.9)	4,079.9
Total net assets	222.9	47.7	3.4	981.7	280.2	1,786.4	(1,729.2)	1,593.1

Included in assets are the following:

At 31 December 2009	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
Investments in joint venture	–	–	–	–	–	1.7	–	1.7
Additions to non-current assets	1.9	1.1	0.3	10.3	56.1	5.4	–	75.1

5. Net earned premium

	2010 £m	2009 £m
Insurance contracts premium		
Gross written premium	**2,172.5**	1,543.9
Change in unearned premium provision	**(170.1)**	(2.3)
Gross earned premium	**2,002.4**	1,541.6
Reinsurance premium		
Reinsurance premium payable	**(262.2)**	(221.3)
Change in unearned reinsurance premium provision	**7.9**	(3.0)
Reinsurance earned premium	**(254.3)**	(224.3)
Net earned premium	**1,748.1**	1,317.3

6. Investment return

	2010 £m	2009 £m
Investment income		
– dividend income	**5.8**	5.2
– interest income	**54.0**	84.7
– cash and cash equivalents interest income	**0.5**	3.4
	60.3	93.3
Net realised gains/(losses)		
on assets held for trading		
– equity securities	**(13.8)**	(86.4)
– debt securities	**64.0**	72.8
– property funds	**(22.9)**	(6.0)
on assets classified as other than trading		
– derivative instruments	**3.7**	(37.9)
	31.0	(57.5)
Net unrealised gains/(losses)		
on assets held for trading		
– equity securities	**40.6**	115.5
– debt securities	**18.4**	39.3
– property funds	**20.1**	(10.9)
on assets classified as other than trading		
– derivative instruments	**(2.0)**	26.2
– assets of operations previously classified as held for sale	**6.1**	1.6
– liability to purchase non-controlling interest in Amlin France Holdings SAS	**0.5**	–
	83.7	171.7
	175.0	207.5

Improvements have been made to the disclosure of 2009 comparative values to unrealised gains recorded on assets of operations previously classified as held for sale.

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For the year ended 31 December 2010

7. Insurance claims and loss adjustment expenses

	2010 £m	2009 £m
Gross claims and loss adjustment expenses		
Current year insurance claims and loss adjustment expenses	**1,313.6**	781.6
Reduced costs for prior period insurance claims	**(145.0)**	(216.5)
	1,168.6	565.1
Reinsurance claims		
Current year insurance claims and loss adjustment expenses recoverable from reinsurers	**(98.0)**	(43.3)
(Additional)/reduced costs for prior period claims recoverable from reinsurers	**(11.5)**	42.4
	(109.5)	(0.9)
Total net insurance claims and loss adjustment expenses	**1,059.1**	564.2

8. Expenses for the acquisition of insurance contracts

	2010 £m	2009 £m
Expenses for the acquisition of insurance contracts	**378.7**	276.6
Changes in deferred expenses for the acquisition of insurance contracts	**(39.6)**	(9.2)
	339.1	267.4

9. Other operating expenses

	2010 £m	2009 £m
Expenses relating to underwriting		
Employee expenses, excluding employee incentives	**77.5**	44.7
Lloyd's expenses	**17.7**	13.6
Other administrative expenses	**46.8**	34.3
Underwriting exchange losses (note 15)	**5.8**	27.3
	147.8	119.9
Other expenses		
Employee expenses, excluding employee incentives	**21.7**	16.4
Employee incentives	**27.7**	36.6
Asset management fees	**6.2**	4.7
Other administrative expenses	**17.5**	15.1
ACI integration costs	**16.6**	11.2
Non-underwriting exchange losses/(gains) (note 15)	**6.5**	(32.7)
	96.2	51.3
	244.0	171.2

Employee and other administrative expenses not relating to underwriting represent costs associated with the corporate activities of the Group.

10. Directors' remuneration

The aggregate remuneration of the directors of the Company, including amounts received from subsidiaries, was:

	2010 £m	2009 £m
Emoluments of executive directors (including payments made under long term incentive plans)	**4.1**	5.0
Fees to non-executive directors	**0.6**	0.5
	4.7	5.5
Pension contributions	**0.2**	0.2
	4.9	5.7

Details of directors' remuneration and pension benefits, including those of the highest paid director, are included in the Remuneration Report in the Governance section of the Annual Report. Payments were made to both a defined benefit pension scheme and stakeholder defined contribution scheme for one (2009: one) executive director and to stakeholder defined contribution schemes for two (2009: two) other executive directors.

11. Employee benefit expenses

The average number of persons employed by the Group, including individuals on fixed term contracts and directors, were:

	2010	2009
Underwriting divisions		
Underwriting, claims and reinsurance	**657**	659
Administration and support	**294**	215
Central functions		
Operations	**171**	115
Finance	**115**	105
Internal audit and compliance	**12**	13
	1,249	1,107

	2010	2009
By location		
UK	**791**	681
Bermuda	**33**	28
Continental Europe (excluding UK)	**417**	391
Singapore	**7**	5
US	**1**	2
	1,249	1,107

The aggregate payroll costs incurred by Group companies are analysed as follows:

	2010 £m	2009 £m
Wages and salaries	**93.6**	58.8
Employee incentive and related social security costs	**28.3**	36.6
Share options granted to directors and employees (note 24)	**3.1**	2.4
Social security costs	**11.1**	7.4
Pension costs – defined contribution schemes (note 28)	**5.4**	4.1
Pension costs – defined benefit schemes (note 28)	**1.9**	2.3
	143.4	111.6

12. Finance costs

	2010 £m	2009 £m
Letter of credit commission	**2.1**	1.5
Subordinated bond interest	**21.7**	20.7
Other similar charges	**3.6**	0.8
	27.4	23.0

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For the year ended 31 December 2010

13. Profit before tax

Profit before tax is stated after charging/(crediting) the following amounts:

	2010 £m	2009 £m
Depreciation		
– owned assets (note 21)	3.5	4.9
Amortisation (note 22)	5.5	4.3
Operating lease expenditure (note 33)	9.7	5.5
Foreign exchange losses/(gains) (note 15)	12.3	(5.4)

Fees paid to the Group's auditors during the period of their appointment as auditors are set out below:

	2010 £'000	2009 £'000	
		PwC	Deloitte
Amounts charged to the income statement			
Audit of the Group's annual accounts	266.5	120.4	32.9
Audit of subsidiary companies	730.7	626.9	14.6
Taxation advice	108.8	165.6	–
US market research	268.7	–	–
ACI acquisition advisory fees	–	–	1,346.5
Other non-statutory fees	100.4	16.5	–
	1,475.1	929.4	1,394.0

14. Tax

	2010 £m	2009 £m
Current tax – current year		
Corporation tax	81.0	94.8
Foreign tax suffered	3.6	(0.6)
Double tax relief	(3.0)	–
	81.6	94.2
Current tax – adjustments in respect of previous years		
Corporation tax	(10.9)	(1.0)
Deferred tax – current year		
Movement for the year	(38.8)	(38.2)
Deferred tax – adjustments in respect of previous years		
Movement for the year	7.9	(0.7)
Effect of reduced tax rate on opening net liability	(2.5)	–
Taxes on income	37.3	54.3

In addition to the above, tax of £4.6 million credit (2009: £15.0 million) on taxable items taken through other comprehensive income and deferred tax of £0.4 million charge (2009: £0.5 million) on taxable items taken through equity have been taken directly to reserves as follows:

	2010 £m	2009 £m
Current tax on losses on revaluation of hedge instruments	(5.3)	(12.7)
Current tax on foreign exchange (losses)/gains on translation of overseas operations	(2.1)	3.1
Current tax on taxable foreign exchange gains on translation of intangibles arising from investments in overseas operations	–	0.4
Deferred tax on defined benefit pension fund actuarial gains/(losses)	2.8	(5.8)
Taxes credited to other comprehensive income	(4.6)	(15.0)
Deferred tax on employee share option scheme	0.4	0.5
Taxes charged to equity	0.4	0.5

Underwriting profits and losses are recognised in the technical account on an annual accounting basis, recognising the results in the period in which they are earned. UK corporation tax on Syndicate 2001's underwriting result is charged in the period in which the underwriting profits are actually paid by the Syndicate to the corporate member subsidiary.

Deferred tax is provided on the underwriting result with reference to the forecast ultimate result of each of the years of account. Where this is a taxable loss, deferred tax is only provided on the movement on that year of account to the extent that forecasts show that the taxable loss will be utilised in the foreseeable future. Deferred tax (before netting off) has been provided on the underwriting result for this accounting period of £68.9 million (2009: £96.5 million).

Reconciliation of tax expense

The UK standard rate of corporation tax is 28.0% (2009: 28.0%), whereas the tax charged for the year ended 31 December 2010 as a percentage of profit before tax is 14.4% (2009: 10.7%). The reasons for this difference are explained below:

	2010 £m	**2010 %**	2009 £m	2009 %
Profit before tax	**259.2**		509.1	
Taxation on profit on ordinary activities at the standard rate of corporation tax in the UK	**72.6**	**28.0**	142.5	28.0
Non-deductible or non-taxable items	**(0.7)**	**(0.2)**	(2.4)	(0.5)
Tax rate differences on overseas subsidiaries	**(29.7)**	**(11.5)**	(69.7)	(13.7)
Over provision in respect of prior periods	**(3.0)**	**(1.2)**	–	–
Irrecoverable overseas tax	**0.6**	**0.3**	–	–
Release of deferred tax provision on prior year Bermudian profits	**–**	**–**	(16.1)	(3.1)
Deferred tax rate change	**(2.5)**	**(1.0)**	–	–
Taxes on income	**37.3**	**14.4**	54.3	10.7

The Group's Bermudian reinsurance subsidiary, Amlin Bermuda Ltd, was re-domiciled to Switzerland during the year. The company was subsequently re-named Amlin AG, with a new division, Amlin Re Europe, operating in Switzerland and the Bermuda business operating as a Bermudian branch. The Group's tax provision for 2010 has been prepared on the basis that both Amlin AG and Amlin Bermuda Holdings Ltd are non-UK resident for UK corporation tax purposes and are exempt from the UK controlled foreign company regime. The corporation tax rate for profits earned by Amlin Bermuda Holdings Ltd and the Bermudian branch of Amlin AG is currently nil% (2009: nil%). The combined rate which is applicable to profits arising for the Zurich operation only, of Swiss cantonal and federal taxes is 21.2%.

Deferred tax has been provided for at the local tax rate in force when the temporary differences are expected to reverse. The tax rates used are:

- UK – 27% (2009: 28%), with the exception of temporary differences expected to reverse in 2011 for which a tax rate of 27.25% has been applied;
- Netherlands – 25.0% (2009: 25.5%);
- Bermuda – nil% (2009: nil%); and
- Switzerland – 21.2% (2009: n/a).

The UK tax rate applied for deferred tax purposes (27.0%) was enacted in July 2010. Further reductions in the UK corporation tax rate have been announced, which will ultimately reduce the corporation tax rate to 24.0% on 1 April 2014. However, these subsequent reductions have not yet been enacted or substantively enacted and therefore the rate at which deferred tax is provided remains 27.0%. An estimate of the impact of the future reduction in the UK corporation tax rate can be found in note 39 Subsequent events.

The Group is subject to US tax on US underwriting profits. No provision has been made in respect of such tax arising in 2010 (2009: £nil) as any net provision is likely to be immaterial.

Deferred tax

The deferred tax asset is attributable to temporary differences arising on the following:

	Provisions for losses £m	Other provisions £m	Pension provisions £m	Other timing differences £m	Total £m
At 1 January 2009	1.0	4.7	1.8	3.6	11.1
Opening balance in acquisition	–	–	–	17.1	17.1
Movements in the year	(0.8)	1.0	4.7	(4.0)	0.9
At 31 December 2009	0.2	5.7	6.5	16.7	29.1
Movements in the year	13.6	(4.8)	(6.5)	(16.7)	(14.4)
At 31 December 2010	**13.8**	**0.9**	**–**	**–**	**14.7**

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For the year ended 31 December 2010

14. Tax continued

The deferred tax liability is attributable to temporary differences arising on the following:

	Underwriting results £m	Unrealised capital gains £m	Syndicate capacity £m	Overseas earnings £m	Other timing differences £m	Intangibles £m	Total £m
At 1 January 2009	122.9	–	5.3	16.1	0.3	–	144.6
Opening balances on acquisition	–	4.4	–	–	2.0	16.6	23.0
Movements in the year	(26.4)	–	0.8	(16.1)	(1.6)	0.7	(42.6)
At 31 December 2009	96.5	4.4	6.1	–	0.7	17.3	125.0
Movements in the year	(53.0)	9.3	0.8	–	8.3	(2.6)	(37.2)
At 31 December 2010	**43.5**	**13.7**	**6.9**	**–**	**9.0**	**14.7**	**87.8**

Deferred tax of £26.6 million (2009: £20.9 million) is expected to be settled after more than 12 months from the balance sheet date.

15. Net foreign exchange (losses)/gains

The Group recognised net foreign exchange losses of £12.3 million (2009: £5.4 million net gain) in the income statement during the year.

The Group writes business in many currencies and although a large proportion of the Group's balance sheet assets and liabilities are matched, minimising the effect of movements in foreign exchange rates on the Group's result, it is not possible, or practical, to match exactly all assets and liabilities in currency. Accounting standards also require that certain classes of assets and liabilities be translated at different rates (see foreign currency translation accounting policy).

