Continuity in an uncertain world™

Amlin

Amlin plc 2012 Annual Report

Momentum

Annual Report 2012

Momentum

Helping clients manage complex risks is our business. Today's fast changing markets demand the expertise, financial strength and agility to respond rapidly to threats and opportunities alike. However, our success is founded on taking a longer term view. Long term relationships with our clients, a commitment to excellence and consistent investment in our people and businesses give Amlin forward momentum.

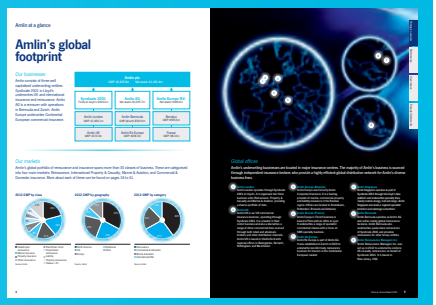
We are a leading international insurance Group operating in the Lloyd's, UK, Continental European and Bermudian markets. We specialise in providing insurance cover to commercial enterprises and reinsurance protection to other insurance companies. We support commerce and economic development by paying claims and providing contingent capital for a global customer base – our goal is to provide our clients with continuity in an uncertain world.

This report is available online at www.amlin.com

Highlights in this report

Read about our key strengths on page 8

Read about our strategy on page 6



Read about our market position on page 4

Contents

Amlin plc is the holding Company of the Amlin Group of Companies (the "Group"), which is registered in England and Wales with the registered number 2854310, and has its registered office at St Helen's, 1 Undershaft, London, EC3A 8ND.

The Companies Act 2006 requires the Company to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2012, including an analysis of the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group known as the "Business Review".

The Business Review contains certain forward looking statements which are subject to assumptions, risks and uncertainties; actual future results may differ materially from those expressed in or implied in such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond Amlin's ability to control or estimate precisely. The forward looking statements reflect the knowledge and information available at the date of preparation of the Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

Pages 1 – 94 comprise the Business Review and Directors' Report in accordance with English law, and the liabilities of each director set out within these pages are subject to the limitations and restrictions of such law. This section contains additional information required by these laws and regulations to be included by the Directors in the Annual Report.

A strong financial performance

- Profit before tax of £264.2 million (2011: loss before tax £193.8 million), after £141.6 million of claims attributable to Hurricane Sandy (2011: £500.8 million total net catastrophe claims)
- Return on equity of 17.4% (2011: negative 8.6%), above our current estimated cost of equity of 8.5%
- Combined ratio of 89% (2011: 108%), with positive trends in all divisions
- Excellent investment return of £165.3 million, equivalent to 4.1% on average invested assets (2011: £40.5 million, 0.9%)
- Dividend declared increased by 4.3% to 24.0 pence per share (2011: 23.0 pence per share)
- Net tangible assets per share of 258.5 pence (2011: 243.0 pence)

Financial highlights[1]

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Gross written premium	**2,405.6**	2,304.1	2,172.5	1,543.9	1,034.0
Net written premium	**2,058.6**	2,013.2	1,910.3	1,322.6	915.7
Net earned premium	**1,970.5**	1,927.4	1,748.1	1,317.3	913.5
Profit attributable to underwriting	**207.1**	(146.0)	185.6	355.2	211.4
Investment return	**165.3**	40.5	175.0	207.5	18.0
Other costs[2]	**(108.2)**	(88.3)	(101.4)	(53.6)	(107.8)
Result before tax	**264.2**	(193.8)	259.2	509.1	121.6
Return on equity	**17.4%**	(8.6)%	13.9%	37.0%	7.8%
Net assets	**1,491.4**	1,420.4	1,729.9	1,593.1	1,216.1
Net tangible assets	**1,280.0**	1,201.5	1,545.4	1,430.3	1,105.9
Per share amounts (in pence)					
Earnings	**50.0**	(30.3)	45.0	94.1	17.1
Net assets	**301.2**	287.2	350.6	322.6	259.5
Net tangible assets	**258.5**	243.0	313.2	289.6	236.0
Dividend under IFRS[3]	**23.3**	23.0	20.7	17.5	16.0
Dividends declared for the calendar year[3]	**24.0**	23.0	23.0	20.0	17.0
Group operating ratios[4]					
Claims ratio	**57%**	78%	60%	43%	55%
Expense ratio	**32%**	30%	29%	30%	22%
Combined ratio	**89%**	108%	89%	73%	77%

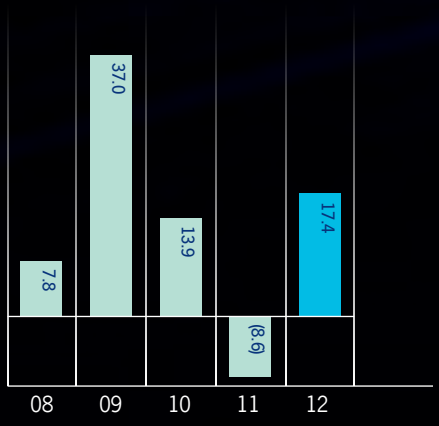
Note:
1. The financial highlights are presented on the basis of management information provided to the Group Management Committee. The reconciliation between this information and the IFRS consolidated income statement is included in Note 5c to the consolidated financial statements on page 147.
2. Other costs comprise other non-underwriting expenses, finance costs, other operating income and share of profit after tax of associates.
3. All per share dividends are the actual dividends for each share in issue at the time.
4. 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.

Note regarding Amlin Corporate Insurance and Amlin France:
In August 2012 it was announced that, in line with the Group's growth strategy for Europe, Amlin France was being integrated with Amlin Corporate Insurance. In Amlin's 2012 Interim Report and Q3 Interim Management Statement the combined results of Amlin France and Amlin Corporate Insurance were reported under the heading Amlin European Insurance. On 19 December 2012 Amlin Corporate Insurance N.V officially changed its name to Amlin Europe N.V. In this report the combined businesses formerly named Amlin France and Amlin Corporate Insurance are referred to throughout as Amlin Europe.

Key performance indicators

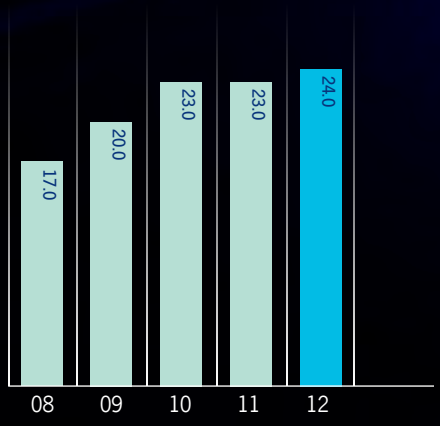
Return on equity

17.4%



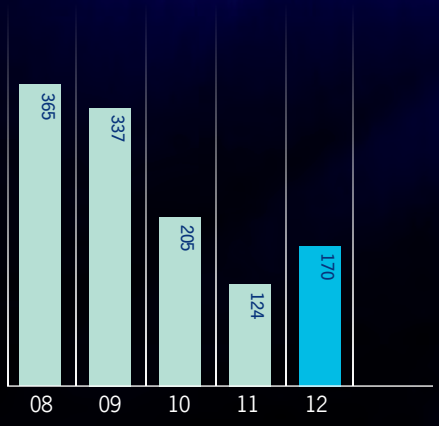
Dividend per share

24.0p



Total shareholder return (five year index)

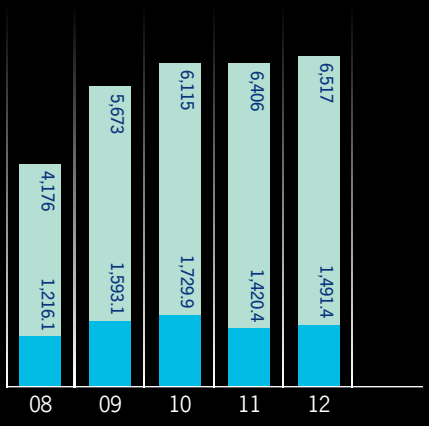
170%



Other key highlights

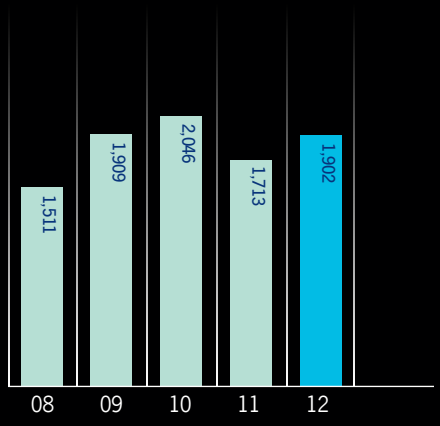
Gross and net assets

Gross **£6,517m**
Net **£1,491m**



Equity and long term debt

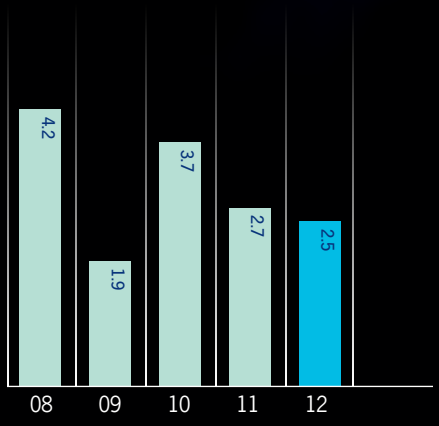
£1,902m



Senior underwriter turnover

2.5%

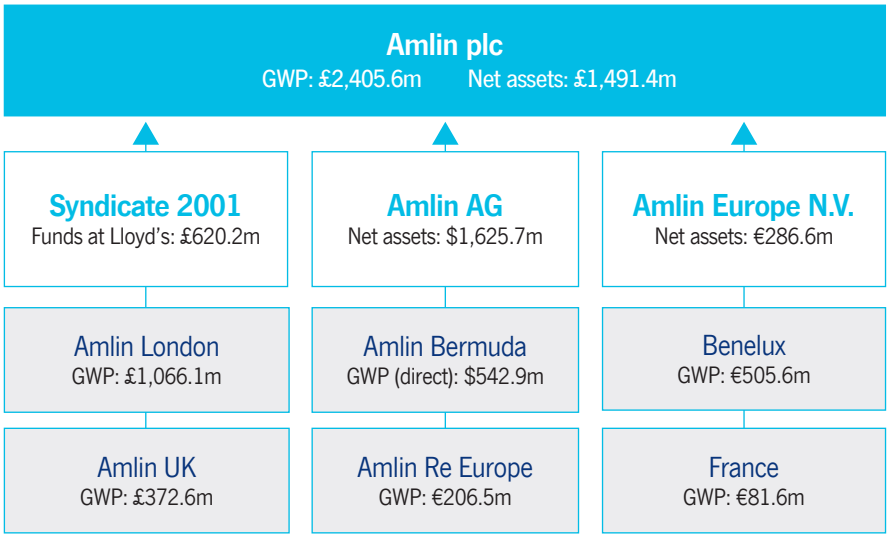
(5 year average: 3.0%)



Amlin's global footprint

Our businesses

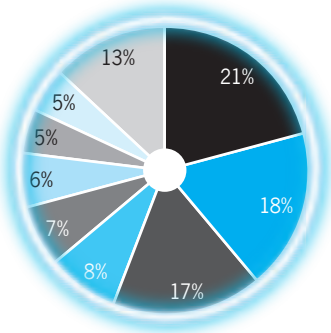
Amlin consists of three well capitalised underwriting entities. Syndicate 2001 in Lloyd's underwrites UK and international insurance and reinsurance. Amlin AG is a reinsurer with operations in Bermuda and Zurich. Amlin Europe underwrites Continental European commercial insurance.



Our markets

Amlin's global portfolio of reinsurance and insurance spans more than 30 classes of business. These are categorised into four main markets: Reinsurance, International Property & Casualty, Marine & Aviation, and Commercial & Domestic insurance. More about each of these can be found on pages 34 to 41.

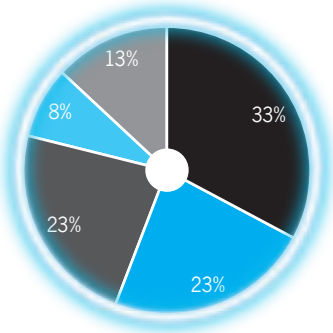
2012 GWP by class



- Catastrophe reinsurance
- Marine insurance
- Property insurance
- Other reinsurance
- Fleet/Other motor
- Proportional reinsurance
- Liability
- Property reinsurance
- Classes < 4%

Source: Amlin

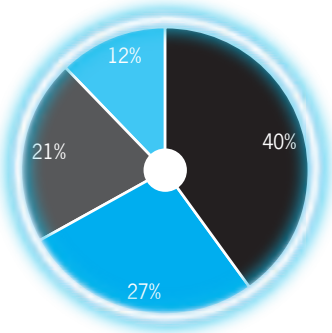
2012 GWP by geography



- North America
- UK
- Europe
- Worldwide
- Other

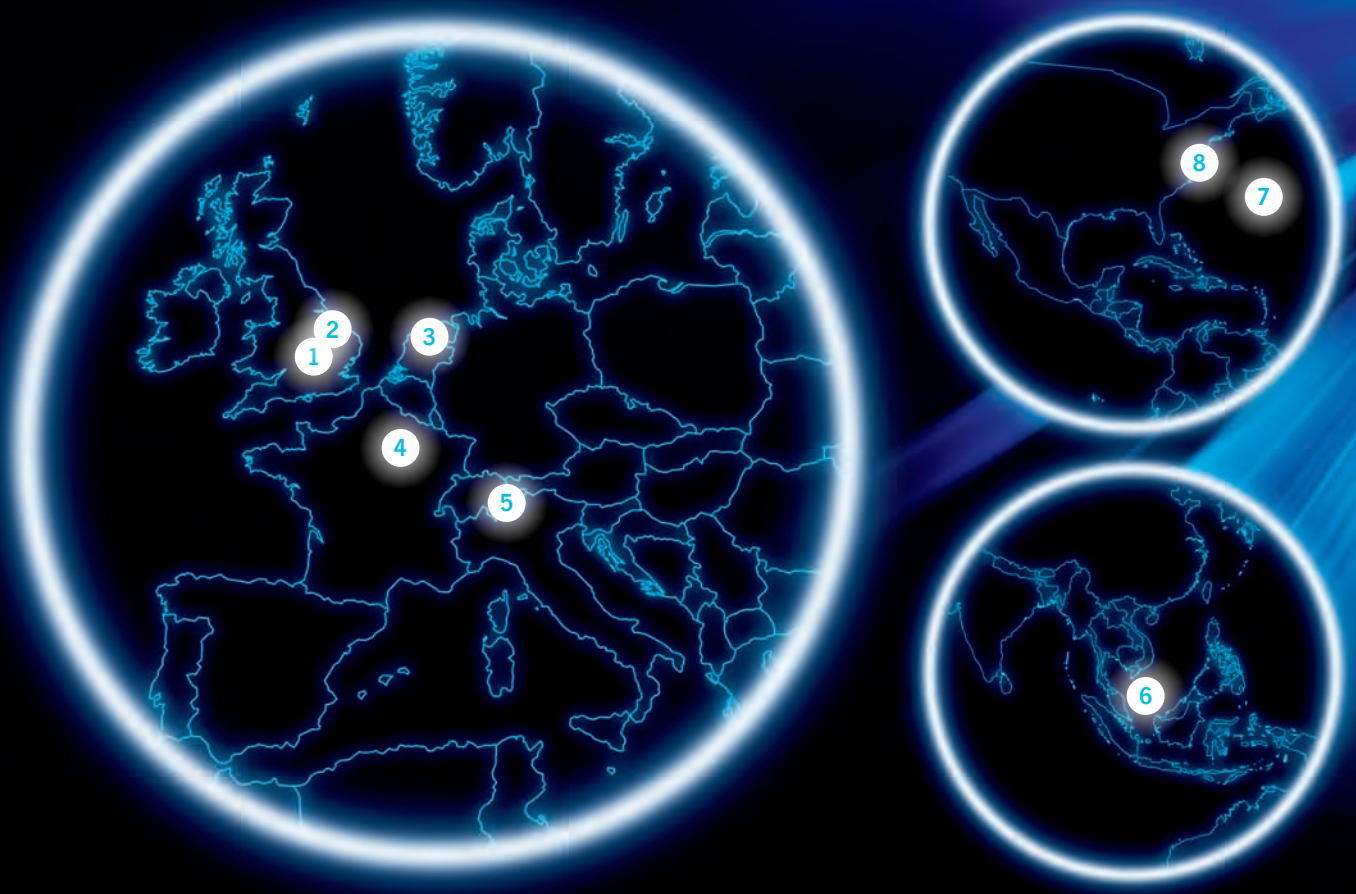
Source: Amlin

2012 GWP by category



- Reinsurance
- Commercial & Domestic
- Marine & Aviation
- International P&C

Source: Amlin



Global offices

Amlin's underwriting businesses are located in major insurance centres. The majority of Amlin's business is sourced through independent insurance brokers who provide a highly efficient 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 three business units: Reinsurance, Property & Casualty and Marine & Aviation, providing a diverse portfolio of risks.

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, Norwich, Nottingham and Manchester.

3 Amlin Europe (Benelux)
Amlin Europe was formerly Amlin Corporate Insurance. It is a leading provider of marine, commercial property and liability insurance in the Benelux region. Offices are located in Amstelveen, Rotterdam, Brussels and Antwerp.

4 Amlin Europe (France)
Amlin Europe's French business is based in Paris with an office in Lyon. It underwrites a range of specialist commercial classes with a focus on SME specialty business.

5 Amlin Re Europe
Amlin Re Europe is part of Amlin AG. It was established in Zurich in 2010 to underwrite non-life treaty reinsurance business for insurers in the Continental European market.

6 Amlin Singapore
Amlin Singapore operates as part of Syndicate 2001 through the Lloyd's Asia platform and underwrites specialty lines, mainly marine energy, hull and cargo. Amlin Singapore also leads a regional specialist terrorism and sabotage consortium.

7 Amlin Bermuda
Amlin Bermuda operates as Amlin AG and writes mainly global reinsurance business. Amlin Bermuda also underwrites quota share reinsurance of Syndicate 2001 and provides reinsurance for other Group entities.

8 Amlin Reinsurance Managers Inc.
Amlin Reinsurance Managers Inc. was set up in 2012 to underwrite onshore US casualty reinsurance on behalf of Syndicate 2001. It is based in New Jersey, USA.

Delivering long term value

Our strategy is centred on delivering long term value to our shareholders. Our Vision, to be the global reference point for quality in each of our markets, gives strategic focus and drives operational performance. Underpinning our Vision are strategic priorities which we believe must be achieved to be successful.

Our goal

Shareholder value

Financial targets

15% cross-cycle return on equity, with profitable trading throughout the insurance cycle

Our Vision

Our Vision for 2010 – 2015 is to be the global reference point for quality in each of our markets

Strategic priorities

First class client service based on a thorough understanding of their needs
Profit focused underwriting excellence
Effective risk management which optimises returns for the risks we take
Measured expansion of core businesses and geographic footprint
A culture and employment practices that make Amlin 'the place to work'

Amlin has grown its gross written premium income 130.3% over the last five years through a combination of start-ups, acquisitions and pure organic growth, which has been aided by attracting market-leading talent to the Group.

Our primary aim is to deliver leading returns on equity over the cycle, with a cross-cycle average of at least 15% per annum. This is significantly above our cost of equity, which is estimated at 8.5%. Its achievement, therefore, should be materially accretive for shareholders over the long-term.

We recognise that, with our leading franchise in catastrophe reinsurance, there is a degree of volatility in annual earnings. This was very clearly illustrated in 2011 when we recorded our first loss since 2001, but still had an average five year return on equity of 14.7% and a 10 year return on equity of 18.0%.

We endeavour to compensate for the volatility of writing high margin catastrophe reinsurance with our portfolios of non or less catastrophe exposed business. This is more difficult towards the bottom of the insurance cycle, when the margins on such business can be negligible, but has been proven to work satisfactorily through most of the pricing cycle.

Our solvency and economic capital requirement is driven by our catastrophe exposures and the potential for very extreme events. With this, non or less catastrophe exposed business can be written with little, if any, additional capital requirement. Therefore, the margin achieved on such business is likely to be enhancing to return on equity. Amlin Re Europe's business, for example, has not dramatically increased the capital requirement of Amlin AG and therefore any earnings from Amlin Re Europe enhance Amlin AG's return on capital.

The strength of our service, reputation and franchise in reinsurance has enabled strong organic growth in this area, as was demonstrated when we created Amlin Bermuda in 2005, which now represents 22.6% of the Group's gross written premiums, and Amlin Re Europe, which is on course to write more than €250 million of gross written premium in 2013, having only opened for business in October 2010.

It is more difficult to grow non or less catastrophe exposed business in the London market, as the volumes coming to London are not growing and there is increased competition from new entrants to Lloyd's. These have numbered more than 16 over the last five years and accounted for £1.7 billion of capacity in 2012. Some business which used to come to the London market is increasingly being written closer to its source.

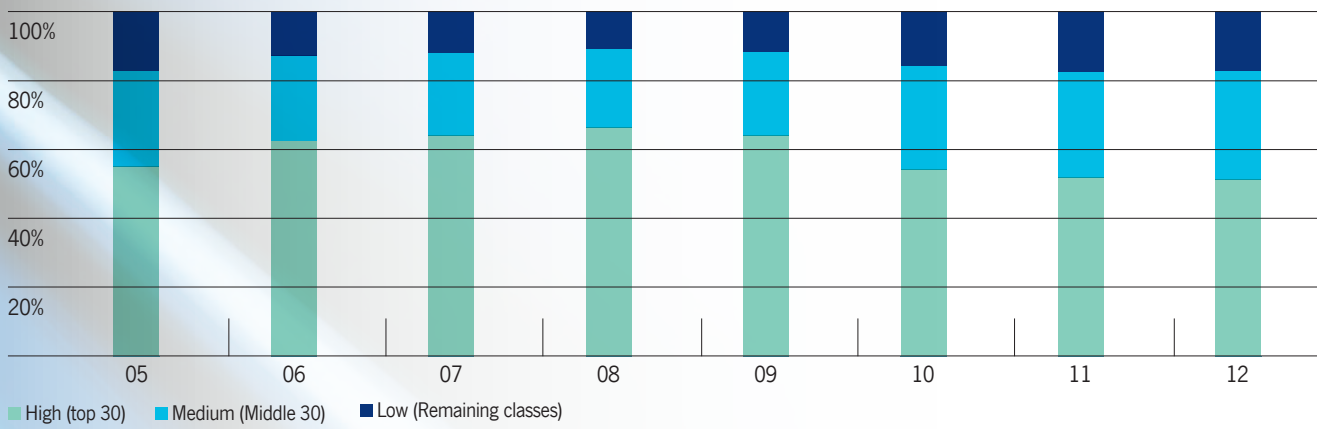
Following the start-up of Amlin Bermuda, the proportion of higher volatility business grew from 55% of gross written premiums in 2005 to 66% in 2008. Much of our strategy, involving acquisitions of niche businesses such as Lead Yacht, J R Clare and Crowe Livestock, the establishment of a bridgehead into Continental Europe with the acquisitions of Fortis Corporate Insurance and Anglo French Underwriters (now Amlin Europe), and the start-up of Amlin Re Europe, has been aimed at providing a balance to the organic growth potential of our strong catastrophe reinsurance franchise. The high volatility classes represented 51.5% of gross written premium in 2012, close to the level in 2005.

Such a strategy clearly requires an ability to deliver positive margins in the areas of expansion. With the exception of Fortis Corporate Insurance, where it has taken longer to correct poor performance than initially envisaged, all acquisitions have contributed positively to the Group's average return on equity. We believe that the action taken in Amlin Europe (formerly Fortis Corporate Insurance) will result in a more consistently profitable business, generating attractive returns on capital, which will complement our strategy.

Many of the strategic initiatives referred to above have been taken while the competitive environment has been tough. We believe that insurance remains a cyclical business, even if peaks and troughs may be less pronounced than hitherto. A more favourable trading environment will both enhance growth prospects and improve the returns from our investments. We therefore believe that our strategy over the past several years places us in an exceptionally good position to grow both top and bottom line when conditions improve.

Our financial strategy is focused on active capital management to ensure capital efficiency, while maintaining a strong balance sheet supported by prudent management of investments. This enabled us to pay an uncovered dividend after the exceptional catastrophe claims of 2011, while remaining well capitalised to take advantage of opportunities for profitable growth. We have the strategy, the people and the capital in place to grow significantly as the trading environment improves.

Amlin's portfolio analysed by volatility of business lines



Note: Modelled classes ranked using a capital allocated by percentile layer technique and accumulated in three broad categories for high, medium and low volatility.
Source: Amlin Internal Model.

10 key strengths

1. 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 targeting premium income or market share. This is underpinned by incentive structures which reward underwriters for consistent profitability.

Amlin Group average combined ratio (2008 – 2012)

87%

2. Underwriting excellence

Amlin's unique underwriting culture is founded on the expertise of our underwriters, who have built and refined quality portfolios over many years. As Amlin has grown, this experienced and stable team has been further enhanced by the addition of high calibre senior underwriters and management through recruitment and acquisition. The strength of Amlin's underwriting capabilities provide a competitive advantage.

Average turnover of senior underwriters (2008 – 2012)

2.5%

3. Wealth of industry experience

Amlin's underwriters are supported by a team of seasoned professionals in specialist disciplines including claims, risk management, actuarial, catastrophe modelling, investments and finance.

Senior managers' average years of industry experience

25

4. A diverse and balanced portfolio

Amlin's portfolio balances high margin but volatile catastrophe underwriting with lower margin and less volatile business. This diversity, combined with profitable cross-cycle underwriting, reduces earnings volatility and enables more effective cycle management. 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.

Major classes of business written

30

5. Strong franchise supported by 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. The value of our long-standing relationships with brokers and clients is reflected in consistently high business retention.

Group retention ratio 2012

84%

6. Strong balance sheet with significant scope for growth

Our balance sheet strength makes Amlin a preferred market for major brokers and clients. Amlin's strong capital position underpins our ability to attract and retain the best quality business, support organic growth and fund longer term strategic investments in new ventures.

Equity and long term debt

£1,902m

7. Active capital management

Our flexible approach to capital management ensures that Amlin maintains the capital strength to withstand major catastrophe claims and exploit opportunities for profitable growth, while delivering excellent returns for investors. 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 capital to shareholders are key aspects of this strategy.

Cash returned to shareholders (2008 – 2012)

£611.5m

8. Effective risk management

Amlin's enterprise risk management framework is recognised by regulators and rating agencies as market leading. It enables us to manage risk effectively and optimise return for the risks that we take, ensuring that we utilise capital efficiently across the business. As well as enhancing returns, this risk management capability will be important under Solvency II regulation.

Average net claims ratio (2008 – 2012)

59%

9. A dynamic approach to managing investment risk

Amlin's disciplined and responsive approach to investment management has delivered consistently robust returns in more stable financial markets. In current difficult markets our focus on risk appetite rather than a target return is crucial.

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

0.9%

10. 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. Over the past ten years we have delivered a weighted average return on equity of 18.0% and cumulative profit after tax of £1,778.0 million. The business is well positioned to continue this strong performance through further profitable growth.

Total shareholder return (2008 – 2012)

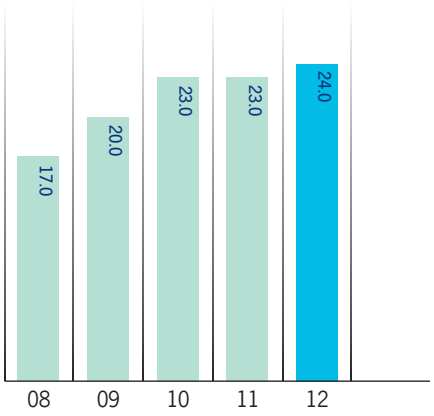
170%

Expanding our scope

2012 Highlights

- Return on equity of 17.4% (2011: negative 8.6%)
- 2012 total dividend increased by 4.3% to 24.0p (2011: 23.0p)
- Total shareholder return 2008 – 2012 of 170%
- Organisational change to improve oversight of a larger Group

Dividend per share



Results and dividend

Last year was a less extreme year for Amlin in terms of catastrophe claims, with a generally more favourable trading environment. In contrast to 2010 and 2011, catastrophe claims were concentrated in the US, with Hurricane Sandy proving the worst storm to hit the North-eastern United States in more than seventy years, causing estimated insured losses of $25 billion for the market as a whole. Amlin's share of this loss is estimated at £141.6 million, part of total large catastrophe claims for the year of £152.3 million, net of reinsurance, compared to £500.8 million in 2011.

Amlin's result for the year benefited from a strong overall underwriting result, helped by improving trading conditions in key lines of business, notably catastrophe reinsurance and UK fleet motor and the achievement for the first time of modest full year underwriting profits at Amlin Europe and Amlin Re Europe, which continued to develop satisfactorily. The overall result was enhanced by a very creditable investment return in current market conditions of 4.1%.

Pre-tax profits of £264.2 million, with a return on equity of 17.4%, have encouraged the Board to resume our progressive dividend policy with a proposed increase of 4.4% in the final dividend to 16.5 pence per share (2011: 15.8p). The final dividend will be paid on 23 May 2013, subject to shareholder approval, to shareholders on the register on 12 April 2013.

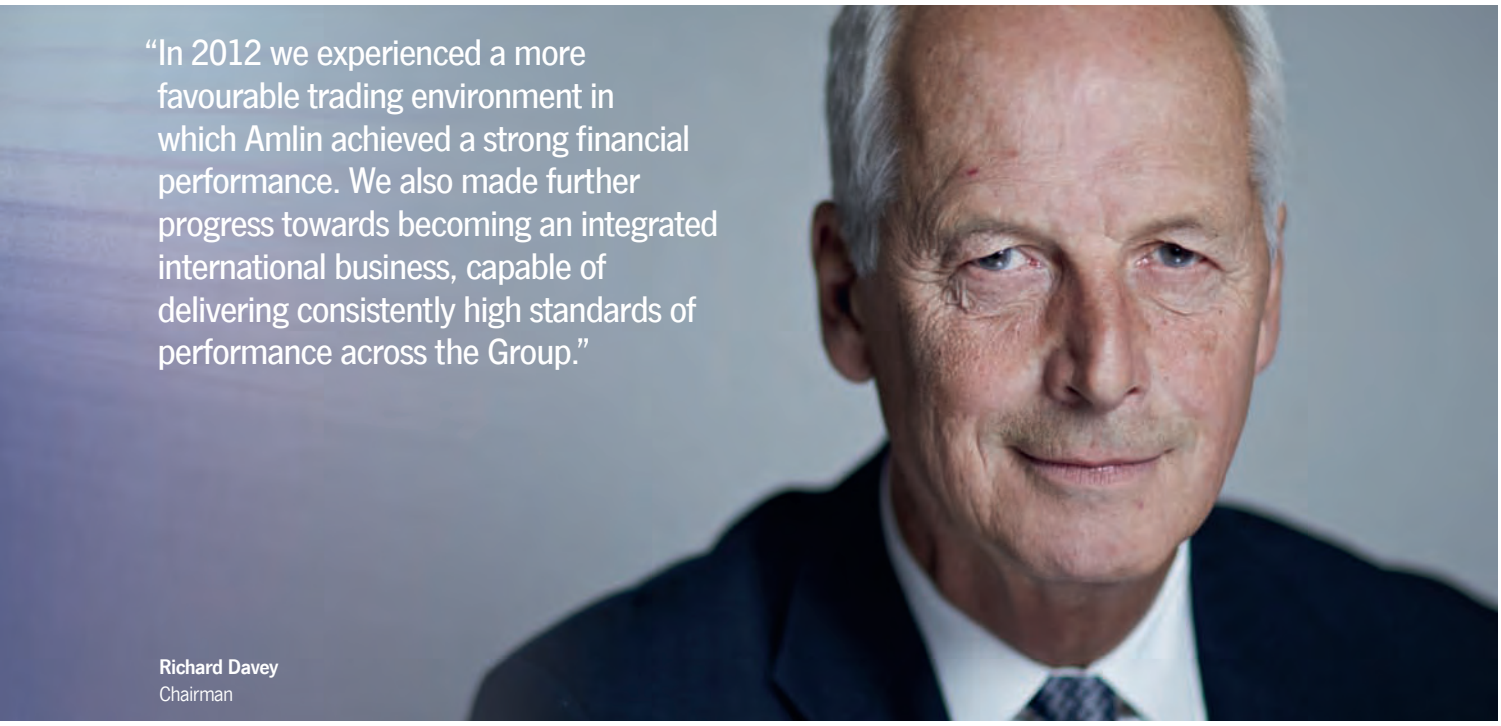
Strategic progress

During 2012, the business made significant progress in further developing a management structure and systems appropriate to the broader geography and business mix which Amlin has developed in recent years. The creation of the Underwriting Practice Boards, the migration of Amlin Europe's Benelux businesses onto Amlin's business platform and further embedding of enterprise risk management practices across the Group, are all aspects of this process, which will contribute to better communication and co-operation between businesses, as well as enhanced efficiency across the Group.

The benefit of a co-ordinated approach across divisions was evident in the re-underwriting of Amlin Europe's marine account, which was assisted by Amlin London's marine underwriters. Amlin Europe's achievement of an underwriting profit in 2012 is a reflection of this teamwork, as well as the commitment and hard work of Amlin Europe's management and employees. The combination of Amlin Corporate Insurance and Amlin France to create Amlin Europe gives Amlin a substantial platform from which to further develop our Continental European insurance presence in the future.

Amlin London and Amlin Bermuda put in strong performances, with reinsurance overall remaining profitable despite the impact of Hurricane Sandy claims. In a generally improved trading environment, most of Amlin London's diverse insurance portfolio also performed well. Once again Amlin's superior claims service was recognised, with global broker Willis citing Amlin as one of the top five performing UK insurers in respect of claims handling for Hurricane Sandy.

Amlin Re Europe, which started underwriting in October 2010, had another successful year,



generating a combined ratio of 99%, having reached €206.5 million of gross written premium in 2012. We continue to expect that Amlin Re Europe will become an important longer-term earnings stream for the Group.

Amlin UK continued to benefit from improving market conditions and increased gross written premium by 19.3% to £372.6 million in 2012, contributing £14.1 million to Group underwriting profits.

Amlin UK, Amlin Europe and Amlin Re Europe, with their relatively low exposure to catastrophe risk and consequent lower volatility earnings, are important elements in Amlin's diversified business mix. Increased earnings from these areas will further enhance capital efficiency across the Group, as well as creating scope to further increase our appetite for catastrophe risk.

Amid continued uncertainty in financial markets, the Group's security as a counterparty is paramount to our clients. While the Group's capital position remained strong despite the extraordinary claims of 2011, it has been further enhanced by the return to profit in 2012, with available capital of £1.75 billion. This is £372.5 million in excess of management's view of the capital required to operate our underwriting businesses, and will support expected growth of more than 10% in 2013.

Effective risk management is also important, and the Group's continued commitment to a market leading risk management capability was recognised externally during the year with Standard & Poor's upgrade of Amlin's Enterprise Risk Management rating to 'Strong'. Our investment in this area continues to generate tangible benefits which considerably outweigh the cost. We also continue to invest in high calibre people across a range of disciplines to ensure that we are resourced to support a larger and more diverse business.

Outlook

As market conditions improve for much of Amlin's portfolio, we are benefiting from the investments in new teams, niche acquisitions and better operational capabilities made in recent years. We continue to focus on optimising Amlin's capabilities, while maintaining strong cross-cycle performance and building for the future. The diversity of the business, with three well capitalised underwriting platforms operating across a range of business lines and markets, gives us valuable flexibility to manage exposures and the cycle, as well as creating more opportunities for profitable growth.

Governance and the Board

The Board's performance was reviewed externally during the year, and the results of this review were broadly positive and are referred to on page 66. I welcome Shonaid Jemmett-Page and Julie Chakraverty as Non-Executive Directors, who will bring us fresh talent and expertise.

I should thank Nigel Buchanan for his nine years of exceptional service to the Group, both generally and also in his particular role as Senior Independent Director and Chairman of the Audit Committee. We have all appreciated his sage counsel and he has made a valued contribution to the Group's development. I am delighted that he has agreed to stay with us as Chairman of Amlin Underwriting Limited, where his profound knowledge of the Group will be invaluable.

Finally, I pay tribute to Roger Taylor, my predecessor. Roger became Chairman in 1998, and has seen the Company grow from its origins in Lloyd's to the successful international Group you see today. An investment of £100 in Amlin when Roger became Chairman would now have a value of £526, outstripping the FTSE250 over the same period by 55 per cent. The creation of shareholder value over this period is a remarkable achievement, given some of the severe events, such as 9/11 and Hurricane Katrina, during this time. Roger should be thanked by all shareholders for his commitment and dedication. I am honoured to succeed him and am thriving on working with Charles Philipps and his talented and stimulating executive team.

I look forward to the current year and future of your company with confidence.

Richard Davey
Chairman

Driving the business forward

2012 Highlights

- Improved performance across the Group
- Good momentum to underwriting earnings for 2013
- Better risk-reward expectation for 2013 as a result of retrocessional cover purchased
- Enterprise Risk Management upgraded to "Strong" by Standard & Poor's

Summary

In 2012, the Group delivered a strong financial performance despite the losses incurred from Hurricane Sandy and a challenging economic environment. Good progress was made across the Group and, importantly, Amlin Europe delivered a substantially improved result. Return on equity, at 17.4%, was above our cross-cycle target of 15%.

Our weighting to classes of business where rating is either strong, has improved or is improving, together with the expectation of continued progress at Amlin Europe, is encouraging for 2013's underwriting returns. While the investment return outlook is not as bright, we believe that 2013 offers the opportunity for another return on equity of near to our cross-cycle target.

Much has also been achieved in 2012 to increase the scalability of the Group and to prepare for future growth.

Financial results

Gross written premium was up by 4.4% to £2,405.6 million (2011: £2,304.1 million) with a 3.7% renewal rate improvement, a retention ratio of 84% and £386.0 million net of brokerage, of new business generated. Good growth of 19.3% and 11.6% was achieved in Amlin UK and Amlin London respectively, in classes where rating conditions improved, and in Amlin Re Europe as it continued to gain traction in Continental reinsurance markets. The overall increase was depressed by the 19.1% reduction in Amlin Europe's premiums as it continued to address its profitability.

The lower increase in net written premiums, of 2.3% to £2,058.6 million (2011: £2,013.2 million), reflects a decision to reduce risk appetite in 2012 following the severity of overall losses in 2011 and a desire to protect Amlin's ability to at least maintain its dividend. Outwards reinsurance expenditure increased by £56.1 million.

The profit attributable to underwriting at £207.1 million (2011: loss of £146.0 million), resulted from improved performance in each business.

Amlin London and Amlin Bermuda recorded significantly improved combined ratios of 91% and 74% respectively (2011: 102% and 112%), with significantly lower claims ratios of 53% and 56% respectively (2011: 67% and 94%). This was despite claims incurred from Hurricane Sandy. The combined reinsurance accounts in London and Bermuda benefited from average rate increases of 7.5% and delivered an underwriting profit of £130.5 million, more than compensating for reinsurance losses incurred in 2011 and demonstrating the strength of Amlin's franchise in this area.

Amlin London's marine business again delivered a strong result with broadly flat pricing and its property & casualty result improved, benefiting from an average 3.7% rate increase. Its aviation result was again marginal, with market conditions continuing to be difficult.