Included within the Group's foreign exchange (losses)/gains in the income statement are:

	2010 £m	2009 £m
Net (losses)/gains on underwriting transactions and translation of underwriting assets and liabilities at closing rates	**(3.2)**	1.7
Losses arising from the treatment of net non-monetary assets and liabilities at historical average rates	**(2.6)**	(29.0)
Underwriting exchange losses	**(5.8)**	(27.3)
(Losses)/gains on long-term US dollar borrowings	**(2.0)**	6.4
Gains on sterling capital assets held in Amlin Bermuda	**–**	25.2
Net (losses)/gains on non-underwriting transactions and translation of non-underwriting assets and liabilities at closing rates	**(4.5)**	1.1
Non-underwriting exchange (losses)/gains	**(6.5)**	32.7
	(12.3)	5.4

In addition, the following exchange movements have been charged directly to other comprehensive income:

	2010 £m	2009 £m
Gains/(losses) on translation of overseas subsidiaries:		
– Amlin Bermuda	**27.8**	(98.5)
– Amlin Singapore	**0.2**	–
– Amlin France	**0.2**	–
– Amlin Corporate Insurance N.V.	**(7.7)**	7.3
	20.5	(91.2)
(Losses)/gains on derivative instruments that hedge investments in overseas operations	**(4.2)**	29.3
Losses on translation of intangibles arising from investments in overseas operations	**(2.9)**	(1.6)
	13.4	(63.5)

16. Cash and cash equivalents

	2010 £m	2009 £m
Cash and cash in hand	**66.9**	68.9
Short-term deposits	**14.6**	1.4
	81.5	70.3

Cash and cash equivalents represent cash at bank and in hand and short-term bank deposits which can be recalled within 24 hours.

17. Financial assets and financial liabilities

	At valuation 2010 £m	At valuation 2009 £m	At cost 2010 £m	At cost 2009 £m
Assets				
Financial assets held for trading at fair value through income				
Shares and other variable yield securities	**347.1**	167.3	**306.5**	161.8
Debt and other fixed income securities	**2,876.9**	3,127.7	**2,811.2**	3,162.7
Property funds	**60.2**	125.7	**64.7**	147.2
Other financial assets at fair value through income				
Participation in investment pools	**984.7**	508.2	**976.0**	499.1
Deposits with credit institutions	**9.8**	6.4	**9.5**	6.4
Derivative instruments	**14.4**	24.4	**5.2**	4.5
Other	**8.0**	9.3	**7.9**	9.2
Available for sale financial assets				
Unlisted equities	**9.0**	8.9	**9.0**	8.9
Total financial assets	**4,310.1**	3,977.9	**4,190.0**	3,999.8
Liabilities				
Derivative instruments	**(9.7)**	(12.9)	**(1.3)**	–
Total financial liabilities	**(9.7)**	(12.9)	**(1.3)**	–
Net financial assets	**4,300.4**	3,965.0	**4,188.7**	3,999.8
Listed investments included above are as follows:				
Shares and other variable yield securities	**347.1**	167.3	**306.5**	161.8
Debt and other fixed income securities	**2,824.5**	3,127.7	**2,758.9**	3,162.7
	3,171.6	3,295.0	**3,065.4**	3,324.5

Debt and other fixed income securities include pooled exchange-traded funds, investing in bonds. The valuation of these funds is £1,523.5 million (2009: £1,076.1 million). Participation in investment pools includes units held in money market funds.

The reconciliation of opening and closing financial investments is as follows:

	2010 £m	2009 £m
At 1 January	**3,965.0**	2,868.1
Exchange losses	**(47.0)**	(128.0)
Net purchases	**214.1**	13.1
Realised gains/(losses) on disposals	**31.0**	(57.5)
Unrealised investment gains	**77.1**	170.1
Acquisitions through business combination	**–**	1,069.9
Assets of operation previously classified as held for sale	**64.4**	–
(Losses)/gains on derivative hedging instruments realised and unrealised taken through other comprehensive income	**(4.2)**	29.3
At 31 December	**4,300.4**	3,965.0

Improvements have been made to the disclosure of 2009 comparative values for unrealised gains recorded on assets of operation previously classified as held for sale.

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18. Insurance liabilities and reinsurance assets

Claims reserves	2010 Insurance contract liabilities £m	2010 Reinsurance share £m	2010 Net liabilities £m	2009 Insurance contract liabilities £m	2009 Reinsurance share £m	2009 Net liabilities £m
At 1 January	2,431.4	421.1	2,010.3	1,692.8	360.8	1,332.0
Claims incurred during the current year	1,313.6	98.0	1,215.6	781.6	43.3	738.3
Movements arising from prior year claims	(145.0)	11.5	(156.5)	(216.5)	(42.4)	(174.1)
Claims paid during the year	(977.3)	(147.0)	(830.3)	(664.1)	(56.7)	(607.4)
Acquisitions through business combination	–	–	–	943.6	160.0	783.6
Novation of liability	(2.0)	(0.4)	(1.6)	(42.1)	(42.1)	–
Accretion of fair value adjustment	4.0	0.7	3.3	0.7	0.1	0.6
Other movements	–	3.2	(3.2)	–	–	–
Exchange adjustments	7.2	(4.0)	11.2	(64.6)	(1.9)	(62.7)
At 31 December	2,631.9	383.1	2,248.8	2,431.4	421.1	2,010.3

Further information on the calculation of claims reserves and the risks associated with them is provided in the risk disclosures in note 3. Claims reserves are further analysed between notified outstanding claims and incurred but not reported claims below:

	2010 £m	2009 £m
Notified outstanding claims	1,892.4	1,722.7
Claims incurred but not reported	739.5	708.7
Insurance contracts claims reserve	2,631.9	2,431.4

The current and non-current portions for claims reserves are expected to be as follows:

Claims reserves	2010 Insurance contract liabilities £m	2010 Reinsurance share £m	2010 Net liabilities £m	2009 Insurance contract liabilities £m	2009 Reinsurance share £m	2009 Net liabilities £m
Current portion	1,047.2	129.6	917.6	857.6	151.7	705.9
Non-current portion	1,584.7	253.5	1,331.2	1,573.8	269.4	1,304.4
	2,631.9	383.1	2,248.8	2,431.4	421.1	2,010.3

Unearned premium reserves	2010 Insurance contract liabilities £m	2010 Reinsurance share £m	2010 Net liabilities £m	2009 Insurance contract liabilities £m	2009 Reinsurance share £m	2009 Net liabilities £m
At 1 January	744.8	52.8	692.0	549.4	31.0	518.4
Premiums written during the year	2,172.5	262.2	1,910.3	1,543.9	221.3	1,322.6
Premiums earned during the year	(2,002.4)	(254.3)	(1,748.1)	(1,541.6)	(224.3)	(1,317.3)
Acquisition through business combinations	–	–	–	203.1	28.5	174.6
Other movements	–	(4.0)	4.0	–	–	–
Exchange adjustments	(0.5)	(1.4)	0.9	(10.0)	(3.7)	(6.3)
At 31 December	914.4	55.3	859.1	744.8	52.8	692.0

The current and non-current portions for unearned premium reserves are expected to be as follows:

Unearned premium reserves	2010 Insurance contract liabilities £m	2010 Reinsurance share £m	2010 Net liabilities £m	2009 Insurance contract liabilities £m	2009 Reinsurance share £m	2009 Net liabilities £m
Current portion	865.3	45.5	819.8	717.4	43.2	674.2
Non-current portion	49.1	9.8	39.3	27.4	9.6	17.8
	914.4	55.3	859.1	744.8	52.8	692.0

In connection with the purchase accounting for the acquisition of ACI, the Group adjusted claims reserves and related reinsurance recoveries to fair value on acquisition. The reduction to the original carrying value of £39.1 million and £6.4 million to claims reserves and reinsurance recoveries respectively is being recognised through a charge to the income statement over the period the claims are settled. This net charge is £3.3 million in 2010 (2009: net charge £0.6 million).

The fair value was based on the present value of the expected cash flows with consideration for the uncertainty inherent in both the timing of, and the ultimate amount of, future payments for losses and receipts of amounts recoverable from reinsurers. The nominal amounts were discounted to their present value using an applicable risk-free discount rate.

The total reinsurers' share of claims reserves and unearned premium reserves is set out in the table below:

	2010 £m	2009 £m
Reinsurers' share of insurance liabilities	**454.4**	481.5
Less provision for impairment of receivables from reinsurers	**(16.0)**	(7.6)
Reinsurance assets	**438.4**	473.9

The Group assesses its reinsurance assets for impairment on a quarterly basis by reviewing counterparty payment history and credit grades provided by rating agencies. The credit ratings of the Group's reinsurance assets are shown in note 3.2. As at 31 December 2010 reinsurance assets at a nominal value of £4.0 million (2009: £3.1 million) were greater than 3 months overdue and provided for to the value of £4.0 million (2009: £3.1 million). The Group holds collateral of £124.5 million (2009: £75.8 million) in relation to reinsurance assets.

The Group has recognised a total impairment loss of £20.0 million (2009: £25.6 million) on reinsurance assets and insurance receivables.

The carrying amounts disclosed are reasonably approximate to the fair value at the reporting date.

19. Loans and receivables, including insurance and reinsurance receivables

	2010 £m	2009 £m
Receivables arising from insurance and reinsurance contracts	**820.1**	687.4
Less provision for impairment of receivables from contract holders and agents	**(24.5)**	(21.5)
Insurance and reinsurance receivables	**795.6**	665.9
Other receivables	**39.4**	45.4
Prepayments and other accrued income	**48.7**	18.9
Other loans and receivables	**88.1**	64.3
	883.7	730.2

The current and non-current portions are expected to be as follows:

	2010 £m	2009 £m
Current portion	**868.6**	703.5
Non-current portion	**15.1**	26.7
	883.7	730.2

Receivables arising from reinsurance contracts are comprised principally of amounts recoverable from reinsurers in respect of paid claims and premium receivables on inward reinsurance business, including reinstatement premium.

The Group assesses its insurance and reinsurance receivables for impairment on a quarterly basis by reviewing counterparty payment history. As of 31 December 2010 insurance and reinsurance receivables at a nominal value of £117.2 million (2009: £108.5 million) were greater than 3 months overdue and provided for on the basis of credit rating to the value of £24.2 million (2009: £5.5 million).

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

The ageing analysis of insurance and reinsurance receivables overdue, before impairment provision, is as follows:

	2010 £m	2009 £m
3 to 6 months	**18.9**	22.0
6 to 9 months	**14.0**	3.6
Greater than 9 months	**84.3**	82.9
	117.2	108.5

Amlin Corporate Insurance N.V Netherlands business does not currently produce an ageing report for insurance receivables due to the interaction of local market practice and the office's internal systems. The total level of insurance receivables in the Netherlands is £68.1 million (2009: £65.0 million).

Other receivables comprise principally of amounts receivable from investment managers for financial investments sold, input VAT and other sundry debtors.

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20. Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:

	£m
At 1 January 2009	114.0
Expense deferred	180.7
Amortisation	(171.5)
Acquisition through business combination	21.6
Exchange adjustment	1.0
At 31 December 2009	**145.8**
Expense deferred	**274.5**
Amortisation	**(234.9)**
Exchange adjustment	**0.4**
At 31 December 2010	**185.8**

The current and non-current portions are expected to be as follows:

	2010 £m	2009 £m
Current portion	**176.0**	136.2
Non-current portion	**9.8**	9.6
	185.8	145.8

21. Property and equipment

	Freehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improvements £m	Total £m
Cost					
At 1 January 2010	4.1	0.2	26.8	9.9	41.0
Foreign exchange losses	–	–	(0.2)	–	(0.2)
Additions	–	–	4.7	1.5	6.2
Disposals	–	–	(0.4)	(0.1)	(0.5)
At 31 December 2010	**4.1**	**0.2**	**30.9**	**11.3**	**46.5**
Accumulated depreciation					
At 1 January 2010	0.3	0.1	22.7	8.0	31.1
Foreign exchange gains	–	–	(0.2)	–	(0.2)
Charge for the year	–	–	2.8	0.7	3.5
Disposals	–	–	(0.4)	–	(0.4)
At 31 December 2010	**0.3**	**0.1**	**24.9**	**8.7**	**34.0**
Net book value					
At 31 December 2010	**3.8**	**0.1**	**6.0**	**2.6**	**12.5**
At 1 January 2010	3.8	0.1	4.1	1.9	9.9

	Freehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improvements £m	Total £m
Cost					
At 1 January 2009	4.1	0.2	23.6	6.8	34.7
Foreign exchange losses	–	–	–	(0.1)	(0.1)
Additions	–	–	2.9	3.1	6.0
Acquisitions through business combination	–	–	0.3	0.1	0.4
At 31 December 2009	4.1	0.2	26.8	9.9	41.0
Accumulated depreciation					
At 1 January 2009	0.2	0.1	19.8	6.2	26.3
Foreign exchange gains	–	–	(0.1)	–	(0.1)
Charge for the year	0.1	–	3.0	1.8	4.9
At 31 December 2009	0.3	0.1	22.7	8.0	31.1
Net book value					
At 31 December 2009	3.8	0.1	4.1	1.9	9.9
At 1 January 2009	3.9	0.1	3.8	0.6	8.4

There were no assets held under finance lease and hire purchase contracts at 31 December 2010 (2009: £nil).

22. Intangible assets

	Goodwill £m	Syndicate participations £m	Broker and customer relationships £m	Computer software £m	Other intangibles £m	Total £m
Cost						
At 1 January 2010	64.3	63.2	39.3	–	2.5	169.3
Additions	–	–	–	17.4	–	17.4
Acquisition through business combination	–	–	13.0	–	–	13.0
Adjustments to prior acquisitions	(0.4)	–	–	–	–	(0.4)
Foreign exchange losses	(1.7)	–	(1.2)	–	–	(2.9)
At 31 December 2010	**62.2**	**63.2**	**51.1**	**17.4**	**2.5**	**196.4**
Accumulated amortisation						
At 1 January 2010	0.4	–	5.4	–	0.7	6.5
Charge for the year	–	–	5.0	–	0.5	5.5
Foreign exchange gains	–	–	(0.1)	–	–	(0.1)
At 31 December 2010	**0.4**	**–**	**10.3**	**–**	**1.2**	**11.9**
Net book value						
At 31 December 2010	**61.8**	**63.2**	**40.8**	**17.4**	**1.3**	**184.5**
At 1 January 2010	63.9	63.2	33.9	–	1.8	162.8

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For the year ended 31 December 2010

22. Intangible assets continued

	Goodwill £m	Syndicate participations £m	Broker and customer relationships £m	Computer software £m	Other intangibles £m	Total £m
Cost						
At 1 January 2009	34.3	63.2	12.4	–	2.5	112.4
Acquisition through business combination	32.6	–	26.8	–	–	59.4
Adjustments to prior acquisitions	(0.9)	–	–	–	–	(0.9)
Foreign exchange losses	(1.7)	–	0.1	–	–	(1.6)
At 31 December 2009	**64.3**	**63.2**	**39.3**	**–**	**2.5**	**169.3**
Accumulated amortisation						
At 1 January 2009	0.4	–	1.6	–	0.2	2.2
Charge for the year	–	–	3.8	–	0.5	4.3
At 31 December 2009	**0.4**	**–**	**5.4**	**–**	**0.7**	**6.5**
Net book value						
At 31 December 2009	**63.9**	**63.2**	**33.9**	**–**	**1.8**	**162.8**
At 1 January 2009	33.9	63.2	10.8	–	2.3	110.2

Syndicate participations represent the ongoing rights to trade on Syndicate 2001 within the Lloyd's insurance market.

Goodwill and the asset in relation to Syndicate participations are considered to have an indefinite life. As such, they are tested for impairment annually.

For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units (CGUs) identified according to country of operation and business segment. The intangible asset relating to the syndicate participations supports the underwriting in Amlin London, Amlin UK and Amlin France. Given the nature of the participation rights, it is not practical to split this asset between the three CGUs. Accordingly, impairment testing has been performed based on aggregate Syndicate 2001 profit forecasts.

The analysis of goodwill and indefinite life intangible assets by CGU is shown below:

	2010 £m				2009 £m			
	Amlin London	**Amlin France**	**Amlin Corporate Insurance**	**Total**	Amlin London	Amlin France	Amlin Corporate Insurance	Total
Goodwill	**7.6**	**25.0**	**29.2**	**61.8**	8.2	28.1	27.6	63.9
Syndicate participations	**–**	**–**	**–**	**63.2**	–	–	–	63.2
Total	**7.6**	**25.0**	**29.2**	**125.0**	8.2	28.1	27.6	127.1

When testing for impairment, the recoverable amount of a CGU is determined based on value in use calculations. Value in use is calculated for each CGU using a discounted cash flow projection based on business plans and growth assumptions approved by management and discounted at an appropriate discount rate.

Key assumptions used in the calculation are:

- Budgeted operating profit for an initial 5 year period for Amlin London and a 4 year period for Amlin France and Amlin Corporate Insurance represents the operating profit in the business plans. As such this reflects the best estimate of future profits based on historical trends and expected growth rates. The most significant assumptions used to derive the operating profit include our assessment of the market cycle, retention rates, claims inflation, outwards reinsurance expenditure and long-term investment return.
- In order to extrapolate future cash flows beyond the business plan period, a long-term average growth rate of 2.5% has been assumed for all CGUs.
- A risk adjusted post-tax discount rate of 8.0%, has been applied to each CGU's cash flow projection.

The results of this exercise indicate that the recoverable amount exceeds in each case the intangible's carrying value and would not be sensitive to reasonable possible changes in assumptions.

Computer software represents the costs that the Group has incurred on internally developed software relating to a new underwriting platform for Amlin Corporate Insurance N.V. This software will be amortised over ten years from the date that it is completed.

The Group acquired the trade and assets of a United Kingdom insolvency practitioners' insurance business from Lockton, Inc during the year and capitalised the existing customer relationships of the business (see note 38). This intangible is being amortised over 13 years. Broker and customer relationship intangibles also include those acquired in relation to Amlin Corporate Insurance N.V. and Amlin France Holdings SAS, the net book value being £24.0 million (2009: £26.8 million) and £4.7 million (2009: £6.4 million) respectively.

23. Share capital

Authorised share capital

	2010 Number	2010 £m	2009 Number	2009 £m
Allotted, called up and fully paid ordinary shares				
At 1 January issued ordinary shares of 28.125p each (2009: 28.125p)	**502,076,006**	**141.2**	478,573,439	134.6
Shares issued to fund the acquisition of Amlin Corporate Insurance N.V.	**–**	**–**	23,502,567	6.6
At 31 December issued ordinary shares of 28.125p each (2009: 28.125p)	**502,076,006**	**141.2**	502,076,006	141.2
Issued redeemable non-cumulative preference shares (B shares)				
At 1 January issued B shares of 22.4p each	**–**	**–**	5,335,475	1.2
B shares redemption	**–**	**–**	(5,335,475)	(1.2)
At 31 December issued B shares of 22.4p each	**–**	**–**	–	–

The Company transferred 1,288,723 shares out of treasury shares at a cost of £3.3 million (2009: 1,599,228 shares at a cost of £4.1 million). The shares have been transferred to meet exercises of employee share options, leaving 5,875,701 shares in Treasury at 31 December 2010 (2009: 7,164,424 shares).

On 3 June 2009, the Group placed 23,502,567 new ordinary shares with institutional investors representing approximately 5% of Amlin's issued ordinary share capital, in order to finance part of the consideration for acquiring ACI. The placing proceeds were £75.0 million net of expenses.

The B shares detailed above were issued on 17 December 2007 to existing shareholders on the basis of one B share for each ordinary share held on 14 December 2007. Each such B share was redeemable by the shareholder at 22.4 pence per share at various dates up to August 2009 (at which time the balance was then mandatorily redeemed).

24. Share options and share-based incentive awards

During the year ended 31 December 2010 the Group operated a number of long-term employee incentive schemes. The total cost recognised in the income statement under International Financial Reporting Standard 2 'Share-based payments' (IFRS 2) for the Group's share-based payment arrangements is shown below:

	2010 £m	2009 £m
Equity settled schemes	**3.1**	2.4
Cash settled scheme (Capital Builder Plan)	**–**	5.9
Total expense arising from share-based payments	**3.1**	8.3

i) Equity settled schemes

Details of Amlin's Executive Share Option Schemes (ESOS), Long Term Incentive Plan (LTIP), Performance Share Plan (PSP), Share Incentive Plan (SIP) and Sharesave plans are set out in the Directors' Remuneration Report in the Governance section. At 31 December 2010 the total options over new or treasury shares outstanding, or committed to be met by the Group's Employee Share Ownership Trust (ESOT), under these schemes are summarised below:

a) Amlin Executive Share Option Schemes (ESOS)

ESOS options are potentially exercisable for seven years following their initial vesting date. The changes to new or treasury shares under option pursuant to the ESOS during the year were as follows:

	Number of shares 2010	Weighted average exercise price per share (pence)	Number of shares 2009	Weighted average exercise price per share (pence)
At 1 January	**2,090,148**	**234.62**	3,544,973	224.94
Exercised during the year	**(918,746)**	**229.08**	(1,425,455)	212.14
Lapsed during the year	**(16,959)**	**293.00**	(29,370)	139.51
Total shares outstanding and exercisable at 31 December	**1,154,443**	**238.18**	2,090,148	234.62

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For the year ended 31 December 2010

24. Share options and share-based incentive awards continued

Details of the outstanding ESOS options are as follows:

	Number of outstanding shares under option 2010	Exercise price per share (pence) 2010	Weighted average remaining contractual life (years)	Number of outstanding shares under option 2009	Exercise price per share (pence) 2009	Weighted average remaining contractual life (years)
2001 Executive grant	**7,770**	**108.99**	**0.30**	7,770	108.09	1.30
2002 Executive grant	**38,455**	**76.33**	**1.30**	54,155	76.33	2.30
2003 Executive grant	**43,463**	**110.82**	**2.30**	79,994	110.82	3.30
2004 Executive grant	**149,117**	**152.85**	**3.25**	211,252	152.85	4.25
2005 Executive grant	**188,230**	**161.77**	**4.25**	492,747	161.77	5.25
2006 Executive grant	**727,408**	**293.00**	**5.25**	1,244,230	293.00	6.25

The weighted average share price at date of exercise during the year was 413.82 pence.

The weighted average remaining contractual life of the ESOS options outstanding at 31 December 2010 was 4.6 years (2009: 5.6 years).

b) Long Term Incentive Plan (LTIP)

The LTIP awards are subject to an arrangement whereby the Employee Share Ownership Trust (ESOT) was committed at the year end to provide up to 2,582,748 shares pursuant to options, normally exercisable from three years after grant. During 2010, the period for options exercise following such three years was extended from 6 to 30 months. In addition, conditional share awards have been made over 142,064 and 87,055 shares to participants in the Netherlands and Belgium, and France, respectively. Such awards may vest from three years after the award date. The following reconciliation shows the changes made to the LTIP options and share awards during the year:

	Number of shares under option or conditional award 2010	Number of shares under option or conditional award 2009
At 1 January	**2,125,719**	1,605,360
Granted/awarded during the year	**1,274,498**	747,533
Exercised during the year	**(481,944)**	(77,970)
Lapsed during the year	**(30,296)**	(149,204)
Total outstanding shares at 31 December	**2,887,977**	2,125,719
Total exercisable shares at 31 December	**–**	–

The exercise price for each option exercise is £1 in total per exercise and the cost of acquiring shares through a conditional share award vesting is nil.

Details of the outstanding LTIP options and share awards are as follows:

	Number of shares under option or conditional award 2010	Weighted average remaining contractual life (years)	Number of shares under option or conditional award 2009	Weighted average remaining contractual life (years)
2007 LTIP grant	**–**	**–**	474,525	0.80
2008 LTIP grant	**857,065**	**2.80**	881,930	1.80
2009 LTIP grant	**683,625**	**3.80**	693,154	2.80
2010 LTIP grant	**1,042,058**	**4.80**	–	–
2008 French LTIP grant	**54,608**	**0.90**	54,608	1.90
2009 French LTIP grant	**21,502**	**1.20**	21,502	2.20
2010 French LTIP grant	**87,055**	**2.20**	–	–
2010 ACI LTIP grant	**142,064**	**2.20**	–	–

The weighted average share price at date of exercise during the year was 417.88 pence.

The weighted average fair value (i.e. share price) at date of grant for awards granted during 2010 was 413.60 pence.

The weighted average remaining contractual life of the LTIP options/awards outstanding at 31 December 2010 was 3.63 years (2009: 1.91 years), the material increase being due to the extension of exercise periods mentioned above.

c) Performance Share Plan (PSP)

The PSP awards are subject to an arrangement whereby the ESOT was committed at the year end to provide up to 1,966,608 shares pursuant to options, normally exercisable from five years after grant. During 2010, the period of exercise following such five years was extended from 6 to 30 months. In addition, conditional share awards have been made over 101,152 and 46,515 shares to participants in the Netherlands and Belgium, and in France, respectively. Such awards may vest from five years after the award date. The following reconciliation shows the changes made to the PSP options and share awards during the year:

	Number of shares under option or conditional award 2010	Number of shares under option or conditional award 2009
At 1 January	2,053,682	2,154,676
Granted/awarded during the year	661,558	435,181
Exercised during the year	(498,300)	(499,366)
Lapsed during the year	–	(36,809)
Total outstanding shares at 31 December	**2,216,940**	2,053,682
Total exercisable shares at 31 December	**–**	–

The exercise price for each option exercise is £1 in total per exercise and the cost of acquiring shares through a conditional share vesting is nil.

Details of the outstanding PSP options and share awards are as follows:

	Number of shares under option or conditional award 2010	Weighted average remaining contractual life (years)	Number of shares under option or conditional award 2009	Weighted average remaining contractual life (years)
2005 PSP grant	–	–	488,918	0.80
2006 PSP grant	316,997	2.80	322,649	1.80
2007 PSP grant	350,256	3.80	353,986	2.80
2008 PSP grant	462,988	4.80	462,988	3.80
2009 PSP grant	322,476	5.80	322,476	4.80
2010 PSP grant	513,891	6.80	–	–
2009 French PSP grant	26,969	3.50	26,969	4.50
2010 French PSP grant	46,515	4.20	–	–
2009 ACI PSP grant	75,696	3.66	75,696	4.66
2010 ACI PSP grant	101,152	4.20	–	–

The weighted average share price at date of exercise during the year was 398.78 pence.

The weighted average fair value (i.e. share price) at date of grant for awards granted during 2010 was 413.60 pence.

The weighted average remaining contractual life of the PSP options/awards outstanding at 31 December 2010 was 4.87 years (2009: 2.80 years), the material increase being due to the extension of exercise periods mentioned above.

d) Share Incentive Plan (SIP)

SIP shares are awards made on an all employee basis, including to employees in France, the Netherlands and Belgium. Under the main SIP, the shares are held in trust by Yorkshire Building Society and usually sourced from market purchases. For continental European staff, awards were made under appropriately adapted local versions of the SIP involving shares being provided on vesting from new or treasury shares. The following reconciliation sets out the changes impacting the shares issued under the SIP during the year:

	Number of shares 2010	Number of shares 2009
At 1 January	1,407,867	1,129,334
Awarded during the year	823,753	278,533
Transferred to participants during the year	(110,561)	–
Forfeited during the year	(59,822)	–
Total outstanding shares at 31 December	**2,061,237**	1,407,867
Total shares transferable to participants at 31 December	**433,564**	–

A summary of the outstanding awards is presented below:

	Number of outstanding awards 2010	Number of outstanding awards 2009
2007 SIP grant	433,564	533,940
2008 SIP grant	560,873	595,394
2009 SIP grant	162,355	173,511
2010 SIP grant	506,063	–
2009 French SIP grant	10,792	10,792
2010 French SIP grant	36,284	–
2009 ACI SIP grant	94,230	94,230
2010 ACI SIP grant	257,076	–

Notes to the accounts continued

For the year ended 31 December 2010

24. Share options and share-based incentive awards continued

The weighted average fair value (i.e. share price) at date of grant for awards granted during 2010 was 388.60 pence.

e) Sharesave

Sharesave options are usually exercisable for six months starting on the first month of exercise after the three or five year savings period. The changes during the year to new or treasury shares under option pursuant to the Sharesave plans were as follows:

	Number of shares under option 2010	**Weighted average exercise price (pence)**	Number of shares under option 2009	Weighted average exercise price (pence)
At 1 January	**1,318,122**	**258.66**	1,326,393	228.22
Granted/awarded during the year	**448,975**	**334.00**	271,719	329.00
Exercised during the year	**(369,977)**	**224.18**	(168,773)	148.38
Lapsed during the year	**(82,000)**	**275.01**	(111,217)	234.79
Total outstanding shares at 31 December	**1,315,120**	**293.06**	1,318,122	258.66
Total exercisable shares at 31 December	**16,259**	**181.99**	2,438	134.11

Details of the outstanding Sharesave options are as follows:

	Number of outstanding shares under option 2010	**Exercise price per share (pence) 2010**	**Weighted average remaining contractual life (years)**	Number of outstanding shares under option 2009	Exercise price per share (pence) 2009	Weighted average remaining contractual life (years)
2004 Sharesave 5 years grant	**–**	**–**	**–**	2,438	134.11	–
2005 Sharesave 5 years grant	**11,429**	**146.49**	**0.50**	138,250	146.49	1.50
2007 Sharesave 3 years grant	**4,830**	**266.00**	**–**	250,179	266.00	1.00
2007 Sharesave 5 years grant	**146,053**	**266.00**	**2.00**	166,981	266.00	3.00
2008 Sharesave 3 years grant	**270,342**	**246.00**	**1.50**	289,377	246.00	2.50
2008 Sharesave 5 years grant	**186,248**	**246.00**	**3.50**	201,225	246.00	4.50
2009 Sharesave 3 years grant	**153,328**	**329.00**	**2.50**	167,831	329.00	3.50
2009 Sharesave 5 years grant	**96,170**	**329.00**	**4.50**	101,841	329.00	5.50
2010 Sharesave 3 years grant	**252,382**	**334.00**	**3.50**	–	–	–
2010 Sharesave 5 years grant	**194,338**	**334.00**	**5.50**	–	–	–

The weighted average remaining contractual life of the Sharesave options outstanding at 31 December 2010 was 2.17 years (2009: 2.8 years).