Amlin UK benefited from the stronger pricing in its fleet motor account achieved over the last two years and good results from investments made to grow its property account. It delivered a highly creditable combined ratio of 95% (2011: 103%).

The claims ratio reduced 12 points to 57% (2011: 69%), while the expense ratio increased four points to 38%, reflecting higher commissions associated with increased business sourced from managing general agencies.

Amlin Europe's much improved combined ratio of 98% (2011: 113%) reflects action taken since the acquisition of Fortis Corporate Insurance to improve performance, particularly in its marine business, and a lower level of large losses than in 2011. Amlin France, which is now part of Amlin Europe, had an excellent year with a combined ratio of 87%. Excluding this, Amlin Europe's combined ratio was 100%. Amlin Europe's claims ratio, at 59% (2011: 80%), has returned to a respectable level, given the competitive environment in the Benelux. However, the effect of its re-underwriting on net written premium increased the expense ratio to 39% (2011: 33%) which is too high and is being addressed.

Amlin Re Europe, in only its second full year, delivered a better than planned combined ratio of 99% (2011: 105%). The improvement was driven by a reduction in its expense ratio as its success in penetrating the Continental reinsurance market increased net earned premium by 154.1%.

Investment returns, of £165.3 million, equivalent to 4.1% of average invested funds, were significantly ahead of initial expectations, despite the challenging economic backdrop. Given the low yields on government bonds, and the medium term downside interest rate risk, we both shortened the duration of the portfolio and increased our weighting to risk assets, which paid off.

"In 2012, despite Hurricane Sandy claims of £142 million, Amlin returned to robust profitability and generated a strong return on equity. Recent growth is building earnings momentum and with profits from our non-catastrophe businesses improving, we are well positioned to continue to expand into more favourable market conditions."

Charles Philipps
Chief Executive

The Group's pre-tax profit was £264.2 million and, with an effective tax rate of only 6.2%, helped by the strength of Amlin Bermuda's performance, earnings were £247.7 million.

Net tangible assets increased 6.5% to £1,280.0 million at 31 December 2012, after the payment of £115.4 million of dividends, equivalent to 9.6% of opening net tangible assets. A final dividend of 16.5 pence per share is proposed, bringing total dividends in respect of 2012 to 24.0p per share (2011: 23.0p), an increase of 4.3%. This reflects our desire to return to our policy of steadily increasing the dividend, while maintaining a strong balance sheet which is capable of supporting meaningful growth.

Outlook for 2013

2013 has started well. Gross written premium to 31 January is up 7.3% and we have recorded an average renewal rate increase of 1.2%, with an overall retention ratio of 90%. Nearly £30 million of savings have been achieved in our outwards reinsurance and the investment return has been strong at £23.0 million or 0.5% of invested funds in the first month.

We also recorded an average 3.7% renewal rate increase during 2012 which will positively affect earned premiums in 2013.

Approximately 21% of Amlin's business is catastrophe reinsurance. Following Hurricane Sandy, US catastrophe renewal rates in January were up 4.2%, with more significant increases in loss affected accounts. Non US catastrophe reinsurance renewal rates, having experienced significant rises following 2011's events, were flat. We consider catastrophe reinsurance pricing to be strong.

Amlin UK, which improved its combined ratio from 103% in 2011 to 95% in 2012, experienced an average 5.0% rate increase in 2012 with its £112.1 million fleet motor account achieving an average rate increase of 9.7%. We expect continued upward momentum in 2013 given the increased signs of stress amongst competitors. The average combined ratio for UK commercial motor in 2011 was 106%[1]. Given the low volatility associated with Amlin UK's business, its improving performance is important in offsetting the volatility of our catastrophe exposures.

In most other areas our renewal rates are broadly flat. Aviation business, which represented only 2% of Amlin's gross written premium in 2012, continues to suffer from excessive, and possibly naïve, competition which is resulting in continued downward pressure on rates. Conversely, US property business is continuing to strengthen following average renewal rate increases of 7.6% in 2012.

We expect further earnings momentum from continued improvement in Amlin Europe's underwriting performance, as the benefits of its re-underwriting over the last three years come through, and continued progress at Amlin Re Europe.

Having reduced our risk tolerances for major catastrophes during 2012, the strong performance in the year has allowed us to increase tolerances for 2013. We have therefore reduced outwards reinsurance expenditure for 2013 by nearly £30 million and this has coincided with an opportunity to reduce retentions for catastrophe reinsurance events within our excess of loss accounts, resulting in a significantly better risk – reward equation for 2013 than has been possible in recent years. This places us in a good position to grow income if suitable opportunities arise.

While we have had a better than expected start to the year for investment returns, the extremely low yields on cash and bonds will make it difficult to achieve a similar investment return to 2012. However, the reality of a lower return environment is becoming increasingly realised in the insurance industry and we believe it should only be a matter of time before this is compensated for by efforts to improve underwriting margins.

Strategy

Business development

A strategic priority for 2012 was to improve Amlin Europe's performance and to continue to bring its business practices and risk management more in line with the rest of the Group. Significant progress was made. In addition to continued re-underwriting, Amlin Europe successfully transitioned onto its new systems in May 2012; it enhanced its underwriting controls in many areas; and continued to successfully embed Amlin's risk management framework, significantly closing the gap in its adoption of many of Amlin's policies and standards that have been a cornerstone of good risk control and performance.

Note:
1. Towers Watson UK Motor Industry Report 2012

Amlin Europe's management team was also further enhanced during 2012 by the transfer of Andreas Luberichs from London to lead its non-marine underwriting, and the hire of Bert Nelen, from ACE, to lead its marine underwriting.

Amlin Europe is now a fundamentally stronger business than when acquired, and with this we decided that the time was right for Amlin France to be integrated with Amlin Europe so that we have a single Continental European insurance platform. We believe this will result in revenue synergies as a number of Amlin France's niche products are suitable for the Benelux market. Amlin Europe also developed its strategy during 2012 so that, with the many operational improvements made over the last three years, it is now able to more actively target growth in selected areas.

While a particular focus was Amlin Europe, the remainder of the Group continued to develop its capability through hires of high quality people and selective investment. Amlin Re Europe, still in its infancy, increased its team by nine while Amlin London added expertise in international casualty underwriting and set up Amlin Reinsurance Managers Inc. based in New Jersey. Led by Paul Brauner, a highly experienced underwriter formerly of Harbor Point / Alterra, this agency will target US casualty business on behalf of Amlin London. It will remain highly cautious until casualty pricing improves sufficiently, but will be capable of significant growth when market conditions are right.

Amlin UK continued to support its distribution partners in which it has invested over the past five years, in particular increasing its support for the Manchester Underwriting Agency which was a start-up in 2010 and which, in 2012, sourced £11.6 million of Amlin UK's business.

Organisation

Another strategic priority for 2012 was to continue to enhance our ability to manage a larger, more geographically diverse Group and to ensure that we are better able to integrate future acquisitions. In 2011 we established a Group Underwriting function to monitor the quality of underwriting and adherence to Amlin's underwriting policies and standards across the Group. In 2012 we took this a step further with the appointment of Simon Beale to the role of Group Chief Underwriting Officer and the creation of four Underwriting Practice Boards, one for each of Reinsurance, Marine & Aviation, International Property & Casualty, and Commercial & Domestic lines. These Boards, which are chaired by Simon, comprise the leading underwriters from each regulated entity which is relevant to the particular Practice Area. Their aim is to have a shared underwriting strategy, to leverage knowledge and broker relationships, and to help drive best underwriting practice across all relevant parts of the Group. The focus during 2012 was on the Marine & Aviation and Reinsurance Practice Boards, where benefits are already being realised, with increased co-ordination of marine underwriting between London and the Benelux, and more joined up marketing and pricing of reinsurance between London, Bermuda and Zurich. We believe that this organisational structure and the development of the Group Underwriting function will reinforce high performance across a larger Group and will enable stronger underwriting oversight and integration of future acquisitions.

Vision

We also continued to make good progress towards our Vision of becoming the "reference point for quality" in each of our markets.

- Our reputation for excellent client service, Amlin London having been top ranked for its claims service by the 2011 Gracechurch survey, was further boosted when Haven Knox-Johnston, our UK yacht insurer, was awarded the "Outstanding Service Award[1]" from the motor boat industry and their clients, and when Amlin Europe was also top ranked in the Netherlands for claims handling by global broker Willis[2] in November 2012.
- We have continued to invest in effective risk management, which helps optimise returns for the risks we take. We are increasingly realising benefits from investment in our internal model. Examples include savings in outwards reinsurance costs and the ability to write more business in certain lines where we have better risk information. Our progress in risk management was recognised by Standard & Poor's which, in December 2012, upgraded their assessment of our enterprise risk management to "Strong", an assessment which Standard & Poor's has given to only 5% of (re)insurers.
- In line with our aim to be "the place to work" in the industry, we conducted a further employee survey and substantially increased our talent management work in 2012. These are commented on further below.

As the Group has expanded through acquisitions and new business start-ups, it is important that our new businesses share our Vision and align their objectives with it. Both Amlin Europe and Amlin Re Europe have become increasingly aligned with our Vision and Values during 2012.

Employees

It is the talent, experience and dedication of our employees that provides the potential for Amlin to deliver excellent performance and to manage a larger and more international Group. In 2012 we made it a strategic priority to grow our general management capabilities and to materially enhance our talent management efforts. We established a Talent Board to provide greater governance to, and impetus behind, employee development. This has focused to date on employees who we believe demonstrate high potential, including prospective members at Group Management Committee level, and whose development therefore warrants a particular focus. A number of initiatives for this group are underway, ranging from detailed assessment and one-on-one coaching to business school attendance.

We also conducted a further employee survey in 2012. 88% of employees across the Group participated in the survey, which is well above the UK norm of such surveys and provides high levels of confidence in the accuracy of the results. There were high scores for job satisfaction and pride in the Company, relative to both the financial services and insurance industry norms, albeit that these scores were not as high as they had been in our previous survey in 2009. The amount of change, some of which was associated with Solvency II and at Amlin Europe, affected the results. Importantly, the survey has provided management with helpful indicators of where we need to focus further to ensure that we are, in each of our entities, the "place to work" in the industry, and action is being taken to improve our employee engagement.

Note:
1. Motor Boat of the Year Awards 2013
2. The Willis Quality Index Report November 2012

People

Amlin has been through significant organisational change in 2012. This placed an additional burden on many employees and required a number of people to step into larger roles.

Simon Beale has ably taken on the role of Group Chief Underwriting Officer and Kevin Allchorne has assumed the leadership role in Amlin London in his place, with Mark Clements becoming Head of its Property & Casualty business.

Richard Hextall has taken on responsibility for Operations and Actuarial as well as Finance to increase co-ordination between these three functions and this has meant larger roles for his direct reports.

A review of the governance of Amlin Underwriting Ltd, which manages Syndicate 2001, resulted in changes to its Executive with additional responsibilities for some. Also, the integration of Amlin France with Amlin Europe has increased the managerial scope for some of the Amlin Europe management team.

I have been pleased with the manner in which employees have stepped up when requested. It is also pleasing that we have the strength and depth of talent to be able to fill important roles and to be developing the careers of high calibre individuals so that their talents are more fully used.

I am also pleased with the amount that was achieved by our employees in 2012 and thank them for their resourcefulness and hard work. They continue to make Amlin an ever stronger Group and we look forward to 2013 with confidence.

Priorities for 2013

Our resolve to deliver both good returns to shareholders and our Vision, means that we are always seeking to improve what we do and to find means of enhancing our returns and potential. Among our priorities for 2013, over and above the delivery of our business plan, are the following:

- We will remain focused on ensuring that Amlin Europe continues to deliver improved underwriting performance and that it is making the progress we expect in its strategic development.
- Embedding the organisational changes referred to above so that we maximise the potential of each Practice Area. This will include the development of Practice Area strategies for Marine & Aviation and Reinsurance in particular, given that similar business, much of which is international, is written in more than one Company.
- With the increasing interest of pension funds in the catastrophe reinsurance market, we intend to explore how we can use the strength of our reinsurance franchise and Leadenhall Capital, our specialist fund management joint venture which invests in insurance linked securities, to enhance our return potential. Leadenhall Capital now has approximately $800 million under management and has built an excellent performance track record over the last three years.
- We will explore opportunities for increasing our Asian business using our Singapore platform as well as opportunities for growth from Latin America.
- Achieving the planned milestones on a major change programme, called Nexus, which is aimed at making key financial and risk processes more consistent and efficient and materially reducing reporting timescales.
- We will continue our focus on talent management with a view to reinforcing our capabilities to successfully manage a growing and more international company, as well as ensuring that Amlin's future leaders are properly equipped.
- We will respond to the findings of the 2012 employee survey and seek to make material improvements to our employee engagement.

Charles Philipps
Chief Executive

Amlin provides a full range of marine coverage from our offices in London, Rotterdam and Singapore. 2012 global marine gross written premium of more than £430 million places us in the top ten marine insurers worldwide.

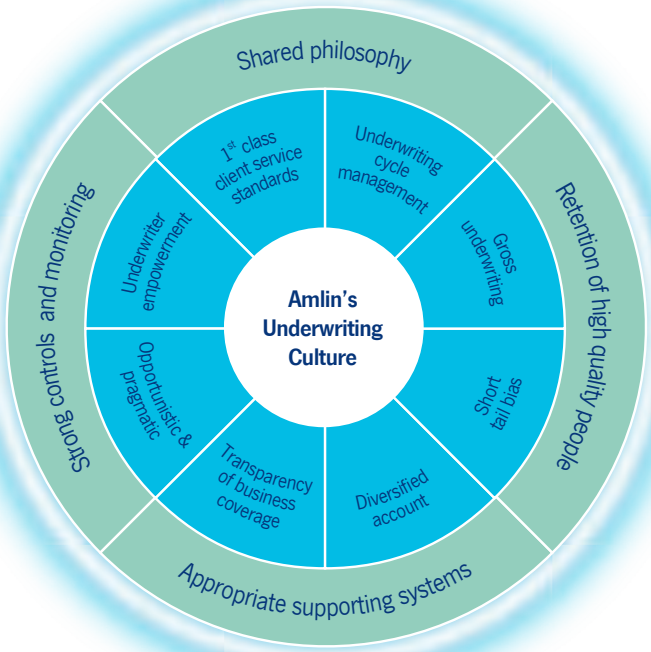
Leveraging our expertise

"Amlin's unique underwriting culture is crucial to our ability to produce superior cross-cycle returns. During 2012, we further developed our ability to co-ordinate underwriting between business units, share expertise and drive improvement, through the development of the Group Underwriting function and the introduction of Practice Boards."

Simon Beale
Group Chief Underwriting Officer

2012 Highlights

- Appointment of Group Chief Underwriting Officer and four Underwriting Practice Boards
- Successful initiation of Reinsurance and Marine & Aviation Practice Boards
- Further strengthening of Amlin Europe's Benelux underwriting capabilities and oversight

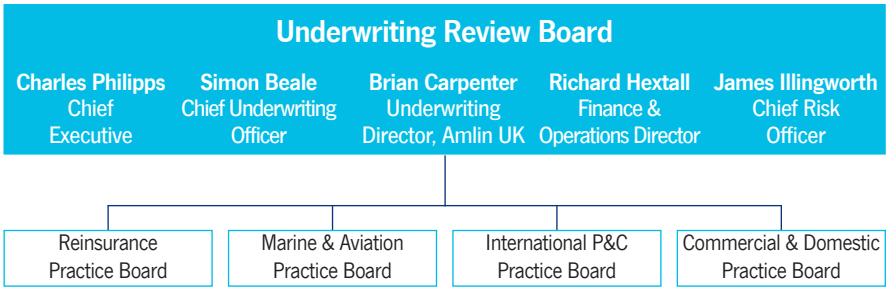


Our aim is that all underwriting across the Group takes place to the same high standards. These standards are based on the successful development of Amlin's London and UK businesses and more recently Amlin Bermuda on the same model. These have created a strong underwriting culture supported by a robust control framework, as outlined in the chart on the left.

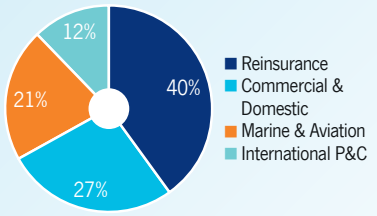
Focused on cross cycle underwriting profitability and diversity, both by class and within portfolios, this underwriting culture is well understood and underpinned by a high level of retention of senior underwriters. The experience and expertise of these underwriters, augmented by selective hires and training, has allowed Amlin to build quality portfolios across a wide range of classes, as well as develop long-standing relationships with brokers and clients.

Strong controls and monitoring, combined with profit-focused remuneration, ensure that discipline is maintained, while empowering underwriters to develop their accounts and to be opportunistic when market conditions are favourable.

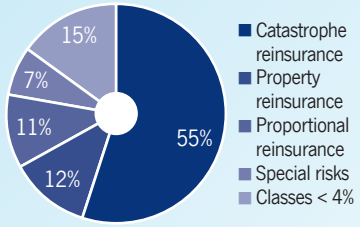
Investment in service delivery has meant that Amlin is one of the most highly ranked London market insurers on claims service and is recognised for high standards of service in other markets. All these factors contribute to Amlin's excellent reputation and high retention rates as well as an ability to attract quality new business.



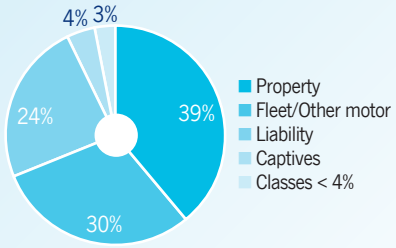
2012 Underwriting practice areas by GWP



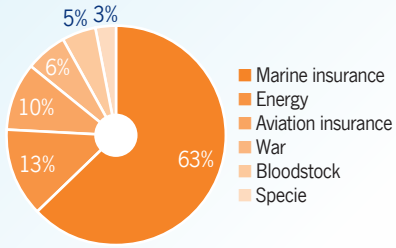
Reinsurance by class (2012 GWP)



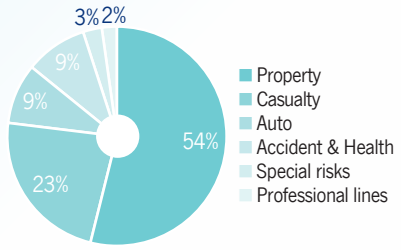
Commercial & Domestic by class (2012 GWP)



Marine & Aviation by class (2012 GWP)



International P&C by class (2012 GWP)



As the Group has expanded in recent years, our goal has been to ensure that our underwriting culture and controls are firmly established in newly set up or acquired businesses and that Amlin entities operating in similar business lines cooperate effectively.

During 2012, we further developed the Group Underwriting Function set up in 2010, by appointing Simon Beale to the new role of Group Chief Underwriting Officer and creating an Underwriting Review Board and four Practice Boards, comprising the relevant underwriting heads from each division.

The Chief Underwriting Officer and Underwriting Review Board will be focused on ensuring that Amlin's underwriting standards are consistently observed across the Group. These standards set guidelines for the monitoring of underwriting, in areas such as rate movements, pricing, exception reports and exposure management. They also include risk and performance reviews, which are carried out by Amlin underwriters as well as management and independent reviewers. The Chief Underwriting Officer will also take the lead in setting overall underwriting strategy and overseeing the Practice Boards.

The remit of the Practice Boards is to co-ordinate underwriting across common classes of business. This will include:

- agreeing underwriting direction, such as classes targeted for growth or retraction;
- agreeing where within the Group business will be written;
- sharing of expertise and best practice; and
- identifying opportunities for cross-selling.

The Practice Boards will facilitate a co-ordinated approach to distribution and the opportunity to optimise broker and client relationships across key business lines. They will also play an important role in reviewing underwriting competence and business performance, implementing corrective action for underperforming areas where necessary.

The continued development of the Group Underwriting function, together with the advancement of the Group's Underwriting Practice Boards, will also enhance Amlin's ability to integrate future acquisitions.

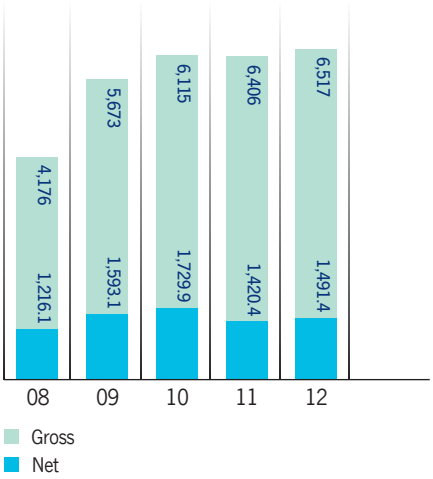
During 2012, the Practice Boards for Reinsurance and Marine & Aviation became operational, with those for International Property & Casualty and Commercial & Domestic insurance scheduled to commence in 2013. The close co-operation between Amlin London's and Amlin Europe's marine teams, which was already established as part of the integration of Amlin Europe, came under the remit of the Marine & Aviation Practice Board. The principal initial focus of the Reinsurance Practice Board has been to co-ordinate the development of Amlin Re Europe's portfolio with the existing European reinsurance business of Amlin London. Further details on Practice Boards can be found in the relevant Market Reviews on pp 34 – 41.

Financial strength

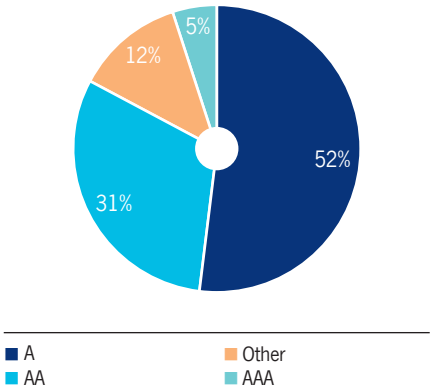
2012 Highlights

- Net tangible assets increased by 6.5% to £1.3 billion (2011: £1.2 billion) reflecting a return to profitable trading in the aftermath of 2011 catastrophe losses and difficult investment markets
- Available capital is £372.5 million above the assessed capital requirement, supporting expected growth in business of more than 10% in 2013
- Renewal of £300 million credit facility for five years

Gross and net assets



Credit quality of reinsurance debtors



Source: Amlin

Determining our capital requirement

Amlin uses Dynamic Financial Analysis (DFA) to model its capital. Our approach to using DFA is detailed in Note 2 to the financial statements addressing capital.

The table on the following page analyses our capital position at 31 December 2012. Assessed capital is management's estimate of capital required for current trading purposes. It is built up as follows.

- For Syndicate 2001, assessed capital is the Syndicate's Funds at Lloyd's, calculated on an Lloyd's Capital Return basis, net of credit for the reserve margin. At 31 December it was £542.7 million (2011: £497.0 million). This supports expected growth of more than 10% for the 2013 underwriting year.
- We continue to believe that $1.0 billion is the minimum amount of capital required by Amlin AG to trade with its preferred client base. This is in excess of the minimum capital required by the Swiss Financial Market Supervisory Authority (FINMA) and the Bermuda Monetary Authority (BMA). At the year end, Amlin AG had net assets of $1.6 billion (2011: $1.4 billion).
- At 31 December 2012, Amlin Europe N.V. held net assets of €286.6 million, relative to the local regulatory requirement of €105.3 million. Management believes that the current level of capital is in line with that which Amlin Europe N.V. economically requires.

Available capital is £372.5 million above the accessed capital requirement (2011: £402.7 million). The reduction reflects an increase in the overall level of assessed capital required to support expected growth in premium of more than 10% in 2013.

We plan to maintain a level of capital sufficient to allow material growth in the business in the aftermath of a major insurance disaster or to respond to other opportunities to enhance long term profitable growth.

Adjusting the capital employed to enhance returns

Our capital management approach is flexible. When underwriting margins are sufficient to limit the impact of a large catastrophe loss to net assets or our capital base, 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.

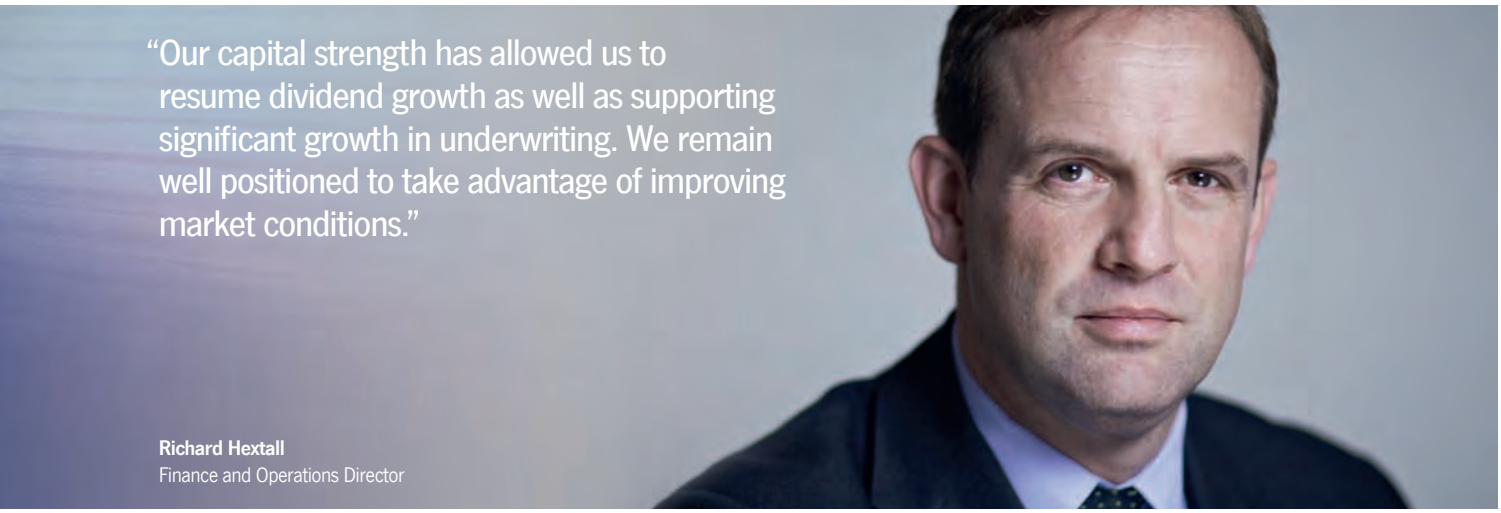
At 31 December 2012, Amlin had £290.4 million of subordinated debt in issue (2011: £292.8 million). The debt is regulatory compliant, longer-term, unsecured and contains no financial covenants that could lead to early forced repayment. It is also recognised as capital by a number of the rating agencies.

Additionally, we have a £300 million unsecured revolving credit facility available. The facility was renewed during 2012 for a five year term and expires in August 2017. At 31 December 2012 an amount of £120.0 million was drawn down for working capital purposes (2011: £nil).

Managing equity capital for shareholders

Amlin's financial performance management is focused 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 excess capital to shareholders.

The Group's commitment to return capital to shareholders has been clearly demonstrated in recent years and we have employed a number of different mechanisms to do so, so as to appeal across the shareholder base. Since 1 January 2008, we have returned £611.5 million to our shareholders. We have also repurchased £27.6 million of capital through share buy backs. Importantly, despite extraordinary catastrophe claims in 2011, balance sheet strength allowed the Group to maintain a dividend to shareholders. In the absence of significant catastrophe losses, we intend to increase our dividend per share consistently over the next few years.



Asset allocation

At 31 December 2012	31 December 2012 Underwriting assets £m	Capital assets £m	Total assets £m	%	Restated 31 December 2011 Total assets £m	%
Type of asset						
Bonds	1,840.9	822.7	2,663.6	62.7%	2,739.0	67.1%
Other liquid investments	861.3	287.5	1,148.8	27.0%	1,018.2	24.9%
Equities	–	283.6	283.6	6.7%	208.0	5.1%
Property	–	153.6	153.6	3.6%	117.3	2.9%
	2,702.2	1,547.4	4,249.6	100.0%	4,082.5	100.0%
Assets by region						
United Kingdom	179.8	199.6	379.5	13.2%	302.0	10.6%
USA and Canada	877.9	448.5	1,326.4	46.0%	1,145.7	40.5%
Europe (ex UK)	330.6	418.7	749.2	26.1%	947.3	33.4%
Far East	309.0	77.4	386.4	13.4%	409.4	14.4%
Emerging markets	8.6	29.0	37.6	1.3%	31.4	1.1%
	1,705.9	1,173.2	2,879.1	100.0%	2,835.8	100.00%

Note: The regional table excludes bond pooled vehicles.
Source: Amlin

Amlin capital analysis

At 31 December	2012 £m	2011 £m
Net tangible assets	1,280.0	1,201.5
Subordinated debt	290.4	292.8
Undrawn bank facilities[1]	180.0	250.0
Available capital	1,750.4	1,744.3
Assessed capital	1,377.9	1,341.6
	372.5	402.7

Note:
1. Bank facilities are subject to a number of covenants.

Financial strength ratings

	Amlin AG	Syndicate 2001	Amlin Europe
AM Best	A (Excellent)	A+ (Superior)	Not rated
S&P	A (Stable)	4 (Stable)[2]	A- (Stable)
Moody's	A2 (Stable)	A2 (Stable)	Not rated
Fitch	A+ (Stable)	Not rated	A (Positive)

Note:
2. Lloyd's syndicate assessment.

Enhancing cashflow

At 31 December 2012, the Group's cash and investments were £4.4 billion, an increase of £160.7 million on the prior year (31 December 2011: £4.2 billion). Cash and investments are a multiple of 2.9x shareholders' equity (2011: 3.0x).

The strength and liquidity of the balance sheet underpins our proposition as an insurer of choice, giving us the ability to respond quickly to claims in the event of a large catastrophic loss. We continue to believe that the Group can readily absorb losses from the worst of our realistic disaster scenarios.

Bank facilities are used 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 $280 million secured facility over three years in order to provide collateral to US cedants for their regulatory needs. Additionally, Amlin AG arranged three further facilities during 2012 of $20.0 million, NZ$ 30.0 million and NZ$ 28.5 million respectively. At 31 December 2012, Amlin AG had issued LOCs amounting to $244.4 million.

Effective cash flow management is a key source of value to an insurer. We retain premium for an average of approximately 1.3 years before claims are settled. For large claims where reinsurance recoverables are due, we have to pay the claim before the recovery is made and therefore prompt reinsurance response is important. At 31 December 2012, outstanding premium debtors were £1,003.2 million (2011: £933.5 million) reflecting increased written premium. The accrual for reinsurance on outstanding claims was £478.6 million (2011: £617.0 million).

Effective investment management

Amlin's investment management approach is driven by our investment risk appetite. Amongst other things, this is based on the perceived risk and returns of the portfolio, the outlook for underwriting profits and the strength of our balance sheet. We do not target an absolute investment return. Rather, we seek to maximise returns for the level of risk that we are prepared to accept. We focus on:

1. Establishing appropriate strategic asset allocations applying 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 differentiate between policyholders' funds, being premium received and used to meet future claims expenses, and capital assets, which support the underwriting business.

For policyholders' funds our risk appetite is comparatively low, so they are held in a combination of government and non-government bonds as well as LIBOR plus funds, whose underlying assets are bonds and currencies. Importantly, the duration of these assets is referenced to the duration of the underlying liabilities, which is reasonably short. However, we will periodically reduce the duration of the assets if we believe that yields will rise, as is currently the case.

The investment horizon for Group capital is longer-term and this permits 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[2] models. The table opposite analyses policy holders' and capital asset allocation.

More detailed commentary on our investment performance in 2012 is provided on page 47. Investment risk is analysed within our risk disclosures on pages 127 to 140.

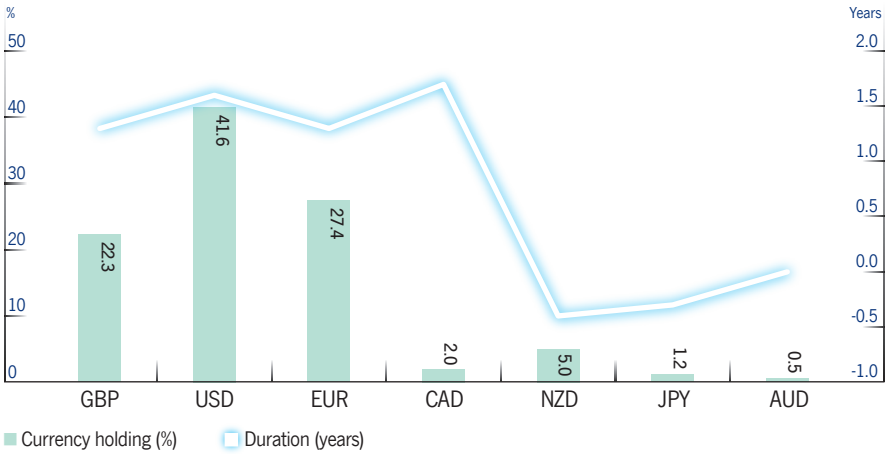
Effective currency management

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, Amlin Europe 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 approximately 50% of the net dollar / euro exposure of the Group.

In the year to 31 December 2012, the weakening in the US dollar produced a foreign exchange loss, after hedging, of £47.9 million on the dollar capital investment in Amlin Bermuda. Amlin Europe produced a foreign exchange gain, after hedging, of £1.5 million.

Currency and duration



Source: Amlin

Note:
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.

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 2012, net claims reserves totalled £2.6 billion (2011: £2.7 billion).

Insurance business is inherently uncertain 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 that 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 uncertainty, we adopt a prudent approach to the assessment of liabilities, however, consistency of reserving strength is our overall goal.

We estimate that the Group as a whole holds reserves on an accident year basis of at least £160 million in excess of an actuarial best estimate (2011: at least £170 million).

Further commentary on our IBNR and claims processes is provided within our risk disclosures in Note 3.

Balancing risk and reward

"During 2012 we focused on driving benefits from the implementation of our risk management framework by using it to inform key business judgements. This has continued to raise the level of risk awareness and increase confidence in the use of risk modelling tools within the internal model."

James Illingworth
Chief Risk Officer

2012 Highlights

- Embedding use of Dynamic Financial Analysis (DFA) model in core business processes
- Independent validation of DFA model to support Solvency II regulatory programme
- Emerging risk process further developed and tested, including evaluation of Eurozone crisis response planning
- ERM rating upgraded to 'Strong' by Standard and Poor's

Our risk management policy clearly articulates the importance given to creating a risk aware culture across the Group to drive active management of risks. Our Operating Model recognises that, as an insurer, we actively seek and accept risk, but we manage risks within acceptable bounds and provide clarity surrounding risk to our stakeholders. Risk categories are clearly identified, risk management standards are documented and risk tolerances are set for each category. Risk taken will continue to be regularly assessed against those tolerances.

During 2012, Amlin strengthened its Corporate Centre Risk function by increasing its role as a fully independent second line of defence responsible for oversight across all parts of the Group. The function will increase its focus on the validation of Amlin's DFA model, as well as identifying and understanding unacceptable levels of risk and prompting management to respond appropriately.

Proactively managing our risk exposures

Amlin has now been producing Own Risk & Solvency Assessment (ORSA) reports for two years through consistent risk assessment and reporting processes across underwriting divisions and other corporate functions. The Board, operating company boards and Risk Committees receive ORSA reports quarterly. During 2012, these processes were also established for Amlin Insurance (UK), an insurance carrier writing specialist retail business as part of Amlin UK.

ORSA reports are produced for each insurance entity and for the Group as a whole. They address forward looking solvency and profit and loss forecasts, detail the states of all major risks against tolerances and the effectiveness of controls. The reports include output from stress testing, validation and event or near miss reporting. The ORSA makes the link with business planning and ensures that the DFA model is used in key decision making.

The information provided by the ORSA reports ensures that risk and capital implications are recognised in the decision making process and that appropriate control plans are developed to support the successful delivery of business strategies and priorities. Practical risk issues that have been addressed through this process include responding to the Eurozone crisis with appropriate contingency plans, tracking the implementation of the system replacement programme for Amlin Europe and putting in place enhanced training and procedures to address the Bribery Act, as well as taking the opportunity to strengthen existing Competition Law training and awareness.

Our approach to risk management seeks for continuous improvement. Important to this objective are a series of process effectiveness reviews carried out by the Corporate Centre Risk function to confirm our internal controls and risk framework remain sound and to identify areas for further enhancement. This is supported by our risk management training programme across all offices. Sharing and learning from internal operational risk events through the reporting framework previously established remains a powerful means of driving risk awareness amongst staff and encourages disclosure and resolution of issues.

The implementation of Amlin Europe's risk management framework continued, with Amlin Europe's Risk Governance & Monitoring team significantly strengthened in 2012 and a specific risk culture training programme implemented.

Selected Realistic Disaster Scenarios (£ million) at 1 January 2013

RDS	Exposed Aggregate	Gross Loss	Net Loss	Tolerance
North-East US Windstorm	4,796	622	268	350
Florida Windstorm Tampa	2,252	606	262	350
California Earthquake LA	2,012	448	161	350
European Windstorm	115,783	691	182	350
Japan Earthquake	728	396	182	350
New Zealand Earthquake	706	290	194	350

Our progress in embedding Enterprise Risk Management (ERM) was recognised by Standard & Poor's with Amlin's ERM rating upgraded to 'Strong' at the end of 2012. This reflects the commitment made across the business to making risk management an integral part of Amlin's decision making.

Using Amlin's internal model to support business decision making

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. Critical to this aim is the management of catastrophe risk exposures and managing a diversified portfolio.

The Board agrees both deterministic and stochastic catastrophe risk tolerances for the Group as a whole and these are then allocated amongst Amlin's divisions. These catastrophe risk tolerances vary over the cycle, depending on the mean expected profitability of the Group and on the size of Amlin's balance sheet. Catastrophe risk tolerances are defined with respect to increasing percentages of net tangible assets that can be put at risk at reducing levels of probability taking account of the projected profit of the business. These are approved each year by the Board and allocated by the Corporate Centre Risk function with Group Underwriting to individual legal entities. The businesses most exposed to catastrophe risk are those with exposures to US windstorm and earthquake, Japanese earthquake and European windstorm, written through property reinsurance contracts, direct property and some marine classes such as yacht and cargo. The reinsurance purchased reflects these tolerances and takes account of the cost of any modelled recovery from such arrangements on the profitability of the business.

For 2012, our retrocessional reinsurance arrangements were enhanced through the purchase of additional coverage for the Amlin Bermuda portfolio, mirroring that bought by the Syndicate, and also the sponsorship of a catastrophe bond which provides $150m of protection to the Group for large catastrophe losses in the US and Europe. For 2013, these arrangements remain in place with some beneficial changes to attachment levels and pricing.

In 2012, we continued to develop the use of our DFA model to predict expected business performance and profitability, as well as inform key business judgements such as capital management and risk tolerance setting. The modelling captures the distinct risk profile of the Group, including the potential aggregation of catastrophe risk, class diversification, credit risk exposures and potential for operational failures.

The model continues to be developed in a number of areas to support business decision making. These include challenging business plans through the development of independently generated best estimate loss ratios, as well as simulating a distribution of outcomes to analyse the effectiveness and value for money of outwards reinsurance purchases.

We have also introduced quarterly analysis of Amlin's market share exposure to potential industry loss scenarios to assist in identifying and justifying differing levels of exposure. This was used to re-assess and reduce Amlin's relative exposure to New Zealand earthquake risk following the earthquakes of 2010 and 2011.