The weighted average share price at date of exercise during the year was 391.83 pence.

The weighted average fair value (i.e. share price) at date of grant for awards granted during 2010 was 333.38 pence.

In addition to the executive options and awards and to the SIP, a charge has been made to the income statement for options granted after 7 November 2002 pursuant to the 1998 Sharesave option schemes, or (from the 2007 grants) the 2007 Sharesave option plan.

f) Options from the ESOT

The trustee of the ESOT held 2,811,679 ordinary shares as at 31 December 2010 (2009: 1,056,440 ordinary shares) to meet potential future exercises of executive options and long-term incentive plans. The ESOT shares are valued at the lower of cost and net realisable value. The market value of Amlin plc ordinary shares at 31 December 2010 was 408.9 pence per share (2009: 358.7 pence per share).

In addition to the options and awards included above, the following options have been committed to be met from shares held by the ESOT:

	Number of shares under option 2010	**Weighted average remaining contractual life (years)**	Number of shares under option 2009	Weighted average remaining contractual life (years)
2008 Amlin Special Tranche 1	**23,595**	**0.75**	23,595	1.75
2008 Amlin Special Tranche 2	**13,694**	**1.66**	13,694	2.66
2010 Amlin Special	**23,595**	**2.42**	–	–
2010 Amlin Special	**586**	**2.75**	–	–

The assets, liabilities, income and costs of the ESOT are incorporated into the consolidated financial statements. The ESOT waives the right to dividends on ordinary shares in excess of 0.01 pence per share ranking for an interim or final dividend.

Assumptions

The weighted average share price of Amlin plc throughout the year was 397.59 pence per share (2009: 358.15 pence per share).

The 'Black Scholes' option pricing model has been used to determine the fair value of the option grants and share awards listed above. The assumptions used in the model are as follows:

	2010	2009
Weighted average share price on grant (pence)	**249.63**	227.19
Weighted average exercise price (pence)	**194.21**	189.09
Expected volatility	**30.00%**	30.00%
Expected life (years)	**3.00 – 7.50**	3.00 – 7.50
Risk free rate of return	**2.00% – 5.00%**	2.00% – 5.00%
Expected dividend yield	**2.00% – 7.00%**	2.00% – 7.00%

Volatility

The volatility of the Amlin share price is calculated as a normalised standard deviation of the log of the daily return on the share price. In estimating 30% volatility, the volatility of return for six months, one year and three year intervals are considered. As a guide to the reasonableness of the volatility estimate similar calculations are performed on a selection of Amlin's peer group.

Interest rate

The risk free interest rate is consistent with government bond yields.

Dividend yield

The assumptions are consistent with the information given in the report and accounts for each relevant valuation year.

Staff turnover

The option pricing calculations are split by staffing grades as staff turnover is higher for more junior grades. Furthermore historical evidence suggests that senior employees tend to hold their options for longer whereas more junior levels within the organisation appear to exercise earlier. In addition, senior employees hold a larger proportion of the options but represent a smaller group of individuals.

Market conditions

The Group issues options that include targets for the Group's performance against a number of market and non-market conditions. Failure to meet these targets can reduce the number of options exercisable. In some circumstances no options may be exercised. Assumptions are made about the likelihood of meeting the market and non-market conditions based on the outlook at the time of each option grant.

ii) Cash-settled scheme

The Group rewards senior underwriters through payments under the Capital Builder Plan (the Plan) if they achieve performance below the target loss ratio for their class(es) of business or business area over the five year period of each award under the Plan. Under the scheme rules, the Group has the option to settle the awarded bonus in the shares of the Company as an alternative to cash payment. In accordance with IFRS 2 Share-based Payment, the Plan is deemed to be a cash-settled share-based payment arrangement.

Provision for payments of an award under the Plan is calculated every year where actual profits exceed the target profit on a cumulative basis over the performance period to date under the Plan. The rate of accrual for each five year performance period is determined at the start of the period reflecting the share of the excess return payable and committed under the terms of the Plan.

Under this approach, the services received and the related liability are recognised as the services are rendered, in that the liability at any point in time for the Plan reflects the level of actual performance by underwriters in relation to the target.

The carrying amount and the intrinsic value of the liability under this Plan at the end of 2010 is £8.7 million (2009: £8.9 million) and included in note 26 for other payables.

25. Restricted assets

At 31 December 2010, Syndicate 2001 holds gross assets of £2,821.0 million (2009: £2,705.6 million) which are held within individual trust funds and the Group cannot obtain or use them until such time as each Syndicate underwriting year is closed and profits are distributed, or an advance profit release is made.

At 31 December 2010, US$181.7 million (2009: US$145.1 million) of Amlin Bermuda's assets are restricted for use by the Group. These assets are collateral for the LOC facility drawn at the end of the year. Details are included in note 27 for borrowings.

At 31 December 2010, Leadenhall Value Insurance Linked Investments Funds Plc and Leadenhall Diversified Insurance Linked Investment Funds Plc, hold a combined €5.0 million in money market funds. These assets are held as collateral for insurance-linked securities. The Leadenhall funds hold an encumbered cash balance of US$14.4 million as collateral for FX forward contracts and insurance-linked securities held.

The market values at 31 December 2010 for the insurance-linked securities are a debit of US$49.2 million and a credit of €1.6 million. The market values at 31 December 2010 for FX forward contracts are a debit of US$36.8 million and a credit of €27.5 million.

Notes to the accounts continued

For the year ended 31 December 2010

26. Other payables, including insurance and reinsurance payables and deferred income

	2010 £m	2009 £m
Insurance and reinsurance payables	**245.9**	243.7
Trade payables	**53.9**	51.9
Accrued expenses	**79.3**	87.0
Social security and other tax payables	**6.5**	4.9
Other payables	**139.7**	143.8
	385.6	387.5

The current and non-current portions are expected to be as follows:

	2010 £m	2009 £m
Current portion	**360.5**	352.6
Non-current portion	**25.1**	34.9
	385.6	387.5

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

Insurance payables are comprised principally of premium payable for reinsurance, including reinstatement premium.

27. Borrowings

	2010 £m	2009 £m
Subordinated debt	**318.0**	316.4

The borrowings in the above table are all non-current.

The Group's borrowings comprise four issues of subordinated debt. Details of the subordinated debt issues are as follows:

Issue date	Principal amount	Reset date	Maturity date	Interest rate to reset date %	Interest rate from reset date to maturity date %
23 November 2004[1]	US$50m	November 2014	November 2019	7.11	LIBOR + 3.48
15 March 2005[1]	US$50m	March 2015	March 2020	7.28	LIBOR + 3.32
25 April 2006[1]	£230m	December 2016	December 2026	6.50	LIBOR + 2.66
15 October 2003[2]	€30m	N/A	October 2018	6.50	N/A

(1) Debt issued by Amlin plc

(2) Debt issued by Amlin Corporate Insurance N.V.

The subordinated debt will be redeemed on the maturity dates at the principal amounts, together with any outstanding accrued interest. For the US dollar and sterling bonds, the Group has the option to redeem the bonds in whole, subject to certain requirements, on the reset dates or any interest payment date thereafter at the principal amount plus any outstanding accrued interest. The euro bond was acquired by the Group as part of the acquisition of Amlin Corporate Insurance N.V. (ACI).

The directors' estimation of the fair value of the Group's borrowings is £384.6 million (2009: £380.2 million). The aggregate fair values of borrowings are based on a discounted cash flow model. This model uses a current yield curve appropriate for the remaining terms to maturity. The discount rate used was 2.80% (2009: 3.41%).

On 3 September 2008 the Company and certain of its subsidiaries entered into a renegotiated debt facility with its banks which is available for five years from the date of signing and provides an unsecured £250 million multi-currency revolving credit facility available by way of cash advances and a secured US$200 million LOC. The facility is guaranteed by the Company's subsidiaries Amlin Corporate Services Limited and Amlin (Overseas Holdings) Limited. The secured LOC is secured by a fixed charge over a portfolio of assets managed by Insight Investment Management (Global) Limited with State Street Bank and Trust Company as custodian. As at 31 December 2010 the facility was undrawn (2009: undrawn).

Amlin AG has a secured US$200 million LOC facility with Lloyds TSB Bank plc and the Royal Bank of Scotland plc as lead arrangers. The facility is secured by a registered charge over a portfolio of assets managed by Aberdeen Asset Management Inc with State Street Bank and Trust Company as custodian. As at 31 December 2010, US$174.6 million of LOC were issued (2009: US$124.9 million). The total value of restricted assets as at 31 December 2010 was US$181.7 million (2009: US$145.1 million).

In June 2009, ACI entered into a credit facility with Fortis Bank Nederland N.V. as arranger. The facility provides a guarantee to a third party of up to €10.0 million and a guarantee/standby LOC for up to £22.5 million. As at 31 December 2010, €28.7 million of guarantees were issued (2009: €26.7 million). There are no restricted assets to secure the facility. However, in the situation of default, the general credit conditions will apply.

28. Retirement benefit obligations

The Group participates in a number of pension schemes, including defined benefit, defined contribution and personal pension schemes. The total charge to the income statement for these schemes is shown in the table below:

	2010 £m	2009 £m
Defined contribution schemes	**5.4**	4.1
Defined benefit schemes:		
– Lloyd's Superannuation Fund	**(0.2)**	1.0
– ACI defined benefit schemes	**2.1**	1.3
	7.3	6.4

a) Defined benefit schemes

i) The Lloyd's Superannuation Fund funded defined benefit scheme

Scheme description

The scheme is operated as part of the Lloyd's Superannuation Fund (the Fund).

Historically the Fund has catered for a number of employers in the Lloyd's market. As a consequence of the consolidation in the market, employers closing final salary schemes and some companies failing, there are now only 3 (2009: 3) employers with active members in the Fund. A large proportion of the liability of the Fund relates to employers no longer participating in the Fund. The assets of the Fund are pooled and the current active employers are responsible collectively for the funding of the Fund as a whole.

For the purposes of determining contributions to be paid, the Trustee has split the Fund into a number of notional sections. This is a notional split and has no legal force. Previously this notional split allowed for separate sections in respect of each employer's active members and one combined section for non-employed members of all current and former employers.

With effect from 31 December 2002, the Trustee altered this notional split so that, from that date, the active employers contributing to the Fund, including the Amlin Group, have individual notional sections comprising the notionally allocated assets in respect of their active employees, deferred pensioners and pensioners, and their corresponding liabilities. A separate notional fund is maintained for members whose former employers no longer contribute to the Fund (Orphan Schemes). The Group is also liable for a proportion of the Orphan Schemes' liabilities.

Since this alteration and the exit of other employers the Group has been able to more clearly identify its expected contribution requirement to the Fund and able to ascertain its share of the assets and liabilities with sufficient certainty to account for the pension as a defined benefit scheme and bring the assets and liabilities of the scheme onto the balance sheet of the Group.

Fund contributions

No additional contribution was made in 2010 (2009: £5.0 million) to reduce the size of the deficit in the scheme.

Contributions are paid to provide for the cost of benefit accrual. The rate of contribution agreed with the Trustee is 19% (2009: 19%) paid by the employer plus 5% (2009: 5%) member contributions, in each case of pensionable earnings, and totalled £0.9 million (2009: £0.9 million).

The expected contribution to the fund for the year ending 31 December 2011 is £0.7 million by the Group and £0.2 million by plan participants.

The total amounts paid in respect of the Fund are analysed in the table below:

	2010 £m	2009 £m
Contributions relating to:		
One off top up payment – Amlin scheme	**–**	5.0
Ongoing funding	**0.7**	0.7
Group share of total payment	**0.7**	5.7

Funding assessment assumptions

The funding position of the Fund is assessed every three years by an independent qualified actuary. Contributions are made at the funding rates recommended by the actuary, which vary across different sections of the Fund reflecting the notional sections then adopted, and typically include adjustments to amortise any funding surplus or shortfall over a period. Amounts paid under the scheme are charged to Syndicate 2001 or other Group companies. Actuarial amounts quoted below are for the Group's notional share of the scheme.

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For the year ended 31 December 2010

28. Retirement benefit obligations continued

The last completed formal valuation of the Fund was as at 31 March 2007 and was carried out by Mr N Wharmby, Fellow of the Institute of Actuaries, and used the projected unit credit actuarial method. The formal valuation at 31 March 2010 will be completed in 2011. For the purpose of providing disclosure in accordance with International Accounting Standard 19 'Employee Benefits' (IAS 19), the Group has requested the actuary to update the 2007 valuation to 31 December 2010 using appropriate techniques and the following assumptions:

	2010 % pa	2009 % pa
Price inflation	3.6	3.7
Rate of increase in pensions payment:		
– LPI (maximum 5% pa)	3.5	3.5
– LPI (minimum 3% pa, maximum 5% pa)	3.8	3.9
– LPI (maximum 3% pa)	2.6	2.7
Rate of increase of statutory revaluation on deferred pension	2.9	3.7
Discount rate	5.4	5.6

During 2005 the Group reviewed its remaining defined benefit arrangements and made a number of changes to the schemes' operations, which were implemented during 2006. In particular, in order to remove much of the risk associated with salary inflation, the scheme was changed to allow members to continue accruing additional years' service under the schemes, but these accruals would be generally based on March 2006 pensionable salaries. Future salary increases are pensionable through the defined contribution schemes. Therefore the salary inflation assumption used for the ongoing valuation is now nil% (2009: nil%).

In 2010 the UK Government announced that inflation measured by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) would be used as the measure for minimum increases to occupational pensions. In accordance with the Fund's revaluation rules, CPI has been used as an assumption in valuing the defined benefit obligation at 31 December 2010.

The mortality assumptions used in the latest valuation included the following life expectancies:

	31 December 2010		31 December 2009	
Life expectancy (years) at age 60 for a member currently:	Male	Female	Male	Female
Aged 60	25.5	28.5	25.4	28.4
Aged 45	26.8	29.6	26.7	29.5

The table below shows the impact on the defined benefit obligation that a change in certain key assumptions would have:

Assumption change	Defined benefit obligation impact £m
(Increase)/decrease in discount rate by 0.25%	(11)/13
(Decrease)/Increase in inflation rate by 0.25%	(6)/6
Increase in floor mortality improvements for males of 1.5% and females of 1.0% per annum	6

ii) ACI defined benefit plans

Scheme description

ACI operates defined benefit pension plans covering the majority of its employees. These plans are funded partly by means of employee contributions. Under these plans, benefits are based on years of service and level of salary. Pension obligations are determined based on mortality, employee turnover, wage increases and economic assumptions such as inflation, value of plan assets and discount rate. The discount rate is set on the basis of the yield (on the valuation date) of debt securities issued by blue-chip companies.

In addition to pension charges, costs of defined benefit plans also include other post-employment benefits such as reimbursement of part of the health insurance premiums and favourable conditions on financial products (e.g. mortgage loans), which continue to be granted to employees after retirement.

The assets and liabilities of the Netherlands pension plan were acquired as part of the ACI acquisition. Prior to acquisition, employees of the Belgian office were employed by another company within the Fortis group. Immediately following the acquisition, 109 ACI Belgian employees (from a total of 130) transferred their employment to ACI. Consequently the net pension obligation with respect to these employees was recognised by the Group immediately after the completion of the acquisition.

Funding assessment assumptions

The table below shows the actuarial assumptions used:

	The Netherlands 2010 %	Belgium 2010 %
Discount rate for pension benefits	5.15	4.7
Discount rate for Jubilee benefits	4.0	3.8
Discount rate for farewell premium	–	4.4
Discount rate for post retirement medical	–	5.1
Expected return on plan assets	5.15	4.0
Expected wage increases – general	2.0	2.0
Expected wage increases – merit	0-6.75	1.5
Inflation	2.0	2.0
Indexation for active employees	2.0	–
Indexation for formerly active employees	2.0	–
Medical trend rate	–	4.0

The mortality assumptions used in the latest valuation included the following life expectancies:

	The Netherlands		Belgium	
Life expectancy (years) at age 60 for a member currently:	Male	Female	Male	Female
Aged 60	24.5	27.4	22.1	25.9
Aged 45	26.6	28.4	22.1	25.9

The table below shows the impact on the defined benefit obligation that a change in certain key assumptions would have:

Assumption change	Defined benefit obligation impact £m
(Increase)/decrease in discount rate by 0.25%	(2.7)/2.9
(Decrease)/increase in inflation rate by 0.25%	(3.0)/2.7
Increase in floor mortality improvements for males of 1.5% and females of 1.0% per annum	0.2

Fund contributions

The expected contribution to the funds by the Group during 2011 is £3.1 million (2010: £3.6 million).

iii) Amounts recognised in the Group's financial statements for defined benefit schemes

Amounts recognised in income statement in respect of the defined benefit schemes are as follows:

	2010 £m	2009 £m
Current service cost	2.5	1.2
Interest cost	19.7	17.0
Expected return on scheme assets	(18.8)	(15.9)
Reversal of provision for additional pension payments	(1.5)	–
Total debited to income statement (included in staff costs)	1.9	2.3

Amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	2010 £m	2009 £m
Recognition of net (gains)/losses	(11.9)	23.7
Ceiling limit on asset gains	6.0	–
(Gains)/losses recognised in the Consolidated Statement of Comprehensive Income	(5.9)	23.7

Notes to the accounts continued

For the year ended 31 December 2010

28. Retirement benefit obligations continued

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2010 £m	2009 £m
Present value of defined benefit obligations	**364.9**	359.0
Fair value of scheme assets	**355.6**	334.5
Deficit in schemes	**(9.3)**	(24.5)
Restriction to defined benefit asset due to asset ceiling	**(6.0)**	–
Liability recognised in the balance sheet	**(15.3)**	(24.5)

The Lloyd's Superannuation Fund is in surplus at 31 December 2010. The Fund's rules do not allow the Group to receive a refund of contributions in any circumstances. As such, the recognition of the defined benefit asset is restricted and the surplus is reduced to £nil. Of the total liability of £15.3 million, £0.8 million is expected to be settled within 12 months from the balance sheet date.

Movements in the present value of defined benefit obligations during the year is as follows:

	2010 £m	2009 £m
At 1 January	**359.0**	260.0
Employer service cost	**2.5**	1.2
Interest cost	**19.7**	17.0
Contributions from scheme members	**0.7**	0.4
Actuarial (gains)/losses	**(2.1)**	53.6
Benefits paid from plan assets	**(13.4)**	(13.2)
Acquisition through business combination	**–**	32.6
Transfer of ACI Belgium scheme liabilities post-acquisition	**–**	6.6
Foreign exchange	**(1.5)**	0.8
At 31 December	**364.9**	359.0

The expected total benefit payments to plan participants during 2011 is £12.5 million for the Lloyd's Superannuation Fund (LSF) and £1.2 million for the ACI defined benefit schemes (2010: LSF £12.7 million and ACI schemes £0.8 million).

Movements in the fair value of scheme assets during the year is as follows:

	2010 £m	2009 £m
At 1 January	**334.5**	256.0
Expected return on scheme assets	**18.8**	15.9
Difference between expected and actual return	**19.3**	30.1
Employer contributions	**5.4**	6.8
Plan participant contributions	**0.7**	0.4
Benefits paid	**(13.4)**	(13.2)
Administrative expenses	**–**	(0.2)
Acquisition through business combination	**–**	35.3
Transfer of ACI Belgium scheme assets post-acquisition	**–**	2.4
Foreign exchange (losses)/gains	**(1.3)**	1.0
Other movements	**(8.4)**	–
At 31 December	**355.6**	334.5

Other movements include a decrease of £8.4 million in the fair value of plan assets in respect of the ACI Netherlands defined benefit pension scheme. The fair value of the plan assets reflects a more prudent assessment of the assumed benefits that accrue to ACI under the insurance policy taken out to meet its obligations. This is in line with a market-wide reassessment of assumptions. This movement is included in the actuarial loss in the Consolidated Statement of Comprehensive Income for the year.

The analysis of the plan assets and the expected rate of return at the balance sheet date are as follows:

	Asset mix		Long term rate of return			
	31 December 2010	31 December 2009	31 December 2010		31 December 2009	
	LSF	LSF	LSF	ACI Fund (Belgium)	LSF	ACI Fund (Belgium)
Equities	28.0%	30.0%	8.1%	4.0%	8.2%	–
Bonds	64.0%	70.0%	4.9%	4.0%	5.0%	4.0%
Property	8.0%	–	7.5%	–	–	–

The long-term rates of return are estimated by the Directors based upon current expectations of future investment performance.

The five-year history of experience adjustments is as follows:

LSF	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Asset experience					
Fair value of scheme asset	320.0	295.0	256.0	318.0	315.0
Asset (gain)/loss during period	(18.7)	(30.3)	71.5	9.0	–
Asset (gain)/loss as percentage of plan assets	(5.8%)	(10.3%)	27.9%	3.0%	–
Liability experience					
Present value of defined benefit obligations	(314.0)	315.0	260.0	295.0	304.0
Liability loss/(gain) during period	(0.5)	–	6.7	(5.0)	–
Liability (gain)/loss as percentage of plan assets	(0.2%)	–	(2.6%)	(2.0%)	–
Liability assumptions					
Liability (gain)/loss over period	(6.0)	51.0	(47.0)	(15.0)	2.0
Liability (gain)/loss as percentage of defined benefit obligations	(1.9%)	16.2%	(18.1%)	(5.0%)	1.0%

ACI	2010 £m	2009 £m
Asset experience		
Fair value of scheme asset	35.6	39.5
Asset loss during period	7.8	0.2
Asset loss as percentage of plan assets	21.8%	1.0%
Liability experience		
Present value of defined benefit obligations	50.9	44.0
Liability loss during period	0.2	–
Liability loss as percentage of plan assets	0.3%	–
Liability assumptions		
Liability loss over period	4.2	2.6
Liability loss as percentage of defined benefit obligations	8.2%	5.9%

The cumulative amount of actuarial losses recognised in other comprehensive income for all defined benefit schemes is £21.9 million (of which £5.5 million relates to the acquisition of ACI).

b) The stakeholder defined contribution scheme

The defined contribution scheme operated by the Group is a stakeholder arrangement. The total contributions for the year ended 31 December 2010 to the scheme were £5.4 million (2009: £4.1 million).

The estimated amounts of contributions to the Group's defined contribution pension scheme for the year ending 31 December 2011 are approximately £5.7 million (2010: £4.0 million).

c) Amlin AG's pension scheme

In accordance with Swiss legislation, Amlin AG provides for occupational pension insurance, the regulations of which, as may be amended from time to time, apply to both Amlin AG and the employee. The insured salary is based on the agreed compensation exclusive of bonus and/or other benefits granted by Amlin AG. The employees carry the portion of the premiums determined in the applicable pension fund regulations.

During 2010 Amlin AG commenced hiring employees based in Switzerland. Swiss employees are provided with a pension fund which meets the classification of a defined benefit plan under IAS 19. Due to the fact that the contributions were not material for 2010 Amlin AG has accounted for the plans as defined contribution plans. Once the amounts are material the appropriate accounting and disclosures will be made. The total contributions for the year ended 31 December 2010 to the scheme were £0.2 million.

The estimated amounts of contributions to the scheme for the year ending 31 December 2011 are approximately £0.8 million.

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For the year ended 31 December 2010

28. Retirement benefit obligations continued

d) Other arrangements

Other pension arrangements include an occupational money purchase scheme which provides Death In Service protection for all employees. Regular contributions, expressed as a percentage of employees' earnings, are paid into this scheme and are allocated to accounts in the names of the individual members, which are independent of the Group's finances. There were no outstanding contributions at 31 December 2010 (2009: £nil).

29. Earnings and net assets per share

Earnings per share are based on the profit attributable to shareholders and the weighted average number of shares in issue during the period. Shares held by the Employee Share Ownership Trust (ESOT) and treasury shares are excluded from the weighted average number of shares.

Basic

Basic earnings per share are calculated by dividing profit after tax by the weighted average number of issued shares during the year.

Diluted

Diluted earnings per share are calculated by dividing profit after tax by the adjusted average number of shares in issue. The adjusted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the Executive Share Option Scheme (ESOS), Long Term Incentive Plan (LTIP), Performance Share Plan (PSP), Share Incentive Plan (SIP) and the Sharesave scheme.

Basic and diluted earnings per share are as follows:

	2010	2009
Profit attributable to equity holders of the Parent Company	**£221.8m**	£454.7m
Weighted average number of shares in issue	**493.0m**	483.1m
Dilutive shares	**6.6m**	6.2m
Adjusted average number of shares in issue	**499.6m**	489.3m
Basic earnings per share	**45.0p**	94.1p
Diluted earnings per share	**44.4p**	92.9p

Net assets and tangible net assets per share are as follows:

	2010	2009
Net assets	**£1,729.9m**	£1,593.1m
Adjustments for intangible assets	**(£184.5m)**	(£162.8m)
Tangible net assets	**£1,545.4m**	£1,430.3m
Number of shares in issue at end of the year	**502.1m**	502.1m
Adjustment for ESOT and treasury shares	**(8.7m)**	(8.2m)
Basic number of shares after ESOT and treasury shares adjustment	**493.4m**	493.9m
Basic net assets per share	**350.6p**	322.6p
Basic tangible net assets per share	**313.2p**	289.6p

30. Dividends

The amounts recognised as distributions to equity holders are as follows:

Group	2010 £m	2009 £m
Final dividend for the year ended:		
– 31 December 2009 of Amlin Plus Limited to minority shareholders	**0.1**	–
– 31 December 2008 of Amlin Plus Limited to minority shareholders	**–**	0.1
– 31 December 2008 of 11.0 pence per ordinary share	**–**	51.6
Interim dividend for the year ended:		
– 31 December 2010 of 7.2 pence per ordinary share	**35.6**	–
– 31 December 2009 of 6.5 pence per ordinary share	**–**	32.1
Second interim dividend for the year ended:		
– 31 December 2009 of 13.5 pence per ordinary share	**66.8**	–
	102.5	83.8

The final ordinary dividend of 15.8 pence per ordinary share for 2010, amounting to £78.0 million, payable in cash, was agreed by the Board on 1 March 2011, subject to shareholder approval, and has not been included as a liability as at 31 December 2010.

31. Principal exchange rates

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the production of these financial statements were:

	Average rate		Year end rate	
	2010	2009	**2010**	2009
US dollar	**1.55**	1.57	**1.56**	1.61
Canadian dollar	**1.59**	1.78	**1.55**	1.69
Euro	**1.17**	1.12	**1.17**	1.13

32. Contingent liabilities

The Group has no contingent liabilities at 31 December 2010 (31 December 2009: £nil).