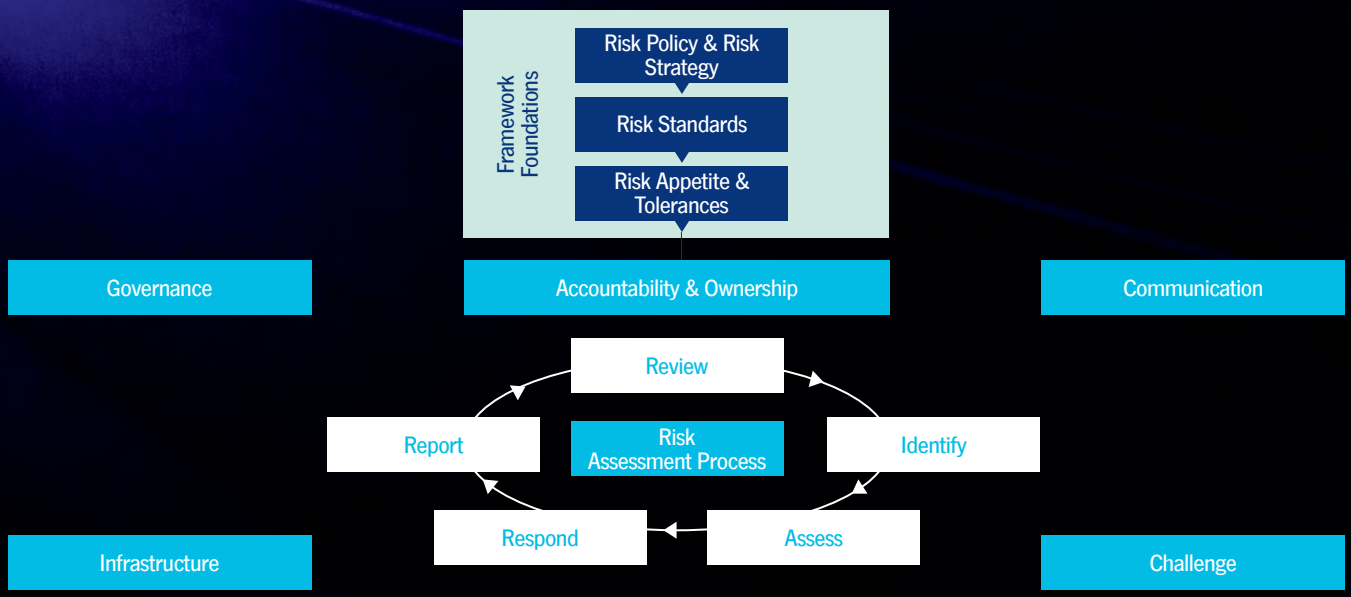
Validation of the model in preparation for the Solvency II regulatory environment has been a major area of focus. Amlin has used independent external challenge to systemically review and document the methodology and operational controls supporting the use of the model. This work has provided key stakeholders with a clear understanding of the strengths and limitations of our modelling. Repeated review and challenge of the model outcomes, through management use, continues to hone techniques and assumptions and to improve the credibility and accuracy of modelling.

Actuarial analysis is an important ingredient in our overall risk framework used to inform underwriters and management, on whose judgement and experience we ultimately rely and who remain accountable for exercising prudent judgement. Our values drive us to retain a sustainable business model, founded on a measured approach in our acceptance and management of risk, to secure the long-term viability of the business. We also use risk-adjusted capital metrics to measure and track the performance of the business.

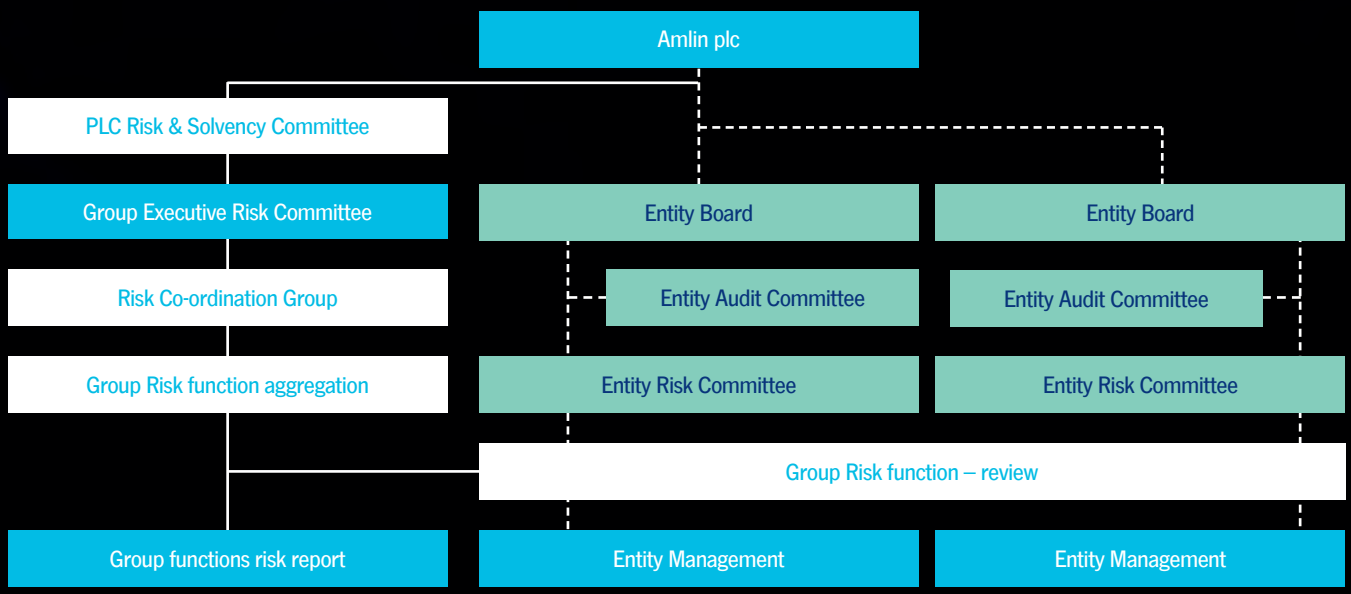
Solvency II regulatory preparedness

During 2012, Amlin was one of the first UK insurers to submit materials in support of our readiness for Solvency II regulation for Group and relevant subsidiaries. This places Amlin in a good position to meet the challenges of operating under the new Solvency II regulatory environment once it is implemented. In addition, Amlin AG received positive feedback from FINMA with respect to its Swiss Solvency Test submissions being accepted for capital setting purposes.

Risk management framework



Risk governance structure



Principal risks and uncertainties

Principal risks	Nature of risk	Key controls and mitigation strategies
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 below • Additionally, the risk management framework developed ensures that potential risk exposures are considered individually and in aggregation • Corporate Centre Risk maintain a risk profile within the Group's ORSA providing an enterprise-wide view of risk exposures for the Group Executive and the Board • Stress testing of a combination of material risks to determine impact on capital • Reverse stress testing of the ultimate impact of combinations of material risks on business model viability and reputation
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.	• Amlin Europe, Amlin Re Europe: Local actuarial and underwriting jointly produce reserves, supplemented by independent review by Group Actuarial and Corporate Centre Risk • Amlin Underwriting Limited, Amlin Bermuda: Underwriting and claims teams produce reserves, benchmarked by independent actuarial best estimates produced by Group Actuarial. Additional review and challenge from Corporate Centre Risk • Entity level reserves 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
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 Amlin Europe euro net asset exposures • Sale of foreign currency profits
Credit Risk – Reinsurance Counterparty	The risk of loss if a counterparty fails to perform its obligations or fails to perform them in a timely fashion.	• Reinsurance selection and rating • Controls over exposure placed with reinsurer • Reinsurance debt credit control • Collateralised reinsurance
Credit Risk – Intermediary Counterparty	The risk of loss if an insurance or treasury intermediary fails to meet credit obligations in a timely fashion.	• Credit control procedures • Broker debt credit control
Liquidity Risk – (including Asset/ Liability matching)	The risk arising from insufficient financial resources being available to meet liabilities as they fall due.	• Stress testing of liquidity needs arising from major catastrophe events • Maintaining sufficient liquidity in investment portfolio to address claims needs
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 implemented through management organisation • Monitoring of compliance with established procedures and processes • Employee manual and Human Resource policies • Risk event and near miss reporting process • Internal Model validation and data quality controls • Business Continuity Management planning
Strategic Risk	Risks associated with the appropriateness of business strategy in the face of the external environment.	• Long-term strategies developed addressing diversification of underwriting platform • Acquisition due diligence and risk assessment processes • Risk event and near miss reporting process • Emerging risk reporting process

Building for the future

"Our people are a key asset and in 2012 we focused on our ability to identify and manage talent across the Group. Our fourth MORI survey of employee opinion, conducted during the year, gave further impetus to our commitment to maintain and enhance employee engagement."

Mark Farrow
Group Human Resources Director

2012 Highlights

Voluntary staff turnover

7.2%

2011: 5.8%

Voluntary senior underwriter turnover

2.5%

2011: 2.7%

Organisational development

During 2012, we further developed the organisation of the Group to support organic growth and strengthened both the Group Underwriting function and the Group's Corporate Centre Risk function.

Simon Beale was appointed Group Chief Underwriting Officer, with four Underwriting Practice Boards established, as described on page 18. The Group Modelling team was incorporated into the Group Underwriting function.

The Corporate Centre Risk function was also strengthened making it more independent of other management processes and functions, as an independent second line of defence for the Group. As part of this process, the reporting line of the Group Actuarial function was moved to the Group Finance Director to separate it from Corporate Centre Risk and facilitate independent challenge of their respective functions. Richard Hextall, Group Finance Director, also took on the role of Group Operations Director in order to facilitate greater alignment of underwriting, financial and operational processes and to drive greater efficiency across the Group.

Following a governance review, Amlin Underwriting Limited (AUL), which manages Syndicate 2001, has been reinforced with its own independent management function. Andrew Springett, Chief Executive of AUL, made two senior appointments, Adam Golding as AUL Finance Director, and Travis Bowles as Head of Legal & Compliance. They, with their respective teams, are responsible for their function across the whole of AUL.

In addition, with Simon Beale becoming the Group Chief Underwriting Officer, Kevin Allchorne stepped up to become the Underwriting Director for Amlin London.

Developing talent

We believe that the quality of our people is a key differentiator and that effective talent management drives superior performance and adds value. Our approach is to embed talent management as a 'business as usual' activity, with talent and performance management an integral part of day to day operations. This means:

- clear career paths to guide individual career development;
- development activities which go beyond current role;
- recognition of the value of both technical and non-technical skills;
- strong line management capability throughout the organisation;
- a collegiate culture where knowledge sharing is the norm;
- individual responsibility to performance and self-development; and
- low tolerance of poor performance.

In March, the Group's Talent Board met for the first time, its primary responsibility being to provide governance and active sponsorship, on behalf of the Group Management Committee, on all matters relating to talent management across the Group.

As part of the succession planning process, executives were asked to give consideration as to which individuals are deemed as high potential and therefore should receive focused oversight of their development. Various initiatives have been identified for this group, ranging from one-to-one assessment and coaching through to involvement in Group wide projects.

During the year we also enhanced performance management for all employees, with an improved focus on identifying and managing the top and bottom ten per cent of performers across the business.

A further outcome of the work on talent management was the development of a plan for Group Executive development for 2013. This is focused on a specific set of senior executive competencies, which were agreed with the Talent Board, and includes a Business School programme to access external expertise.

The Graduate Development Programme commenced in September, with four new graduates joining the programme. As with the previous programme, the graduates will rotate throughout a two year structured programme and have experience of six different business placements. The placements have been designed to give them experience of both the underwriting and operational side of the business.

To give this programme additional depth the four graduates will have the opportunity of working with the four Young Professionals from Benelux and joint development initiatives have been built into the timetable. This is proving to be very successful in encouraging relationship building between to the two cohorts.

Professional excellence

In a demonstration of our ongoing professionalism, Amlin plc has been awarded Corporate Charted Status from the Chartered Insurance Institute (CII), having previously been awarded this status for Syndicate 2001. Chartered status is only awarded to insurance companies who can demonstrate their commitment to developing and maintaining the knowledge and capability of their people, so they can deliver the highest quality service.

As part of the application process, Amlin had to confirm that a member of the plc Board personally held the CII Chartered Insurer title and the entire Board together with a minimum of 90% of customer-facing staff were members of the CII. In addition, Amlin had to

evidence that it had an appropriate professional development programme in place, along with a set of core values and business practices comparable with the CII Code of Ethics.

Amlin's achievement in becoming a Chartered Insurer is evidence of ongoing commitment to clients, employees and partner organisations.

Employee engagement

During 2012, Amlin established the Amlin Group Consultation Forum (GCF), a Group wide consultation and information forum for employees, that facilitates discussion between management and employees on Group wide issues and also meets Amlin's legal obligation to establish a European Works Council (EWC). This is in addition to the local consultation forums and works councils which have been in place for some time.

The GCF provides a truly Group wide communication forum to facilitate discussion on brand issues and developments and helps to build the 'One Amlin' concept. The GCF is made up of five members of the Senior Management team and 14 employee representatives, proportionally representing each of the business units.

The inaugural meeting of the GCF was held in October 2012, chaired by Charles Philipps. The forum will meet on an annual basis with the next meeting planned for the second quarter of 2013.

Amlin remains committed to seeking the views of its employees and a fourth Employee Survey was carried out by Ipsos MORI in June 2012. The survey provides the opportunity to obtain feedback from staff and enables the Group to track performance against previous results, as well as being able to compare its results with other global financial and insurance organisations.

In 2009, the focus of the survey was on employee satisfaction. For 2012, the survey was updated to reflect current trends and to focus on employee engagement.

88% of staff participated in the 2012 survey, the highest Amlin participation rate recorded and a significant increase on the 80% response rate in 2009. This level of participation provides high levels of confidence in the efficacy of the results. The survey collected staff views against eight key subject areas, as follows:

- job satisfaction
- working for Amlin
- leadership
- management
- development and training
- culture
- communication
- change management.

Employee turnover and experience at 31 December 2012

	Senior underwriters	Other underwriters	Underwriting support	Claims staff	Claims support	Operational	Operational support	Group	**Total**
Turnover	2.5%	8.1%	11.6%	2.1%	6.4%	3.6%	23.4%	9.2%	**9.2%**
Voluntary turnover	2.5%	5.9%	9.4%	2.1%	5.1%	2.7%	17.9%	8.9%	**7.2%**
Mean age of employees (years)	45.6	38.8	36.5	45.9	38.1	39.1	40.1	37.6	**39.4**
Mean service of employees (years)	9.7	7.8	6.5	10.7	8.0	5.3	8.0	4.8	**5.5**

Amlin employees at 31 December 2012

	Total 2012	Total 2011	**Senior Underwriters 2012**	Senior Underwriters 2011
Corporate Centre	**311**	248	**1**	–
Amlin London	**315**	303	**50**	40
Amlin UK	**463**	420	**26**	25
Amlin Bermuda	**50**	42	**6**	4
Amlin Europe	**503**	489	**19**	22
Amlin Re Europe	**46**	37	**17**	16
Amlin Singapore	**15**	11	**–**	–
Amlin Reinsurance Managers Inc.	**4**	–	**2**	–
Total	**1,707**	1,550	**121**	107

The results show that whilst there has been a decline in satisfaction across a number of questions, most areas remain above normative levels for the Financial Services and the Insurance sector. In particular, as shown in the charts opposite, job satisfaction and pride in the Company are high, whilst advocacy of Amlin as an employer and of its services remains strong, reinforcing the perception of Amlin as a strong brand and employer of choice. However, the amount of change across the Group has affected the results and seems to have unsettled employees' perceptions, in particular in Amlin Europe, where the pace of change has been keenly felt.

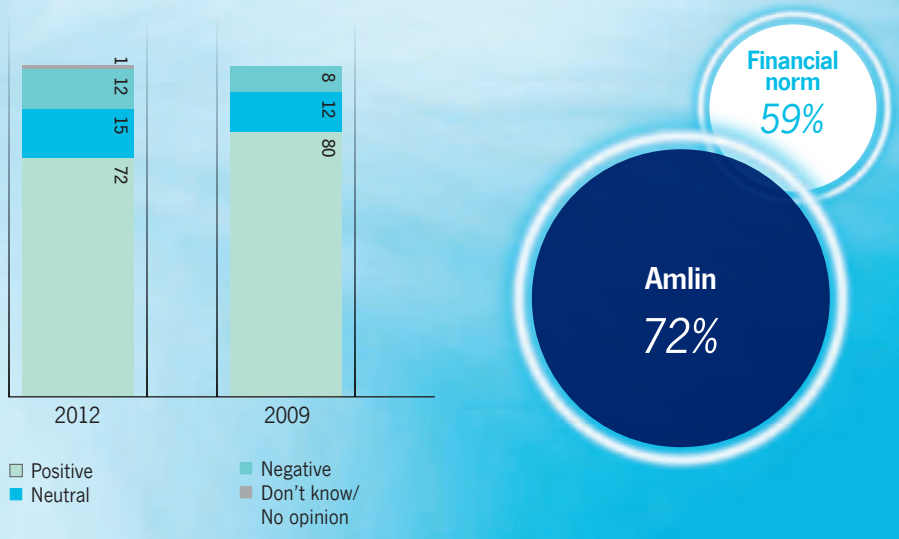
The key areas for follow up are:

- helping employees understand the Group strategy in the context of their business unit and how this fits with the future of Amlin;
- reinforcing how the business and employee's individual objectives contribute to this success;
- enabling greater work collaboration and leverage of internal knowledge, in particular for younger business units; and
- supporting employees through change.

Following discussions with employees, action plans are being drawn up both on local and Group wide levels. There is total commitment from the senior management team to implement and monitor progress against these action plans.

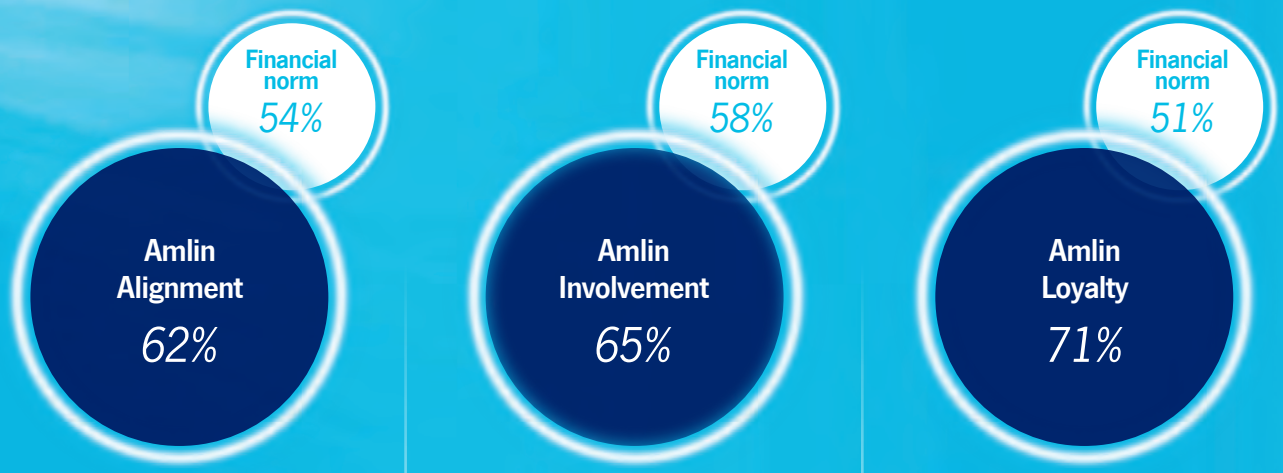
Amlin job satisfaction scores against Financial Services sector norm

Job satisfaction

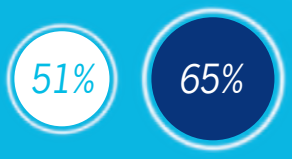


Employee engagement

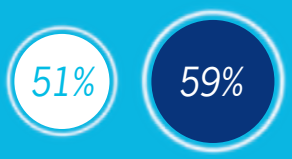
- **Alignment:** We want to understand how aligned people are with Amlin – how people feel about how they fit into the organisation, confidence in leaders and strategy being set.
- **Involvement:** We want to understand how involved people feel with their job. We measure this through key questions around enjoyment and personal fulfilment.
- **Loyalty:** Measures the emotional tie people have to Amlin as a whole.



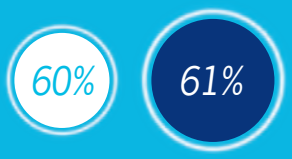
Amlin's values align with mine



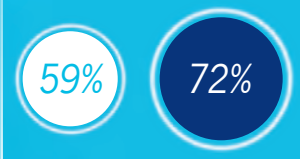
Confidence in the decisions made by the senior management



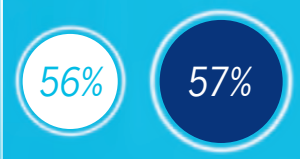
Endorse the company's strategy and direction



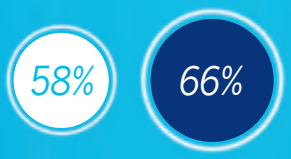
Satisfaction with my present job



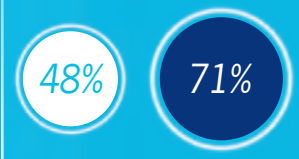
Amlin gets the best out of me



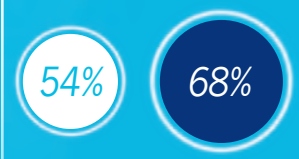
Feel motivated at work



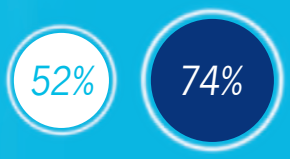
Feel proud to work for Amlin



Intend to be at Amlin in two years' time



Speak highly of Amlin as an employer



The Financial Services sector norm  Amlin 

In the aftermath of Hurricane Sandy, our priority was to respond quickly to support our clients. Many have benefited from our unique early payment scheme for catastrophe claims, Amlin Advance.

Reinsurance

Insured losses from natural catastrophes and severe weather related events were notably lower in 2012 at $65 billion, compared to the record $160 billion in 2011. The year was dominated by Hurricane Sandy, which is expected to generate insured losses of $25 billion.[1] Catastrophe pricing remained firm during the year following significant increases during 2011 and in the first half of 2012. US catastrophe rates remain at peak levels.

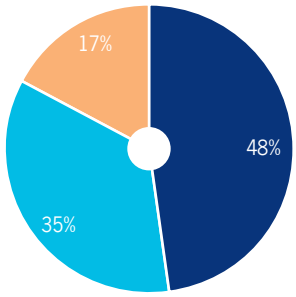
Introduction

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

Amlin underwrites reinsurance principally through Lloyd's Syndicate 2001 (Amlin London) and Amlin AG (Amlin Bermuda and Amlin Re Europe).

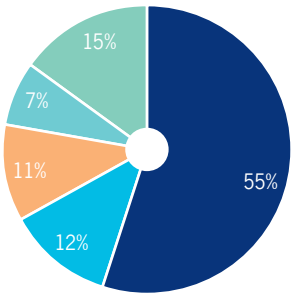
The majority of Amlin's reinsurance business is sourced through global reinsurance brokers. In line with market practice in Continental Europe, Amlin Re Europe transacts some business direct with insurers.

2012 Reinsurance GWP by division



- Amlin London
- Amlin Re
- Amlin Bermuda

2012 Reinsurance GWP by class



- Catastrophe reinsurance
- Proportional reinsurance
- Property reinsurance
- Special risks
- Classes <4%

Source: Amlin

Note:
1. Standard & Poor's Global Reinsurance Highlights 2012 Edition (2011 data).
2. Munich Re Press Release, 3 January 2013.
3. Risk Management Solutions.

Amlin's market position and products

Amlin's reinsurance businesses offer cedants strong Financial Strength ratings and capitalisation, underwriting expertise founded on deep knowledge of local markets and high levels of client service.

Catastrophe reinsurance is the largest segment of Amlin's reinsurance business, accounting for 55% of gross written premium in 2012. Amlin is a recognised leader in this area, with Amlin London and Amlin Bermuda viewed by brokers as preferred markets, which is reflected in the consistently high retentions achieved on renewal business. Amlin London is a leading writer of excess of loss reinsurance in Lloyd's. Amlin Bermuda ranks in the top 15 Bermudian reinsurers by net premium written.[1]

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. This reflects Amlin's strategy to seek profitable diversity within individual business classes as well as across the whole Group underwriting portfolio.

Amlin London and Amlin Bermuda also write other property reinsurance classes, including risk excess of loss and proportional. In addition, excess of loss reinsurance is written for marine and aviation exposures. These classes provide further diversity to the reinsurance portfolio and are underwritten with a focus on minimising correlation with the property catastrophe account.

Amlin Re Europe (ARE) was established in October 2010, to provide the Group with access to European reinsurance business that does not typically flow into the London and Bermuda markets. ARE is a full service reinsurance operation, meeting demand among small and medium sized European reinsurance buyers for greater diversity of risk transfer and counterparty risk as an alternative to the small number of established reinsurers already operating in the Continental European market. ARE's business proposition has been well received by brokers and clients and at the end of 2012, it had gross written premium of €206.5 million.

Market commentary

2012 was a less active year for catastrophe claims, but still above the long term average. Hurricane Sandy, which hit New York and the surrounding area in October, was the most significant insured natural catastrophe, a highly damaging event which is currently estimated to give rise to an insured market loss of approximately $25 billion[2]. The cumulative impact of 2010 and 2011 catastrophe claims, together with Hurricane Sandy, continued to drive an upward trend in catastrophe pricing, although this slowed somewhat through the year.

Rates on Amlin's international catastrophe portfolio increased 13.4% during the year, with an increase of 17.2% in the first six months of 2012, following increases of 27.9% in the second half of 2011. In loss affected areas rate increases were significantly higher, particularly in Japan, where rates reached peak levels for Amlin's portfolio. The US catastrophe market was less directly affected by the catastrophe events of 2010 and 2011, but the release of RMSv11[3], an update to one of the mostly widely used US windstorm models, continued to have an impact on demand and pricing. Rates on Amlin's US catastrophe portfolio increased by 8.1% for the year, with an increase of 10.6% achieved in the first half. The impact of Hurricane Sandy provided further support to US catastrophe pricing at the start of 2013 with rates up a further 3.9%.

The release of a similar update to RMSv11 for European windstorm risk in 2012 had limited impact on pricing, due to the absence of major catastrophe losses and plentiful reinsurance capital. Consequently the trading environment for ARE's portfolio, which is predominantly proportional reinsurance across a broad range of classes, remained largely stable with rates increasing by 2.2% during 2012.

There was a disappointing market response on casualty classes given the fall in investment returns.

Strategic development

The Reinsurance Underwriting Practice Board began operating during 2012, with regular meetings attended by senior underwriters from each of Amlin's reinsurance businesses. The initial focus was the agreement of a global approach to writing catastrophe business and optimising new business development through existing

reinsurance client relationships, for example by offering additional catastrophe capacity via London or Bermuda to ARE's Continental European clients.

During the year, Amlin London recruited a senior underwriter to further develop its international reinsurance portfolio in Asia, focusing on developing relationships with local clients in China and other countries in the region. An improved trading environment for aviation reinsurance was identified as offering a longer term opportunity and a senior underwriter from Amlin's Aviation team was transferred into the Amlin London Reinsurance team to develop an aviation excess of loss reinsurance book.

In July 2012, Amlin announced the establishment of Amlin Reinsurance Managers Inc., an onshore lead business for US casualty reinsurance, targeting nationwide business with a focus on general and professional liability, which will be underwritten on behalf of Syndicate 2001. The operation commenced underwriting in October 2012. The development of this portfolio over time will further diversify Amlin's catastrophe reinsurance account and provide an additional growth opportunity when casualty market conditions improve.

Amlin London and Amlin Bermuda further enhanced their service offering to clients, particularly on catastrophe claims. Amlin Advance, which provided advance payments of US$61.6 million to Amlin clients for 2011 catastrophe claims, was again utilised where possible to support clients affected by Hurricane Sandy.

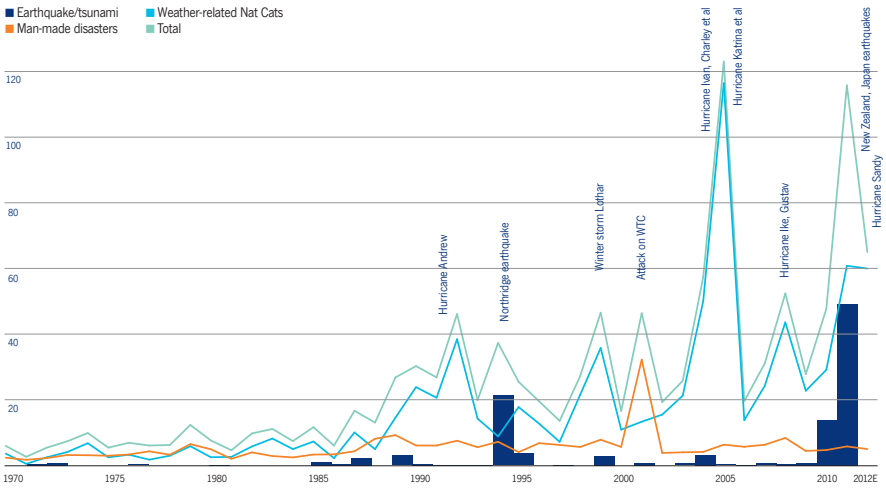
Amlin London and Amlin Bermuda also continued to work with Leadenhall Capital Partners (see above) to create combined client solutions where appropriate, such as where a combination of their capacity with that offered by Leadenhall enables Amlin to meet the need of certain major catastrophe reinsurance clients for substantial catastrophe limits.

Further comment on the performance of Amlin London, Amlin Bermuda and Amlin Re Europe can be found on pages 48, 49 and 50.

Leadenhall Capital Partners

A current feature of the global catastrophe reinsurance market is the mobility of capital and the speed at which it can be deployed through non-traditional reinsurance vehicles and insurance linked securities. A gradual convergence between the capital markets and the reinsurance market began with the Bermudian reinsurance start ups of 2001 and 2005 and the development of catastrophe bonds. More recently, the low interest rate environment has increased investor appetite for the yields available through exposure to catastrophe risk, which has the additional attraction of being uncorrelated to other investment classes. This has fostered more direct capital market involvement, with the establishment of specialist reinsurance fund managers to give investors access to insurance linked securities and certain hedge funds employing reinsurance underwriters. Amlin's investment in Leadenhall Capital Partners in 2008 has provided an insight into this developing market. The relationship has also created other mutual benefits. Access to Leadenhall, which in 2012 had approximately $800 million under management, gives Amlin underwriters the ability to offer alternative capacity solutions to clients, particularly where substantial capacity is required, such as after a major loss. This enhances Amlin's ability to meet client needs and provide a superior service, while Leadenhall benefits from access for their investors to Amlin's substantial client base, broker distribution, market leading position and underwriting input. Leadenhall provides Amlin the strategic option of developing its own capital markets vehicle to augment Group underwriting capacity.

Insured catastrophe losses 1970 – 2012 ($bn)



Source: Swiss Re sigma January 2013

Reinsurance renewal ratings indices

Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
US catastrophe	100	115	146	150	143	144	185	188	167	185	175	176	**190**
International catastrophe	100	120	157	**161**	145	131	138	131	119	124	123	131	149
Property	100	122	189	**191**	170	146	170	144	126	127	115	109	110

Note: Figures in bold represent peak ratings.

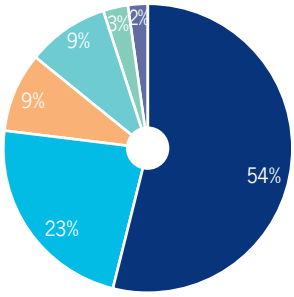
International Property & Casualty

International property pricing continued its gradual upward trend after the exceptional loss activity experienced in 2011 and was given renewed impetus in the US by Hurricane Sandy. Lower investment returns, claims inflation and poor results also continued to support a modest improvement in casualty pricing.

Introduction

The international property and casualty market provides coverage for a wide range of risks which are typically commercial, large and complex, requiring specialist underwriting and individually tailored cover. The US surplus lines market is the largest single source of property and casualty business and the Lloyd's market is an important source of capacity and expertise for this market, underwriting approximately 19% of total US surplus lines premiums in 2011.[1] Capacity is also provided by major international insurers and reinsurers world-wide. Amlin sources its business from Lloyd's brokers and international brokers in other markets.

2012 International P&C GWP by class



- Property
- Casualty
- Auto
- Accident & Health
- Special risks
- Professional lines

Source: Amlin

Amlin's market position and products

Amlin London writes property and casualty insurance lines through Syndicate 2001, focused on five principal areas; property, casualty, accident and health, professional lines and auto. US risks account for the majority of the portfolio, although business is written globally.

The property account, which is the largest by premium written, comprises a wide range of risks, from small to very large commercial property and industrial plants, including power generation, utilities, mining and petrochemical facilities. The portfolio is written with the aim of achieving territorial diversification.

Casualty lines written include medical malpractice, errors and omissions, workmens' compensation, automobile liability and directors' and officers' liability. The personal accident account consists of direct business, written both on a facultative and delegated authority basis, and a treaty account, written on a pro-rata and an excess of loss basis. In professional lines, Amlin provides cover for mid-size to large law firms, architects and engineers, consultants and other professions. In auto classes, Amlin offers a wide range of specialist products, including automobile physical damage, dealers open lot, motor truck cargo, logging/forestry, construction and comprehensive cover. Excess of loss and proportional reinsurance is also offered by the casualty (including professional liability), accident and health and auto teams.

Market commentary

The US property market was again affected by significant loss activity in 2012. Overall insured losses for the US market are estimated at $58 billion, compared to the 2000 to 2011 average loss of $27 billion (in 2012 dollars). While some $25 billion of this estimate is attributable to Hurricane Sandy, insured losses from tornadoes and thunderstorm events exceeded $14 billion, despite a quieter year for tornadoes than in 2011.[2] Severe drought also caused significant crop insurance claims and contributed to damaging wildfires. The impact of these losses, combined with lower investment returns, claims inflation and poor recent results contributed to a continued overall improvement in US property and casualty pricing, with an average increase across the market of 5%[3] as shown in the chart below.

Rates for Amlin's property insurance portfolio increased by 6% in the first half of 2012, with approximately 71% of business written in this period. Rates then showed signs of weakening, before Hurricane Sandy restored stability to pricing, giving an increase for the full year of 6.7%.

Rates for loss affected territories such as Thailand, Australia and New Zealand increased more significantly, creating opportunities for new business growth. In other market sectors such as accident and health and auto insurance the market remained stable and rates were generally flat.

Note:
1. AM Best's rating of Lloyd's 2012, August 2012.
2. Munich Re, US Natural Catastrophe Update, January 2013.
3. MarketScout Barometer, January 2013.

Strategic development

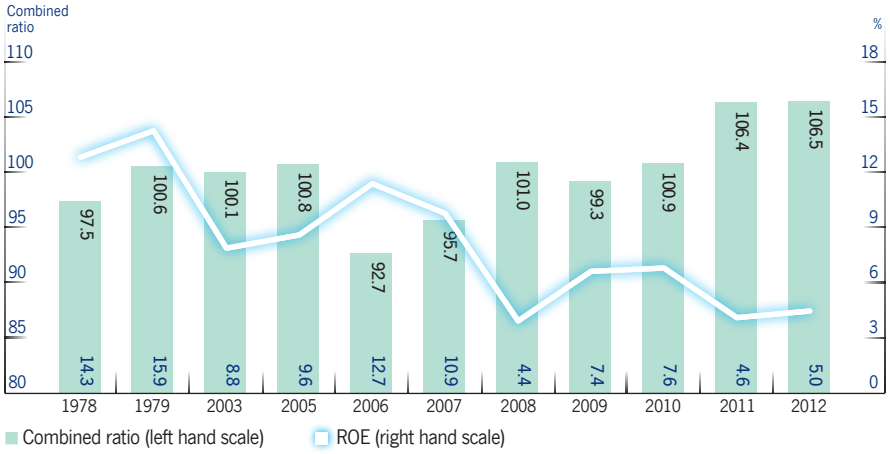
During 2012, Amlin London recruited a senior underwriter with twenty five years experience in international casualty business, with the objective of further diversifying Amlin's casualty account by building a non-US portfolio of casualty risks including municipal, utilities, transportation, mining, construction and onshore oil and gas.

The leadership of Amlin's International Property & Casualty business unit changed during the year following the departure of the previous head Duncan Dale. Duncan was succeeded by Mark Clements, a long-standing senior underwriter within the Amlin London team.

The International Property & Casualty Practice Board is scheduled to begin operating in 2013. During 2012, its terms of reference and members were agreed.

Further comment on the performance of Amlin London can be found on page 48.

US Property Market combined ratio / return on equity (ROE)



Source: Marketscout Barometer/Insurance Information Institute.

International Property & Casualty renewal ratings indices

Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**
Property	100	125	**171**	163	143	136	165	143	133	142	141	144	153
Casualty	100	123	172	217	234	**239**	237	223	203	199	197	197	201

Note: Figures in bold represent peak ratings.

Marine & Aviation

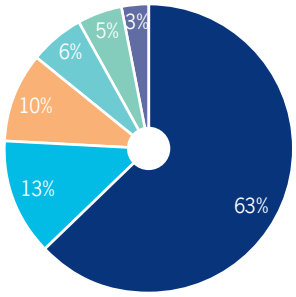
Despite a record market loss from the sinking of the cruise ship Costa Concordia, the marine market benefited from little increase in pricing, although there were some signs of improvement in the Benelux marine market. Aviation and Amlin Europe's marine portfolio continued to operate in competitive conditions.

Introduction

The global marine market provides insurance for hull, cargo, marine liability, energy and related risks. Global marine premiums accounted for approximately $32 billion in 2011. Lloyd's and other London insurers form one of the largest marine markets, underwriting approximately 10% and 18% of global cargo and hull premiums respectively, and just over 58% of global offshore energy premium.[1] Other regional centres for marine insurance include the Nordic region, the Netherlands and Japan. Marine liability insurance is mainly written by specialist mutuals called P&I Clubs, with those based in the UK and the Nordic region accounting for approximately 90% of premiums.

The aviation market provides specialist cover for a wide range of risks including airlines, airports, general aviation and satellites.

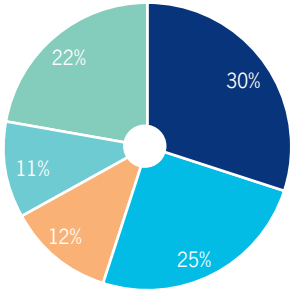
2012 Marine & Aviation GWP by class



- Marine insurance
- Energy
- Aviation insurance
- War
- Bloodstock
- Specie

Source: Amlin

2012 GWP Marine by class



- Cargo
- Hull
- Liability
- Yacht
- Other

Source: Amlin

Amlin's market position and products

Amlin is a major insurer in the global marine market, with combined gross written premium for Amlin London and Amlin Europe's marine account of £430.6 million in 2012.

Amlin London, through Syndicate 2001, writes a diverse marine portfolio. This includes an international hull book with a balance between larger 'blue water' accounts and niche areas such as fishing vessels, as well as a worldwide cargo account. Amlin also underwrites a broad energy portfolio and specialises in insuring risks associated with the exploration and production phases of the energy industry, as well as the construction of new offshore platforms and facilities.