33. Commitments

a) Capital commitments

There were no capital commitments at the end of the financial year except the commitments made to Leadenhall Capital Partners LLP as described in note 36.

b) Operating lease commitments – where Group companies are the lessees

The Group leases various offices under cancellable operating lease agreements. The Group is required to give various notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 13.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows. The comparative numbers have been amended to reflect revised information, resulting in an increase in future aggregate minimum lease payments of £13.5 million. This has no impact on reported profit before tax.

	2010 £m	2009 £m
No later than 1 year	**7.4**	7.2
Later than 1 year and no later than 5 years	**16.8**	19.8
Later than 5 years	**6.4**	10.6
Total	**30.6**	37.6

34. Cash generated from operations

	Notes	**2010 £m**	2009 £m
Profit on ordinary activities before taxation		**259.2**	509.1
Adjustments:			
Depreciation charge	13	**3.5**	4.9
Amortisation charge	13	**5.5**	4.3
Finance costs	12	**27.4**	23.0
Interest received	6	**(54.5)**	(88.1)
Dividends received	6	**(5.8)**	(5.2)
Gains on investments realised and unrealised	6	**(114.7)**	(114.2)
Movement in operating assets and liabilities:			
Net purchases of financial investments	17	**(214.1)**	(11.5)
Exchange losses on investments	17	**47.0**	128.0
Assets of operations previously classified as held for sale	17	**(64.4)**	–
Decrease/(increase) in assets of operation classified as held for sale		**63.7**	(63.7)
(Decrease)/increase in loans and receivables		**(63.8)**	69.0
(Decrease)/increase in reinsurance contract assets		**(94.2)**	52.8
Increase/(decrease) in insurance contract liabilities		**353.7**	(98.5)
Increase in other payables		**7.2**	10.0
Decrease in retirement benefits		**–**	(6.8)
Increase in investments in jointly owned entities		**–**	0.5
Exchange losses/(gains) on long-term borrowings		**1.1**	(5.7)
Exchange losses/(gains) on other non-operating assets and liabilities		**20.2**	(91.2)
Other non-cash movements		**6.6**	7.8
Cash generated from operations		**183.6**	324.5

Notes to the accounts continued

For the year ended 31 December 2010

35. Principal subsidiary companies

The principal subsidiary undertakings at 31 December 2010 which are consolidated in these financial statements, all of which are wholly owned unless otherwise stated, operate in the UK, Belgium, Bermuda, France, the Netherlands, Singapore and Switzerland:

Subsidiary undertakings	Principal activity	Registered in
Amlin Underwriting Limited	Lloyd's managing agency	England and Wales
Amlin Corporate Services Limited	Group service, employing and intermediate holding company	England and Wales
Allied Cedar Insurance Group Limited	Intermediate holding company	England and Wales
Amlin Underwriting Services Limited	Lloyd's service company	England and Wales
Amlin Plus Limited*	Lloyd's service company	England and Wales
Amlin Corporate Member Limited	Corporate member at Lloyd's	England and Wales
Amlin (Overseas Holdings) Limited	Intermediate holding company	England and Wales
AUA Insolvency Risk Services Limited	Regulated broker	England and Wales
Amlin AG**	Reinsurance company	Switzerland
Amlin Singapore Pte Limited	Lloyd's service company	Singapore
Amlin Corporate Insurance N.V.	Insurance company	Netherlands
Amlin France Holdings SAS***	Intermediate holding company	France
Amlin France SAS***	Lloyd's coverholder	France
Crowe Livestock Underwriting Limited	Lloyd's coverholder	England and Wales
Leadenhall Diversified Insurance Linked Investments Fund PLC	Fund management	Ireland
Leadenhall Value Insurance Linked Investments Fund PLC****	Fund management	Ireland

Some subsidiaries have been omitted from this statement to avoid providing particulars of excessive length but none materially affects the results or assets of the Group.

* 60% owned by the Group

** Amlin AG was re-domiciled from Bermuda during the year and renamed from Amlin Bermuda Ltd, after which it operated both in Switzerland and through a branch in Bermuda.

*** 96.5% owned by the Group

**** 96.3% owned by the Group

36. Other Group companies

Jointly owned entity

Amlin Corporate Services Limited has an investment of £1.7 million in a jointly owned entity, Leadenhall Capital Partners LLP (LCP). LCP was established as a new asset management company focused on insurance linked investments. LCP is incorporated in England and Wales. The Group holds 50% of the voting rights. The Group has committed to pay up to a further US$4 million to support the operations of the agency as part of the joint venture agreement. The Group's share of LCP's profit for the current and prior years is £nil.

Summary financial information for LCP is as follows:

	2010 £m	2009 £m
Assets	**4.8**	2.6
Liabilities	**1.9**	1.8
Revenues	**2.6**	1.7
Profit for the year	**0.6**	0.4

All of LCP's assets and liabilities are classified as current.

During the year, LCP charged the Group management fees of £2.6 million (2009: £1.6 million). The Group charged LCP £0.4 million (2009: £0.2 million) under the terms of the service agreement. At 31 December 2010, the Group held a debtor of £1.2 million due from LCP. No amounts were provided for doubtful recovery of this debtor and no expense was recognised during the year in respect of bad or doubtful debts from LCP.

Associates

During 2010, Amlin Corporate Services Limited invested £0.5 million to acquire 25% of the voting rights in Manchester Underwriting Management Limited (MUM). MUM was established as a managing general agent and is initially underwriting professional indemnity insurance. The majority of the business written by MUM is underwritten by Amlin UK.

Operations held for sale

At 31 December 2009, the Group classified its controlling interest in Leadenhall Capital Partners' two insurance-linked funds, the Leadenhall Diversified Insurance Linked Investments Funds and the Leadenhall Value Insurance Linked Investments Fund, totalling £63.7 million, as held for sale. The Group retained this controlling interest at 31 December 2010. Whilst the management of Leadenhall Capital Partners remains optimistic of attracting external investment to the funds over the next twelve months, there is insufficient evidence to demonstrate that it is highly probable the Group will dispose of its controlling interest by way of dilution in that time frame. As such, the Group's investment in the Leadenhall funds was reclassified from operation classified as held for sale on 31 December 2010 and subsequently fully consolidated. The carrying value of the assets and liabilities of the funds at 31 December 2010 is £73.1 million.

37. Related party transactions

i) Transactions and balances with related parties

Amlin Plus

Amlin Underwriting Limited and Lycetts Holdings Limited, the owners of Lycett, Browne-Swinburne and Douglas Limited and Lycetts Hamilton Limited, own 60% and 40% respectively of the share capital of Amlin Plus Limited (Amlin Plus). The business of Amlin Plus (bloodstock insurance) is written under a binding authority agreement with Syndicate 2001, some of which is sourced through a single broker, Lycett, Browne-Swinburne and Douglas Limited. Syndicate 2001 is managed by Amlin Underwriting Limited. The capacity on Syndicate 2001 is underwritten by a fellow subsidiary in the Amlin Group. All transactions between Amlin Plus and its related parties are conducted on an arm's length basis.

During the year Amlin Plus wrote £12.3 million (2009: £12.8 million) of premium under the binding authority agreement, of which £5.8 million (2009: £6.7 million) was produced by Lycett, Browne-Swinburne and Douglas Limited earning brokerage commission of £1.0 million (2009: £1.1 million) on this business. At the year end, Syndicate 2001 was owed £2.8 million (2009: £3.3 million) by Amlin Plus and Lycett Browne-Swinburne and Douglas Limited owed £1.6 million (2009: £1.5 million) to Amlin Plus.

Leadenhall Capital Partners LLP

At 31 December 2010, the Group had a balance receivable from Leadenhall Capital Partners LLP of £1.2 million (2009: £1.0 million). The Group enters into transactions with its joint venture in the normal course of business. The sales to and purchases from related parties are made at normal market prices. Details of the Group's joint venture are given in note 36.

Syndicate 6106

For the 2009 underwriting year of account, the Group commenced operating a Special Purpose Syndicate (S) 6106 to write a 15% quota share contract of the excess of loss reinsurance account of Syndicate 2001. The transactions provide external members' capital to support 2009 underwriting, enabling Syndicate 2001 to take advantage of strong opportunities in peak zones in the US, Japan and Europe. Brian Carpenter, a director of the Company, held a 0.07% share of capacity as a Name on S6106 for the 2009 year of account (2010 year of account: nil%). All transactions with S6106 are undertaken on an arm's length basis.

ii) Compensation of key management personnel

Key management personnel are those directors and senior managers responsible for planning and control of the activities of the Group. Key management comprises eleven executive directors and employees and seven non-executive directors (2009: nine and seven respectively). Compensation during the year to key management personnel is analysed below:

	2010 £m	2009 £m
Short-term employee benefits	**8.5**	7.7
Post-employment benefits	**0.5**	0.4
Equity-settled share-based payments	**1.0**	0.7
Cash-settled share-based payments	**–**	1.2
	10.0	10.0

Cash-settled share-based payments have been included in the above table, including the addition to 2009, to better reflect the total compensation paid to key management personnel.

iii) Transactions with directors

Certain directors of the Company are also directors of other companies, as described in the directors' biographical details on page 74 of the Annual Report. Such other companies (and/or their subsidiaries) may, and in some cases do, conduct business with companies in the Amlin Group, including GeoVera Insurance Holdings Ltd (of which Mr Feinstein is a non-executive director) and TrygVesta A/S (of which Mrs Bosse was Chief Executive Officer until 31 January 2011), which both purchase reinsurance (or whose subsidiaries purchase reinsurance) from the Amlin Group. In all cases transactions between the Amlin Group and such other companies are carried out on normal arm's length commercial terms.

iv) Internal reinsurance arrangements

During the current and prior year, there were a number of reinsurance arrangements entered into in the normal course of trade between various Group companies, i.e. the reinsurance contract between Syndicate 2001 and Amlin Bermuda, and that between Syndicate 2001 and Amlin Corporate Insurance N.V.

The related results of these transactions have been eliminated on consolidation.

38. Business Combinations

i) Amlin Corporate Insurance N.V.

Adjustments to the provisional fair values of the assets and liabilities of Amlin Corporate Insurance N.V. acquired on 22 July 2009 total £2.3 million (net of tax), resulting in an increase in goodwill. The adjustments have been made to adjust the recoverable amount of reinsurance assets and loans and receivables.

ii) AUA Insolvency Risk Services Limited

On 22 January 2010, the Group acquired the trade and assets of a United Kingdom insolvency practitioners' insurance business from Lockton, Inc. The purchase consideration was £13.0 million cash. AUA Insolvency Risk Services Limited introduces insurance business to the Group.

The fair value of the tangible net assets acquired was £nil and the fair value of intangible assets acquired was £13.0 million, resulting in the recognition of no goodwill on acquisition. The intangible asset acquired related to the existing customer relationships of the business (see note 22).

This acquisition has had no material impact on the revenue or profit or loss of the Group for the period.

Notes to the accounts continued

For the year ended 31 December 2010

39. Subsequent events

i) Corporation tax rate

The Emergency Budget in June 2010 announced a change in the main rate of UK corporation tax. A new rate of 27.0% will apply from 1 April 2011, with the rate falling to 24.0% by 1 April 2014. The rate of 27.0% was enacted in July 2010. Subsequent reductions of the rate from 26.0% to 24.0% have not yet been enacted or substantively enacted. The impact of the reduction from 27.0% to 24.0% will be a reduction in the net deferred tax liability of £2.6 million.

ii) Business combinations

The Group has completed the acquisition of two subsidiaries subsequent to the balance sheet date but prior to the issue of the Annual Report.

On 25 January 2011 Amlin Corporate Services Ltd acquired the entire share capital and voting rights of J R Clare Holding Company Limited and its subsidiary undertaking J R Clare Underwriting Agencies Limited, which is a managing general agent of UK household and commercial insurance. The purchase consideration was an initial £1.1 million with two further amounts of £1.0 million payable 24 months and 36 months after the acquisition date. The fair value of the assets and liabilities acquired was £2.1 million net liability and the fair value of the consideration was £2.8 million, resulting in the recognition of £4.9 million of goodwill on acquisition. The goodwill arose from the premium paid for acquiring a new book of household and commercial insurance business.

On 3 February 2011 Amlin Corporate Services Ltd acquired the entire share capital and voting rights of Lead Yacht Underwriters Limited, an underwriting agency of yacht insurance. The total consideration was £16.0 million, consisting of an initial £10.0 million paid on completion and a further £6.0 million payable between 2012 and 2016, subject to the financial performance of Lead Yacht Underwriters Limited. The fair value of the net assets acquired was £4.2 million and the fair value of the consideration was £14.6 million, resulting in the recognition of £10.4 million of goodwill on acquisition. The goodwill arose from the premium paid for acquiring a platform to further develop the Group's existing yacht business and diversify its underwriting portfolio.

The consideration and net assets are stated at their provisional fair values and may be amended in 2011 when further evidence of the appropriate fair values is expected to be received.

iii) Insurance claims

The start of 2011 was marked by heavy flooding and tropical cyclone Yasi in Queensland, Australia, and the earthquake in Christchurch, New Zealand. The Group is still in the process of estimating the impact of these events. Initial estimates indicate that the losses in Australia are within the Group's expected claims levels for 2011. However, it is too early to be able to make a definitive statement concerning the event in New Zealand, given the timing and uncertainty of the losses arising. These are non-adjusting events and therefore are not reflected in the financial statements for the year ended 31 December 2010.

Independent Auditors' Report

To the members of Amlin plc

We have audited the parent company financial statements of Amlin plc for the year ended 31 December 2010 which comprise the Parent Company Balance Sheet, the Parent Company Statement of Comprehensive Income, the Parent Company Statement of Cash Flows, the Parent Company Statement of Changes in Equity, the accounting policies and the related notes 40 to 51. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 88, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Amlin plc for the year ended 31 December 2010.