Other areas of expertise include a wide range of marine liability risks from ship owners, charterers and shipyards to port and terminal owners. Amlin's energy liability portfolio comprises oil and gas risks associated with world wide exploration and production companies. Amlin offers cover for marine contractual liability, pollution risks and other liability risks. War and political risks insurance is also written.

Amlin is a leading insurer of yachts ranging in size and value from small pleasure boats to super yachts of over 30 metres in length and up to $150 million in value. Specialist yacht cover underwritten by Syndicate 2001 is sourced through Amlin service companies Haven Knox-Johnston for smaller craft and Lead Yacht for super-yachts.

Amlin Europe is a market leader in marine insurance in the Benelux region. In the Dutch market, Amlin Europe 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, Amlin Europe underwrites specialist commodities cargo business.

Amlin is a well-respected aviation underwriter, offering expertise across the aviation and aerospace sectors. Amlin's aviation portfolio includes global airline operators and their lessors, aviation products manufacturers, service providers, air traffic controllers and airports. Amlin also underwrites general aviation risks including small aircraft and specialist aerospace insurance for satellites.

Amlin sources its Marine & Aviation business mainly through brokers and other intermediaries.

Note:
1. IUMI 2012 Global Marine Insurance Report, September 2012: 2011 data.

Market commentary

Market conditions and pricing varied between the London and Benelux markets and between different classes. The impact of the sinking of cruise ship Costa Concordia in January 2012, which is expected to generate the worst ever loss to the international marine market of more than $1 billion, was the most significant market loss event during the year. However, it had only a modest impact on pricing due to oversupply of capacity in the market. Amlin's share of the Costa Concordia loss is estimated at $18.8 million, net of reinsurance.

Pricing on Amlin London's marine portfolio reflected its diversity, with varying trends but with margins remaining good in hull, energy and yacht business. Offshore energy rates for Amlin's portfolio were flat, having increased by 6.3% in 2011, following the Deepwater Horizon and Maersk Gryphon losses. Yacht business saw a modest overall increase of 1.3%, while war and specie classes experienced decreases of 2.7% and 1.5% respectively. Conditions in the global aviation and aerospace segment also remained competitive, with little overall change in a weak pricing environment.

Amlin Europe's marine operation continued to experience a challenging trading environment in a competitive local market. However, there was some withdrawal of capacity from the Dutch marine market during the year, as competitors reacted to poor results. Amlin Europe's marine portfolio had an overall rate increase of 0.6%.

Strategic development

Amlin London and Amlin Europe continued to co-operate closely on the re-underwriting of Amlin Europe's marine portfolio, which was largely completed during the year. As well as non-renewal or renegotiation of underperforming marine business, there was also a focus on achieving a more balanced risk profile and reducing the overall volatility of Amlin Europe's marine portfolio. Through the Marine & Aviation Practice Board, Amlin London and Amlin Europe formally agreed procedures to ensure that writing of business is co-ordinated between the London and Benelux markets and that new business opportunities for either business are jointly identified and exploited.

The management team of Amlin Europe was further strengthened with the appointment of Bert Nelen as European President Marine, responsible for the development of Amlin Europe's marine business.

Further comment on the performance of Amlin London and Amlin Europe can be found on pages 48 and 52.

Marine & Aviation renewal ratings indices

Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Marine hull	100	115	148	171	183	189	191	192	192	205	208	**209**	209
Amlin Europe Marine										100	104	**104**	104
Offshore energy	100	140	**172**	189	170	175	262	243	209	256	247	**262**	262
War	100	250	288	244	220	206	191	175	160	156	153	153	149
Airline hull and liabilities	100	**301**	283	235	216	201	158	122	127	141	132	124	107

Note: Figures in bold represent peak ratings.

Commercial & Domestic

The sustained improvement in UK commercial insurance lines contrasted with competitive market conditions in Continential Europe during 2012. In both markets, Amlin remained focused on profitable underwriting.

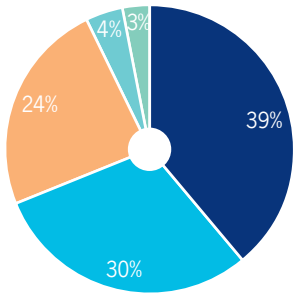
Introduction

Commercial lines insurance provides motor, property and liability insurance to commercial enterprises, ranging from sole traders to global corporations. In some markets, commercial insurers also provide insurance to local and national government entities. Personal lines insurance provides cover to private individuals for risks such as motor, property and personal accident.

Amlin's commercial lines business is underwritten by Amlin UK, which serves clients in the UK and Ireland, and Amlin Europe, which operates in the Netherlands, Belgium, and France. Amlin UK accounted for 55% of Amlin's commercial and domestic gross written premium in 2012, with the remaining 45% from Amlin Europe.

Amlin sources its commercial insurance mainly through brokers and regional intermediaries in the UK and Continental Europe. In the Netherlands, Amlin Europe is also a major participant in the Beurs co-insurance market.

2012 Commercial & Domestic GWP by class



- Property
- Fleet/Other motor
- Liability
- Captives
- Classes <4%

Source: Amlin

Amlin's market position and products

Amlin UK is a market leader in commercial fleet motor business, writing a wide range of commercial motor coverage in the UK including coach, haulage, commercial vehicle, private car fleet, private/public hire and self drive hire. Amlin UK also underwrites property and liability business for UK corporate entities. The property account includes package products aimed at the SME sector, which incorporate combined property and liability cover.

Amlin UK's business is mainly underwritten through Syndicate 2001. The experience and technical expertise of Amlin UK's underwriters and their ability to create and price non-conventional programmes is a competitive advantage. The business works closely with brokers to create niche products, meeting client needs across a wide range of business types and sectors. Amlin UK also writes some personal lines insurance, such as high net worth products for private individuals, which is sourced through specialist intermediaries.

Amlin Europe is a leading provider of commercial property and liability insurance in the Netherlands and in Belgium, where it also underwrites commercial motor fleet insurance. In France, Amlin Europe writes a diverse range of business including property, cargo, professional liability and specie insurance. As well as a well-established and growing SME focused French client portfolio, Amlin Europe has also been successfully targeting larger corporate accounts in the French market. Amlin Europe benefits from long-standing relationships with major international brokers operating in the Benelux region and France as well as with a broad range of local brokers and intermediaries.

Market commentary

During 2012, there were differing trends in the commercial insurance markets in which Amlin operates. In the UK, the commercial insurance trading environment continued to improve. There was a further retraction in motor fleet capacity during 2012, as competitors withdrew from segments of the market following poor results. Fleet motor rates again showed a marked improvement, with an increase on Amlin's portfolio of 9.7% during the year and an overall increase of more than 21% since Amlin's motor book first began to experience significant rate rises during 2010. Amlin UK continued to seek opportunities to write new fleet motor business, with £29.3 million of net new income added during the year. Property rates also continued to improve, with pricing on Amlin's book increasing by 1.5%. Liability rates also showed modest improvement, achieving rate increases of 1.2%.

The trading environment for Amlin Europe remained demanding, with ample capacity driving competition across all commercial business lines. There was some evidence of greater stability in Amlin Europe's non-marine markets, with firming of terms on certain less attractive risks and those with poor loss experience. Overall, rates on Amlin Europe's non-marine business were flat.

Strategic development

In August 2012, Amlin announced that, in line with the Group's growth strategy for Europe, Amlin France would be integrated into Amlin Europe (previously Amlin Corporate Insurance). This integration will consolidate all the Group's commercial insurance activities on the European continent and will deliver a broader client proposition in Europe. François Martinache, Chairman of Amlin France, will continue to lead the French business with Alexandre Martinache, previously General Manager, Amlin France, becoming Country Manager, France, for Amlin Europe. During the year Andreas Luberichs, who joined Amlin from Chubb in March 2011 as Head of Group Underwriting, transferred to Amlin Europe. He assumed the newly created role of Executive President, Non-Marine, taking responsibility for the management and future development of Amlin's non-marine business across Europe.

During 2012, Amlin Europe's non-marine underwriting teams were further strengthened and the business portfolios reviewed, with particular emphasis on reducing volatility. Presentations were made to key brokers in each of Amlin Europe's non-marine markets to communicate its business proposition and a strategy was initiated to target regional brokers. The business also continued to focus on developing larger commercial clients in France to further diversify its well-established French SME client base.

Amlin UK continued to invest in building its property underwriting capability and recruited a team of high net worth underwriters during the year. With this and previous investment in property underwriting and distribution, Amlin UK wrote £25.2 million of new property business, net of brokerage, in 2012. This increased the proportion of property business in Amlin UK's portfolio to 36% of 2012 gross written premium, in line with the strategic objective of achieving a better balanced portfolio.

The Commercial & Domestic Insurance Practice Board is scheduled to begin operating in 2013. During 2012 its terms of reference and membership were agreed.

Further comment on the performance of Amlin UK and Amlin Europe can be found on pages 51 and 52.

Commercial & Domestic renewal ratings indices

Rating indices Amlin UK	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	**2012**
Fleet motor	100	121	136	143	141	137	135	134	137	144	148	159	**175**
Employers' liability	100	115	144	158	**159**	144	135	123	115	114	115	114	119
Professional indemnity	100	110	149	178	**181**	165	154	140	129	128	127	127	128
Property and commercial combined	100	100	100	127	**126**	126	117	110	109	107	106	112	113

Rating indices Amlin Europe	2009	2010	2011	**2012**
Property	**100**	97	95	95
Liability	**100**	95	95	95
Fleet motor	**100**	99	99	99

Note: Figures in bold represent peak ratings. Excludes effect of claims inflation.

Amlin Plus is one of the leading bloodstock underwriters in the world, providing cover worldwide for thoroughbred racehorses and other high value competition horses.

Strength in depth

The Group Management Committee represents a wealth of insurance industry experience, as well as expertise across a range of specialist underwriting and financial disciplines.

Standing, left to right

Richard Hextall
Group Finance & Operations Director, Amlin plc
Industry experience 23 years

Kim Hvirgel
CEO, Amlin Europe
Industry experience 23 years

Rob Wyatt
CEO, Amlin Bermuda
Industry experience 30 years

Simon Beale
Group Chief Underwriting Officer, Amlin plc
Industry experience 28 years

Brian Carpenter
Underwriting Director, Amlin UK
Industry experience 37 years

Philippe Regazzoni
CEO, Amlin AG and Amlin Re Europe
Industry experience 15 years

Mark Farrow
Group Human Resources Director, Amlin plc
Industry experience 23 years

James Illingworth
Group Chief Risk Officer, Amlin plc
Industry experience 29 years

Sitting, left to right

Kevin Allchorne
Underwriting Director, Amlin London
Industry experience 19 years

Charles Philipps
CEO, Amlin plc,
Industry experience 29 years

Jayne Styles
Chief Investment Officer, Amlin plc
Industry experience 27 years

Andrew Springett
CEO, Amlin Underwriting Limited
Industry experience 24 years

Financial performance

2012 saw a return to profit driven by improved underwriting margins, reduced catastrophe activity and a strong investment return. Average return on equity since 2003 is 18.0%.

2012 Highlights

- Profit before tax of £264.2 million (2011: loss of £193.8 million)
- Return on equity of 17.4% (2011: negative 8.6%)
- Combined ratio of 89% (2011: 108%)
- Ten year weighted average return on equity of 18.0%

Financial performance

Amlin's financial performance in 2012 was strong, with a profit before tax of £264.2 million (2011: loss before tax of £193.8 million) and a return on equity of 17.4% (2011: negative 8.6%). The underwriting return was healthy through growth in premium, reduced catastrophe activity and a turnaround in Amlin Europe's profitability. The investment return was excellent at 4.1%.

Amlin's performance over the longer term has been solid. Despite significant catastrophe activity in recent years and difficult investment markets, the Group has recorded a weighted average return on equity since 2002 of 18.0% and since 2007 of 12.2%. This compares with our cross cycle target of 15% and exceeds our estimated cost of equity of 8.5%.

For 2012, underwriting contributed a profit of £207.1 million (2011: loss of £146.0 million). Net large catastrophe claims amounted to £152.3 million, in contrast to the extraordinary events of the previous year (2011: £500.8 million). The most significant catastrophe event in the period was Hurricane Sandy, which is estimated to be the second most costly storm ever to make landfall in the US and with estimated claims of £141.6 million for Amlin. Despite the impact of this event, Amlin London and Amlin Bermuda generated impressive underwriting profits of £64.8 million and £122.4 million respectively (2011: losses of £13.9 million and £58.1 million respectively). The Bermuda result includes a profit attributable to underwriting of £25.7 million generated by the whole account quota share of Syndicate 2001.

Amlin UK recorded an underwriting profit of £14.1 million (2011: loss of £7.9 million), reflecting improving market conditions and recent strategic investment.

Pleasingly, Amlin Europe made an underwriting profit of £6.7 million (2011: loss £66.6 million). There are clear signs that the underlying performance of the portfolio is improving. Amlin Re Europe also returned a small underwriting profit, in only its second full year of trading.

Across the Group, claims development continued to be better than expected. Releases from reserves amounted to £94.2 million (2011: £112.6 million).

Net claims from 2010 and 2011 catastrophe events, including the New Zealand 'Christchurch' earthquake in February 2011, the Japanese earthquake in March and the Thailand flooding in the second half of 2011, remain materially unchanged from those disclosed in our 2011 Annual Report.

With interest rates remaining at low levels across much of the developed world, the investment environment continued to prove challenging. However, with strong performance from our corporate bond and equity portfolios, the investment return was an excellent 4.1% (2011: 0.9%) giving a contribution from investments of £165.3 million (2011: £40.5 million).

Net foreign exchange losses in the income statement amounted to £2.7 million (2011: loss of £10.2 million). A net loss of £53.4 million, on the revaluation of net investments in foreign operations, after hedging, was taken to reserves (2011: loss of £36.5 million)[1], as sterling strengthened against the US dollar and euro during 2012.

Underwriting performance

Gross written premium was £2,405.6 million, an increase of 4.4% (2011: £2,304.1 million). At constant rates of exchange, gross written premium increased by 7.1%.

The average renewal rate increase for the Group was 3.7% (2011: increase 1.1%), with rate improvements achieved for more than 75% of the portfolio. Pricing for catastrophe reinsurance reacted strongly to the extraordinary loss activity of 2011. In our insurance markets, rates for US commercial property have steadily improved and we continued to achieve improvement in our UK commercial business.

Outwards reinsurance expenditure was £347.0 million, an increase of 19.3%, representing 14.4% of gross written premium (2011: £290.9 million and 12.6%). The increase follows the Group's strategy to modify its risk appetite in 2012, following the major catastrophe claims in 2011, including the purchase of additional protection for Amlin Bermuda and Syndicate 2001, together with the issue of a catastrophe bond. The uplift also reflects the increased cost of outwards reinsurance. The additional expenditure has been more than offset by increased premium in the year.

Financial performance

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Gross written premium	**2,405.6**	2,304.1	2,172.5	1,543.9	1,034.0
Net written premium	**2,058.6**	2,013.2	1,910.3	1,322.6	915.7
Net earned premium	**1,970.5**	1,927.4	1,748.1	1,317.3	913.5
Profit attributable to underwriting	**207.1**	(146.0)	185.6	355.2	211.4
Investment return	**165.3**	40.5	175.0	207.5	18.0
Other costs	**(108.2)**	(88.3)	(101.4)	(53.6)	(107.8)
Result before tax	**264.2**	(193.8)	259.2	509.1	121.6
Return on equity	**17.4%**	(8.6)%	13.9%	37.0%	7.8%

Note: See Financial Highlights on page 2 for basis of preparation.

Group underwriting performance

	2012	2011	2010	2009	2008
Claims ratio	**57%**	78%	60%	43%	55%
Expense ratio	**32%**	30%	29%	30%	22%
Combined ratio	**89%**	108%	89%	73%	77%

Note: See Financial Highlights on page 2 for basis of preparation.

1. The revaluation of net investments in foreign operations after hedging.

Net earned premium was £1,970.5 million (2011: £1,927.4 million), an increase of 2.2%, supported by growth in gross written premium in 2012 and 2011, but impacted by greater levels of reinsurance purchased as described above.

The Group claims ratio was 57% (2011: 78%). Net catastrophe claims totalled £152.3 million, much reduced from the prior year (2011: £500.8 million).

The largest catastrophe event in the period was Hurricane Sandy, which made landfall in the North-East of the United States on 29 October 2012. Sandy was one of the largest storms to ever impact the United States and coincided with a high leap tide, which generated significant storm surge through coastal regions from New Jersey to Connecticut and causing major flooding in lower Manhattan.

Amlin's estimate of its losses from Sandy, net of estimated reinsurance recoveries and inward reinstatement premiums, is £141.6 million. Approximately 80% of this loss estimate is derived from reinsurance classes, where the upper end of all known cedants' estimates of their recoveries under catastrophe reinsurance treaties has been assumed.

Segmental commentary

Amlin London

Amlin London performed strongly, delivering a combined ratio of 91% (2011: 102%).

Gross written premium increased by 11.6% to £1,066.1 million (2011: £954.9 million), with an average renewal rate increase of 4.3% (2011: increase of 1.0%). Much of the underlying growth was attributable to the Reinsurance business unit, which achieved average rate increases of 9.9% and 15.4% for US and international catastrophe lines respectively. Additional growth came from Property & Casualty business, which benefited from a combination of new business opportunities and recent strategic investment, including the hire of additional underwriters. Net earned premium amounted to £716.4 million (2011: £669.5 million).

The claims ratio of 53% includes a 12% impact from catastrophe events, most significantly Hurricane Sandy (2011: 67% and 33% respectively). Reserve releases were £31.3 million (2011: £68.4 million) with continued positive claims development on old years (improving the combined ratio by 4% (2011: 10%).

The expense ratio was up at 38% (2011: 35%), due to foreign exchange losses reflecting the weakening of the US dollar in 2012.

Amlin UK

Amlin UK produced a combined ratio of 95% (2011: 103%), as the division benefited from the impact of recent strategic investment and an improving market.

Gross written premium was £372.6 million, an increase of 19.3% (2011: £312.4 million). The average rate increase for the division was 5.0%. Notably, fleet motor rates continued to climb steadily, achieving an average increase of 9.7% for the year (2011: 7.4%). Net new business amounted to £76.7 million, generated largely in fleet, other motor and package lines. Amlin UK's portfolio is now better balanced, with more than a third of all premium attributable to property business. Net earned premium amounted to £266.0 million (2011: £231.2 million), following growth in net written premium in 2011 and 2012.

The claims ratio was 57% (2011: 69%). Overall reserve releases were £21.0 million, benefiting the combined ratio by 8% (2011: £5.3 million and 2% respectively).

The expense ratio increased to 38% (2011: 34%). The uplift reflects growth in property binder business within the portfolio, which attracts higher acquisition costs.

Amlin Bermuda

Amlin Bermuda's combined ratio of 74% (2011: 112%) is an excellent result, benefiting from much reduced catastrophe losses.

Gross written premium amounted to $871.1 million (2011: $847.8 million). Direct income was $542.9 million (2011: $553.2 million), supported by an average rate increase of 6.2%. The largest rate increases were achieved for US and international catastrophe classes, at 5.5% and 14.3% respectively. Elsewhere, new business of $56.6 million was generated, notably within US catastrophe, pro-rata and special risk classes. The retention ratio decreased to 87%, reflecting the loss of a proportional treaty account due to client programme restructuring, but it remains strong, reflecting the strength of client relationships and first class service (2010: 90%). Net earned premium was $777.2 million (2011: $760.4 million).

The claims ratio was 56%, including a 16% impact from catastrophe claims, notably Hurricane Sandy (2011: 94% and 60% respectively). Reserve releases reduced to $17.9 million (2011: $55.3 million). The expense ratio remained stable at 18% (2011: 18%).

Amlin Re Europe

Amlin Re Europe delivered a combined ratio of 99% (2011: 105%), a good performance in only its second full year of trading.

Gross written premium was €206.5 million, an increase of 66.9% (2011: €123.7 million). The business has made a strong start since it was launched in October 2010, achieving significant growth in its client base. Net earned premium grew by 154.1% to €149.9 million (2011: €59.0 million).

The claims ratio was broadly stable at 73% (2011: 72%), despite Italian earthquake net claims of €4.9 million. There were no individual claims above €5 million. The expense ratio improved to 26%, from 33% in the prior year, largely due to growth in net earned premium as the business becomes more established. The targeted long-term expense ratio is expected to be around 20%, with a planned income base of approximately €400 million.

Amlin Europe

Amlin Europe produced a much improved combined ratio of 98% (2011: 113%). Excluding business attributable to Amlin France, the combined ratio was 100% (2011: 112%).

Gross written premium was down at €587.2 million (2011: €678.5 million), reflecting the impact of re-underwriting initiatives. Renewal rates were broadly flat for the third consecutive year, with a challenging rating environment in Continental Europe. The retention rate improved to 84% (2011: 73%).

Given the impact of recent re-underwriting, net earned premium was reduced at €481.9 million (2011: €576.0 million).

The claims ratio improved to 59% (2011: 80%). In contrast to 2011, there were no net claims in excess of €5 million in the year (2011: €32.9 million) and attritional claims experience continued to show improvement. Catastrophe losses were minimal (2011: €9.1 million). Reserve releases were up at €39.7 million (2011: €5.8 million), reflecting positive development on prior year claims reserves across the portfolio. In 2011 releases were reduced due to the need to strengthen ship building and cargo accounts. During 2012, the reserve margin for the business increased by €8.3 million.

The expense ratio increased to 39% (2011: 33%), reflecting the reduction in net earned premium, but also continued costs incurred in developing operational capability. With the re-underwriting programme now concluded and the implementation of new systems having completed during the year, focus will be given to reducing the expense ratio in 2013. The addition of profitable income, reduced reinsurance and the removal of expense inefficiencies all offer potential opportunity.

Looking forward, the majority of changes to Amlin Europe's marine portfolio are now largely complete and with increased profit focus and direction, the business is well positioned to grow income when market conditions in the Benelux improve.

Investment performance

The Group investment return for the year was 4.1%, with average funds under management of £4.2 billion (2011: 0.9% and £4.2 billion). Overall, investments contributed £165.3 million to the 2012 result (2011: £40.5 million). The table above shows the breakdown of asset allocation and returns.

2012 was another challenging year for investment markets, with policy action remaining a primary determinant of economic and market performance. Policy became more effective and clearer as the year progressed, reducing some of the uncertainty that has beleaguered markets in recent years.

Our investment process has continued to be led by our risk appetite; that is aiming to identify the best risk adjusted investment opportunities globally to deliver the best return for the risk we are taking. With yields at such low levels, we maintained a defensive stance towards interest rate risk whilst believing that corporate bonds and asset/mortgage-backed securities were attractive relative to generally expensive government bonds. The asset allocation to equities was increased during the second half of the year.

The insurance linked securities portfolio continues to be managed by Leadenhall Capital Partners, in the form of two standalone investment funds. The return on $116.5 million of average funds under management was $7.1 million or 6.0% (2011: $112.0 million, $5.2 million and 4.7%).

Expenses

Total expenses, including underwriting and non-underwriting costs, increased to £753.1 million, from £671.0 million in the prior year.

Underwriting expenses, excluding foreign exchange movements, amounted to £628.4 million (2011: £568.1 million). These are costs relating to the acquisition and administration of insurance business and claims payments. Within underwriting costs, acquisition costs accounted for £42.3 million of the increase, largely driven by growth in income. Acquisition costs increased to 18.2% of gross earned premium (2011: 17.1%), reflecting a higher proportion of binder business within the portfolio, mostly from within Amlin UK. The remaining variance in underwriting expenses is driven by inflationary and operational increases.

Non-underwriting expenses, excluding foreign exchange movements and finance costs, were £94.5 million (2011: £65.3 million). These expenses include employee incentives, investment management fees, Amlin Europe disentanglement and integration costs and corporate expenses not directly attached to underwriting businesses. Employee incentives increased by £25.3 million due to improved 2012 performance, impacting annual bonuses and long-term incentive accruals. Amlin Europe disentanglement and integration costs amounted to £20.6 million (2011: £16.8 million) and are not ongoing costs of the business. In addition to integration costs expensed in the period, expenditure on a replacement IT platform of £1.9 million has been capitalised during 2012 (2011: £25.7 million).

Investment mix and returns

	2012			2011		
Profit source	Average asset allocation £m	Average asset allocation %	Return %	Average asset allocation £m	Average asset allocation %	Return %
Bonds	2,880	69.4%	5.0%	3,042	71.8%	0.7%
Other liquid investments	886	21.3%	0.6%	769	18.1%	3.9%
Equities	247	6.0%	9.6%	332	7.8%	(2.8%)
Property	138	3.3%	0.2%	96	2.3%	6.7%
Total	**4,151**	**100.0%**	**4.1%**	4,239	100.0%	0.9%

Taxation breakdown

	2012 Profit before tax £m	2012 Effective tax rate %	2011 Profit before tax £m	2011 Effective tax rate %
UK	42.5	13.7	(52.9)	33.6
Bermuda	179.4	–	(58.8)	–
Continental Europe	42.3	25.3	(82.1)	32.3
Group	**264.2**	**6.2**	(193.8)	22.9

Taxation

The effective rate of tax for the period is 6.2% (2011: 22.9%). It is below the UK rate of corporation tax primarily due to Amlin AG's Bermudian branch, which operates in Bermuda with no local corporation tax. Profits arising on operations in Switzerland are taxed at a combined federal and cantonal rate of 21.2% (2011:21.2%). We continue to believe that Amlin AG is exempt from the UK Controlled Foreign Companies regime. The table below illustrates the source of Group profits with the associated effective tax rate.

Dividends

The Board proposes a final ordinary dividend of 16.5 pence per share. Taken together with the interim dividend of 7.5 pence per share, this provides total dividends of 24.0 pence per share (2011: 23.0 pence per share).

Net tangible assets

The Group's net assets increased by 5.0% to £1.5 billion (2011:£1.4 billion). Other than profit through the income statement, the key movements are:

- Dividends totalling £115.4 million (2011: £113.6 million).
- £57.1 million of losses from the currency retranslation of foreign operations (2011: loss £38.9 million) offset by £3.7 million of gains recognising the revaluation of associated hedge instruments (2011: gain £2.4 million) in accordance with hedge accounting rules of IAS 39 "Financial instruments: Recognition and Measurement". Currency losses reflect strengthening of sterling against the dollar and euro during 2012. This has reversed during 2013 to date.
- Defined benefit pension fund losses of £17.5 million (2011: loss of £18.3 million).

Intangibles decreased by £7.5 million to £211.4 million (2011: £218.9 million), primarily reflecting amortisation charges for the year, offset by £1.9 million of capitalised computer software costs relating to the new underwriting platform for Amlin Europe.

As a result, net tangible assets have increased by 6.5% from £1,201.5 million at 31 December 2011 to £1,280.0 million at 31 December 2012.

Amlin London

"A robust 2012 result and further accolades on client service demonstrate the strength of Amlin London's franchise. In an improving trading environment we selectively grew the portfolio to take advantage of higher pricing in certain lines such as US property and invested in longer term growth potential through ventures in Asia and the US."

Kevin Allchorne,
Underwriting Director, Amlin London

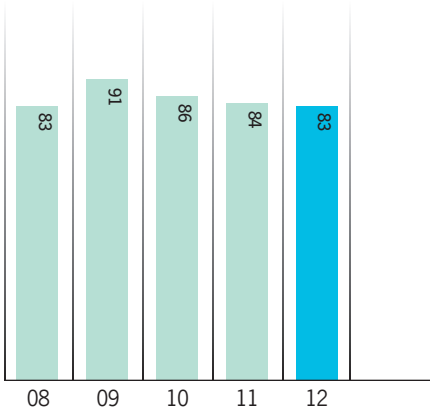
Five year average combined ratio 83%

2012 Highlights

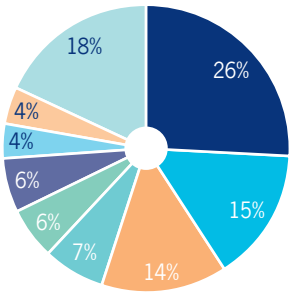
- Gross written premium up 11.6% at £1,066.1 million.
- Growth in premium driven by catastrophe reinsurance, with average rate increases of 9.9% and 15.4% for US and International lines, property and casualty, which benefited from an average rate increase of 3.7% and recent strategic initiatives.
- Marine insurance continues to benefit from healthy margins in hull and energy.
- Claims ratio of 53% includes 12% impact from catastrophe claims, notably Hurricane Sandy.
- Exceptional claims service demonstrated by Willis recognition as top five UK insurer for service on Hurricane Sandy claims[1].
- Start up of Amlin Reinsurance Managers Inc. in October 2012.

Further comment on the trading environment and strategic development can be found in the Market Reviews on pages 34 – 41.

Historic retention ratios (%)



2012 GWP by class



- Catastrophe reinsurance
- Casualty
- Marine insurance
- Aviation insurance
- Property insurance
- Proportional reinsurance
- Property reinsurance
- Classes < 4%
- Energy

Source: Amlin

Underwriting performance table

	2012	2011	Variance
Gross written premium	**£1,066.1m**	£954.9m	11.6%
Net earned premium	**£716.4m**	£669.5m	7.0%
Combined ratio	**91%**	102%	(11%)
Claims ratio	**53%**	67%	(14%)
Expense ratio	**38%**	35%	3%
Reserve releases	**£31.3m**	£68.4m	£37.1m
Renewal rate	**+4.3%**	+1.0%	+3.3%

Note:
1. Willis WQI Report January 2013

Amlin Bermuda

"Amlin Bermuda generated a strong result which reflects the favourable trading environment for catastrophe reinsurance. In a quieter but still above average year for catastrophe losses, Hurricane Sandy gave us another opportunity to demonstrate our commitment to exceptional client service."

Rob Wyatt,
CEO, Amlin Bermuda

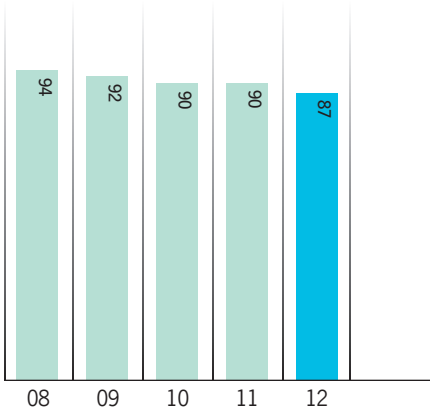
Five year average combined ratio 81%

2012 Highlights

- Excellent combined ratio of 74%.
- Claims ratio of 56% includes a 14% impact from catastrophe activity, notably Hurricane Sandy.
- Selective new business added in casualty and non-proportional classes.
- Retention ratio remains strong at 87%, despite the non-renewal of two major proportional treaties.
- Growth in gross written premium of 2.7% to $871.1 million reflecting a positive rate environment and increase in ceded business from Syndicate 2001.
- Average rate increases of 6.2%, with catastrophe excess of loss margins remaining strong.

Further comment on the trading environment and strategic development can be found in the Market Reviews on pages 34 – 41.

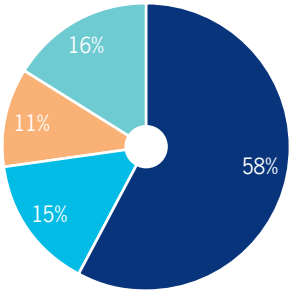
Historic retention ratios (%)



Underwriting performance table

	2012	2011	Variance
Gross written premium	**$871.1m**	$847.8m	2.7%
Gross written premium (direct business)	**$542.9m**	$553.2m	(1.9%)
Net earned premium	**$777.2m**	$760.4m	2.2%
Net earned premium (direct business)	**$462.1m**	$484.8m	(4.7%)
Combined ratio	**74%**	112%	(38%)
Claims ratio	**56%**	94%	(38%)
Expense ratio	**18%**	18%	–
Reserve releases	**$17.9m**	$55.3m	$37.4m
Renewal rate (on direct business)	**+6.2%**	+1.1%	+5.1%

2012 GWP by class (direct business only)



Catastrophe reinsurance
Per Risk reinsurance
Proportional reinsurance
Other

Source: Amlin

Amlin Re Europe

"We continued to receive a positive response from prospective clients and brokers, enabling us to build out our portfolio across a broad spread of classes and territories. We are establishing a solid base for the future."

Philippe Regazzoni,
CEO, Amlin Re Europe

2012 Highlights

- Gross written premium up 66.9% at €206.5 million.
- Further growth and diversification of client base: now has more than 260 clients in over 40 countries.
- 154.1% increase in net earned premium to €149.9 million, reflecting the benefit of first year earnings.
- Combined ratio of 99% in only second full year of trading.
- Improved expense ratio of 26% reflecting reduction in start up costs and increases in net earned premium.

Further comment on the trading environment and strategic development can be found in the Market Reviews on pages 34 – 41.

Underwriting performance table

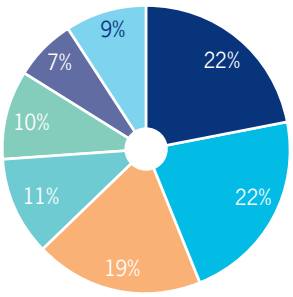
	2012	2011	Variance
Gross written premium	**€206.5m**	€123.7m	66.9%
Net earned premium	**€149.9m**	€59.0m	154.1%
Combined ratio	**99%**	105%	(6%)
Claims ratio	**73%**	72%	1%
Expense ratio	**26%**	33%	(7%)
Reserve releases	**-€2.0m**	n/a	–
Renewal rate	**+2.2%**	n/a	–

2012 Retention ratio (%)

91%

(2011: n/a)

2012 GWP by class



- Motor
- Proportional
- Catastrophe
- Engineering
- Property
- Liability
- Classes < 4%

Source: Amlin

Amlin UK

"Market conditions improved further during 2012, particularly in motor fleet and the result benefited from recent growth and better margins. With the favourable trading environment expected to continue through 2013 and earnings momentum from recent growth, Amlin UK is well positioned for further profitable expansion."

Brian Carpenter,
Underwriting Director, Amlin UK

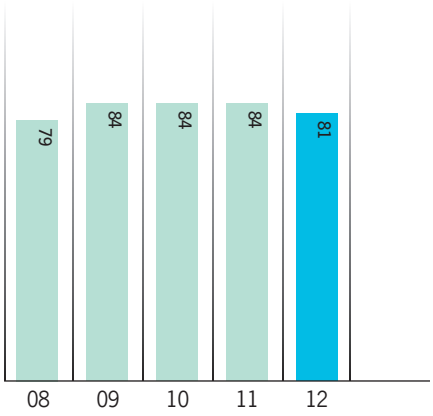
Five year average combined ratio 91%

2012 Highlights

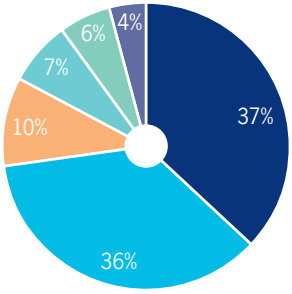
- Gross written premium of £372.6 million, an uplift of 19.3%.
- Growth in fleet motor income supported by an average rate increase of 9.7%, and new business of £29.3 million, net of brokerage.
- Property income up 18.1% at £135.3 million, reflecting recent strategic investment and 1.5% average rate increases.
- 15.1% increase in net earned premium to £266.0 million reflecting growth in income in 2012 and 2011.
- Improved combined ratio at 94%.
- Prior period reserve releases of £21.0 million.
- Increase in expense ratio to 38% reflects higher acquisition costs on increased binder income.

Further comment on the trading environment and strategic development can be found in the Market Reviews on pages 34 – 41.

Historic retention ratios (%)



2012 GWP by class



- Property and commercial
- Fleet/Other motor
- Professional indemnity
- Public/products liability
- Employers' liability
- Other

Source: Amlin

Underwriting performance table

	2012	2011	Variance
Gross written premium	**£372.6m**	£312.4m	19.3%
Net earned premium	**£266.0m**	£231.2m	15.1%
Combined ratio	**95%**	103%	(8%)
Claims ratio	**57%**	69%	(12%)
Expense ratio	**38%**	34%	4%
Reserve releases	**£21.0m**	£5.3m	£15.7m
Renewal rate	**+5.0%**	+5.0%	–

Amlin Europe

"Substantial progress was made in 2012 to ensure sustained improvement in performance. With the integration of Amlin France and ACI we have created a strong and aligned Continental operation. With a new Management Board, a more focused strategy and improved infrastructure, Amlin Europe is ready to grow when market conditions are favourable."

Kim Hvirgel,
CEO, Amlin Europe

2012 Highlights

- Gross written premium of €587.2 million, down 13.5%, reflecting completion of re-underwriting initiatives.
- Combined ratio of 98%.
- Claims ratio of 59% reflects large loss experience in line with expectation and underlying improvement in attritional loss ratios.
- Strong performance from Amlin France, with growth in income of 20.3% and no recurrence of the catastrophe claims evident in 2011.
- Expense ratio of 39% (2011: 33%) reflects additional costs incurred in developing operational capability and lower net earned premium.
- Integration of Amlin Corporate Insurance and Amlin France is well advanced and expected to be completed in the first half of 2013.

Further comment on the trading environment and strategic development can be found in the Market Reviews on pages 34 – 41.

Underwriting performance table

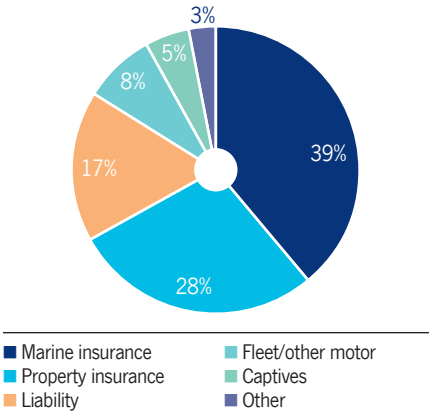
	2012	2011	Variance
Gross written premium	**€587.2m**	€678.5m	-13.5%
Net earned premium	**€481.9m**	€576.0m	-16.3%
Combined ratio	**98%**	113%	-15%
Claims ratio	**59%**	80%	-21%
Expense ratio	**39%**	33%	+6%
Reserve releases	**€39.7m**	€5.8m	+€33.9m
Renewal rate	**+0.2%**	-0.5%	+0.7%

2012 Retention ratio (%)

84%

(2011: 73%)

2012 GWP by class



Source: Amlin

Earnings momentum

Overall we continue to experience a satisfactory trading environment. Although the diversity of our business across classes and platforms means that market conditions vary across the portfolio, we anticipate that all Amlin's major business units should be capable of delivering an improved performance in 2013.

Underwriting environment

In January 2013, approximately 39% of the Group's expected 2013 gross written premium renewed. The average rate increase was 1.2% compared to 4.0% at the start of 2012. The slowdown reflects the non-recurrence of the substantial catastrophe reinsurance rate rises seen at the start of 2012, after the multiple catastrophe losses of 2011. Nevertheless, the impact of Hurricane Sandy maintained the strength in US catastrophe reinsurance pricing, which for Amlin's portfolio increased by 4.2% in January renewals. International catastrophe rates also largely remained at the higher levels established in 2012.

An influx of capital into the retrocession market during 2012 drove rates down and enabled us to renew our retrocession programme at lower premiums with significantly lower retentions. This will further benefit strong reinsurance margins.

Hurricane Sandy has given additional impetus to the modest upturn in US direct property insurance pricing seen during 2012, particularly for large (direct and facultative) property lines, which were significantly impacted by Hurricane Sandy claims. We have already seen an increase in surplus lines business volumes into the London market, and we expect this to continue, creating new business opportunities for Amlin London's Property & Casualty team as loss-affected business renews and brokers seek to access more London capacity. US casualty pricing is also showing gradual improvement, which should be sustained given the mounting pressure of lower investment returns on margins for longer tail business.

We anticipate further increases in UK motor fleet pricing, as competitors continue to withdraw capacity in response to poor results. The improvement in commercial property rates has been less marked, but consistent. As the market offers more growth opportunities, Amlin UK is benefiting from previous investment in this area. Liability lines are also moving upward. With higher income, better margins and the momentum provided by growth in previous years, Amlin UK is well positioned to deliver a stronger performance in 2013.

In Continental Europe, insurance pricing is broadly flat, with some signs of less intense competition in the Benelux marine market. The re-underwriting of Amlin Europe's marine portfolio is now complete and this is reflected in a more stable and lower claims ratio. For 2013, a more efficient reinsurance structure for Amlin Europe was developed, yielding savings which will benefit margins. Improving Amlin Europe's expense ratio will be a major focus in 2013, although the effect of actions taken may take some time to come through to results. However, the material integration costs, (2012: £20.6 million) latterly relating to systems integration, will not be repeated in 2013.

Amlin Re Europe now has a substantial and well diversified portfolio, with a high quality client base. While the rate of premium growth is slowing, as the business consolidates its initial growth phase, profitability should continue to improve in 2013 as more premium is earned. Overall, we anticipate more than 10% growth in gross written premium for the Group in 2013.

Capital and risk management

The stronger earnings of 2012 have further strengthened Amlin's balance sheet and the Group is well positioned to support business expansion and our progressive dividend policy.

With constant changes in the reinsurance and particularly the retrocessional markets, we continue to adjust our reinsurance purchases according to appetite and availability. We carry out a variety of analyses of our portfolios and past loss experience to ensure that we purchase cost effective reinsurances, providing protection to balance sheet and profit and loss accounts at both Group and entity levels. Given the recent growth of Amlin, a division or business unit may require reinsurance cover which is beyond that required by the Group. This has been facilitated by the use of Amber Re (a part of Amlin Bermuda) which takes co-insurance of programmes for the Amlin Group.

The Group also continues to benefit from the insurance linked catastrophe bond of $150 million, placed into the capital markets at the end of 2011. This helps provide greater protection against severity and frequency of catastrophe events.

Investment markets

Whilst structural issues remain a headwind to global economic growth, we believe that growth is more sustainable in 2013 than in the past few years. In the US, the housing market is starting to recover, which will have a positive impact on job creation and household wealth and, therefore, consumer spending. This should help to cushion the impact of fiscal tightening. The economic outlook for Europe and China also looks to be improving, albeit European growth is likely to be only marginally positive this year. This background should be supportive for equities. We remain concerned about the prospect for bond yields to rise and retain a defensive duration position.

Summary

Investment markets remain challenging and we do not see this as an opportune time to add risk in pursuit of higher returns. Amlin's long-standing focus on underwriting profit without reliance on investment returns stands us in good stead, but in this lower margin environment we are nevertheless focused on enhancing efficiency across the Group and expense control remains a priority.

The Group is benefiting from recent investments in areas where stronger pricing is enabling profitable growth, particularly in Amlin UK. The upward trend in US property and casualty rates will create further opportunities which our Amlin London Property & Casualty team is well placed to develop.

In 2013, we anticipate further improvement in the performance of Amlin Europe and Amlin Re Europe. Increased earnings from these businesses, with their relatively low exposure to catastrophe risk, will further enhance capital efficiency across the Group, as well as creating scope to increase the Group's appetite for catastrophe risk.

With a strong balance sheet and excellent broker franchise, Amlin is very well positioned to take advantage of higher catastrophe margins as a market leader in catastrophe underwriting.

Governance

In this section

Chairman's introduction

Good governance is about the Board driving the executive to obtain the highest standards of behaviour throughout the organisation.

The UK Corporate Governance Code

The Board is committed to the highest standards of good corporate governance. It follows an approach that complies with principles of the UK Corporate Governance Code (the "Code"). The required regulatory and governance assurances are provided throughout this report. Amlin has complied with all provisions of the Code with the exception of matters highlighted below. A full account of how Amlin has complied can be viewed at www.amlin.com in the Corporate Governance & Responsibility section.

Code provision B.1.2

For a short period of eight weeks the Board was not compliant with section B.1.2 of the Code regarding the number of independent Non-Executive Directors. During this period the Board did not have a majority of independent Non-Executive Directors due to a timing difference between the resignation of Mrs Bosse on 6 July 2012 and Mrs Jemmett-Page joining the Board on 1 September 2012. The Board agreed that finding a candidate of the right calibre was sufficiently important that the recruitment process should not be rushed. This delay also meant that the Company was not compliant with Amlin's policy on Board diversity with regard to gender.

Code provision D.2.1

For a period of time the Remuneration Committee was not compliant with section D.2.1 regarding the number of independent Non-Executive Directors serving on the Committee. The Committee did not have three independent Non-Executive Directors due to a timing difference between the resignation of Mrs Bosse on 6 July 2012 and the appointment of Ms Chakraverty to the Committee on 1 January 2013. During that period the Committee remained quorate and in compliance with its Terms of Reference. The Board agreed that finding a candidate of the right calibre was sufficiently important that the recruitment process should not be rushed, nor should an individual be appointed just to satisfy compliance with the Code on a short-term basis.

Dear Shareholder

On behalf of the Board, I am pleased to present the corporate governance report for the year ended 31 December 2012. In this, and the Committee reports, your Board endeavours to demonstrate how we approach governance within Amlin. Governance should not just be a set of rules that are disconnected from operations and blindly followed. Good governance is about the Board driving the executive to obtain the highest standards of behaviour throughout the organisation, via its executive and senior management. That behaviour manifests in the attitude of our staff towards our clients, colleagues and other stakeholders and consequently drives our business. Good governance takes different forms – from the delivery of a strong controls framework that works within the business enhancing financial, regulatory and risk controls, to delivering diversity of talent and experience amongst our people and assisting in effective succession planning.

New to this report are the letters from each Committee Chairmen which explain how good governance operates within each of their Committees and ultimately the Group. As part of Amlin's drive for good governance the Board participated in an external evaluation exercise for the first time. Amlin's aim was to capture open and constructive feedback from Board members that would help provide insight into the Board effectiveness and point to actions for improving the operations of the Board and its Committees, establishing a framework for measuring future progress.

You will find the way in which Amlin has complied with the UK Corporate Governance Code both within these reports and in the Code compliance statement on our website. Where it has not been possible to comply fully with the Code, we have set out the reasons for our non-compliance and these matters have now been addressed.

Yours sincerely

Richard Davey
1 March 2013

Experienced leadership

Richard Davey (64)
Chairman » ◊
Appointed a Director in 2005 and Amlin plc Chairman in 2012
Richard Davey was appointed Chairman of the Nomination Committee during May 2012 and is a member of the Risk & Solvency Committee. He was Chairman of the Risk & Solvency Committee from January 2011 until September 2012. He is a senior independent director of Severn Trent Plc and was non-executive vice chairman of the Yorkshire Building Society until April 2012 and non-executive chairman of London Capital Group Holdings plc until August 2012. 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.

Charles Philipps (54)
Chief Executive »
Appointed Group Chief Executive in 1999, having joined the Board as Group Finance Director in 1997
Chartered Accountant. Charles Philipps 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 and a director of Outward Bound Oman UK since June 2012. 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.

Simon Beale (51)
Group Chief Underwriting Officer
Appointed a Director in 2011
Simon Beale was appointed to the new role of Group Chief Underwriting Officer in 2012. Having joined the Group in 1994 he headed Amlin's marine business from 2001 to 2009 and was Underwriting Director of Amlin London from 2008 to 2012. He has been a Director of Amlin Underwriting Limited since 2000. His background is as a specialist marine hull underwriter since joining the Lloyd's market in 1984, becoming a recognised international leader in this field. He has served on various market bodies and is currently a member of the Lloyd's Market Association Board. In 2012 he was elected to serve a three year term on the Council of Lloyd's.

Nigel Buchanan CVO (69)
Senior Independent Director (non-executive) * » ∞ ◊
Appointed a Director in 2004
Chairman of the Audit Committee and Senior Independent Director. Chartered Accountant. Nigel Buchanan is a non-executive director of Butterfield Bank (UK) Ltd and a trustee of the Adventure Learning Schools Trust. 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 (55)
Underwriting Director, Amlin UK
Appointed a Director in 2000
Brian Carpenter 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 Lloyd's Business Development Unit Board. 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.

Sir Alan Collins (64)
Independent Non-Executive * » ◊
Appointed a Director in 2011
Sir Alan has had a distinguished career in HM Diplomatic Service; principal posts have included Ambassador to the Philippines; High Commissioner to Singapore; and for the four years ending July 2011, Director General Trade & Investment USA and Consul General New York. These roles required considerable commercial involvement to promote and protect British business interests in the financial services industry including the insurance sector. He holds a degree in International Relations from LSE.

He was appointed as a non-executive director of JP Morgan American Investment Trust PLC in May 2012, ICICI Bank UK PLC in July 2012, and Prudential Assurance Company Singapore Pte Ltd in August 2012 and until recently was managing director, Olympic Legacy for United Kingdom Trade and Investment.

Marty Feinstein (64)
Independent Non-Executive * » ◊
Appointed a Director in 2007
Chairman of the Risk & Solvency Committee since July 2012. Marty Feinstein is a Fellow of the National Association of Corporate Directors. He is a non-executive director, and chairman of the Audit and Finance Committee, of Reynolds American Inc. He was non-executive director of Geovera Insurance Holdings Limited until August 2012, and was chairman and chief executive officer of Farmers Group Inc from 1997 to 2005, when he retired after 35 years' service. By 2005 Farmers was the third largest property and casualty group in the US. Marty Feinstein is a US citizen.

Richard Hextall (44)
Finance & Operations Director
Appointed Group Finance Director in 1999 and became Group Finance & Operations Director in 2012
Chartered Accountant. Richard Hextall 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. Richard Hextall has been an independent non-executive director of The City of London Investment Trust plc since 2007 where he is the Audit Committee chairman and senior independent director. He joined Amlin from Deloitte & Touche, where he was a director specialising in the insurance and financial services sector.

Shonaid Jemmett-Page (52)
Independent Non-Executive * » ◊
Appointed a Director in 2012
Shonaid Jemmett-Page is a former chief operating officer for CDC Group plc and a former non-executive director and chairman of the Audit Committee of Havelock Europa plc. She is a non-executive director of GKN plc and a member of each Board Committee; a non-executive director and Chairman of the Audit Committee of Apr Energy plc; a non-executive director of Close Brothers Group plc; and a non-executive director of Greencoat UK Wind plc. In addition she is a non-executive director of Origo Partners plc, which is based in the Isle of Man. She is also chairman of the Sustainability Committee for the Institute of Chartered Accountants in England & Wales and the auditor of an Indian children's cancer charity based in Mumbai. She was formerly an audit partner at KPMG, specialising in financial institutions, including insurance.

Sir Mark Wrightson, Bt. (62)
Independent Non-Executive » ∞
Appointed a Director in 2006
Chairman of the Remuneration Committee. Sir Mark 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. Sir Mark 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.

Julie Chakraverty (41)
Independent Non-Executive » ∞ ◊
Appointed a Director in 2013

Julie Chakraverty is a non-executive director of Spirit Pub Company plc, where she is a member of the Audit and Remuneration Committees, and of Aberdeen Asset Management PLC where she is a member of the Risk and Audit Committees. She is a former non-executive director of the insurance company Paternoster, where she was a member of the Audit and Risk Committees. Her previous executive career was at UBS where she was a board member of the Investment Bank, and she started in financial services 20 years ago at JP Morgan.

Left to right:
Standing: Marty Feinstein, Simon Beale, Sir Alan Collins, Sir Mark Wrightson, Brian Carpenter, Richard Hextall
Seated: Nigel Buchanan, Shonaid Jemmett-Page, Richard Davey, Charles Philipps

Current Committee memberships are denoted by the following symbols:
* Audit Committee
» Nomination Committee
∞ Remuneration Committee
◊ Risk & Solvency Committee

Directors are British citizens unless stated otherwise.

Corporate governance report

At a glance

Attendance by Directors at scheduled Board meetings in 2012

Attendees	Number of meetings attended (attended/maximum)*
Richard Davey (Chairman)[1]	7/7
Simon Beale	7/7
Nigel Buchanan	7/7
Brian Carpenter	7/7
Sir Alan Collins	7/7
Marty Feinstein	7/7
Richard Hextall	7/7
Shonaid Jemmett-Page[2]	2/2
Charles Philipps	7/7
Sir Mark Wrightson Bt	7/7
Former members	
Christine Bosse[3]	4/4
Roger Taylor[4]	2/2

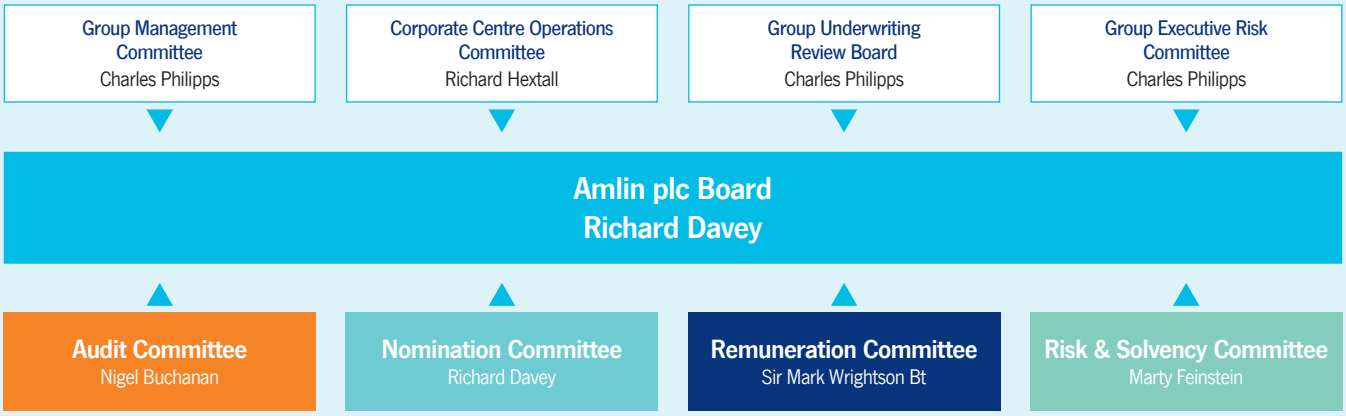
2012 Highlights

- Appointment of a new Chairman;
- Appointment of two Non-Executive Directors (one during the year); and
- External Board evaluation.

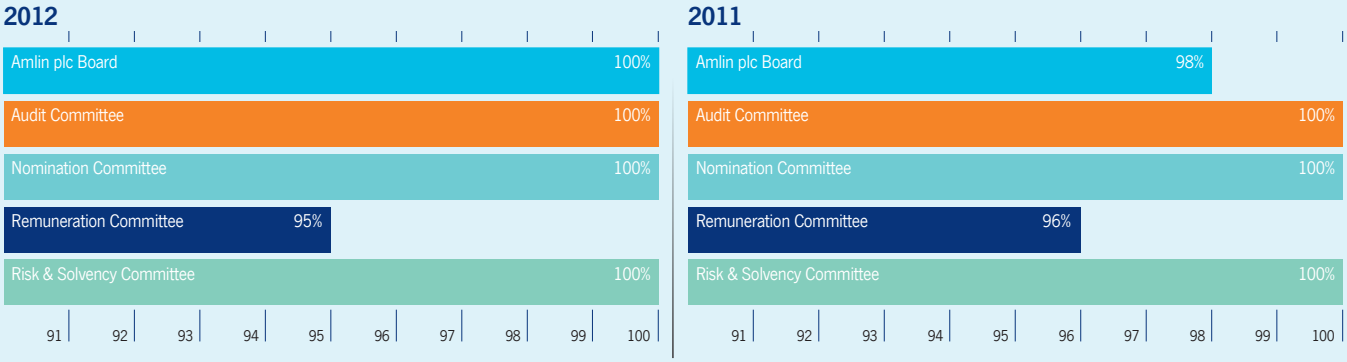
2013 Key objectives

- Maintain a robust corporate governance ethos within the Group;
- Implement conclusions from external Board evaluation; and
- Review of Board reporting.

Board and Management Committees and Committee Chairmen



Board and Board committee attendance (%)



Note:
1. Attended all 7 meetings but was only appointed Chairman from 17 May 2012.
2. Shonaid Jemmett-Page was appointed to the Board on 1 September 2012.
3. Christine Bosse until 6 July 2012.
4. Roger Taylor until 17 May 2012.

* In addition to the scheduled meetings the Board met a further time, at short notice, to discuss a procedural matter.

2012 Key items considered by the Board

Q1	Q2	Q3	Q4
Adoption of Group policies	Approval of Schedule of Matters Reserved and Group policies	Review of Board Committee membership	Business performance
Business performance, including a review of 2011 performance and 1 January renewals	Business performance including a review of Q1 performance and the potential impact on the 2012 business plan	Business performance including analysis of the 2012 half year results	Appointment of Non-Executive Director with effect from 1 January 2013
Board & Committee evaluations review from 2011	Appointment of new Chairman	Appointment of Non-Executive Director	IT strategy for 2013 – 2015
Approval of external Board and Committee evaluation for 2012	Non-Executive Director fee review	Review of the Internal Model submission process	Non-Executive Director fee review process for 2013
Review of 2011 catastrophe losses and review of 2012 risk appetite	Review of Group strategy	Talent Management and results of Employee Survey	Catastrophe Risk Appetite for 2013 and retrocessional reinsurance arrangements
IT strategy			
2013 Business plan			
Use of Internal Model			

Board composition and independence

At the date of this report the Board of Amlin plc (the Board or plc Board) comprised: the Non-Executive Chairman, six independent Non-Executives, and four Executive Directors. Their biographical details are set out in this report on pages 56 – 57. During the year Roger Taylor retired as Chairman with effect from 17 May 2012 and Christine Bosse resigned as a Non-Executive Director on 6 July 2012. Shonaid Jemmett-Page joined the Board on 1 September 2012 and Julie Chakraverty joined the Board on 1 January 2013.

At the forthcoming AGM all of the Directors will be offering themselves for re-election, save for Shonaid Jemmett-Page and Julie Chakraverty who will be offering themselves for election, and Nigel Buchanan who will be retiring at the end of the AGM.

The Chairman was independent on his appointment as a Non-Executive Director in 2005; following his appointment as Chairman on 17 May 2012, he is not classified as independent. The other Non-Executive Directors, who have tenure of between a few months and eight 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.

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.

Nigel 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 Nigel 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. Nigel Buchanan is also a non-executive director of Butterfield Bank (UK) Ltd which purchased insurance from the Amlin Group on normal commercial terms.

Within the last three years Marty Feinstein (until 10 August 2012), and Sir Alan Collins (since 17 August 2012) were or are directors of overseas insurance companies which, like many insurers around the world, either purchase or have the opportunity to purchase reinsurance from the Amlin Group on normal commercial terms. The transactions detailed above are, or were, not material either to Amlin or, the Directors believe, to the other company and in all cases the relationship is either independent of, or was independent of, 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 written by Amlin, 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.

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 comes 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 Europe NV operating in the Netherlands, Belgium and France (formerly ACI). Amlin UK also utilises Amlin Insurance (UK) Limited (AIUK), a UK licensed insurance company.

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 corporate centre and each local entity.

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 sitting as Non-Executives on subsidiary boards along with the relevant business' executive management either on the board or on a management board. This allows the Company to have sufficient Group influence and control within this delegated structure.

The AUL Board currently consists of a Group Non-Executive Chairman, a further independent Non-Executive Director, two Group Executives and its own business executive team including Managing Director, Finance Director, Chief Risk Officer and Amlin UK and Amlin London Underwriting directors.

The AAG board has five Executive Directors (two from Amlin Zurich, two from Amlin Bermuda and the Group Chief Risk Officer) and three Non-Executive Directors, being the Group Chief Executive, the Group Finance & Operations Director and one independent Non-Executive Director.

AE has a two tier board structure comprising a Supervisory Board made up of two independent Non-Executive Directors and the Group Chief Executive, the Group Finance & Operations Director and the Group Chief Risk Officer and a Management Board (whose members usually attend Supervisory Board meetings), presently made up of seven AE Executives.

Key indicator reports on each business unit are made to the plc Board, in addition to the consolidated Group level reporting, 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 Board has overall responsibility to shareholders and other stakeholders for the Group's operations, it is necessary not only for it to direct the overall strategy, values and standards for the Group but also for its Board Committees to be able to effectively 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.

The Audit Committee leads the process of review and makes recommendations to the Board regarding: external auditors, financial reporting, internal control, internal audit, and certain regulatory and compliance matters. The process is designed to ensure that significant risks in these areas are identified, evaluated, managed and controlled. AUL and AE each have their own Audit Committees, which make reports to the plc Audit Committee as well as to their respective boards.

The Risk & Solvency Committee is responsible for reviewing risk and making recommendations to the Board on risk management, risk appetite, solvency, and economic and regulatory capital matters. Both Group and major subsidiaries have executive risk committees which provide reports and updates directly, or via the Group Chief Risk Officer, to the Risk & Solvency Committee.

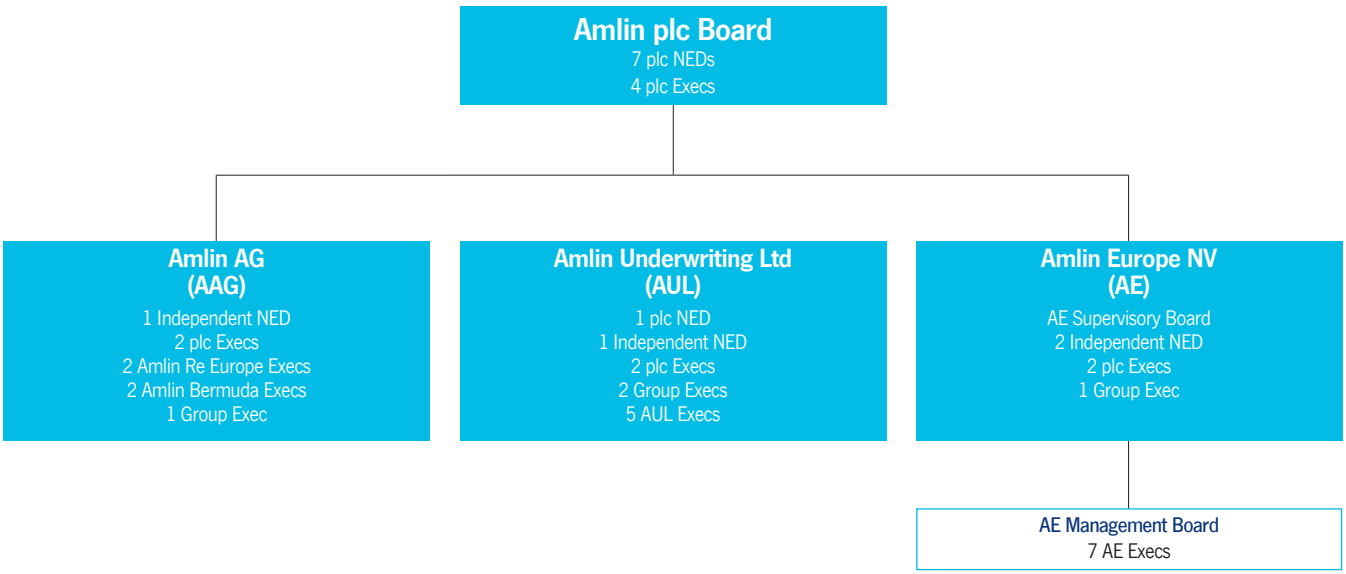
The Nomination Committee reviews succession planning for key roles within the Group, reporting the conclusions of its reviews to the Board and, where appropriate, to relevant subsidiary boards.

The Remuneration Committee is responsible for proposing the Group's remuneration policy to the Board and for setting senior Executive remuneration. It reports to the Board 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 committee structure is illustrated in the chart on page 61.

Each Committee is supported by the Company Secretary, Mark Stevens, or a member of his team.

Board memberships



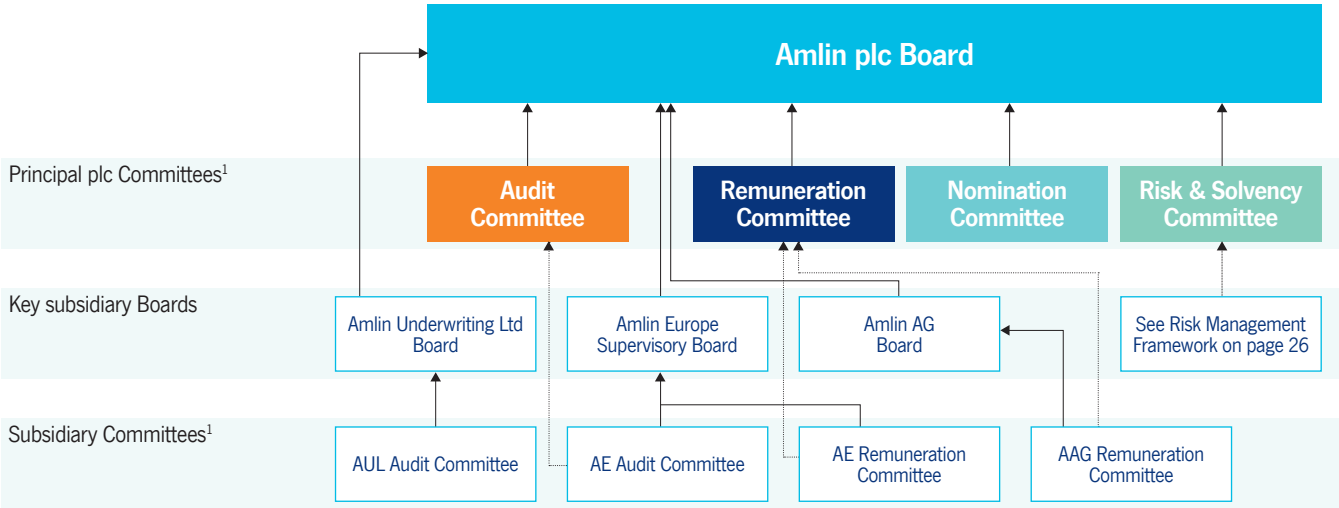
■ Boards □ Management Board

Executive and Board, corporate governance

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

Committee	Members	
Group Management Committee	Kevin Allchorne	James Illingworth
Chair: Charles Philipps	Simon Beale	Philippe Regazzoni
	Brian Carpenter	Andrew Springett
	Mark Farrow	Jayne Styles
	Richard Hextall	Rob Wyatt
	Kim Hvirgel	
Underwriting Review Board	Simon Beale	Richard Hextall
Chair: Charles Philipps	Brian Carpenter	James Illingworth
Corporate Centre Operations Committee	Steve Bardell	Gregoire Mauchamp
Chair: Richard Hextall	Mark Farrow	Steve McMurray
	Mark Ferguson	David Overall
	Elizabeth Graham	Piyush Patel
	James Illingworth	Peter Tavner
	Herman Kreulen	
Group Executive Risk Committee	Simon Beale	James Illingworth
Chair: Charles Philipps	Richard Hextall	
Investment Management Executive	Richard Hextall	
Chair: Jayne Styles	Charles Philipps	

Board and Board committee structure



Note:
1. Not all committees are shown.

Executive oversight is conducted through four principal management committees, whose membership and Chairmen are shown on page 58.

The Group Management Committee focuses on strategy and performance and receives updates on key matters from the work of the other three main committees. It was enlarged during 2012 so that it now comprises the heads of each division and regulated entity, as well as the people responsible for key functions in the Corporate Centre.

With the changes to the Board of AUL and the creation of four Underwriting Practice Boards (as detailed in the CEO's review), a Group Underwriting Review Board was established in October 2012. The Underwriting Review Board focuses on underwriting strategy as proposed by the Practice Boards, new underwriting initiatives, areas of concern or underperformance, plans and progress for addressing such areas, and the adoption of Amlin's underwriting standards and practices across the Group.

Also during 2012 a Corporate Centre Operations Committee was established, led by the Group Finance & Operations Director, to keep under review the functional capability and effectiveness of all parts of the Group in line with Amlin's operational policies and standards, to propose and oversee operational priorities and major change programmes, and to oversee IT strategy.

The Group Executive Risk Committee oversees the development of the Group's risk management framework, reviews the status of risks against tolerances which have been agreed by the Board, and considers the adequacy of actions being taken to control and mitigate key risks. It also reviews the ORSA prior to its presentation to the Risk & Solvency Committee.

The Investment Management Executive (IME) sets the strategic asset allocation and tactical asset allocation ranges. Group Investments (GI) is assisted in its decision-making and recommendations to the boards by the Investment Advisory Panel consisting of the Chief Investment Officer (CIO) and three external experts.

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.

Control framework

The Group has put in place a management structure with defined lines of responsibility and clear delegation of authority. A framework of Group policies and standards has been established with which each business is expected to comply. Each business or functional unit has clear responsibilities for ensuring that appropriate controls are in place at an operational level, including those in respect of financial reporting processes. Key elements of the overall control environment are the various executive governance bodies discussed earlier in this statement. These bodies receive oral and written reports from Amlin's businesses and support departments. Additional key control elements are the subsidiary boards (including where applicable their Audit and/or Risk Committees). These boards are responsible for overseeing the management of each subsidiary in accordance with Amlin's policies and standards and the requirements of their respective markets.

Board internal control statement

The Board recognises its responsibility for the Group's risk management and internal control systems and has complied with Principle C.2 of the 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 2012 to the date of approval of this report and includes risks arising from social, environmental and ethical matters, in accordance with the Turnbull Report.

The Board is responsible for reviewing the effectiveness of established systems of internal control. 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. Further information on how the Board has maintained a sound system of internal control to safeguard shareholders' investment and the Company's assets can be found in the Business Review on strategy and principal risks on page 27.

The effectiveness of the Group's system of risk management and internal control is reviewed regularly on behalf of the Board by the Risk & Solvency Committee (on risk management matters) and by the Audit Committee (on financial, financial reporting process, regulatory and compliance matters). Where significant control failings or weaknesses have been identified actions have been, or are being taken, to remedy these. The Risk & Solvency Committee and, where appropriate, the Audit Committee have received regular reports from management in this regard.

Risk management

A dedicated Corporate Centre Risk Function (CCRF), which is managed by the Group's Chief Risk Officer, oversees the management of risk to ensure that each operating entity manages its risk in accordance with Group policies and allocated risk tolerances. Reports from CCRF are reviewed and appropriate executive actions are considered by a Group Executive Risk Committee. In addition, each regulated subsidiary's board is responsible for the oversight of its risk, supported by executive risk committees for each principal subsidiary.

Risk assessment

Amlin's Risk Assessment Process includes use of an Enterprise Risk Management (ERM) system used for reporting on all the significant identified risks to the achievement of Group objectives, the nature and effectiveness of the controls and other management processes to manage these risks. Risk tolerances are set for key risk categories, for example catastrophe, reserving, investment and operational risk. The risk management framework encompasses self-assessment of controls by Risk Owners throughout the business coupled with independent challenge of these assertions by CCRF. The risks and the controls identified by Risk Owners within the risk management framework are regularly reviewed by the Internal Audit function to assess the effectiveness of the controls put in place and their operation. The Own Risk & Solvency Assessment (ORSA) brings together key metrics on Amlin's risk and solvency performance.

Amlin operates an Internal Model which captures the key economic and risk factors that could impact the performance of the Group. The ORSA is produced quarterly and is used to escalate 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. It is reviewed by both the Group Executive Risk Committee and the Risk & Solvency Committee.

Internal audit and compliance

Internal audit and compliance monitoring work is carried out by the Group's Internal Audit and Compliance departments. Both departments have reporting lines 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 Board receives regular reports from both the Audit Committee and the Risk & Solvency Committee, which review the main processes established by the Group, including matters which are the regulatory responsibility of the boards of AUL, AIUK and AE. These Committees met jointly to perform 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, and the findings are used to assist the Board in discharging its review responsibilities. At AE, changes have been made to finance and risk management processes which have resulted in improved controls. Technology changes have taken longer to implement than had been anticipated but the major changes required have now been completed. Following on from the control improvements made in 2011, further good progress has been made in 2012 to strengthen AE's key controls. This work is ongoing and should ensure that the internal control environment at AE achieves the high standards to which the Group aspires by the end of 2013. 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 these arrangements.

Business planning

The Group has developed a formal structured business planning process which operates for all businesses elements. This runs on an annual cycle with proposed plans being presented to and agreed by relevant subsidiary boards prior to being consolidated and approved by the Board. Board reporting operates on a quarterly basis, with monthly monitoring at management level. The Group's financial performance monitoring includes detailed reporting against plans.

Reserving

Responsibility for reserving is that of the boards of regulated subsidiaries and, at Group consolidated level, the Board. The Group recognises that it is important that the processes by which executive management reach their reserving decisions are objective and robust. This role is performed in quarterly meetings, which review and finalise the preliminary reserving conclusions for their businesses. Reserving is reported at subsidiary board level each quarter and, twice-yearly, to the Audit Committee. Quarterly review meetings receive actuarial assessments reviewing the consistency and prudence of the key reserving judgements.

Investments

The setting and execution of the Group's investment strategy has its own hierarchy of responsibilities. The relevant boards are responsible for setting their Investment Frameworks that control the practices and procedures governing: the setting of investment policy, the management of investment risk and the management of the investment operations. Within this framework the boards set their own investment risk appetites within the overall Group investment appetite.

The investments are run on a multi-asset, multi-manager basis with day-to-day responsibility delegated to GI.

Share capital

Information concerning the share capital of the Company in accordance with DTR 7.2.6 may be found on page 92.

Nomination Committee report

At a glance

Committee membership

Attendees	Number of meetings attended (attended/maximum)*
Richard Davey (Chairman)	4/4
Nigel Buchanan	4/4
Sir Alan Collins	2/2
Marty Feinstein	2/2
Shonaid Jemmett-Page	1/1
Charles Philipps	4/4
Sir Mark Wrightson	4/4
Former member	
Roger Taylor[1]	1/1

Key items in the Terms of Reference

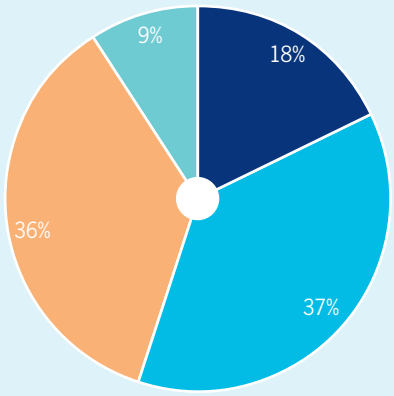
- Leading the process for appointments to the Board of the Company;
- Review annually the time required from each Non-Executive Director of the Company;
- Review the leadership needs of the organisation, both executive and non-executive; and
- Responsible for regularly reviewing the structure, size, composition and balance of skills, knowledge, experience and diversity of the Board.

The Terms of Reference were last reviewed by the Board on 14 November 2012 and may be found on the Company's website www.amlin.com in the Governance & Responsibility section.

2012 Key items considered

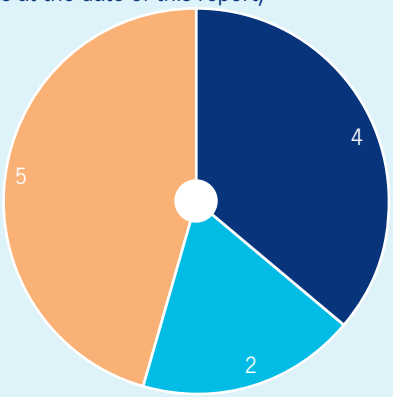
Q1	Q2	Q3	Q4
Chairman succession planning	Composition of Board Committees	Non-Executive Director recruitment	Non-Executive Director recruitment
Election and re-election of Directors at the AGM	Non-Executive Director recruitment	Appointment of a Non-Executive Director	Appointment of a Non-Executive Director
Committee performance evaluation			
Non-Executive Director recruitment			

Age diversity on Amlin plc Board of Directors



- 41 – 50
- 51 – 60
- 61 – 65
- 66 – 70

Board composition
(as at the date of this report)



- Independent Non-Executive Directors – Male
- Independent Non-Executive Directors – Female
- Executive Directors and Chairman

Note:
1. Roger Taylor retired as Chairman and a Director 17 May 2012.
* In addition to the scheduled meetings the Committee met a further time, at short notice, to discuss a procedural matter.

2013 Key objectives

- Review and implementation of external performance evaluation conclusions;
- Review of future performance evaluation arrangements; and
- Management succession planning.

Dear Shareholder

As the Chairman of the Nomination Committee, my first duty is to thank Roger Taylor for leading the Committee throughout his tenure as Chairman of the Company. Roger had overseen the development of a strong framework within the Committee and paved the way for a smooth transition to me, as Chairman both of the Board and of this Committee.

I should also like to thank Nigel Buchanan who, as the Senior Independent Director, led the succession planning for the appointment of a new Chairman with great skill and diligence, making sure that the process had due regard for all involved, satisfied all parties and remained in compliance with the UK Corporate Governance Code.

The process for recruiting a new Chairman was discussed at length in last year's report and this formed the main focus for the Committee in the first quarter of 2012, both in the official context of the meeting and outside the meeting via informal discussions between the Senior Independent Non-Executive Director and Committee members.

Once the appointment had been decided and the transition made from Roger to me, the focus of the Committee shifted to the recruitment of additional Non-Executive Directors and the evaluation of the Boards' performance by Ffion Hague from Independent Board Evaluation as external Board evaluator.

We have recruited two excellent candidates in 2012 in Shonaid Jemmett-Page and Julie Chakraverty. I am delighted that, following Nigel Buchanan's decision not to stand for re-election at the May 2013 Annual General Meeting, Shonaid has agreed to Chair the Audit Committee following a recommendation from the Committee.

The outcomes of the 2012 Board performance evaluation were presented to the Board in late February 2013 and, whilst the detail has not been included in this report, the process undertaken and the high level outcomes have been disclosed to allow shareholders an insight into how their Board functions. The Committee has recommended to the Board that Marty Feinstein be appointed as Senior Independent Director and I am delighted that he has agreed to accept the appointment. In addition, the Committee and the Board agreed to propose that all the Directors who wished to stand be elected or re-elected at the AGM to be held in May 2013.

Having spent a great deal of time in 2012 looking at the composition of the independent Non-Executive Directors and in implementing a succession plan for that constituency, the Committee is turning its focus in 2013 to the succession planning for the senior management. Succession planning has historically been aimed at replacing key individuals when they leave. The emphasis in a fast growing business like Amlin should now shift to how to develop key talent and to grow the future business and industry leaders. There is more detail on this approach in the People report on pages 28-31.

Yours sincerely

Richard Davey
1 March 2013

Purpose and Terms of Reference

The purpose of the Nomination Committee is to ensure that the Board, its Committees and those individuals who fill 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. This purpose also includes the oversight of succession planning for key executives and the identification and nomination for Board approval of all candidates for Board appointment.

The Committee received detailed papers and information sufficiently in advance of its meetings for its members to consider them appropriately, making suggestions for improvements when required.