Andrew Kail (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
1 March 2011

Parent Company Balance Sheet

At 31 December 2010

Assets	Notes	2010 £m	2009 £m
Cash and cash equivalents	41	**0.1**	0.5
Financial assets	42	**66.7**	75.3
Loans and receivables	43	**1.6**	0.4
Amounts due from subsidiary undertakings	43	**518.2**	432.6
Current income tax asset		**55.7**	95.9
Deferred tax asset		**3.5**	–
Investments in subsidiary undertakings	44	**960.7**	877.2
Property and equipment	45	**3.8**	3.8
Total assets		**1,610.3**	1,485.7
Equity			
Share capital	23	**141.2**	141.2
Share premium account		**300.3**	300.1
Other reserves		**128.2**	129.4
Treasury shares		**(26.2)**	(21.4)
Retained earnings		**559.7**	346.4
Total shareholders' equity		**1,103.2**	895.7
Liabilities			
Financial liabilities	42	**8.3**	12.7
Current income tax liabilities		**3.4**	3.4
Other payables	46	**4.6**	2.0
Amounts due to subsidiary undertakings	46	**198.5**	282.0
Borrowings	47	**292.3**	289.9
Total liabilities		**507.1**	590.0
Total liabilities and shareholders' equity		**1,610.3**	1,485.7

The attached notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2011. They were signed on its behalf by:

Roger Taylor
Chairman

Richard Hextall
Group Finance Director

Parent Company Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 £m	2009 £m
Profit for the year	**316.3**	336.7
Total comprehensive income for the year	**316.3**	336.7
Attributable to:		
Equity holders of the Parent Company	**316.3**	336.7
	316.3	336.7

Parent Company Statement of Changes in Equity

For the year ended 31 December 2010

For the year ended 31 December 2010	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
Balance at 1 January 2010	141.2	300.1	129.4	(21.4)	346.4	**895.7**
Profit for the year	–	–	–	–	316.3	**316.3**
Total comprehensive income for the year	–	–	–	–	316.3	**316.3**
Employee share option schemes:						
– share-based payment reserve	–	–	0.6	(8.1)	–	**(7.5)**
– proceeds from shares issued	–	0.2	–	3.3	(0.6)	**2.9**
Net purchase of employee share ownership trust	–	–	(1.8)	–	–	**(1.8)**
Dividends paid	–	–	–	–	(102.4)	**(102.4)**
Transactions with the owners of the Company for the year	–	0.2	(1.2)	(4.8)	(103.0)	**(108.8)**
At 31 December 2010	141.2	300.3	128.2	(26.2)	559.7	**1,103.2**

For the year ended 31 December 2009	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
Balance at 1 January 2009 (as published)	134.6	231.5	52.6	(25.1)	149.0	542.6
Prior period adjustment	–	–	74.7	–	(53.4)	21.3
At 1 January 2009 (restated)	134.6	231.5	127.3	(25.1)	95.6	563.9
Profit for the financial year	–	–	–	–	336.7	336.7
Total comprehensive income for the year	–	–	–	–	336.7	336.7
Employee share option schemes:						
– share-based payment reserve	–	–	1.2	(0.4)	–	0.8
– proceeds from shares issued	–	0.2	–	4.1	(1.0)	3.3
Net purchase of employee share ownership trust	–	–	(0.3)	–	–	(0.3)
Net proceeds from shares issued to fund ACI acquisition	6.6	68.4	–	–	–	75.0
Dividends paid	–	–	–	–	(83.7)	(83.7)
Return of capital	–	–	1.2	–	(1.2)	–
Transactions with the owners of the Company for the year	6.6	68.6	2.1	3.7	(85.9)	(4.9)
At 31 December 2009	141.2	300.1	129.4	(21.4)	346.4	895.7

The attached notes form an integral part of these financial statements.

Parent Company Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 £m	2009 £m
Cash generated from operations	49	**187.9**	74.1
Income tax paid		**(56.1)**	(45.0)
Net cash flows from operations		**131.8**	29.1
Cash flows from investing activities			
Interest received		**0.1**	0.4
Dividend received		**0.1**	0.2
Realised gains on financial investments		**1.1**	–
Deferred payment for acquired subsidiary		**(0.1)**	(0.3)
Net cash flows from investing activities		**1.2**	0.3
Cash flows used in financing activities			
Net proceeds from issue of ordinary shares		**2.9**	78.1
Dividends paid to shareholders	48	**(102.4)**	(83.7)
Interest paid		**(20.8)**	(21.2)
Purchase of ESOT and treasury shares		**(12.7)**	(0.7)
Return of capital		**–**	(1.2)
Net cash flows used in financing activities		**(133.0)**	(28.7)
Net increase in cash and cash equivalents		**–**	0.7
Cash and cash equivalents at beginning of year		**0.1**	0.5
Effect of exchange rate changes on cash and cash equivalent		**–**	(0.7)
Cash and cash equivalents at end of year	41	**0.1**	0.5

Notes to the accounts

For the year ended 31 December 2010

Accounting policies

Basis of preparation

Amlin plc (the Company), domiciled in the United Kingdom, is the ultimate Parent Company for the Amlin Group.

The separate financial statements of the Company are prepared as required by the Companies Act 2006. The balance sheet of the Parent Company has also been prepared in accordance with IFRS as adopted for use in the European Union (EU). In accordance with the extension permitted under section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these accounts. The profit after taxation for the year of the Parent Company was £316.3 million (2009 £336.7 million). The financial statements have been prepared on the historical cost basis except for financial assets and liabilities, share options and cash and cash equivalents, which are measured at their fair value.

The accounting policies that are used in preparation of these statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of the Group as set out in those financial statements.

The additional accounting policies that are specific to the separate financial statements of the Company are set out below.

Investment in subsidiaries

Other financial investments in Group undertakings are stated at cost and are reviewed for impairment when events, or changes in circumstances, indicate the carrying value may be impaired.

Dividend income

Dividend income from investments in subsidiaries is recognised when the right to receive payment is established.

40. Employees and directors

All Amlin employees within the UK are employed by the Group service company Amlin Corporate Services Limited, and overseas employees are employed by the relevant overseas entities. Therefore the persons employed by the Company are nil (2009: nil).

The details of the Company's directors' remuneration are in note 10 to the Group accounts.

41. Cash and cash equivalents

	2010 £m	2009 £m
Cash and cash in hand	**0.1**	0.1
Short-term deposits	**–**	0.4
	0.1	0.5

Cash and cash equivalents represents cash at bank and in hand and short-term bank deposits which can be recalled within 24 hours.

42. Financial assets and financial liabilities

The cost and valuation of the Company's investments are as follows:

	At valuation 2010 £m	At valuation 2009 £m	**At cost 2010 £m**	At cost 2009 £m
Assets				
Financial assets at fair value through income				
Debt and other fixed income securities	**43.0**	39.9	**39.0**	39.2
Participation in investment pools	**10.1**	7.2	**10.1**	7.2
Derivatives	**9.6**	24.2	**(0.1)**	4.5
Available for sale financial assets				
Unlisted equities	**4.0**	4.0	**4.0**	4.0
Total assets	**66.7**	75.3	**53.0**	54.9
Liabilities				
Financial liabilities at fair value through income				
Derivatives	**(8.3)**	(12.7)	**–**	–
Total liabilities	**(8.3)**	(12.7)	**–**	–
Net assets	**58.4**	62.6	**53.0**	54.9

Notes to the accounts continued

For the year ended 31 December 2010

43. Loans and other receivables

	2010 £m	2009 £m
Loans and receivables	1.6	0.4
Amounts due from subsidiary undertakings	518.2	432.6
Total	519.8	433.0

	2010 £m	2009 £m
Current portion	285.8	202.3
Non-current portion	234.0	230.7
	519.8	433.0

44. Investments in subsidiary undertakings

Company	2010 £m	2009 £m
At 1 January	877.2	802.5
Additions during the year	662.2	77.4
Write off of investments in subsidiaries	(578.0)	–
Impairment of investment in subsidiary	(0.7)	(2.7)
At 31 December	960.7	877.2

The Company wrote down its £577.3 million investment in Amlin Bermuda Holdings Limited (ABHL) after ABHL's investment in Amlin Bermuda Ltd was transferred to the Company by way of in specie dividend at a value of £659.0 million. Amlin Bermuda Ltd was also re-domiciled from Bermuda and renamed Amlin AG, after which it operated both in Switzerland and through a branch in Bermuda.

The Company increased investments in the following subsidiaries by a total of £3.2 million to account for costs in providing share-based payments to employees:

- Amlin Corporate Services Limited;
- Amlin AG;
- Amlin France SAS;
- Amlin Singapore Pte Ltd; and
- Amlin Corporate Insurance N.V.

The Company has also written down the £0.7 million investment in Amlin Underwriting Group Limited following the liquidation of this entity.

Impairment losses of £0.7 million have been recognised in the profit for the year (2009: £2.7 million loss). This relates to the Company's investment in Allied Cedar Insurance Group Limited, the holding company of Cedar Insurance Company Limited and Allied Underwriting Agencies Limited, the business of which is in run-off.

For further details on investments in principal subsidiary undertakings refer to note 35 in the notes to the Group accounts.

45. Property and equipment

	Freehold land and buildings £m	Total £m
Cost		
At 1 January 2010 and 31 December 2009	4.1	4.1
Accumulated depreciation		
At 1 January 2010	0.3	0.3
Charge for the year	–	–
At 31 December 2010	0.3	0.3
Net book value		
At 31 December 2010	3.8	3.8
At 31 December 2009	3.8	3.8

46. Other payables

	2010 £m	2009 £m
Trade payables and accrued expenses	**4.6**	2.0
Amounts due to subsidiary undertakings	**198.5**	282.0
	203.1	284.0

The other payables in the above table are all current.

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

47. Borrowings

	2010 £m	2009 £m
Subordinated debt	**292.3**	289.9

The borrowings in the above table are all non-current.

For details of the Company borrowings refer to note 27 in the notes to the Group accounts.

48. Dividends

The amounts recognised as distributions to equity holders are as follows:

	2010 £m	2009 £m
Final dividend for the year ended:		
– 31 December 2008 of 11.0 pence per ordinary share	**–**	51.6
Interim dividend for the year ended:		
– 31 December 2010 of 7.2 pence per ordinary share	**35.6**	–
– 31 December 2009 of 6.5 pence per ordinary share	**–**	32.1
Second interim dividend for the year ended:		
– 31 December 2009 of 13.5 pence per ordinary share	**66.8**	–
	102.4	83.7

A final ordinary dividend of 15.8 pence per ordinary share for 2010, amounting to £78.0 million, payable in cash, was agreed by the Board on 1 March 2011, subject to shareholder approval, and has not been included as a liability as at 31 December 2010.

49. Cash generated from operations

	2010 £m	2009 £m
Profit on ordinary activities before taxation	**299.7**	341.3
Adjustments for:		
Depreciation charge	**–**	0.1
Write down and impairment of investments in subsidiaries	**578.7**	2.7
Finance costs	**20.9**	20.9
Interest income	**(0.1)**	(0.3)
Unrealised losses/(gains) on investments	**30.1**	(30.1)
Foreign exchange losses/(gains) on revaluation	**1.8**	(6.0)
Dividends received	**(929.1)**	(340.8)
Net purchase of financial investments	**(26.4)**	(18.5)
(Increase)/decrease in loans and receivables	**(1.2)**	0.1
Decrease in intercompany receivables	**293.8**	121.9
Decrease in intercompany creditors	**(83.4)**	(18.3)
Increase in other payables	**2.6**	0.1
Other non-cash movements	**0.5**	1.0
Cash generated from operations	**187.9**	74.1

Notes to the accounts continued

For the year ended 31 December 2010

50. Related party disclosure

Purchases of goods and services

The Company has purchased goods and services from fellow Group company Amlin Corporate Services Limited. All goods and services were purchased at cost and the values of these are disclosed below.

	2010 £m	2009 £m
Purchases of goods and services:		
– Amlin Corporate Services Limited	**14.9**	15.9

The Company also charged SBA Underwriting Limited £11,250 for accounting and administration services up until 30 September 2010. During this period, AUT Holdings Limited, a subsidiary of the Company, held a 30% interest in the Parent Company and underwriting of SBA Underwriting Limited. On 5 November 2010 AUT Holdings Limited acquired the remaining 70% of the business and consequently the charges ceased as SBA Underwriting Limited moved in line with all other wholly owned subsidiaries.

Year end balance with related parties

Cash resources are held centrally within the Group. This eliminates the need for many of the Group's subsidiary companies to maintain bank accounts and optimises the management of cash resources. As a result of this practice many transactions within the Group are accounted for through intercompany accounts.

The following table shows the balances outstanding at the year end between the Company and its related parties. The balances are all unsecured and no provisions are required for bad or doubtful debts.

	2010 £m	2009 £m
Balances outstanding at the year end:		
– Syndicate 2001	**(19.7)**	(1.2)
– Amlin Investments Limited	**(150.1)**	(149.4)
– St Margaret's Insurance Services Limited	**1.3**	1.3
– Amlin Corporate Services Limited	**252.0**	152.2
– Amlin Corporate Member Limited	**(5.6)**	(4.2)
– AUT (1 – 10) Limited companies	**(15.6)**	(26.1)
– Delian (A – L) Limited companies	**0.9**	1.0
– Amlin (Overseas Holdings) Limited	**255.4**	270.4
– Amlin Underwriting Services Limited	**2.4**	2.4
– Amlin Underwriting Limited	**0.3**	0.1
– Allied Cedar Insurance Group Limited	**0.3**	0.3
– Amlin Plus Limited	**0.4**	0.3
– Amlin France SAS	**0.3**	–
– Amlin Credit Limited	**(2.8)**	(2.8)
– Leadenhall Capital Partners LLP	**(0.1)**	–
– Amlin AG	**0.3**	(98.3)
– Amlin (Firebreak No. 1) Limited	**–**	4.6
	319.7	150.6

With the exception of specific loans which have a fixed repayment date all of the above intra-group debt is repayable on demand and corporation tax provisions reflect arm's length prices for the transactions between the Company and its subsidiaries.

51. Parent Company risk disclosures

The business of the Company is managing its investments in subsidiaries. Its risks are considered to be the same as those in the operations of the Group itself and full details of the risk management policies are given in note 3.

Its investments in subsidiaries are measured at cost in accordance with International Accounting Standard 27 'Consolidated and Separate Financial Statements' (IAS 27) and are tested for impairment annually. Details of impairments are given in note 44.

Financial investments are measured at fair value, details of which are given in notes 3 and 42.

Financial assets, other than investments in subsidiaries and financial investments, largely consist of amounts due from subsidiaries. As at the balance sheet date, these receivable amounts were neither past due nor impaired.