Activities in 2012

Board and Committee Evaluation

During 2012 the Board appointed an independent external evaluator, Independent Board Evaluation, to conduct a thorough and rigorous evaluation of the Board, noting the actual and potential changes to the Board and its Committees.

The results of the 2012 Board and Committee Evaluation were presented to the Board at the February 2013 meeting. The Board was pleased to note that it was regarded as effective and possessed sufficient skills and experience to enable the Board to discharge its responsibilities appropriately. The report suggests, however, that greater attention should be given to succession planning, the quality of Board papers and presentations, and also to long-term strategic matters. Measures are in hand to address these issues.

The evaluation confirms the Board's belief that the Board balance and the composition of each main Board Committee continues to remain appropriate. The Committee, when reviewing the non-executive membership of the Board, noted that the six Non-Executive Directors, including the Chairman, demonstrate an appropriate mix of insurance and other financial sector knowledge to enable the non-executives collectively to fulfil their role of challenge and oversight. The Nomination Committee and the Board, following rigorous review, decided that in view of the specialist and complex nature of insurance written by Amlin and the years of experience that these non-executives have, it would be highly beneficial to the Company to extend their tenure and to allow them to continue in their roles as Non-Executive Directors.

In reviewing the executive membership of the Board, the Committee concluded that the skills and experience the Executive Directors bring to the Board are complementary to each other and those of the Non-Executive Directors.

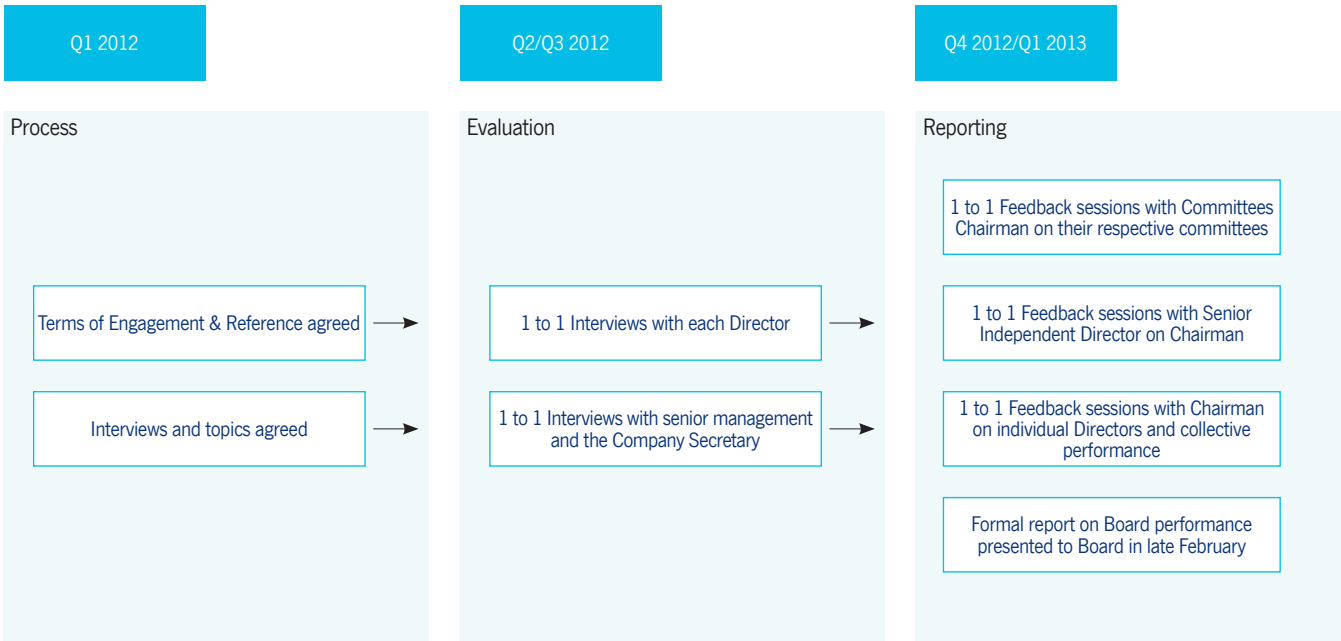
The evaluation has also been taken into consideration by the Board when considering the nomination of Directors for election or re-election at the 2013 AGM and the Committee was able to recommend to the Board the nomination of all Directors wishing to stand for re-election at the AGM (to be held in May 2013). No Director participated in any decision regarding his or her own position.

Recruitment of Non-Executive Directors

In response to the results of the 2011 Evaluation, the Committee continued its search for two additional Non-Executive Directors, hoping to recruit one during 2012 and one in early 2013. The Committee used two external recruitment consultants, the Miles Partnership and the JCA Group to assist in finding individuals with the right skills and experience and in line with the Board's policy on Board Diversity.

This process culminated in the recruitment of Shonaid Jemmett-Page in August 2012 and Julie Chakraverty in December 2012. The Board believes that both Shonaid Jemmett-Page and Julie Chakraverty bring valuable experience and skills to the Board which will add to its diversity. Shonaid Jemmett-Page has recent and relevant financial experience and is a qualified accountant, making her an appropriate successor to Nigel Buchanan on the Audit Committee. Julie Chakraverty has a specialist background in risk management and fixed income markets, together with experience of remuneration matters within the financial services sector. Their biographical details may be found on pages 56-57.

External Board evaluation



Succession planning

During 2011, Roger Taylor indicated he wished to retire as Chairman and a member of the Board at the AGM to be held in 2012. Succession plans to cover this eventuality, led by the Senior Independent Director, were discussed and reviewed by members of the Committee in the absence of Roger Taylor and with all other Board members as appropriate. The Directors, after reviewing all aspects of the Chairman's role and the mix of skills required to fulfil this, concluded that there were sufficiently qualified candidates within the Board and that there would be no need to seek further external candidates. Following further consultation in late 2011 and early 2012 the Committee concluded that Richard Davey should be appointed as Chairman following the AGM held in 2012.

As detailed above, Non-Executive Director succession plans were reviewed by the Committee during the year, culminating in the recruitment of two further Non-Executive Directors. Neither the Chairman, nor any other Non-Executive Director, took part in any discussions concerning their own positions. In late 2012 Nigel Buchanan indicated he wished to retire as a Director at the AGM to be held in May 2013. Given his knowledge of Amlin and the sector, the Board of Amlin Underwriting Limited asked him to serve as their non-executive chairman following his retirement from the Amlin plc Board, and he has agreed to accept the appointment.

Following the changes to the Board in 2012, the Committee, having reviewed succession planning for the executive in late 2011 and concluding that the plan at that date was well conceived and effectively managed, decided to delay reviewing the executive succession planning until early 2013, in line with the Talent Management Programme detailed on page 28. The Committee believe this will allow the newer members of the Committee to become familiar with both the current succession plans and the relevant internal candidates.

Board and Executive Diversity

Amlin remains committed to its policy of diversity, including diversity of skills, experience, nationality and gender in its appointments to the Board and within the Executive and will continue to do so, recruiting individuals on merit and their suitability for the role and cognisant of the skills and experience of the rest of the Directors and senior management. In 2011 we stated that it was Amlin's aspiration that, by the end of 2015, 20% of the Board should be made up of women. We are delighted that in May 2013 we will have achieved that target and look forward to continuing to follow the Statement of Diversity in future appointments.

Audit Committee report

At a glance

Committee membership

Attendees	Number of meetings attended (attended/maximum)
Nigel Buchanan (Chairman)	5/5
Sir Alan Collins	5/5
Marty Feinstein	5/5
Shonaid Jemmett-Page[1]	1/1
Former member	
Richard Davey[2]	2/2

Key items in the Terms of Reference

- Monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;
- Monitor and review the effectiveness of the Group's Internal Audit function and agree an effective Group internal audit programme with the Head of Internal Audit;
- Monitor and review the effectiveness of the Group Compliance function and agree an effective Group compliance programme with the Head of Group Compliance;
- Review the effectiveness of the internal control framework;
- Lead the process of review and make recommendations to the Board with regards to the external auditors;
- Approve the remuneration of the external auditors; and
- Review the Group's Whistleblowing procedures.

The Terms of Reference were last reviewed by the Board on 14 November 2012 and may be found on the Company's website www.amlin.com in the Governance & Responsibility section.

2012 Key items considered

Q1	Q2	Q3	Q4
Joint meeting with Risk & Solvency Committee to review internal control statement and principal risks and uncertainties	Amlin plc quarterly management statement	Review of interim results	Amlin plc interim management statement
Amlin plc Report & Accounts	Non-audit fees	Auditor fees	Discussion on Amlin Europe IT Platform
Reappointment of Auditors			
Review of Internal Control Statement			
Compliance Report	Compliance Report	Compliance Report	Compliance Report
Group Internal Audit Report	Group Internal Audit Report	Group Internal Audit Report	Group Internal Audit Report
Review of whistleblowing policy	Anti-Bribery and Corruption legislation	External evaluation of Internal Audit	Business Continuity Management
Committee performance evaluation		Taxation	Review of Terms of Reference of Committee
Private session with PwC without management present	Private session with Head of Internal Audit without management present	Private session with Head of Internal Audit without management present	

Note:
1. Shonaid Jemmett-Page was appointed to the Committee on 1 September 2012.
2. Richard Davey resigned from the Committee on 17 May 2012.

2013 Key objectives

- Review the effectiveness of the Group's current internal control and compliance regimes;
- Review and approve the Company's Interim Results Statements and Annual Report and Accounts;
- Recommend the appointment of auditors and approval of audit fees;
- Review and approval of non-audit fees;
- Review and approve the Internal Audit and Compliance plans for 2014;
- Monitor progress on the 2013 plans for Internal Audit and Compliance; and
- Effect a successful handover to a new Committee Chairman.

Dear Shareholder

An Audit Committee plays an integral part in the monitoring, testing and review of internal controls within any business. At Amlin we firmly believe that the Audit Committee adds value through not only reviewing the current control regime and ensuring all governance obligations are met, but also through offering insight and experience on potential areas of exposure.

The role of the Audit Committee within Amlin is not just to review Financial Reporting (including related matters), although this itself is an important task. The Committee also reviews how the Internal Audit function operates across the Group and the plans and work undertaken during the year; how the Compliance function operates across the Group to ensure that action is being taken to mitigate exposure to compliance risks; and ensures that appropriate controls are in place to permit staff to report matters of concern through whistleblowing policies as the business develops. These are discussed in detail overleaf.

During 2012 the Committee looked at several important financial activities including the accounting treatment of the catastrophe bond launched in 2011, which was discussed and agreed with the auditor; reviewed the actuarial benchmarking of reserves; and non-audit fees. The latter we discuss in detail on page 71. The Committee has looked in detail at how its membership would be strengthened in the future, following Richard Davey's decision to stand down from the Committee, and knowing that my tenure as Chairman would end at some point in 2013. To that effect, and in co-operation with the Nomination Committee, we were delighted when Shonaid Jemmett-Page was recruited to the Board, joined the Committee and agreed to take over from me as Chairman. Her recruitment provides additional recent and relevant financial experience to the Committee and her experience in managing international businesses will complement the strong international focus that the Committee and Group have developed.

In addition, the Committee instructed an external third party, Independent Audit Limited, to carry out a review of the Internal Audit function, which was completed in May 2012. The review has confirmed the Committee's and senior management's opinion, that the Internal Audit function is well led, managed and respected within the Group and completes its role as internal auditor with the professionalism expected of it. The review also highlighted a number of areas where improvements could be made to the work of the department and its interaction with the Group's businesses. A plan has been established to address these which will be implemented over the next two years. With the adoption of a new IT platform within Amlin Europe, the Committee, via the Internal Audit function, has spent considerable time understanding and monitoring the controls and checks put in place to ensure the platform operated appropriately and that there was a successful transfer of data to it.

The Committee also reviewed the plans to review the end-to-end data management systems for finance and risk and, after deliberation, agreed with management's recommendation, following a competitive tender, to appoint PwC to carry out the first stage of the programme, noting that PwC would be explicitly excluded from completing the implementation phase in accordance with the policy on non-audit services.

I will be retiring as a Director and as Chairman of the Audit Committee at the AGM in 2013. It has been a privilege to serve as the Chairman of the Audit Committee and a pleasure to work with a first-class team of individuals.

Yours sincerely

Nigel Buchanan
1 March 2013

Purpose and Terms of Reference

The purpose of the Audit Committee (Committee) is to review, take certain decisions relating to, and make recommendations to the Board regarding the financial reporting, external auditors, internal control, internal audit, and certain regulatory and compliance matters.

The terms of reference of the Committee are designed to enable it to take an independent view of the appropriateness of the Group's accounting policies, practices and reporting; compliance and internal control processes; and the 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. The terms of reference are compliant with Solvency II and continue to take full account of the Smith Report on the role of the Audit Committee and the FRC's Guidance to Audit Committees issued in September 2012. They are available in the Corporate Governance section on Investor Relations on the Company's website.

The Committee has the authority to engage its own independent external advice at the Company's expense. During the year, in collaboration with the Executive, it engaged Independent Audit Limited to review the Internal Audit function. No other external advice, other than that from the external auditors, was requested during the year. The Committee's activities can be divided into three interlinked areas: financial reporting and external audit; internal control and compliance; and internal audit. Additionally, although consideration of risk is within the remit of the Risk & Solvency Committee, the Audit Committee received reports on risk during the year to enable it to consider these three main areas with reference to the risks facing the Group. The Committee meets jointly with the Risk & Solvency Committee on an annual basis to consider the "Statement on Internal Controls" and the "Principal Risks and Uncertainties" identified for the business. The Committee also considers the regulatory requirements in relation to Anti-Bribery & Corruption and Competition Law and the controls in place to prevent these being committed, and staff reporting matters of concern.

Activities in 2012

Financial Reporting and External Audit

The prime financial reporting focus of the Committee during the year was on the integrity of the Company's Annual Report and Accounts and its Interim Management Statements. For the 2012 financial results, the Committee considered issues that required specific accounting treatment such as the treatment of the catastrophe bond; non-consolidation of asset managers; the accounting treatment of the costs of the new IT platform for Amlin Europe (AE), and the relative reserving margins held at year end, in particular for the natural catastrophes which occurred in 2012. The half-year financial statement, annual report and each Interim Management Statement of the Company were reviewed by the Committee.

The Committee was satisfied that the significant assumptions underlying the reported figures were justified and that there was appropriate and meaningful disclosure of the critical judgements and key estimates made in supporting these assumptions.

Reports were received from the external auditors in respect of each set of financial statements. The material judgemental areas were highlighted and then discussed by the Committee with the auditors alongside reports from management. Significant additional issues reviewed by the Committee during the year include the implementation of the new IT platform in Amlin Europe and anti-bribery controls.

Internal Audit

The Committee reviewed the plans and work undertaken during the year by the Group's Internal Audit function, including reports relating to overseas subsidiaries, and the consequent actions agreed with management. The findings of all internal audit reports were considered by the Committee which enabled the Committee to question the Head of Internal Audit on any report. Management's progress in addressing the matters raised was closely monitored, and where appropriate, the Committee continues to challenge management to move more quickly to resolve issues.

During the year, the Internal Audit function paid particular attention to the improvements made in AE to strengthen key controls and the implementation of the new IT platform.

The Committee also monitored the Group's compliance with Lloyd's and other regulatory requirements and recommendations, and reviewed the main whistleblowing procedures operated by the Group.

Internal control and Compliance

Details of the Committee's role regarding internal control issues are set out in the "Board internal control statement" on page 62 within the Board Corporate Governance statement. Additionally, the Committee reviewed the activities of the Group Compliance function during the year.

Membership of the Committee

The Committee's membership, number of meetings and attendance during the year are set out above. Further details of the qualifications and experience of Committee members may be found on page on page 56 – 57. Both the Nomination Committee, in making its recommendations to the Board, and the Committee in its own self-evaluation, reviews the Committee's membership. In the view of the Board, the combination of audit, wider financial services, international trade and insurance experience provides an appropriate group of experienced professionals to fulfil the duties of the Committee. In addition, all the current Committee members also serve on the Risk & Solvency Committee, retaining a strong link between the risk and audit review processes.

The Chairman of the Company, the Group Chief Executive, the Group Finance & Operations Director, the Chief Risk Officer, the Head of Internal Audit and the Group Head of Compliance usually attend the Committee's meetings. During 2013 the Committee will meet privately with the Group Head of Compliance who also has a private line of communication with the Committee Chairman.

The Committee received and reviewed detailed papers and information sufficiently in advance of its meetings for its members to consider them appropriately, making suggestions for improvements to these papers 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.

An external evaluation of the Committee, which reviewed the Committee's Terms of Reference, composition, procedures, contribution and effectiveness, was undertaken for the first time during 2012. The evaluation concluded that during the year the Committee 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 the evaluation were reported to the Board in early 2013 and are discussed in the Nomination Committee Report.

Auditors and non-audit services

PricewaterhouseCoopers LLP (PwC) were appointed as Amlin's external auditors in 2009 following a comprehensive, competitive tender process. The Committee has undertaken to carry out a detailed review of the work of the external auditor every ten years and recommend whether the contract should be placed to tender or not. Furthermore, the Committee will make a recommendation to the Board regarding appointment or reappointment following such tender.

The effectiveness of the external auditors is assessed at least annually and, following the review undertaken during the year, the Committee considers that this continues to be demonstrated, based on reports from management and from its own observations. Additionally the Financial Reporting Council undertook an inspection of PwC during the year and the ensuing reports were reviewed by the Committee.

The Committee reviewed the external auditors' engagement and service plans, their independence and the extent and reasons for them providing non-audit services. Amlin has a policy in place which covers the level and type of non-audit services permissible and the approval processes for using such services. Allowable services are approved by the CFO or CEO up to £50,000; the Audit Committee Chairman between £50,000 to £250,000; and the Audit Committee between £250,000 to £500,000 (including where the aggregate of all annual non-audit fees is more than £500,000). Any non-audit services above these limits must be justified and tendered, if appropriate, prior to approval. A breakdown of fees paid to the auditor for non-audit work is set out in note 14 to the Accounts.

During 2012, significant work was undertaken in relation to the Group's end-to-end data management for finance and risk. A competitive tender process was undertaken to find the most appropriate service provider for the review. This process included tenders from four leading external providers and it was concluded that PwC was best placed to complete the initial stage of the work due to their knowledge of the Group and its systems. In appointing PwC appropriate checks were made to ensure that the team running the project were not part of the audit team. In addition, both the Audit Committee and PwC considered the potential for a conflict and the PwC independence controls were reviewed as part of the formal reporting and were discussed by both the Committee and the Board. Subsequently, Deloitte LLP was appointed to complete the implementation phase. The magnitude of the project meant that the aggregate of all annual non-audit fees would exceed £500,000 and, as such, after full and thorough consideration, the Committee recommended that the Board raise the aggregate limit for non-audit fees to accommodate this specific project and for 2012 only. This was subsequently agreed by the Board. The Committee has considered the provision of non-audit services provided by PwC during the year and remains satisfied that this has not compromised their independence as auditors.

Risk & Solvency Committee report

At a glance

Committee membership

Attendees	Number of meetings attended (attended/maximum)
Marty Feinstein (Chairman)[1]	2/2
Nigel Buchanan	5/5
Sir Alan Collins	5/5
Richard Davey	5/5
Shonaid Jemmett-Page[2]	2/2
Former members	
Roger Taylor[3]	2/2

Key items in the Terms of Reference

- To lead the review of risk management, risk appetite, solvency and capital;
- To review and make recommendations to the Board regarding the Own Risk & Solvency Assessment (ORSA);
- To review the adequacy, effectiveness and governance of the Group's Internal Model; and
- To review, jointly with the Audit Committee, the effectiveness of internal controls and risk management systems and enable recommendation that the Board approves the internal control statement.

The Terms of Reference were last reviewed by the Board on 14 November 2012 and may be found on the Company's website www.amlin.com in the Governance & Responsibility section.

2012 Key items considered

Q1	Q2	Q3	Q4
Review of internal control statement	Report from Group Chief Risk Officer covering Areas of Concern and Group Executive Risk Committee activities	Report from Group Chief Risk Officer covering Areas of Concern and Group Executive Risk Committee activities	Report from Group Chief Risk Officer covering Areas of Concern, Group Executive Risk Committee activities, flood risk exposures, risk tolerances, reinsurance and credit exposures
Review of ORSA	Review of ORSA	Review of ORSA	Review of ORSA
Report from Group Chief Risk Officer covering Areas of Concern, Group Executive Risk Committee activities and Reverse Stress tests output	Report from DFA Steering Committee on the Internal Model development and governance	Report from DFA Steering Committee on the Internal Model development and governance	Report from DFA Steering Committee on the Internal Model development. Review of model changes policy. Update on validation and data quality and external validation
Review of Committee performance	Update on Pillar III external regulatory reporting preparations	Review of standard formula for Solvency Capital Requirement submission to regulator	Proposals for Independent Validation of the Internal Model under 'business as usual'
Review of risk management approach for Operational Risk		Review of external catastrophe model validation	Review of expert judgements and data quality limitations arising from audit
Report from DFA Steering Committee on internal model development and governance		Review of Terms of Reference of Committee	Discussion on the use and calculation of diversification credit.
Review of Remuneration Policy Risk	Private session with Group Chief Risk Officer without management present		Private session with Group Chief Risk Officer without management present

Note:
1. Marty Feinstein attended five meetings but was only appointed to the Committee (as its Chairman) in October 2012.
2. Shonaid Jemmett-Page joined the Committee in October 2012.
3. Roger Taylor retired on 17 May 2012.

2013 Key objectives

- Continued development and challenge of the Group Own Risk & Solvency Assessment (ORSA);
- Internal Model validation moving onto business as usual footing;
- Effectiveness review of Risk Management process; and
- Review and challenge of stress, reverse stress and scenario testing.

Dear Shareholder

As the Chairman of the Risk & Solvency Committee, a role I took over from Richard Davey in October 2012, my first duty is to thank him for chairing the Committee since its formation in 2011. Richard had encouraged a strong Committee which has developed a firm understanding of the complexities of risk and risk mitigation within a complex group like Amlin. Throughout the process he has been ably supported by the executive management, especially the Group Chief Risk Officer James Illingworth, and by non-executives, especially Nigel Buchanan. Nigel Buchanan will be retiring from the Committee on 16 May 2013 and we will miss his contribution. I am heartened, that we have already welcomed Shonaid Jemmett–Page to the Committee, and that her insight has already proved to be thought provoking. I am also encouraged that Julie Chakraverty will be taking an active part in the risk discussion in 2013.

Shonaid Jemmett-Page joined the Committee in October 2012, bringing with her a wealth of international finance and commercial experience, supplementing the international experience of both Sir Alan Collins and myself. Nigel Buchanan is also a member of the Remuneration Committee and this common membership ensures that the Risk & Solvency Committee works with the Remuneration Committee in the assessment of Remuneration Risks and the controls put in place to mitigate these. Julie Chakraverty joined the Committee on her appointment on 1 January 2013 and has also joined the Remuneration Committee, ensuring that the synergies between Committees remain after Nigel Buchanan's retirement.

I have already mentioned that Risk is a complex area; this is made more so with the different regulatory regimes facing a group such as Amlin. These regimes have varying implementation dates and definitions, impacting the Group capital requirements differently. The Committee has focused the majority of its time in 2012 looking at how the Internal Model works and drives our capital requirements, how the Internal Model can be used to drive our business plans; and how we validate both the input into the Internal Model and the output generated. It was also able to devote some time in each meeting to particular areas or processes at greater detail. One such detailed review was into the use and calculation of diversification credit when calculating the Group capital requirements. These reviews enable exploration of more complex areas in greater depth, and will continue in 2013.

Yours sincerely

Marty Feinstein
1 March 2013

Purpose and Terms of Reference

The main purpose of the Risk & Solvency Committee is to provide an effective and robust challenge on the assumptions made by executive management concerning the key and emerging risks facing the business. The Committee draws on its wide and varied experience to provide a human element of challenge to the calculations created by the Internal Model and to ensure that challenge is replicated at all levels of the review process. To assist in this, the Committee and other members of the Board have had regular training sessions and reviews elements of the business to ensure that the level of technical challenge is appropriate in providing the Board the comfort required.

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.

Activities in 2012

In 2012, the Committee was particularly focused on the further development of the ORSA process, which is now being used to a much greater degree than previously to assist in the development of Group strategy. The risk metrics provided above offer examples of the ORSA output, with the solvency, catastrophe risk and reserving risk illustrations being derived direct from the ORSA as at 31 December 2012. As the ORSA is used more widely the role of the Committee in challenging data quality and the validity of the Internal Model becomes of increasing importance, and the Committee devoted a considerable amount of its time to the Internal Model during 2012.

Through the Committee's understanding of the Internal Model processes, it was ideally placed to review and recommend the documentation to be submitted to the FSA as part of the Solvency II submission. The Committee also reviews validation reports produced by internal and external experts. Amlin was one of the first UK companies to complete the full Solvency II submission.

The Committee kept the Group's risk management framework under review to ensure it continues to prove effective. The framework is displayed in diagrammatic form on page 26.

At each of its meetings, the Committee receives regular reports from the Group Chief Risk Officer and from the Group Executive Risk Committee. These include a report on Areas of Concern which ensures that the Committee is promptly informed of significant developments impacting the business risk profile. Discussion included a review of the short-term implications for business continuity as a result of the 2012 Olympics arrangements, a review of action and contingency planning in the event of a significant banking failure in Europe, and the possible impact of global flooding on supply chains.

More detailed reviews on particular areas were also undertaken. During 2012 these included the use and calculation of risk diversification credit in the assessment of Group capital requirements; a review of underwriting risks such as UK flood and other catastrophe exposures; reinsurance credit risk; and the validation process for the Internal Model.

The Committee also undertook a detailed review of the retrocessional reinsurance arrangements and their impact on earnings and capital, which helped influence the discussion on catastrophe risk tolerances for 2012 and ultimately 2013.

The Committee also meets jointly with the Audit Committee on an annual basis to consider the Statement on Internal Controls and the Principal risks and uncertainties identified for the business. Further details of the Committee's role regarding internal control issues are set out in the Board internal control statement (p62) within the Board Corporate Governance statement.

As Risk is a complex subject, the Committee has had regular training sessions to ensure that the level of technical challenge is appropriate.

Priorities for 2013

The Committee's priorities for 2013 will be to:

- ensure that the Committee actively uses the ORSA to review and challenge the risk and solvency status of the Group and of its regulated entities;
- provide oversight and guidance of the Internal Model Validation process and reporting, and to ensure these meet regulatory expectations;
- periodically review aspects of the risk management framework to ensure it remains effective and fit for purpose; and
- direct the nature of stress and reverse stresses to be applied to the organisation's business strategy and plans to provide assurance that these are robust under a range of future scenarios.

Amlin actively supports employees taking part in charity work and fundraising events. Over £100,000 was raised when Amlin staff, along with business contacts from the broker market, took part in the gruelling "Dallaglio Flintoff Slam," cycling 578 kilometers from Nancy to London.

Corporate responsibility

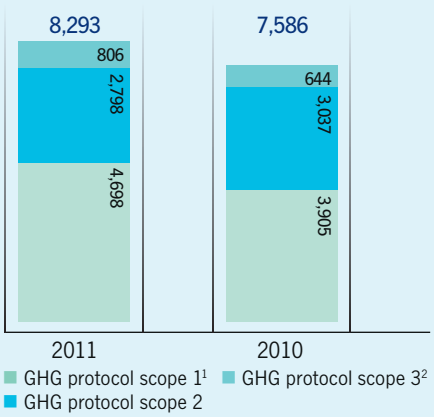
At a glance

2012 Highlights

- Broker recognition of claims service quality;
- Ipsos MORI Poll confirms high degree of job satisfaction;
- Institutional Investor support maintained; and
- Small reduction in CO_2 per employee.

Amlin's carbon footprint

Greenhouse Gas (GHG) protocol scope (tonnes)



5.35
CO_2 per employee 2011

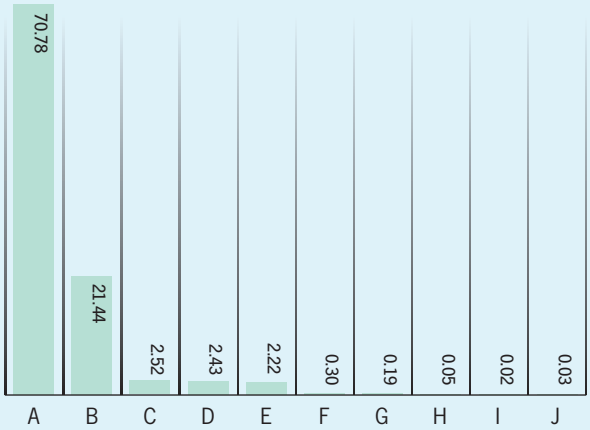
5.55
CO_2 per employee 2010

3.67
CO_2 per employee 2011 excluding commuting, waste and water.

3.82
CO_2 per employee 2010 excluding commuting, waste and water.

Shareholders by type (%)

as at 31st December 2012



A Domestic institutions
B Foreign institutions
C Domestic brokers
D Private stakeholders/Investors
E Employees etc.
F Foreign brokers
G Hedge funds
H Corporate stakeholders
I Unidentified holdings
J Unanalysed (holdings below threshold)

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

UK charity partners

Charity	Provision	Rationale
Macmillan Cancer Support	Funds to provide a clinical nurse specialist at Imperial College Healthcare Trust	Alignment with employees
UK Youth	Sponsorship of Art for Youth Exhibition and funding of vocational training	Alignment with employees
		Development of young people
The Outward Bound Trust	Funding of courses for an inner London school	Local community support
		Development of young people
Farleigh Hospice	Supporting hospice care in Chelmsford (Amlin UK office location)	Local community support
		Alignment with employees
Lloyd's Community Programme	Support of Community Action Projects, including Spitalfields Inner City Farm	Local community support
		Development of young people

Note:
1. 2010 figures revised reflecting improved data collection
2. CO_2 equivalent

Amlin's core values

- Professional excellence;
- Integrity;
- Leadership;
- Superior performance;
- Teamwork; and
- Focus on sustainability.

Dear Shareholder

The main thrust of our Vision for Amlin's future is to be the global reference point for quality in each of our markets. This Vision is underpinned by a set of core values which all employees, wherever based, are expected to consider and follow in their engagement with all of Amlin's stakeholders, whether external or internal. It is Amlin's policy to conduct all aspects of its business in an honest, open and ethical manner.

Amlin's aim is to build our business in a sustainable manner, through the consistent application of our values in the relationships we enjoy with our clients, employees, shareholders and other stakeholders.

We seek to make a positive contribution to the communities in which we operate and to embed integrity and professional excellence in all aspects of our business practices.

Yours sincerely

Charles Philipps
1 March 2013

Markets

Amlin operates in the London market, UK commercial, Bermudian, Singaporean and certain European continental commercial insurance markets. In 2012, we also started a new reinsurance business in the United States.

Amlin aims to enhance its reputation by contributing positively to each of the markets in which it participates through setting high underwriting, claims service, risk management, employee and governance standards in line with the Group's Vision of becoming the "reference point for quality" in each of our markets.

Amlin remains one of the largest participants in Lloyd's. Through setting our own high standards, we aim to ensure that we provide leadership in the market in the areas referred to above. We are active participants in Lloyd's governance and working groups. In particular, in 2012, Simon Beale joined the Council of Lloyd's and the Board of the Lloyd's Market Association, and Richard Hextall continued to Chair Lloyd's Solvency II working group.

In the Netherlands, Amlin is a member of the Dutch Insurance Association Exchange (VNAB) which accounts for a significant proportion of commercial premiums in the Netherlands. The majority of Amlin's Netherlands' business is written under the "Buersprinciples" which codify good conduct requirements for insurers and brokers and Amlin participates in technical sub-groups for the VNAB.

Each of Amlin's businesses aligns their operational objectives to the delivery of our Vision in their respective markets.

Insurance brokers

The vast majority of Amlin's business is sourced from brokers with whom Amlin aims to maintain and develop high quality relationships. This is achieved through respect for the relationships, integrity and a focus on the underwriting and claims service we provide to both the brokers and insureds.

During 2012, Amlin UK became a preferred insurer in the Aon Trio and Willis 360 panels, and Amlin Europe achieved a 5 star rating for its claims handling from Willis.

Employees

Amlin's Vision includes being recognised as "the place to work" in the industry. We expect to achieve this through being a responsible employer, operating first-class employment practices, providing excellent development and career prospects, and promoting a culture which motivates employees and values their contributions to both our financial performance and the attainment of our Vision, in line with our Core Values. Details of our Vision and Values can be found on our website www.amlin.com in the Governance & Responsibility section.

In 2012 we conducted our fourth Group wide employee survey through Ipsos MORI which again indicated that, relative to the financial services sector generally, Amlin's employees have a high degree of job satisfaction and alignment with the Group's goals. The survey highlighted, however, that there is scope for further advancing our employee engagement by improving internal communications and we are presently focused on identifying means of achieving a step change in this area. Further details on the results of the employee survey are provided in the People section on page 30.

2012 also saw the inauguration of a Group Consultation Forum (GCF) to provide a Group wide forum for management and employees to exchange information, news and views. It also saw increased emphasis on Talent Management to both increase the Group's long-term potential and provide clearer career development prospects for high potential employees.

Amlin also seeks to align employee interests by encouraging equity participation. The Company operates a Share Incentive Plan and a Savings Related Share Option Plan and, for senior management, operates shareholding guidelines.

At the year end an estimated 2.22% 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). 62% of Group employees held shares through the SIP at the year end (2011: 74%). Excluding the SIP, 43% (2011: 43%) of staff had outstanding options or conditional share awards under one or more of the Company's share plans.

Diversity in the workforce is being taken seriously by Amlin both at the Board level and in Senior Management. Our Talent Management initiatives have due regard to the benefits of diversity.

Investors

In line with Amlin's values, we aim to be open, transparent and accessible in our communications with investors and analysts, so that they can make informed judgements about the Company. Amlin benefits from and values the support of a high quality register of long-term institutional investors, as well as private investors, many of whom are former employees.

A programme of regular meetings with major investors following results announcements enables us to maintain a positive dialogue with our existing investors and take into account their views and concerns. In addition to this programme, during 2012 the Chief Executive, Group Finance & Operations Director and Head of Investor Relations variously attended meetings with current and prospective investors in the UK, US, Scandinavia and Continental Europe.

We presented Amlin's investment proposition at external investor conferences in the UK and the US and at Amlin events. In September 2012 Amlin hosted a major presentation for investors and analysts titled 'Strategy for Profitable Growth' in which the Chief Executive and other senior colleagues gave a detailed review of Amlin's strategy and plans for the future development of the business. The presentation was webcast to maximise accessibility for all shareholders. After the presentation there was a drinks reception at which investors and analysts had an opportunity to meet senior Amlin underwriters and managers from around the Group. This event was attended by more than 70 investors and analysts and was well received.

Analyst coverage of Amlin is extensive, with more than 20 equity analysts and several credit analysts producing regular research reports and commentary on Amlin. We seek to maintain an open and productive dialogue with analysts, to ensure that they understand Amlin's business model and investment proposition. As well as analyst meetings following the preliminary and interim results, during the year Amlin also hosted two dinners for analysts hosted by the Chief Executive and senior colleagues.

Our investor relations strategy is supported by advice from our joint brokers Numis and Morgan Stanley and by FTI Consulting, our Investor Relations advisers. Following the appointment of joint brokers Numis and Morgan Stanley towards the end of 2011, we reviewed and further developed our strategy in 2012 for targeting prospective new institutional investors with particular focus on the US.

Among other services, FTI Consulting supports the informal feedback received from analysts by providing detailed feedback based on formal 'no names' interviews. These are conducted before and after results announcements and cover the issues that analysts perceive as relevant to Amlin, as well as broader commentary on market sentiment and trends. This feedback helps to inform Amlin's communications with the stock market and ensures that 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 our corporate brokers. Feedback is shared with the Board.

A substantial proportion of Amlin's shares are held by supportive long-term institutional investors, as shown in the chart on page 76.

Community

Amlin believes that there is benefit in supporting the communities which are relevant to the locations in which it does business, the education and development of young people, and charities which are relevant for employees.

In 2012, Amlin Group's charitable giving amounted to £260,234. In the UK charitable giving is co-ordinated through a Community & Charities Panel chaired by a senior underwriter. Five main charity partners were supported in 2012.

Details of these partner charities, and the rationale for support, are set out in the table on the previous page. Outside the UK, community and charities budgets are managed under the direction of local boards. Amlin Bermuda uses its $120,000 budget to support local youth, education and sport-based organisations as well as those in need during difficult times.

Amlin also supports scholarship programmes to support young people. In the UK Amlin funds vocational training for ten candidates selected by UK Youth, a partner charity. In Bermuda grants are offered through the Association of Bermuda International Companies Education Awards. Amlin Singapore continues to support the General Insurance Association's Global Internship Programme, providing speakers for their Talent Outreach Project.

Additionally, Amlin employees are encouraged to support communities and charities and, during 2012, Amlin supported approximately 75 employees involved in such activities with funding of up to £500 per event. Notable fundraising efforts by staff included a sponsored abseil down The Shard by our Chief Executive,

which raised over £100,000 for the Outward Bound Trust. In 2012, Amlin once again arranged a sponsored go-karting event which raised just over £21,000 for Willow Foundation and Richard House Children's Hospice.

Environment

A core part of Amlin's business is the underwriting of catastrophe risk, which includes weather-related events.

Our principal risks and uncertainties are listed on page 27 together with associated controls, mitigation strategies and accountabilities. The risks and opportunities presented by climate change are evaluated through Amlin's Climate Change & Environmental Panel which meets regularly and consists of senior underwriters with the Chief Risk Officer acting as Chairman. In January 2012 the UK Government published its first comprehensive assessment of the potential risks and opportunities for the UK arising from climate change, and this has been reviewed by the Panel.

Amlin's Chief Executive is a member of the Geneva Association and participates in their discussions. The Association's research objectives, to identify and analyse issues of specific relevance to the insurance industry, assist in consideration of the political, educational and social challenges to be addressed.

Amlin also continues to engage with the Risk Prediction Initiative organised by the Bermuda Institute of Ocean Science, notably in research around forecasting extreme weather events.

Amlin measures its annual carbon footprint, using data from all Group Companies over which financial control is exercised and for which financial results were published. This data includes employee commuting (evaluated through survey), waste/recycling and water usage as well as electricity, travel and gas usage. For 2011 the footprint per employee was 5.35 tonnes (2010: 5.55 tonnes, restated to reflect better data collection) or 3.67 tonnes (2010: 3.82 restated) if compared with the scope of most FTSE calculations (i.e. excluding community, waste and water). The 2011 data is available in full on our website now. The 2012 data will be publicly available through the Carbon Disclosure Project and on our website in May.

Since 2007, Amlin has been a signatory to the ClimateWise principles, a joint initiative of the Association of British Insurers, The Prince of Wales' Business and the Environment Programme, Lloyd's and other insurance market participants.

We seek to identify new opportunities to reduce or contain energy and resource usage. In 2012 Amlin UK acquired a site for development in Chelmsford, and the office will be designed to fully incorporate environmental aspects to reduce the building's impact on the environment, including energy efficient technologies.

Efforts to reduce paper and print consumption through increased use of iPads for Board, Committee and management information are also continuing.

Directors' remuneration report

At a glance

Committee membership

Attendees	Number of meetings attended (attended/maximum)
Sir Mark Wrightson (Chairman)	9/9
Nigel Buchanan	9/9
Christine Bosse[1]	4/5

Key items in the Terms of Reference

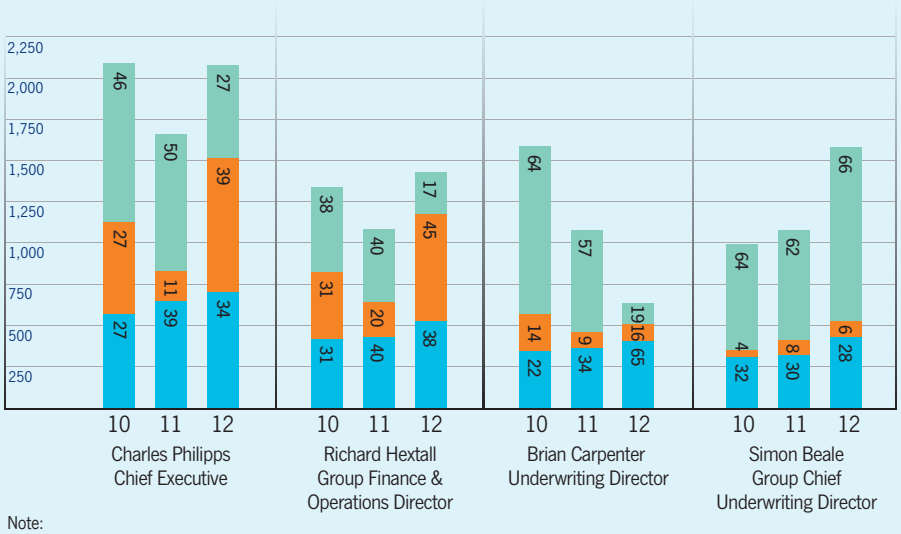
- To determine the total individual remuneration package of each Executive Director of the Company, the Chairman, the Company Secretary and certain other senior Group employees (in each case including exit terms);
- To recommend to the Board the framework and broad policies of the Group in relation to senior executive remuneration; and
- To determine the targets for performance-related remuneration and exercise the Board's powers in relation to all the Company's share and incentive plans.

The Terms of Reference were last reviewed by the Committee on 12 December 2012 and approved by the Board on 28 February 2013.

2012 Key items considered

Q1	Q2	Q3	Q4
Annual staff salary review and review of senior executives' remuneration	Amlin Re Europe LTIP share award grant	Profit Commission secondary performance uplifts and pool payments	Review of draft Directors' remuneration report
Review proposed PSP & LTIP awards including a review of performance conditions	Approval of the terms of appointment for US Casualty Reinsurance	Review of statement in respect of remuneration consultants	Review of Capital Builder Plan payments
Review of Committee performance	Review of Amlin France LTIP performance conditions	Annual review of Chairman's and Chief Executive's expenses	Review proposals for HMRC Fixed Protection arrangements
Approval of amendment to Incentive Plans	Variation to phasing of Amlin France management Earn-out	Capital Builder scheme payments 2007-2011	Review remuneration consultancy fees
Annual review of Chairman's fees	Review of senior executive remuneration	Annual Sharesave offer	Review the 2013 Profit Commission allocations
PSP/LTIP share award grants		Review of senior executive remuneration	Board statement on remuneration consultants
Review of senior executive remuneration			Review the 2013 Group Bonus Scheme targets
Approval of Directors' remuneration report			Review of senior executive remuneration
			Review of Committee Terms of Reference
			Legal and regulatory review of Remuneration Policy

Executive Directors' total remuneration (£'000)
(Figures in bars are percentages)



- Fixed as defined on page 84
- Annual performance as defined on page 84
- Long Term incentives as defined on page 85-86, excluding SIP. LTIP and PSP awards are calculated on the closing share price of the financial year (2012: 379p) (2011: 313.9p) (2010: 408.9p) multiplied by the number of shares vesting in respect of performance periods ending at the respective financial year.

Note: Payments made in 2011 and 2012 include Capital Builder Scheme.

Note:
1. Christine Bosse retired as a Director on 6 July 2012.

2013 Key objectives

- To review the Group Remuneration Policy to ensure it is fit for purpose and will comply with BIS recommendations;
- To review and recommend appropriate executive emolument packages including exit clauses in line with BIS suggested requirements;
- To review all performance-related remuneration and that the Company's share and incentive plans remain relevant; and
- To review incentive arrangements for senior management outside the UK.

Dear Shareholder

2012 saw executive remuneration as one of the key items on the stakeholder agenda and in June of that year the Department for Business Innovation & Skills (BIS) published its consultation on Narrative Reporting and Executive Remuneration. The Company contributed its views to the BIS consultation and we believe that the remuneration structure already in place within Amlin is relevant, transparent and easily understood.

To provide greater clarity and understanding around the total remuneration paid to executives, we have included, for a second year, charts detailing the total remuneration paid to each of the Executive Directors. These charts include a comparison of our 2010, 2011 and 2012 numbers to enable shareholders to view the performance of the Company on a year-on-year basis and also to demonstrate that Amlin's policy of performance-related rewards works; with 2011 having lower total remuneration compared to 2010 and 2012, reflecting the Company's performance in 2011 when compared to 2010 and 2012. These charts can be found on page 80.

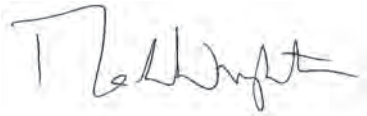
In addition a historical 10-year CEO total remuneration versus Company Total Shareholder Return (TSR) chart to demonstrate the correlation between CEO pay and TSR has been included on page 91.

Executive remuneration is based on the performance of the Group and individual personal performance, with the individual's personal performance contributing to both their salary and bonus. Richard Hextall's and Simon Beale's basic salaries have been increased to reflect the increased responsibilities that they have assumed during the year. In the case of Richard Hextall, in addition to his finance director role, he has assumed responsibility for both operations and actuarial functions in Amlin's Corporate Centre; and in the case of Simon Beale, in becoming the Group's Chief Underwriting Officer.

The overarching principle for Amlin's remuneration policy is to provide appropriate levels of remuneration to our Directors, senior executives and employees, reflecting a contribution of the financial performance of the Group and the individual's achievement in meeting their own personal performance objectives. During 2013 Amlin will be reviewing the detail of our remuneration policy to ensure that this complies with best practice, where possible, and the BIS recommendations. We will be consulting with major shareholders and other advisers to ensure that their views are captured and incorporated, where appropriate, whilst remaining true to that principle. We welcome engagement with shareholders and other stakeholders on the Company's approach to remuneration and reward.

I am delighted to welcome Julie Chakraverty, who will bring risk expertise and will reinforce the current best practice of the Committee. Nigel Buchanan will step down from the Committee at the conclusion of the AGM in May 2013 and I thank him for his support and commitment during his tenure.

Yours sincerely



Sir Mark Wrightson
Chairman of the Remuneration Committee

1 March 2013

The Committee

Committee members

The Committee's membership comprises at least two independent Non-Executive Directors in accordance with the Committee Terms of Reference. With effect from 1 January 2013 Julie Chakraverty was appointed a member of the Committee.

Advice to the Committee

During 2012, the Committee had access to advice from:

Internal to the Group:

Chairman of the Company	(Roger Taylor succeeded by Richard Davey)
Chief Executive	(Charles Philipps)
Group HR Director	(Mark Farrow)
Company Secretary	(Mark Stevens)
Chief Risk Officer	(James Illingworth)

External to the Group:

New Bridge Street consultants

The Committee's independent remuneration adviser is New Bridge Street consultants (NBS), which advises the Committee on structuring and utilisation of the Group's performance-related incentives and on remuneration policy generally. NBS also provides advice on remuneration of the Non-Executive Directors. NBS operates independently within the Aon plc group of companies, which also has certain trading relationships with the Company's subsidiaries. NBS is a signatory to the Remuneration Consultants Group Code of Conduct. A copy of the statement regarding the relationship with NBS is published on the Company's website.

The Committee is exclusively responsible for the review, selection and appointment of its advisers.

Remuneration strategy

The aim of Amlin's remuneration strategy is to support its vision and strategic objectives. Amlin's Group Remuneration Policy comprises of guiding principles and policies which are applicable to the Group as a whole. The Committee regularly reviews the policy to ensure that the Group's remuneration practices continue to be in the interest of the Company and its shareholders. The main objectives of the policy are:

- to secure the most appropriate 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 on financial measures, such as return on equity, risk and underwriting returns, and on longer-term objectives, such as underwriting cycle management, and the attainment of the Group's Vision; and
- when determining remuneration, the Committee will take into account pay and employment conditions elsewhere in the Group and in the sector.

During the year the Committee discussed the potential changes required to the Group Remuneration Policy following the publication of the BIS consultation on Narrative Reporting and Executive Remuneration, and considered the action required to address the points likely to be raised once the final legislation is drafted.

Overall remuneration levels

Amlin's key remuneration strategy is to ensure that base salaries across all categories of staff will be determined by the job, market rate and personal performance (with the market rate having regard to the median for the appropriate market). Variable pay will be designed so that top quartile performance will be rewarded with top quartile remuneration. 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. Pay and employment conditions of employees and wider associate undertakings were also taken into consideration in determining Board remuneration.

In the UK, remuneration for underwriters and those performing other technical insurance-related roles is strongly influenced by the Lloyd's sector. 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, sometimes on an uncapped basis. Similar remuneration structures and policies have applied for staff in Amlin Bermuda. The remuneration policies applied in the Group's businesses in France and Switzerland operate on a similar basis to that of the UK, maintaining an appropriate balance between local and existing Amlin practices. During late 2012 and early 2013 Amlin Europe discussed a revised remuneration policy to comply with the voluntary Insurance Code as set out by the Dutch Insurance Industry and the De Nederlandsche Bank regulations, which was adopted with effect from 1 January 2013.

In all spheres of operation, the Committee aims to keep the practices of its competitors under review and believes that, as market and Amlin's own practices evolve, it is important to ensure that remuneration structures continue to support the Group's competitive advantage.

External influence

Throughout the year the Committee kept under review any emerging regulatory and market practices. 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 where and when appropriate.

Overall 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) short-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.

Underwriters and other senior executives below main Board level are also eligible to receive significant proportions of their total remuneration as performance-related benefits.

Following the review of senior non-underwriters' remuneration in 2009, the Committee believes that the overall balance between fixed and performance rewards is appropriate and no further changes were made in this respect in 2012. A review of senior underwriters' remuneration is proposed as part of the overall Group remuneration policy review.

Executive remuneration structure in 2012

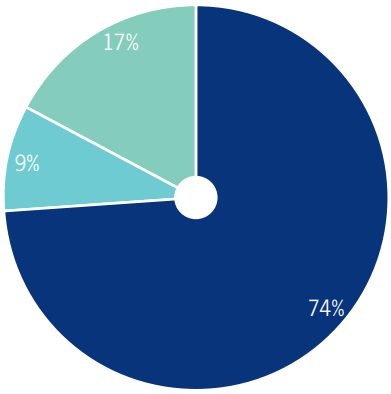
The structure of the various elements of senior executive remuneration has not changed over the last year, except in the case of Simon Beale. The mix of elements applicable to him has

altered following his change in role to Group Chief Underwriting Officer. Simon Beale has joined a bespoke Group Profit Commission scheme and the Group Performance Share Scheme, in place of participating in the Syndicate Profit Commission scheme and Capital Builder Plan. The changes to his remuneration package will be effective in 2013 and will be reported accordingly.

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

The split of annual remuneration of each current Executive Director who participated in the Capital Builder and Profit Commission schemes in 2012 is summarised in the chart opposite. Capital Builder and PC payments are those paid or due at the end of the year.

2012 payment received by Simon Beale

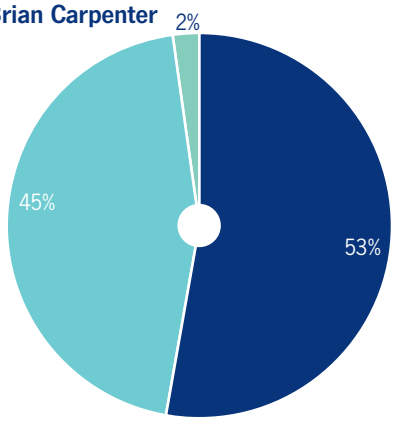


2009 YOA	74%	Personal Performance	
2010 YOA	0%	Bonus 2012	9%
2011 YOA	0%	Capital Builder	17%

Source: Amlin

Note: LTIP awards are not included.

2012 payment received by Brian Carpenter



2009 YOA	53%	Personal Performance	
2010 YOA	0%	Bonus 2012	45%
2011 YOA	0%	Capital Builder	2%

Source: Amlin

Key elements of pay

The tables below set out the key elements of pay in relation to the Executive Directors' annual remuneration for 2011 and 2012:

Directors' remuneration received

	Fees and salaries £000	Annual bonuses and/or Profit Commission and Capital Builder £000	Benefits in kind/allowances[6] £000	**Total year to 31 Dec 2012 £000**	Fees and salaries £000	Annual bonuses and/or Profit Commission and Capital Builder £000	Benefits in kind/allowances £000	Total year to 31 Dec 2011 £000
Executives								
C E L Philipps	576.2	810.0[4]	125.9	**1,512.1**	560.7	185.0	90.8	836.5
R A Hextall	445.6	649.4[5]	48.7	**1,143.7**	415.0	210.0	23.5	648.5
S C W Beale	358.0	1,151.0	20.3	**1,529.3**	309.0	811.3	17.8	1,138.1
B D Carpenter	347.7	224.9	42.4	**615.0**	337.5	311.7	33.7	682.9
Non Executives								
C Bosse[1]	30.6	–	–	**30.6**	58.2	–	–	58.2
N J C Buchanan	99.0	–	–	**99.0**	94.2	–	–	94.2
Sir Alan Collins	67.0	–	–	**67.0**	5.5	–	–	5.5
R H Davey	165.4	–	–	**165.4**	70.0	–	–	70.0
M D Feinstein	75.0	–	–	**75.0**	68.2	–	–	68.2
S Jemmett-Page[2]	22.3	–	–	**22.3**	–	–	–	–
R J Taylor[3]	104.2	–	–	**104.2**	245.0	–	–	245.0
Sir Mark Wrightson Bt	67.0	–	–	**67.0**	66.2	–		66.2
	2,358.0	2,835.3	237.3	**5,430.6**	2,229.5	1,518.0	165.8	3,913.3

Note:
1. C Bosse retired as a Director with effect from 6 July 2012.
2. S Jemmett-Page was appointed as a Director with effect 1 September 2012.
3. R Taylor retired as a Director with effect from 17 May 2012.
4. £114,028 of this amount is deferred bonus until 2016.
5. £91,419 of this amount is deferred bonus until 2016.
6. Includes payments in lieu of pension contributions as detailed on page 87.

J Chakraverty appointed 1 January 2013 and not included in table, but appointed on same terms as other NEDs.

Remuneration received

The remuneration received in respect of the year ended 31 December 2012 by each of the Directors, excluding pension contributions and long-term incentive plan payments, is shown in the table on the previous page. In addition, Richard Hextall received and retained a non-executive director's fee of £27,000 from the City of London Investment Trust PLC (2011: £27,000) and Simon Beale received a fee of £32,725 from the Council of Lloyd's which was paid over to the Company. 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 fees and salaries received in 2012 by Simon Beale, Brian Carpenter, Richard Hextall and Charles Philipps increased by 15.9%, 3.0%, 7.4% and 2.8% respectively over 2011. Richard Hextall's and Simon Beale's basic salaries have been increased to reflect the increased responsibilities that they have assumed during the year. In the case of Richard Hextall, in addition to his finance director role, he has assumed responsibility for both operations, IT and the actuarial functions in Amlin's Corporate Centre. The increase to Richard Hextall's salary is being staggered with a 7% increase that took effect on the change in role in 2012 and a second increase of 7.5%, which includes the annual review that will apply from 1 April 2013. In the case of Simon Beale, his salary has increased to reflect his wider responsibilities upon becoming Group Chief Underwriting Officer; to bring his pay closer to the median paid for similar roles within the market; and to compensate him for the proposed loss of performance related elements of his remuneration package upon assuming his new role. For 2013 Simon Beale will be unable to participate in the Profit Commission and Capital Builder schemes.

Elements of executive remuneration

	Fixed		Annual performance	Longer-term			
Underwriters	Salary and benefits	Pensions[1]	Profit Commission[3]	LTIP awards	Capital Builder Plan	All employee SIP[2]	Profit Commission[4]
Non-underwriters	Salary and benefits	Pensions[1]	Bonus	LTIP awards	Performance Share Plan	All employee SIP[2]	

Note:
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.
3 Performance award element
4. Profit award element

Sizes of boxes are for illustration only and do not reflect typical proportionate values.

Fixed

Salary and benefits

Details of the policy on base salary can be found on page 86, and the remuneration received by each Executive Director is shown on page 83.

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.

Pensions

The Company pays a percentage of base salary into a Group occupational and/or a stakeholder pension plan. Executive Directors 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, 405 out of the Group's total employees of 1,707 were accruing any element of DB pension. These included 59 out of 1,267 staff in the UK, Singapore, Switzerland and Bermuda (2011: 61 out of 1,021) and 346 out of 427 at Amlin Europe (2011: 345 out of 422). DB participants included two of the four Executive Directors.

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 2012, for a Director with only DC contributions and aged over 50, was 10.3% of base salary (2011: 9.8%). In 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 exceeded the £50,000 UK annual pension tax relief allowance were given the option to convert the excess into a non-pensionable taxable allowance, adjusted for employer contributions, to ensure it is cost neutral to the Group. Directors reaching lifetime pension limits received cash payments in lieu of pension as noted in the Directors' pension details on page 87.

The DB schemes for UK and Belgium staff have been closed to new entrants since 1998, and September 2009 respectively. Amlin Europe Netherlands' DB scheme remains open for qualifying new employees. Remaining active DB members of the UK scheme continue to accrue 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 32 to the Accounts. The DB employee contribution rates, as a percentage of pensionable salary, are 5% in the UK, 6% in the Netherlands, 7% Singapore, 15% Switzerland and 0% 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 16% (2011: 19%).

Annual performance

Annual bonus scheme (Group Bonus Scheme)

For those Executive Directors and other employees who are not directly involved in underwriting activities, the Group's shorter-term performance incentive is a cash bonus scheme. The Group Bonus scheme rewards and incentivises participants against a mixture of business performance, measured by reference to the Group's (and, depending on the position of the employee, the relevant entities') return on equity (ROE) compared with target returns set by the Committee at the beginning of each year, and the individual's performance, measured 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 Target and maximum bonus levels also increase with seniority.

For 2012 the Executive Directors' scale was 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. Richard Hextall and Charles Philipps both received a total bonus payment of 139.65% of salary.

For Directors and those at other senior management levels, any element of payment of annual bonus that is above the base salary maximum percentage for the relevant management level (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 of either the Committee finding that a participant has not complied with internal standards or controls or has caused reputational damage to the Company; or if any results or accounts on which the bonus was based proves to be incorrect or is required 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.

The Committee sets thresholds for the business performance element of the bonus potential on an annual basis. The thresholds set vary over the insurance cycle and the Committee believes that lower thresholds are appropriate when insurance market margins are low and higher thresholds are appropriate when margins are higher. The Committee also has regard to the anticipated investment returns.

Basis of Directors' Group Bonus Scheme business performance payments

	2012	2011
Minimum payment ROE threshold	6%	5%
Plan ROE	12%	10%[1]
Maximum payment ROE threshold	22%	18%
Total ROE achieved for year[2]	18.4%	(9.05)%

Note:
1. Figure amended to provide like-for-like comparator on a year on year basis.
2. 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.

Profit Commission (PC)

The PC is a shorter-term incentive for underwriters, which consists of a cash profit share in respect of each underwriting year. Participants are from the UK and Bermudian businesses and are formed of senior employees, which include certain Executive Directors of Amlin plc. PC is paid on an underwriting year basis, usually partly related to the business unit in which the relevant participant works and partly to wider Syndicate 2001 and Amlin Bermuda underwriting performance.

The structure of the PC comprise of two elements; Profit award and Performance award. The Profit award is made up of a profit pool, consisting of two elements; business unit award (50%) of profit pool and divisional award (50%) of profit pool. Amlin UK participants are eligible only for the divisional award based on 100% of the profit pool. The Performance award is calculated on a combination of Group and personal performance during the Group's accounting year as measured against pre-determined targets. PC payments are capped as a percentage of annual salary, based on job role, and a retrospective loss clause is incorporated to ensure any loss in one year is offset against profits in another year.

PC is calculated over a thirty-six-month period from the start of the underwriting year. Payments for this are paid in two tranches with the first 30% of the estimated payment made in the year following the year of account; and a further payment of 70% of the estimated payment is made in the second year following the year of account.

Employees based in Switzerland participate in a separate local scheme which is operated on a similar basis as the UK PC scheme. The Swiss PC is based on an accounting GAAP year basis. Eligible employees in Amlin Europe participate in an annual bonus scheme, for which underwriting participants includes a performance measure against underwriting profitability.

Longer-term performance rewards

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 27 participants (2011: 24) over an aggregate of 968,510 shares (2011: 697,807). 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.

During 2012 the maximum such value was awarded to the Chief Executive and the Group Finance & Operations Director. Once the vesting level is determined after five years, in accordance with the performance condition, 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, and 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).

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. 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 is as detailed in this report on page 88.

The Committee may 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 to the extent that the Committee is satisfied that the performance condition has been satisfied up to that early vesting date, with the proportion of the award which vests also depending on the time that has elapsed since the award was made.

Capital Builder Plan

The Amlin Capital Builder Plan 2006 (Plan) 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, Amlin AG and Amlin Bermuda in 2006 to 2012 inclusive and are intended to be made on a similar basis in 2013.

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. The first payment under the current Plan, in respect of the performance period 2006 to 2010, was made in 2011. This payment was up to 70% of each pool allocated, with the balance paid in 2012. Payments in respect of the performance period 2007 to 2011 were payable in 2012 based on the results to the end of 2011 with a further payment to be made in 2013. Further payments under the Plan will be made in respect of performance period 2008 to 2012, in 2013.

Amlin Long Term Incentive Plan 2006 (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 2012 to 118 participants in all parts of the Group (2011: 108), over a total of shares 2,208,380 (2011: 1,648,895).

The LTIP's primary performance condition is a relative TSR measure. 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 index of TSRs. The Committee considers that TSR remains the most appropriate measure of performance.

The constituents of the index for the 2012 awards were: Axa, Hannover Ruckversicherung AG., Muenchener Ruckversicherung AG., Royal Sun Alliance Insurance Group plc, SCOR S.E, Swiss Re, Zurich Financial Services Limited, Beazley plc, Catlin Group Limited, Hardy Underwriting Group plc, Hiscox plc, Novae Group plc, Ace Group, Alterra Capital Holdings Limited, Argo Group International Holdings Limited, Chubb Corporation, Everest Re Group Limited, Fairfax Financial Holdings Limited, Markel Corporation, PartnerRe Limited, RenaissanceRe Holdings Limited, Validus Holdings Limited, White Mountains Insurance Group Limited, W.R. Berkley Corporation and XL Group plc. Three companies in the comparator group, Hardy Underwriting Group, Chaucer Holdings and Transatlantic Holdings Incorporated, delisted.

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.

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 2012 the maximum such value awarded was 100% of base salary to the Executive Directors. 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.

Executive share 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, and were subject to performance conditions. 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 2012. 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. The 2012 Sharesave offer was open to all applicable employees who were employed by the Group on 2 July 2012. Exercises are not subject to any performance condition. Since 2007 the Company has also operated a 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. 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 ROE achieved in the previous year. In 2012 no award was made, reflecting 2011's ROE being lower than the minimum threshold. Reflecting 2012's ROE, an award of £2,000 is expected to be made to all eligible employees in 2013. The Committee considers that the plans are successful in encouraging staff at all levels to build up interests in the Company at an acceptable accounting and administrative cost to the Company.

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	Annual base salary at 31 December 2012
S C W Beale	7 Nov 1994	£385,000
B D Carpenter	17 Feb 1997	£350,200
R A Hextall	26 Nov 1999	£465,000
C E L Philipps	20 Feb 1997	£580,000

All of the contracts remain in force at the date of this report and are on a full-time basis. The contracts provide for 12 months' notice of termination by either party. 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 are available for inspection at the Company's registered office.

Shareholding targets

An objective was set when the 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 2012, 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 Committee 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. Details of the Directors' holdings in the Company may be found on page 92.

Non-Executive Director arrangements

The fees paid during the year to Non-Executive Directors of the Company are included in the 'Directors' remuneration received' table on page 83. Such fees, other than those of the Chairman, are determined by the 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 whom 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 minimum time commitments given by each Director are also taken into account. For 2012 the fees for Non-Executive Directors were not increased.

The Chairman's remuneration is determined by similar criteria, but by the Remuneration Committee.

Each Non-Executive Director is paid a basic fee and may be paid a further fee 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 2012 (2011: 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 and the UK Corporate Governance Code 2010.

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.

Current underwriting Directors' PC and bonus reported for 2012

	B D Carpenter Accounted for in 2012 £000	2011 £000	S C W Beale Accounted for in 2012 £000	2011 £000
First instalment of 2011 year of account PC (30% payable in March 2013) (comparative for 2011 is equivalent payment made a year earlier for 2010 year):	**10.9**	–	**125.0**	5.3
2010 year of account PC (balance after 30% first instalment) (comparatives for 2011 are payments made a year earlier for 2009 year, which did not include final performance uplift):	**191.1**	118.8	**88.0**	712.4
Final performance uplift for 2009 year of account PC and not accounted for in the 2011 report (comparatives for 2011 are equivalent payments made a year earlier for 2008 year):	**6.8**	90.9	**70.6**	–
2012 Personal performance bonus to be paid March 2013	**194.6**	102.0	**199.5**	93.6
Totals	**403.4**	311.7	**483.1**	811.3

Executive Directors' pensions

Pension details, as applicable for each Executive Director who served as a Director during the year (Non-Executives not being eligible), are shown in the table below. The total DC employer contributions for the Directors were £81,788 (2011: £133,366). The increase in accrued pension during the year is before the effects of inflation. The changes in total transfer values during the year are shown before the effects of inflation and after deduction of the individual's DB contributions during the year. The inflation measure used for the purposes of this disclosure is the change in retail price index ("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.

Directors' pension details

	Defined benefit (DB) or Defined contribution (DC)	DC employer contributions for the year ended 31 Dec 2012 £000	Increase/ (decrease) in DB accrued pension during year ended 31 Dec 2012 £000	Total accrued DB pension at 31 Dec 2012 £000	Transfer value of accrued DB pension at 31 Dec 2011 £000	Transfer value of accrued DB pension at 31 Dec 2012 £000	Transfer value of the change in accrued DB pension during 2012 £000	Payments in lieu of pension contributions 2012 £000	Change in DB transfer value during 2012 after deducting DB contributions made by Director £000
S C W Beale	DB & DC	37.7	4.7	61.1	782.7	983.0	49.9		169.3
B D Carpenter	DB & DC	1.6	5.1	75.3	1,123.1	1,345.6	62.5	21.2	181.0
R A Hextall	DC	37.0	–	–	–	–	–	26.1	–
C E L Philipps	DC	5.4	–	–	–	–	–	101.5	–

Note: The figures shown above as at 31 December 2011 differ from those disclosed in the Company's 2011 accounts. This is due to (a) Simon Beale's pension having previously been overstated and (b) the transfer values for both members having been recalculated, to reflect a change to the transfer calculation.

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 were principally engaged) as a whole. Awards were made in each of the years 2008 to 2012 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 in respect of later performance periods. Subject to that caveat, the forecast rewards based on earned premium and reserving as at 31 December 2012, for the periods stated to date, are as set out below. Where a positive result on the Syndicate creates a shortfall against the demanding return targets on individual classes, no payment will be due (as in the case of Brian Carpenter on each of the years as estimated to date).

	Class/division	Five years of 2006 award paid in 2011 £000	Five years of 2006 award paid in 2012 £000	Five years of 2007 award paid in 2012 £000	Five years of 2007 award accrued £000	**Total amount accrued and paid in 2012 £000**	Five years of 2008-2012 award £000	Four years of 2009-2013 award £000	Three years of 2010-2014 award £000	Two years of 2011-2015 award £000	One year of 2012-2016 award £000	**For all awards since 2006 to date £000**
S C W Beale	Classes	68.2	86.3	81.2	107.0	**274.5**	176.1	2.3	(21.5)	23.9	11.1	**534.6**
	Syndicate	14.6	12.3	5.9	12.4	**30.6**	12.5	3.2	–	11.7	7.9	**80.5**
	Totals	82.8	98.6	87.1	119.4	**305.1**	188.6	5.5	(21.5)	35.6	19.0	**615.1**
B D Carpenter	Classes	–	(22.8)	(28.7)	23.2	**(28.3)**	(38.7)	(74.2)	(18.8)	65.6	115.8	**21.4**
	Syndicate	–	26.9	5.9	12.4	**45.2**	8.3	0.8	(4.8)	5.8	4.0	**59.3**
	Totals	–	4.1	(22.8)	35.6	**16.9**	(30.4)	(73.4)	(23.6)	71.4	119.8	**80.7**
A W Holt	Classes	163.1	55.4	20.5	24.9	**100.8**	11.9	–	–	–	–	**275.8**
	Syndicate	13.1	11.1	3.6	7.4	**22.1**	1.7	–	–	–	–	**36.9**
	Totals	176.2	66.5	24.1	32.3	**122.9**	13.6	–	–	–	–	**312.7**

Note: A W Holt's figures are pro rated as his employment ended 31 December 2008 and he was therefore only eligible for 3 out of the 5 years

Executive Directors' PSP, LTIP and Share Option 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 2012 the options held under these plans by Executive Directors, all of whom were Directors throughout the year, and any changes during the year, are set out in the tables on the next two pages. No SIP free shares were awarded in 2012 (2011: 260). SIP shareholdings are included in the Directors' shareholding interests set out in the Directors' report. The share price on the day prior to the grant of the Directors' 2012 PSP and LTIP awards on 6 March was 336p.

	PSP, LTIP, or specified option scheme(s)	Over New[1] or ESOT shares	Shares under option on 1 Jan 2012[1]	Awards during the year	Lapsed during the year	Exercised during the year	Shares under option on 31 Dec 2012	Exercise price per share	Years options exercisable (if performance conditions met)	Potential profit on 31 Dec 2012[2] £000
S C W Beale	LTIP	ESOT	28,408	–	–	–	28,408	Nominal	2011-2013	107.7
		ESOT	36,376	–	36,376	–	0	Nominal	2012-2014	n/a
		ESOT	52,587	–	–	–	52,587	Nominal	2013-2015	199.3
		ESOT	56,447	–	–	–	56,447	Nominal	2014-2016	213.9
		ESOT	–	69,642	–	–	69,642	Nominal	2015-2017	263.9
	Total LTIP		173,818	69,642	36,376	0	207,084			784.8
	Sharesave	New	6,163	–	–	–	6,163	247.00p	2016-2017	8.1
	Totals all		**179,981**	**69,642**	**36,376**	**0**	**213,247**			**792.9**
B D Carpenter	LTIP	ESOT	57,831	–	–	–	57,831	Nominal	2011-2013	219.2
		ESOT	56,127	–	56,127	–	0	Nominal	2012-2014	n/a
		ESOT	57,849	–	–	–	57,849	Nominal	2013-2015	219.2
		ESOT	62,092	–	–	–	62,092	Nominal	2014-2016	235.3
		ESOT	–	75,892	–	–	75,892	Nominal	2015-2017	287.6
	Total LTIP		233,899	75,892	56,127	0	253,664			961.3
	Sharesave	New	3,643	–	–	–	3,643	247.00p	2014-2015	4.8
	Totals all		**237,542**	**75,892**	**56,127**	**0**	**257,307**			**966.1**

	PSP, LTIP, or specified option scheme(s)	Over New[1] or ESOT shares	Shares under option on 1 Jan 2012[1]	Awards during the year	Lapsed during the year	Exercised during the year	Shares under option on 31 Dec 2012	Exercise price per share	Years options exercisable (if performance conditions met)	Potential profit on 31 Dec 2012[2] £000
R A Hextall	LTIP	ESOT	61,164	–	61,164	–	0	Nominal	2012-2014	n/a
		ESOT	93,085	–	–	–	93,085	Nominal	2013-2015	352.8
		ESOT	100,351	–	–	–	100,351	Nominal	2014-2016	380.3
		ESOT	–	125,000	–	–	125,000	Nominal	2015-2017	473.7
	Total LTIP		254,600	125,000	61,164	0	318,436			1,206.8
	PSP	ESOT	67,524	–	1,621	–	65,903	Nominal	2012-2014	249.8
		ESOT	86,066	–	–	–	86,066	Nominal	2013-2015	326.2
		ESOT	61,164	–	–	–	61,164	Nominal	2014-2016	231.8
		ESOT	93,085	–	–	–	93,085	Nominal	2015-2017	352.8
		ESOT	100,351	–	–	–	100,351	Nominal	2016-2018	380.3
		ESOT	–	125,000	–	–	125,000	Nominal	2017-2019	473.7
	Total PSP		408,190	125,000	1,621	0	531,569			2,014.6
	Sharesave	New	2,694	–	–	–	2,694	334.00p	2013-2014	1.2
	Totals all		**665,484**	**250,000**	**62,785**	**0**	**852,699**			**3,222.6**
C E L Philipps	LTIP	ESOT	95,550	–	95,550	–	0	Nominal	2012-2014	n/a
		ESOT	128,627	–	–	–	128,627	Nominal	2013-2015	487.5
		ESOT	137,481	–	–	–	137,481	Nominal	2014-2016	521.1
		ESOT	–	168,154	–	–	168,154	Nominal	2015-2017	637.3
	Total LTIP		361,658	168,154	95,550	0	434,262			1,645.9
	PSP	ESOT	153,584	–	–	–	153,584	Nominal	2011-2013	582.1
		ESOT	151,929	–	3,647	–	148,282	Nominal	2012-2014	562.0
		ESOT	152,164	–	–	–	152,164	Nominal	2013-2015	576.7
		ESOT	95,550	–	–	–	95,550	Nominal	2014-2016	362.1
		ESOT	128,627	–	–	–	128,627	Nominal	2015-2017	487.5
		ESOT	137,481	–	–	–	137,481	Nominal	2016-2018	521.1
		ESOT	–	168,154	–	–	168,154	Nominal	2017-2019	637.3
	Total PSP		819,335	168,154	3,647	0	983,842			3,728.8
	Exec options	New	92,150	–	–	–	92,150	293.00p	2009-2016	79.2
	Sharesave	New	6,163	–	–	–	6,163	247.00p	2016-2017	8.1
	Total options		98,313	0	0	0	98,313			87.3
	Totals all		**1,279,306**	**336,308**	**99,197**	**0**	**1,516,417**			**5,462.0**

Note:
1. New shares can also potentially be sourced from Treasury.
2. Calculated assuming maximum vesting of awards, using the closing share price of 379p from the last trading day of 2012.

During the year under review the lowest and highest mid-market trading price of the shares in the Company were 312.9p and 405.0p respectively.

PSP performance condition

Average Return on consolidated 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%

PSP performance condition measurement

Award	Vesting date	Performance period	Average return on NTA for period	% vested
2007	March 2012	2007-11	19.4%	97.6%
2008	March 2013	2008-12	15.7%	82.9%

Measurements against PSP performance conditions were determined by the Committee in early 2012 and early 2013 respectively and are summarised above. For the 2008 awards the average return on net tangible assets over the ensuing five-year period was 15.7% and therefore 82.9% of the award vested. For the 2007 awards the average return on net tangible assets over the ensuing five-year period was 19.4% and therefore 97.6% of the award vested. On 7 March 2012, 65,903 and 148,282 shares vested in relation to Richard Hextall and Charles Philipps respectively. The market price on the day prior to the date of vesting was 311p and was 316.2p on the date of award.

LTIP TSR condition

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%
Equal to or greater than index plus 25%	100%

LTIP performance condition measurement

Award	Vesting date	Performance period	Amlin TSR %	Index TSR %	% vested
2009	March 2012	2009-11	7.4	63.4	0
2010	March 2013	2010-12	23.8	75.0	0

Measurements against LTIP performance conditions were similarly determined. For the 2010 and 2009 awards the Committee concluded that a nil vesting was appropriate as the primary performance condition had not been met.

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 Switzerland and 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 ESOT unless overseas requirements dictate otherwise.

Grant 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 ten 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.

Utilisation of new and Treasury shares

	Percentage of shares then in issue utilised 31 Dec 2012	Percentage of shares then in issue utilised 31 Dec 2011
Executive 5% limit over 10 years	**4.1%**	3.9%
All schemes 10% limit over 10 years	**5.2%**	5.2%

ESOT shares currently committed

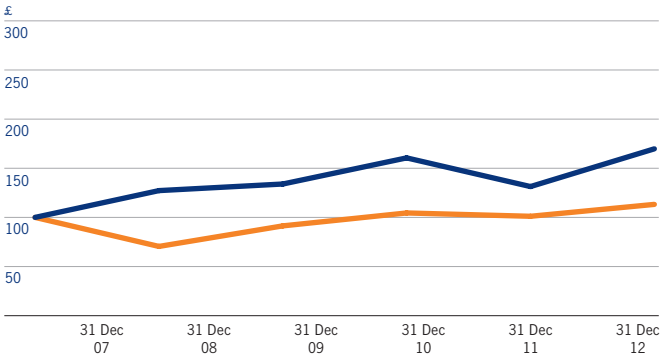
	Number of shares at 31 Dec 2012	**Number of shares as a percentage of the shares in issue on 31 Dec 2012**	Number of shares as a percentage of the shares in issue on 31 Dec 2011
ESOT commitment to PSP	**2,839,682**	**0.57%**	0.46%
ESOT commitment to LTIP	**4,419,149**	**0.88%**	0.59%
ESOT commitment to 'Special' awards	**209,961**	**0.04%**	0.01%
Total ESOT commitment	**7,468,972**	**1.49%**	1.06%

Of the total potential commitment of the ESOT as at 31 December 2012 (which is presented on the basis that all awards vest in full), it then held (and holds as at the date of this report) 2,023,644 shares (2011: 2,179,168 against a commitment of 5,284,672). 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 2012 resulted from the exercises of options and vesting of awards over a total of 155,524 shares (2011: 632,511) shares.

Total Shareholder Return performance

The graphs below 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 2012. 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 2007 to 2012 inclusive, of £100 invested in the Company's shares on 31 December 2007 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.