Financial liabilities owed by the Company are largely in respect of long-term borrowings (details of which are provided in note 27) and amounts due to subsidiaries. Amounts due to subsidiaries were within agreed credit terms as at the balance sheet date.

Interest rate risk

Loans to and from subsidiaries are at floating rates of interest. The Company is therefore exposed to fluctuations in these rates.

Currency risk

The Company has entered into derivative contracts on behalf of the Group to hedge the net currency exposure, which results from the translation of the net assets of Amlin Bermuda and Amlin Corporate Insurance N.V. These derivative contracts in the form of options have been accounted for as hedges of net investments in overseas subsidiaries by the Group, under which fair value gains and losses are taken to reserves to match the underlying movement in the valuation of the net investment in the overseas subsidiaries. In the Company these gains and losses are taken to profit or loss.

The Company's amounts due from subsidiaries include a loan of €272.6 million (2009: €260.1 million) which forms part of the net investment in Amlin Corporate Insurance N.V. referred to above and hedged at a Group level. The Company is exposed to gains and losses on this loan in its profit or loss.

The Company faces exposure to foreign currency risk through its borrowings. At 31 December 2010, the Company had two subordinated debts of US$50.0 million each. The resulting foreign exchange loss in the Company and the Group for the year was £2.0 million.

Glossary of terms

Accident year
The calendar or accounting year in which a loss occurs.

Actuarial best estimate
The result projected from a statistical model in which the intention is to be neither prudent nor optimistic. Actuarial best estimate reserves should be enough to pay the expected average future liabilities but include no margin for the emergence of worse than expected experience.

AIR
Service providing up-to-date information and loss estimates for major natural catastrophes worldwide.

Beurs
The Dutch corporate co-insurance market.

Binders/Binding authority
An authority granted by an active underwriter to an intermediary whereby that intermediary is entitled to accept, within certain limits, insurance business on behalf of members.

Box at Lloyd's
Accommodation in the underwriting room at Lloyd's from which business may be transacted with Lloyd's brokers.

Capacity
The maximum amount of business which may be accepted by a Lloyd's syndicate.

Catastrophe bonds
Risk-based securities that pay high interest rates and provide insurance companies with a form of reinsurance to pay losses from a catastrophe. They allow insurance risk to be sold to institutional investors in the form of bonds, thus spreading the risk. Other financial instruments used to transfer catastrophe risk to capital markets include catastrophe swaps and industry loss warrants.

CDOs
Collateralised debt obligations. Entities owning cash generating assets, which sell the rights to the cash flows from those assets along with associated risks.

Cede
To transfer risk from a direct insurer to his reinsurers.

Claims ratio
Net claims plus claims expenses divided by net earned premium.

Co-insurance
In the context of the European insurance market, co-insurance is the joint assumption of risk between a number of insurers.

Combined ratio
Claims ratio plus expense ratio.

Commercial combined
Also known as 'Package'. Policies where several different types of insurance cover are combined into one policy.

Contingent capital
Contingent capital arrangements provide the option to raise capital during a defined commitment period based upon the occurrence of a qualifying event, such as a defined insurance loss.

Coverholder
A company authorised by a Lloyd's syndicate to enter into contracts of insurance and/or issue insurance documentation on their behalf.

DFA
Dynamic Financial Analysis uses a detailed modelling assessment of the key risks facing an insurer to help assess its financial position. Key areas of use include the assessment of capital requirements and understanding the possible impact of future plans and strategies.

Direct and facultative
Direct property insurance and facultative reinsurance of property.

Earned premium
Proportion of insurance premium recognised in the income statement based on the estimated risk period falling in the financial year.

ECF
Electronic claims file.

Endorsement
Any addition to a policy, or addition to the printed wording, which changes or varies terms of, or parties to, the contract.

Excess of loss reinsurance (XL)
A reinsurance that covers that part of a loss paid by the reinsured which is in excess of an agreed amount and then pays up to the limit of the policy.

Expense ratio
Underwriting expenses divided by net earned premium.

Facultative
Where the insurer accepts risks on an individual basis.

'Gross' and 'net' underwriting
When referring to premium written or earned, losses or underwriting results, these terms denote before (gross) and after (net) the application of reinsurance.

IBNR
An estimate of claims or losses which have been incurred but not yet reported to the insurer.

IFRS
International Financial Reporting Standards.

Incurred loss
Paid claims plus claims advised by a policyholder but not paid. Does not include IBNR.

Incurred loss ratio
Incurred losses divided by earned premium.

Lead/non-lead
'Lead' denotes an underwriter in the subscription market who sets the terms and price of a policy. Following underwriters accept the policy on the same terms.

Letter of credit (LOC)
Written undertaking by a financial institution to provide funding if required.

Line size
The monetary limit of a policy for a first claim accepted by an underwriter.

Line slip
A facility operated by a Lloyd's broker whereby risks can be bound to a panel of insurers through the agreement of a leading underwriter plus one or two following markets (as specified on the slip at placement).

Loss ratio
See 'incurred loss ratio' and 'ultimate loss ratio'.

NFIP
The National Flood Insurance Programme is a US federal insurance programme providing property insurance as protection against flood losses in exchange for floodplain management regulations that reduce future flood damages.

Non-life
General insurance companies which sell policies other than life insurance, annuities or pension products.

Non-monetary assets & liabilities
Assets and liabilities that are accounting entries and are not expected to be exchanged for cash – such as unearned premium reserves.

Outstanding claims
Losses which have been reported to the insurer but not yet paid.

Package
See 'commercial combined'.

Personal lines
Property/casualty insurance products that are designed for and bought by individuals, including homeowners and automobile policies.

Proportional reinsurance
A type of reinsurance where the ceding insurer cedes to its reinsurer a predetermined proportion of the premium and liability of those policies subject to the reinsurance agreement.

Quantitative Impact Study (QIS5)
A field test of the proposed quantitative aspects of Solvency II, including the solvency capital requirement (SCR) under the standard formula, the minimum capital requirement (MCR) and the regulatory solvency balance sheet.

Quota share
A form of proportional reinsurance where the reinsurer receives a percentage of every risk, as defined by the reinsurance contracts, written by the ceding company.

Rating agency
Credit agencies which determine insurers' financial strength and company debt ratings.

Realistic disaster scenario (RDS)
Modelling of the probable loss which may arise from a defined catastrophic event.

Reinsurance
Insurance bought by insurers. A reinsurer assumes part of the risk and part of the premium originally taken by the insurer, known as the primary company.

Reinsurance to close
Premium paid by a closing year of account to a later year to cover its outstanding liabilities. A reinsurance to close is usually made three years after the commencement of a year of account.

Reserves
Funds that have been set aside to meet outstanding claims and IBNR.

Retention ratio
The percentage of the previous year's premium that is renewed.

Retrocession
The reinsurance of liability accepted by way of reinsurance.

Return on capital (ROCE)
After tax profit divided by opening shareholders' equity plus debt, adjusted for any capital raisings or returns.

Return on equity (ROE)
After tax profit divided by opening shareholders' equity, adjusted for any capital raisings or returns.

Risk-based capital
Risk-based capital is a method used to measure the minimum amount of capital that an insurance company needs to support its overall business operations taking into account the size and type of risk taken by the insurer.

RMS
Risk Management Solutions. Provider of catastrophic modelling software.

Run-off
Increase or decrease to claims on old years of account.

Service company
A company set up to operate a binding authority on behalf of the Syndicate to write business from non-Lloyd's brokers or policyholders directly.

Sidecars
Specialty reinsurance companies designed to provide additional capital to a specific reinsurance company. Investors, such as hedge funds, invest in a reinsurance company, the sidecar, to reinsure specific risks for a specific reinsurance company.

Solvency II
A proposed EU-wide regulatory regime which intends to align solvency capital to an insurers risk profile. Expected to be implemented in 2012/13.

Special purpose vehicle
Corporate entity designed to isolate financial risk, often to allow other investors to participate in that risk.

Specie
The insurance of high value items including deposits, bullion and fine art.

Subordinated debt
Subordinated debt is debt that takes a lower priority than other debt. If an issuer is liquidated then subordinated debt holders will only be paid after senior creditors have been fully paid.

Sub-prime
Mortgages provided to home buyers with lower credit scores. Nearly all sub-prime loans in the US are packaged into mortgage backed securities for sale to investors.

Subscription market
Insurance market, such as Lloyd's, whereby underwriters subscribe to proportions of risks.

Surplus
The amount by which the gross sum insured accepted by the insurance company exceeds its own retention.

Surplus lines
A reinsurance where the surplus of the reinsured's retention is ceded up to an agreed amount. Once accepted, both parties pay their proportion of losses arising.

Total shareholder returns
Returns combining share price performance and dividend payments.

Treaty
A reinsurance contract covering entire portfolios of risks.

Ultimate loss ratio (ULR)
Total forecast claims divided by total forecast premium expected to arise from a policy or class of business. Losses include those paid, those notified and IBNR.

Underwriting year
The year to which a policy is allocated and to which all premiums and claims in respect of that policy are attributed. Allocation is determined by the inception date of the policy.

Unearned premium
Proportion of insurance premium covering periods after the end of the financial year. Held in the unearned premium reserve.

US admitted market
The market provided by insurers who are licensed to do business in US States.

XL
See 'excess of loss'.

Year of account (yoa)
The year for Lloyd's syndicates to which a policy is allocated and to which all premiums and claims in respect of that policy are attributed. Allocation is determined by the inception date of the policy.

Information for shareholders

Financial Calendar

2011

25 Mar	Record date for proposed final dividend
12 May	Annual General Meeting
19 May	Payment of final dividend, subject to shareholder approval
22 Aug	Announcement of interim results and interim dividend for the six months ending 30 June 2011
6 Oct	Expected payment of interim dividend

2012

Feb/Mar	Announcement of 2011 results
May	Annual General Meeting

Electronic communications and voting

The Company has adopted electronic shareholder communication. This enables the Company to circulate hard copies of the Annual Report and other shareholder documents only to those who opt to receive them. Other shareholders may notify an email address to which a link is sent or, failing that, they receive a paper notification informing them as and when such reports become available on our website. If any shareholder wishes to opt back in to receiving printed shareholder documents, or wishes to notify their email address for the first time or amend a previous notification, they should contact our registrar Computershare.

We also provide electronic proxy voting facilities for shareholders in respect of our AGM (and generally intend to do so for any other shareholders' meetings), for shares held in both CREST and certificated form.

Dealing in Amlin shares

Amlin's ordinary shares have a premium listing on the London Stock Exchange. The share price is reported daily in the Financial Times and other UK newspapers with share price services as well as being on the Company's and many other websites.

NatWest Stockbrokers Limited, an affiliate of the Company's stockbroker RBS Hoare Govett Limited, offers a low cost dealing service, which enables UK resident investors who may not have their own stockbrokers to buy or sell Amlin shares. For further information please call NatWest Stockbrokers on 0870 600 3070 or find the relevant form together with further details on our website. NatWest Stockbrokers Limited is authorised by the Financial Services Authority.

The UK capital gains tax position regarding the B Shares issue (2007/2008)

The detailed UK and US tax position of all aspects of the return of capital and share consolidation that was completed early in 2008 was set out in a circular to shareholders dated 16 November 2007, copies of which are available from the Company Secretary and on the Amlin website. This involved the replacement of each nine ordinary shares of 25p each in the Company previously held by shareholders by nine B Shares of 22.4p each and eight consolidated ordinary shares of 28.125p each (New Shares). All of such B Shares have subsequently been redeemed.

Further to that circular, the market value of a New Share for UK tax purposes on the first day on which its price was quoted (17 December 2007) was 302.125p. The market value on the same date of a B Share for UK tax purposes was considered to be 22.3p. As the B Shares were not be traded on any stock exchange, its value was calculated by reference to its redemption value of 22.4p on the first redemption date of 14 January 2008, with a discount applied to take account of the minimum period prior to redemption. Accordingly, shareholders subject to UK taxation of capital gains may apportion the allowable expenditure in relation to their holdings of ordinary shares of 25p each prior to 17 December 2007 as follows:

- Holdings of new ordinary shares of 28.125p each: 92.333%
- Holdings of B Shares: 7.667%

Shareholder enquiries

Amlin's website is at www.amlin.com. Please call our Shareholder Enquiry Line on 020 7746 1111. For enquiries concerning share registration, call our Registrar, Computershare Investor Services PLC on 0870 703 6165.

Recent dividend payments to shareholders

Dividend and other payments on Amlin ordinary shares from 1 January 2007 to date have been as follows:

	Record date	Payment date	Amount per share
2006 final	30 Mar 2007	30 May 2007	7.8p
Special	30 Mar 2007	30 May 2007	8.0p
2007 interim	21 Sep 2007	19 Oct 2007	5.0p
Return of capital[1]	14 Dec 2007	17 Jan 2008	22.4p[1]
2007 final	25 Mar 2008	30 Apr 2008	10.0p
2008 interim	12 Sep 2008	10 Oct 2008	6.0p
2008 final	27 Mar 2009	20 May 2009	11.0p
2009 interim	11 Sep 2009	8 Oct 2009	6.5p
2010 second interim	19 Mar 2010	31 Mar 2010	13.5p
2010 interim	10 Sep 2010	7 Oct 2010	7.2p

1 In the absence of any contrary election, the return of capital was made by way of redemption of B shares. This was usually treated as a capital realisation for UK private shareholders. Dividends shown above from the 2007 final dividend onwards are per consolidated 28.125p ordinary share rather than per the previous 25p shares

Details of the proposed final dividend in respect of 2010 are set out in the Directors' report (pp.58).

Directors and advisers

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Christine Bosse*
Nigel Buchanan+*
Brian Carpenter
Richard Davey*
Marty Feinstein*
Richard Hextall (Finance Director)
Tony Holt*
Charles Philipps (Chief Executive)
Sir Mark Wrightson Bt*

+ Senior independent director
* non-executive

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Nigel Buchanan (Chairman)
Richard Davey
Marty Feinstein

Remuneration Committee

Sir Mark Wrightson Bt (Chairman)
Christine Bosse
Nigel Buchanan

Risk and Solvency Committee

Richard Davey (Chairman)
Nigel Buchanan
Roger Taylor

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