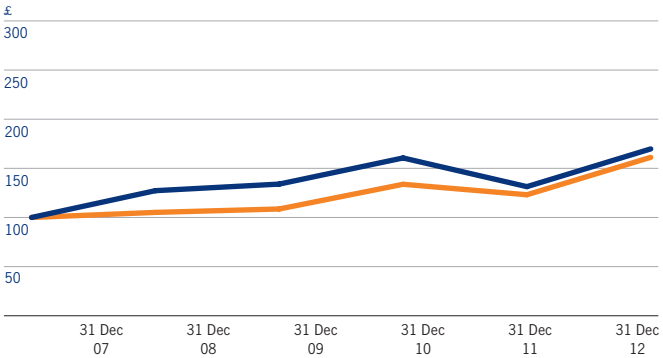
Total shareholder return compared with FTSE 350 at 31 December



Amlin plc FTSE 350 index

Source: Datastream (Thomson Reuters)

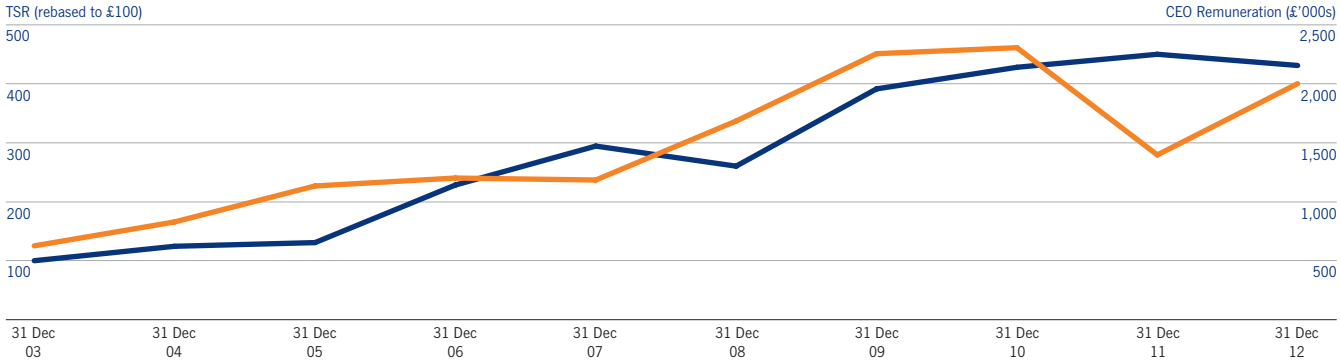
Total shareholder return compared with FTSE 350 All Share Non-Life Insurance Index at 31 December



Amlin plc FTSE All Share Non-life insurance index

Source: Datastream (Thomson Reuters)

10 year CEO Total Remuneration vs TSR



Amlin plc TSR CEO Total Remuneration

Source: Amlin plc

The above graph shows the relationship between CEO total remuneration and the TSR of the Company for the previous ten years, demonstrating that CEO pay has broadly moved in line with shareholder returns throughout that period.

Status of report

As required by the Large and Medium-Sized Companies and Group (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.

Mark Stevens
Group Company Secretary

1 March 2013

Other disclosures

Principal activity, Business Review and key performance indicators

Amlin plc (the Company) is the holding company of the Amlin Group of Companies (the Group). 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 (Strategic Overview and Performance sections) pages 2 to 11 and pages 12 – 53 respectively. Further information is provided in the risk disclosure note and in this Governance section of the Annual Report on pages 110 and page 54 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 required in the Company's Business Review. This includes information on key performance indicators and on the Group's financial and other risk management 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 comprised a single class of ordinary shares of 28.125p each (Shares). There were 502,076,006 Shares in issue, at the year end (2011: 502,076,006), including Shares held in treasury throughout the year. No Shares were bought back into treasury during the year (2011: nil). 418,721 Shares were transferred out of treasury during the year to service exercises of employee share options (2011: 488,309), leaving 4,968,671 Shares in treasury at the year end (2011: 5,387,392). There have been no issues of shares or further share buy backs or transfers into treasury since the year end but a further 12,102 Shares had by 28 February 2013 been transferred from treasury to satisfy employee Share options, leaving 4,956,569 shares in treasury at that date.

The Directors have declared dividends as follows:

Ordinary shares
Paid interim dividend of 7.5p per share paid on 4 October 2012 to shareholders on the register of members on 7 September 2012 (2011: 7.2p).
Proposed final dividend of 16.5p per share to be paid on 23 May 2013 to shareholders on the register of members at the close of business on 12 April 2013 (2011: 15.8p).
Total ordinary dividend of 24p per share (2011: 23.0p).

Those shareholders wishing to use any of these dividends 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

The Directors' biographical details are set out earlier in the Governance section pages 56 – 57 and details of their committee memberships can found in the Directors and Advisers list at the back of the report. Roger Taylor did not seek re-election at the 2012 Annual General Meeting and was replaced by Richard Davey as Chairman. Christine Bosse resigned as a director on 6 July 2012, Shonaid Jemmett-Page commenced her appointment with effect from 1 September 2012 and Julie Chakraverty also joined the Board on 1 January 2013. All Directors with the exception of Nigel Buchanan will offer themselves for either election or re-election at the Annual General Meeting on 16 May 2013 (AGM). This is in accordance with the UK Corporate Governance Code provision for annual re-election of all FTSE 350 companies' directors or in accordance with the Company's Articles of Association. This is detailed in the separate Notice of AGM, and as referred to in the Board Corporate Governance Statement.

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 below.

In the cases of the four Executive Directors, Simon Beale, Brian Carpenter, Richard Hextall and Charles Philipps, the 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 earlier 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 (ESOT). Details of transactions between the Group and directors who served during the year are set out in note 37 to the Accounts.

Directors' interests in Shares

	At date of signing 2012 report	At date of signing 2011 report
Simon Beale	**316,556**	321,556
Nigel Buchanan	**11,200**	11,200
Brian Carpenter	**380,481**	380,481
Julie Chakraverty	**–**	–
Sir Alan Collins	**–**	–
Richard Davey	**10,000**	–
Marty Feinstein	**4,000**	4,000
Richard Hextall	**165,253**	165,253
Shonaid Jemmett-Page	**–**	–
Charles Philipps	**612,967**	612,967
Sir Mark Wrightson Bt[1]	**15,388**	14,888

Note:
1. Includes 1,500 shares held non-beneficially as a bare trustee

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

Substantial shareholdings

Information provided to the Company pursuant to the Financial Services Authority (FSA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 31 December 2012, the following information had been received in accordance with DTR5 from holders of notifiable interests in the Company's issued share capital.

Substantial shareholders' interests

	Number of shares held	% of shares in issue[1]
Invesco Limited	69,588,184	14.0
Baillie Gifford & Co	25,136,807	5.1
BlackRock, Inc.	24,551,817	4.9
Majedie Asset Management Ltd	23,663,478	4.8
AXA S.A.	23,197,732	4.7
Kames Capital	19,680,372	4.0
JP Morgan Chase & Co	19,624,490	3.9

Note:
1. Based on the shares in issue, excluding treasury shares, as at 31 December 2012 of 497,107,335.

No changes have been disclosed in the period 31 December 2012 to 28 February 2013.

Corporate governance and Directors' remuneration

The Board Corporate Governance Statement and reports from the Board's Nomination, Audit and Risk & Solvency 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 on the Company's website www.amlin.com. Details of Directors' remuneration and of the Board's Remuneration Committee are set out in the Directors' Remuneration Report, also 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 formed the Amlin Group Consultation Forum (GCF) in October 2012. The GCF is a Group-wide forum where both management and employees have the opportunity to exchange information and views on Group wide issues. The GCF encourages communication and consultation on matters affecting joint interests of management and staff, it promotes better understanding and relationships across the Group and is a

supplement to the Amlin Consultation Forum in the UK and Amlin Europe Works Councils in the Netherlands and Belgium. In addition employees have engagement through line managers, and employee communication is also facilitated by intranet communication and a regular 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.

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 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. As Group Finance & Operations Director, Mr Hextall is responsible for the oversight of health and safety throughout the Group.

Corporate responsibility and charitable donations

A Corporate Responsibility report is set out in this Governance section on page 76. 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 £260,234 (2011: £169,193). 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 (2011: 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 around 30 days of the end of the month in which the Group receives the goods or in which the services are provided. Creditor days represented approximately 31 days (2011: 30 days).

Annual General Meeting

The Notice of AGM, to be held at noon on Thursday 16 May 2013 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 Christine Bosse (2009), Sir Alan Collins (2011), Shonaid Jemmett-Page (2012) and Julie Chakraverty (2013). 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. A Register of approved Conflicts is maintained and available for inspection at the Company's registered office.

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 on pages 12 – 53. 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 20 – 23. 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 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.

Directors' Responsibilities

Directors' statement on the disclosure of information to the auditors

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

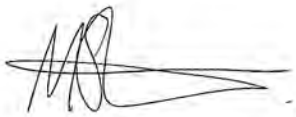
- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's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

Auditors

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

By Order of the Board



Mark Stevens
Secretary

1 March 2013

Statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report, the 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 the law the Directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRS) 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 and prudent;
- state whether applicable IFRS 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.

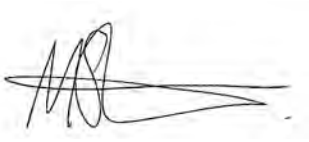
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS 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.

The Directors are responsible for the maintenance and integrity of the Company's website and 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 IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- the Directors' Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

By Order of the Board



Mark Stevens
Company Secretary

1 March 2013

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 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated balance sheet, and the consolidated statement of cash flows and the related notes 1-38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 94, 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. In addition, we read all the financial and non-financial information in the Amlin plc 2012 Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with IFRS 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 Corporate Governance Statement set out on pages 58-63 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 page 93, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance 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 2012 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 2013

Financial statements

In this section

Consolidated income statement

For the year ended 31 December 2012

	Note	2012 £m	Restated 2011 £m
Gross earned premium	5,6	**2,319.0**	2,223.2
Reinsurance premium ceded	5,6	**(332.6)**	(295.8)
Net earned premium	5,6	**1,986.4**	1,927.4
Investment return	5,7	**149.4**	40.5
Other operating income	5	**5.6**	8.8
Total income		**2,141.4**	1,976.7
Insurance claims and claims settlement expenses	5,8	**(1,197.3)**	(1,869.6)
Insurance claims and claims settlement expenses recoverable from reinsurers	5,8	**72.7**	370.2
Net insurance claims	8	**(1,124.6)**	(1,499.4)
Expenses for the acquisition of insurance contracts	5,9	**(422.5)**	(380.2)
Other operating expenses	10	**(303.0)**	(263.4)
Total expenses		**(725.5)**	(643.6)
Results of operating activities		**291.3**	(166.3)
Finance costs	5,13	**(27.6)**	(27.4)
Share of profit/(loss) after tax of associates	4,5	**0.5**	(0.1)
Profit/(loss) before tax	5,14	**264.2**	(193.8)
Tax	15	**(16.5)**	44.3
Profit/(loss) for the year		**247.7**	(149.5)
Attributable to:			
Equity holders of the Parent Company		**247.7**	(149.9)
Non-controlling interests		**–**	0.4
		247.7	(149.5)
Earnings per share attributable to equity holders of the Parent Company			
Basic	25	**50.0p**	(30.3p)
Diluted	25	**49.4p**	(30.3p)

The attached notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2012

	Note	2012 £m	2011 £m
Profit/(loss) for the year		**247.7**	(149.5)
Gains on revaluation of financial instruments in designated hedge accounting relationships	16	**3.7**	2.4
Foreign exchange losses on translation of foreign operations	16	**(55.2)**	(36.7)
Foreign exchange losses on translation of intangibles arising from investments in foreign operations	16	**(1.9)**	(2.2)
Defined benefit pension fund losses	32	**(17.5)**	(18.3)
Unrealised gains on investments designated as available-for-sale	18	**0.5**	0.2
Tax relating to components of other comprehensive income	15	**3.7**	6.4
Other comprehensive expense for the year, net of tax		**(66.7)**	(48.2)
Total comprehensive income/(expense) for the year		**181.0**	(197.7)
Attributable to:			
Equity holders of the Parent Company		**181.0**	(198.1)
Non-controlling interests		**–**	0.4
		181.0	(197.7)

The attached notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2012

For the year ended 31 December 2012	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 2012		141.2	300.3	174.5	(22.5)	826.2	**1,419.7**	0.7	**1,420.4**
Total comprehensive income for the year		–	–	(66.7)	–	247.7	**181.0**	–	**181.0**
Employee share option schemes:									
– share-based payment reserve		–	–	3.8	0.6	–	**4.4**	–	**4.4**
– proceeds from shares issued	24	–	0.1	–	1.1	(0.3)	**0.9**	–	**0.9**
Dividends paid	27	–	–	–	–	(115.3)	**(115.3)**	(0.1)	**(115.4)**
Acquisition of non-controlling interests		–	–	1.2	–	(1.2)	**–**	–	**–**
Tax relating to share option schemes	15	–	–	0.1	–	–	**0.1**	–	**0.1**
Transactions with the owners of the Group for the year		–	0.1	5.1	1.7	(116.8)	**(109.9)**	(0.1)	**(110.0)**
At 31 December 2012		141.2	300.4	112.9	(20.8)	957.1	**1,490.8**	0.6	**1,491.4**

For the year ended 31 December 2011	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 2011		141.2	300.3	222.9	(26.2)	1,089.9	1,728.1	1.8	1,729.9
Total comprehensive expense for the year		–	–	(48.2)	–	(149.9)	(198.1)	0.4	(197.7)
Employee share option schemes:									
– share-based payment reserve		–	–	0.8	2.5	–	3.3	–	3.3
– proceeds from shares issued	24	–	–	–	1.2	(0.2)	1.0	–	1.0
Dividends paid	27	–	–	–	–	(113.6)	(113.6)	–	(113.6)
Movements in non-controlling interests		–	–	–	–	–	–	(1.5)	(1.5)
Tax relating to share option schemes	15	–	–	(1.0)	–	–	(1.0)	–	(1.0)
Transactions with the owners of the Group for the year		–	–	(0.2)	3.7	(113.8)	(110.3)	(1.5)	(111.8)
At 31 December 2011		141.2	300.3	174.5	(22.5)	826.2	1,419.7	0.7	1,420.4

The attached notes form an integral part of these consolidated financial statements.

Consolidated balance sheet

At 31 December 2012

Assets	Note	2012 £m	Restated 2011 £m
Cash and cash equivalents	17	**190.6**	256.3
Financial assets	18	**4,205.0**	3,983.9
Reinsurance assets			
– reinsurers' share of outstanding claims	19	**478.6**	617.0
– reinsurers' share of unearned premium	19	**46.8**	50.4
Loans and receivables, including insurance and reinsurance receivables			
– insurance and reinsurance receivables	20	**1,003.2**	933.5
– other loans and receivables	20	**82.2**	69.0
Deferred acquisition costs	21	**239.3**	207.7
Current income tax assets		**12.3**	13.7
Deferred tax assets	15	**17.5**	26.9
Property and equipment	22	**20.4**	19.9
Intangible assets	23	**211.4**	218.9
Investments in associates	4,5	**9.3**	8.3
Total assets		**6,516.6**	6,405.5
Equity and reserves			
Share capital	24	**141.2**	141.2
Share premium		**300.4**	300.3
Other reserves		**112.9**	174.5
Treasury shares		**(20.8)**	(22.5)
Retained earnings		**957.1**	826.2
Equity attributable to equity holders of the Parent Company		**1,490.8**	1,419.7
Non-controlling interests		**0.6**	0.7
Total equity and reserves		**1,491.4**	1,420.4
Liabilities			
Insurance liabilities			
– outstanding claims	19	**3,083.5**	3,273.6
– unearned premium	19	**1,054.8**	998.0
Other payables, including insurance and reinsurance payables			
– insurance and reinsurance payables	30	**275.0**	218.8
– other payables	30	**118.6**	117.6
Financial liabilities	18	**5.7**	11.0
Current income tax liabilities		**0.4**	0.1
Borrowings	31	**410.4**	292.8
Retirement benefit obligations	32	**48.9**	30.8
Deferred tax liabilities	15	**27.9**	42.4
Total liabilities		**5,025.2**	4,985.1
Total equity, reserves and liabilities		**6,516.6**	6,405.5

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 2013. They were signed on its behalf by:

Charles Philipps
Chief Executive

Richard Hextall
Group Finance & Operations Director

Consolidated statement of cash flows

For the year ended 31 December 2012

	Note	2012 £m	Restated 2011 £m
Cash flows from operating activities			
Cash (utilised in)/generated from operations	36	**(74.2)**	367.5
Interest received		**37.2**	47.6
Dividends received		**11.3**	12.2
Income taxes paid		**(12.1)**	(38.6)
Net cash (outflows)/inflows from operating activities		**(37.8)**	388.7
Cash flows from investing activities			
Acquisition through business combination, net of cash acquired		**–**	(11.4)
Deferred payment for acquired subsidiary		**(0.1)**	(0.1)
Investments in associates	4	**(0.5)**	(1.6)
Purchase of property and equipment		**(6.5)**	(12.7)
Purchase and development of intangible assets		**(2.2)**	(25.7)
Net cash outflows from investing activities		**(9.3)**	(51.5)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares, including treasury shares		**0.9**	1.0
Dividends paid to shareholders	27	**(115.3)**	(113.6)
Dividends paid to non-controlling interests	27	**(0.1)**	–
Interest paid		**(21.9)**	(22.7)
Purchase of ESOT and treasury shares		**–**	(0.5)
Drawdown of revolving credit facility		**122.8**	–
Repayments of subordinated debt	31	**–**	(26.7)
Net cash outflows from financing activities		**(13.6)**	(162.5)
Net (decrease)/increase in cash and cash equivalents		**(60.7)**	174.7
Cash and cash equivalents at beginning of year		**256.3**	81.5
Effect of exchange rate changes on cash and cash equivalents		**(5.0)**	0.1
Cash and cash equivalents at end of year	17	**190.6**	256.3

The attached notes form an integral part of these consolidated financial statements.

Notes to the accounts

For the year ended 31 December 2012

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 2011, unless otherwise stated.

In accordance with IFRS 4, 'Insurance contracts' the Group has applied existing accounting practices for insurance contracts, modified as appropriate, to comply with the IFRS framework and applicable standards.

The Group has early adopted the accounting and disclosure requirements of IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements' and IFRS 12, 'Disclosure of interests in other entities'. Further details are provided below and in note 4.

Following the Group's announcement that Amlin France will be integrated with the Amlin Europe division, the two businesses are now reported together within the 'Amlin Europe' column in the segmental information. Comparative information for the year ended 31 December 2011 has been restated accordingly. Further details are provided in note 5.

Improvements have also been made to the presentation of interest received and dividends received in the consolidated statement of cash flows, to reflect that such cash flows are considered cash flows from operating activities rather than cash flows from investing activities. These improvements have had no impact on the previously reported net change in cash and cash equivalents.

Basis of consolidation

The financial statements consolidate the accounts of the Company and subsidiaries, including the Group's underwriting through participation on Lloyd's syndicates. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 principal subsidiaries included within the consolidated financial statements can be found in note 4.

Going concern

The Group's business, risk and finance management, performance and position, together with factors that are likely to affect future development, are described in the Performance Review of this Annual Report on page 45. Capital management strategy, which covers how regulatory and economic capital needs are measured and how capital is deployed, is described under Financial Management on page 20. 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 describes capital management needs and policies and note 3 covers underwriting, market, liquidity and credit risk 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 risk 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.

Adoption of new and revised standards

(a) Standards, amendments to published standards and interpretations effective on or after 1 January 2012

The Group has adopted the following amended IFRS effective as of 1 January 2012:

- IFRS 7 (amended), 'Financial instruments: Disclosures – Transfers of financial assets'

The effect of this change is as follows:

IFRS 7 (amended), 'Financial instruments: Disclosures – Transfers of financial assets'

The amendment introduces more extensive quantitative and qualitative disclosures about the transfer of financial assets to assist users in understanding the implications of transfers of financial instruments and the potential risks that may remain with the transferor. There is no material impact on the Group or Company's financial statements.

(b) Standards, amendments to published standards and interpretations early adopted by the Group

The Group has early adopted the following standards and consequential amendments to other IFRSs for the financial year ended 31 December 2012. Comparative information has been restated accordingly. The Group has not presented a balance sheet for the beginning of the earliest comparative period as required by IAS 1, 'Presentation of financial statements', as the impact is not material.

IFRS 10, 'Consolidated financial statements'

IFRS 10 replaces the portion of IAS 27, 'Consolidated and separate financial statements' that addressed the accounting for consolidated financial statements and SIC-12, 'Consolidation – Special purpose entities'. IFRS 10 revises the definition of 'control', the key factor in determining whether an entity is consolidated.

The Group has assessed whether the consolidation conclusion under IFRS 10 differs from IAS 27/SIC-12 as at 1 January 2012. If the consolidation conclusion differs as at this date, the comparative period has been restated to be consistent with the accounting conclusion under IFRS 10. Any difference between the carrying amounts under IFRS 10 and the carrying amounts under IAS 27/SIC-12 is adjusted to equity. Where the consolidation conclusion is the same under IFRS 10 and IAS 27/SIC-12, no adjustment to previous accounting has been made.

The adoption of IFRS 10 resulted in a change in the control conclusion for Tramline Re Ltd, which is no longer consolidated by the Group. The effect of adoption of IFRS 10 is discussed in further detail in note 4.

IFRS 11, 'Joint arrangements'

IFRS 11 replaces IAS 31, 'Interests in joint ventures' and SIC-13, 'Jointly-controlled entities – non-monetary contributions by venturers'. The standard clarifies the definition of a joint arrangement and uses the principle of control in IFRS 10 to define joint control. The standard also removes the option to account for jointly-controlled entities using the proportional consolidation method.

The Group holds 50.0% of the voting rights in Leadenhall Capital Partners LLP, which was previously accounted for as a joint venture using the equity method. Upon adoption of the new standards, the Group's interest is now accounted for as an investment in associate using the equity method. The contractual terms of the Group's interest in Leadenhall Capital Partners LLP have not changed and the impact is one of disclosure only.

IFRS 12, 'Disclosure of interests in other entities'

IFRS 12 includes all of the disclosures that were previously included in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28, 'Investments in associates'. A number of new disclosures are also required, including the judgements made by management in determining whether it controls an entity and information about interests in unconsolidated structured entities. The disclosure requirements of the standard have been applied in this set of financial statements.

IAS 27, 'Separate financial statements' and IAS 28, 'Investments in associates and joint ventures'

As a result of the issuance of IFRS 10, IFRS 11 and IFRS 12, consequential amendments were made to IAS 27 and IAS 28. IAS 27 now contains requirements only relating to separate financial statements, while the amendments to IAS 28 incorporate the accounting for joint ventures. The amendments to both standards have been applied in conjunction with the above 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.

IFRS 9, 'Financial instruments: Classification and measurement'

IFRS 9 as issued reflects the first phase of the International Accounting Standards Board's (IASB) work on the replacement of IAS 39 'Financial instruments: Recognition and measurement' and applies to the classification of financial instruments. IFRS 9 as originally issued had a mandatory effective date of 1 January 2013. Subsequent amendments to the standard, 'Mandatory effective date and transition disclosures', have deferred the mandatory effective date to 1 January 2015[1]. The IASB is currently considering limited modifications to IFRS 9. In other phases, the IASB is addressing impairment of financial assets and hedge accounting.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial instruments. The Group is currently undertaking a review to determine the impact of the standard on adoption.

However, the Group has determined that the effect shall be quantified in conjunction with the other phases when issued. Consideration will also be given to the emerging requirements and expected timetable of the IASB's insurance contracts project in addressing the Group's classification and measurement approach.

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 proposed to be effective for annual periods beginning on or after 1 January 2015[1]. 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 own 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 expected to have no impact on the financial statements of the Group.

IFRS 7 (amended), 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'

The amendment to IFRS 7 is effective for annual reporting periods beginning on or after 1 January 2013. The amendment introduces new disclosure requirements intended to allow investors to better compare the different offsetting of financial assets and financial liabilities under IFRS and US GAAP. The amendment is likely to have an impact on the disclosures made by the Group in respect of its financial assets and financial liabilities.

IAS 32 (amended), 'Financial instruments: Presentation – Offsetting financial assets and financial liabilities'

The amendments to IAS 32 clarify the requirements for offsetting financial instruments and are applicable for accounting periods beginning on or after 1 January 2014. The amendments are not expected to have a material impact on the financial statements of the Group on adoption.

IAS 12 (amended), 'Deferred Taxes: Recovery of underlying assets'

The amendments to IAS 12 relate to the measurement of deferred tax on investment properties. The Group is required to apply the amendments from 1 January 2013 which will have no impact on the financial statements of the Group or Company on adoption.

IFRS 13, 'Fair value measurement'

IFRS 13 is effective for annual periods beginning 1 January 2013 and is to be applied prospectively. The standard establishes a single source of guidance under IFRS for fair value measurement and introduces new disclosures to help users to better assess the valuation techniques and inputs used to measure fair value. The standard will require the Group to provide more disclosures about judgements made and inputs used in fair value measurements and sensitivity of those measurements.

IAS 1 (amended), 'Presentation of financial statements – Presentation of items of other comprehensive income'

The amendment to IAS 1 is effective for annual periods beginning 1 July 2012. The amendment will require companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. Upon adoption, the amendment will result in changes to the presentation of the Group's other comprehensive income.

Note:
1. Subject to EU endorsement

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

IAS 19 (revised), 'Employee benefits'

The amendment to IAS 19 is effective for annual periods beginning on or after 1 January 2013 and is to be applied retrospectively. The amendment principally affects the accounting for and disclosure of defined benefit plans. It eliminates the option to defer the recognition of actuarial gains and losses under the 'corridor' approach, applies a single rate to the net defined asset or liability to calculate the net interest income or expense, removes the options for the presentation of gains and losses and enhances disclosure requirements in respect of defined benefit plans and the risks arising on those plans. The amendment will impact the calculation of the net interest income or expense, the presentation of gains and losses and will require further disclosures relating to the characteristics and risks of the Group's defined benefit pension plans. The Group is currently undertaking an assessment of the impact on adoption. At this stage the amendment is not expected to have a material impact on the Group.

IFRS 10, IFRS 11 and IFRS 12 (amended), 'Transition guidance'

Subsequent to the release of the new suite of consolidation standards, the IASB published amendments to clarify the transition guidance in IFRS 10 in June 2012. The amendments also provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments to the standards are effective for annual periods beginning on or after 1 January 2013[1].

The Group has adopted the requirements of IFRS 10, IFRS 11 and IFRS 12 in the current period but is unable to apply the transition guidance amendments as they were released in 2012 and have not yet been endorsed by the EU. These amendments will not impact the Group on adoption.

IFRS 10, IFRS 12 and IAS 27 (amended), 'Investment entities'

The IASB issued amendments to IFRS 10, IFRS 12 and IAS 27 in October 2012 to address the accounting for investments controlled by investment entities. The amendments define an investment entity and require an investment entity to measure its subsidiaries at fair value through profit or loss. The amendments do not permit the 'roll-up' of fair value accounting in the consolidated financial statements of a non-investment entity parent. The amendments are applicable for annual periods beginning on or after 1 January 2014[1] and will not have an impact on the financial statements of the Group on adoption.

Annual improvements to IFRSs 2009-2011 cycle

In May 2012, the IASB issued its annual amendments to IFRSs and the related Bases for Conclusions and guidance. 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 amendments are effective for annual periods beginning 1 January 2013[1] and will have no material impact on the Group or Company's financial statements on adoption.

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. The carrying value of the Group's net outstanding claims reserves at 31 December 2012 is £2,604.9 million (2011: £2,656.6 million). In 2012, there has been a net positive development of £94.2 million (2011: £112.6 million) for the Group, reflecting favourable experience in the 2011 and prior reported years. Note 3.1 provides further details of the method the Group applies in estimating insurance contract liabilities.

Financial assets and financial liabilities

The Group uses pricing vendor sources in determining the fair value of financial assets and financial liabilities. Depending on the methods and assumptions used (for example, in the fair valuation of Level 2 and Level 3 financial assets), the fair valuation of financial assets and financial liabilities can be subject to estimation uncertainty. Details of these methods and assumptions are described in note 3.2. The carrying values of the Group's financial assets and financial liabilities at 31 December 2012 are £4,205.0 million (2011 restated: £3,983.9 million) and £5.7 million (2011: £11.0 million) respectively.

Intangible assets

Intangible assets are recognised on the acquisition of a subsidiary, on the purchase of specific rights to renew a particular underwriting portfolio, on the acquisition of syndicate capacity and on internally developed computer software.

The value of intangible assets arising from the acquisition of a subsidiary, syndicate capacity or on the purchase of renewal rights is largely based on the expected cash flows of the business acquired and contractual rights on that business.

The internally developed computer software principally relates to cost directly attributable to the development of a new underwriting platform for Amlin Europe N.V.

The assumptions made by management in performing impairment tests of intangible assets are subject to estimation uncertainty. The results of the impairment test may result in the value of the intangible being impaired in the current period. Note 23 provides further details on these assumptions.

The carrying value of the Group's intangible assets (excluding goodwill) at 31 December 2012 is £136.3 million (2011: £142.3 million).

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 23.

The Group has allocated goodwill to cash generating units based on a number of factors, which include how the entity's operations are monitored. Note 23 provides further details. The carrying value at the reporting date of goodwill is £75.1 million (2011: £76.6 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

Note:
1. Subject to EU endorsement

in the country of 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 profits 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 £17.5 million (2011: £26.9 million), and of the deferred tax liability is £27.9 million (2011: £42.4 million).

Staff incentive plans

The Group recognises a liability and expense for certain 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.

The carrying value at the reporting date of the liability for the staff incentive plans is £39.8 million (2011: £31.1 million).

Retirement benefit obligations

The Group participates in the Lloyd's Superannuation Fund defined benefit scheme and also operates defined benefit schemes in the Netherlands, Belgium and Switzerland.

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 loss of £17.5 million (2011: £18.3 million) has been recognised in the statement of comprehensive income and an expense of £6.4 million (2011: £4.2 million) has been recognised in the income statement. Note 32 provides further details on the Group's retirement benefit obligations. At 31 December 2012, the Group recognised a balance sheet liability of £48.9 million (2011: £30.8 million) in respect of its defined benefit plans.

Determining control of entities

The significant judgements and assumptions made by the Group in reaching its control and consolidation conclusions for certain investments held by the Group are outlined in note 4b.

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 currently material. Group entities conduct business in a range of economic environments, although these are primarily the United Kingdom, United States of America and Continental Europe.

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 or, where such items are revalued, at the latest valuation date. Exchange differences are recognised within other operating expenses.

The results and financial position of those Group entities whose functional currency is not sterling ('foreign operations') 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 the exchange rates at the date of each transaction, or a practical approximation to these rates; and
- On consolidation all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation 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.

Details of the principal exchange rates used are included in note 33.

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.

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 underwritten by the Group under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

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 4 are classified as investment contracts.

Based on the current assessment, all of the products underwritten by the Group's insurance entities are insurance contracts within the scope of IFRS 4. Certain risk transfer contracts held by the Group, for example catastrophe linked instruments, do not meet the definition of an insurance contract and are therefore accounted for as financial instruments in accordance with IAS 39.

Insurance contracts premium

Gross written premium comprise 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 recognised as 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 comprise premium on reinsurance arrangements bought which incept during the financial year, together with adjustments to premiums ceded in previous accounting periods. The proportion of reinsurance premium ceded attributable to

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

periods after the balance sheet date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

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. Although it is possible that claims could develop and exceed the reserves carried, there is therefore a reasonable chance of release of reserves from one 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 recoveries

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 Group Management Committee.

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, 'Business combinations', 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 combinations after 1 January 2010

The Group policy is to apply IFRS 3 (revised) to all acquisitions taking place on or after 1 January 2010. Business combinations are accounted for using the acquisition 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. 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 non-controlling interests. 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.

Investments in associates

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.

Intangible assets

i. Syndicate capacity

Lloyd's syndicate participations that have been purchased in the Lloyd's capacity auctions are 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 the cash generating units to which the intangible asset

is allocated, 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 of the cash generating unit to which goodwill has been allocated, 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 and 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 at each reporting date 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, and is charged to other operating expenses in the income statement.

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 basis 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	20% to 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 recorded in profit or loss. 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 at 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 income securities, equity securities, property funds and certain derivatives are classified as 'trading' as the Group buys with the intention to resell. All other assets at FV are classified as 'other than trading' within the FV category as they are managed and their performance is evaluated on a FV basis.

The Group has investments in certain unlisted insurance intermediaries which are treated as available-for-sale and are measured at fair value, unless their fair value cannot be reliably measured, in which case they are valued at cost less impairment. 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 valuation is discussed further in note 3.

Derivative financial instruments

Derivative financial instruments primarily include currency swaps, currency and interest rate futures, currency options, catastrophe linked instruments and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates or catastrophe risk. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. They are subsequently measured at fair value, with their fair values obtained from quoted market prices or, where these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. 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 other comprehensive income. The fair values of derivative instruments used for hedging purposes are disclosed in note 18. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Embedded derivatives with risks and characteristics which are not closely related to the host contract, and where the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss, are separated from the host contract and measured at fair value.

Loans and receivables

Loans and receivables are initially recognised at fair value and subsequently 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.

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

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.

Finance costs
Finance 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. 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 statement of cash flows, cash and cash equivalents comprise cash in 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.

Earnings 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 earnings per share are calculated by dividing profit after tax by the weighted average number of issued shares during the year.

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 (ESOT), Long Term Incentive Plan (LTIP), Performance Share Plan (PSP), Share Incentive Plan (SIP) and the Sharesave scheme.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards to the Group. The Group holds no finance leases. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement in the period in which they become payable in accordance with the terms of the lease, which is representative of the time pattern of the Group's benefit.

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 Europe N.V. participates in two defined benefit schemes. Amlin Re Europe's pension scheme is classified as a defined benefit scheme in accordance with IAS 19, 'Employee benefits'.

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 other 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 discount rates set on the basis of the yield of high quality debt instruments (AA rated or equivalent) issued by blue chip companies, with maturities consistent with those of the defined benefit obligations. In respect of the defined benefit scheme in the Netherlands for Amlin Europe N.V., the fair value of the plan assets reflects the benefits that accrue to Amlin Europe N.V. under the insurance policy taken out to meet its obligations. This is also the case for Amlin Re Europe's defined benefit scheme.

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. Other benefits
Other employee incentive schemes and long-term service awards, including the Amlin Capital Builder Plan and 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 operating income
Fee income received on insurance-related services is recognised as the benefits of the services are provided.

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 in respect of taxable temporary differences arising on investments in subsidiaries and associates, 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.

Deferred tax is calculated at the substantively enacted 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 other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity respectively.

Deferred tax is recognised on the profits of foreign 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 initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the period end, but for which 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 26, and subordinated debt as disclosed in note 31. For business planning purposes, account is also taken of the Group's debt facilities as disclosed in note 31.

The method by which the Group manages its capital base is described on page 20 of the Financial Management section.

During the current and prior periods, the Group complied with all externally imposed capital requirements to which it is subject.

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 business 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 division and its context within the wider Group.

Amlin Corporate Member Limited, which supports Syndicate 2001, is required to hold regulatory capital in compliance with the rules issued by the UK's Financial Services Authority (FSA) and 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 Minimum Capital Requirement (MCR), as prescribed by EU directives, calculated by applying fixed percentages to premium and claims and allowing for historic reinsurance recoveries. The second is an Individual Capital Assessment (ICA) calculated internally by the firm under the Individual Capital Adequacy Standards (ICAS) regime. 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 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 capital requirements for the 2013 year of account, Lloyd's introduced the Lloyd's capital return (LCR) (replacing the ICA), including the calculation of an ultimate solvency capital requirement (uSCR), and a balance sheet to be prepared under Solvency II principles. Lloyd's consider that the LCR submission provides protection to policyholders equivalent to the FSA's ICAS regime. Lloyd's has previously uplifted all ICAs by 35% to bring the capital to a level to support a higher financial strength rating but, as a one-off transitional arrangement across the market (since Solvency II is not yet live), Lloyd's uplifted the 2013 capital requirement by the same amount as the 2012 uplift since the business written was materially unchanged. The final capital requirement, the Economic Capital Assessment (ECA), is then subject to a minimum of 40% (2011: 40%) of the Syndicate's agreed premium capacity limit.

At 31 December 2012, the agreed ECA as a percentage of the proposed underwriting capacity for the following year of account was 44.3% (2011: 42.3%).

The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund, for which a variable annual levy, for 2012 of 0.5% (2011: 0.5%) of Syndicate gross premium, is payable.

The LCR is expected to be reviewed annually by Lloyd's (as was the ICA previously) and periodically by the FSA. The FSA expects management to apply their rules continuously. If a firm's capital falls below its ECA, steps must be taken to restore capital adequacy. Due to the nature of the Lloyd's capital setting process, Funds at Lloyd's (FAL) requirements are formally assessed and funded twice yearly at discrete periods and must be met for the Syndicate to continue underwriting.

At 31 December 2012, Amlin Corporate Member Limited funded the agreed FAL requirement of £620.2 million (2011: £497.0 million) to support underwriting for the 2013 year of account.

The increase of £123.2 million is largely driven by the change in basis of the ICA to the LCR calculations offsetting this increase, on a Solvency II basis, the balance sheet capital resources have increased by £77.5 million (a net effective increase of £45.7 million).

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 Amlin Bermuda branch is supervised by the Bermuda Monetary Authority (BMA).

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 the required capital is calculated as a fixed percentage of premiums, claims incurred and/or net amounts at risk. The SST is based on an economic view and required capital is derived from an internal capital model.

Whilst the internal model is still subject to final approval by FINMA, it has been temporarily approved by FINMA until 31 December 2015. Amlin AG calculates 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 became 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).

2. Capital continued

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 2012.

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 Europe N.V. is required to hold regulatory capital in compliance with the rules issued by its regulator De Nederlandsche Bank (DNB), and as prescribed by EU directives. DNB supervision comprises of various qualitative assessments, governance requirements and minimum solvency levels. Amlin Europe N.V. provides regulatory solvency reporting to DNB, under the rules of Solvency I.

At 31 December 2012, the minimum required capital for Amlin Europe N.V. amounted to €105.3 million (2011: €117.0 million). The minimum capital requirement is calculated by applying fixed percentages to premiums and claims.

At 31 December 2012, Amlin Europe N.V. complies with external capital requirements. For trading purposes, Amlin Europe N.V. holds capital in excess of the minimum required by the DNB.

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 Europe N.V., Amlin AG (including its branch operation, Amlin Bermuda) and Amlin Insurance (UK) Ltd. Syndicate 2001's portfolio is underwritten by Amlin London and Amlin UK. Prior to 1 January 2013, Syndicate 2001 also accepted business through the Group's wholly owned French coverholder, Amlin France SAS. The latter now writes exclusively on behalf of Amlin Europe N.V. 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 and knowledge to assess each risk. Exposure information and data on past claims experience is used 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 by the boards of Amlin plc and its subsidiaries 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 line guides that determine the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) by each underwriter. These limits can be exceeded in exceptional circumstances with the approval of senior management. Apart from the UK, European 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 section on page 119.

Insurance policies are written through individual risk acceptances, reinsurance treaties or through facilities whereby the Group 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 the Group's behalf under clear authority levels.

The insurance policies 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. 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 risks 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 24. It is possible that a catastrophe event could exceed 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 data or the models used.

As explained on page 119, 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 changes in reinsurance availability and cost, capital levels and profitability in order to remain within the risk appetite guidelines.

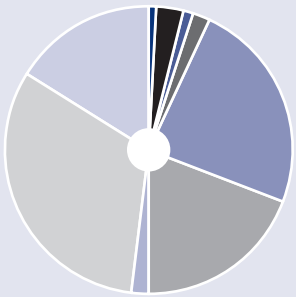
Sections A and B below describe the insurance and reinsurance portfolios written by the Group and the associated risks of such business. Section C summarises the business written by each operating division.

A. Direct insurance and facultative reinsurance

The geographic spread of all direct insurance and facultative reinsurance classes is shown below:

2012 Direct insurance and facultative reinsurance

Gross written premium by geography

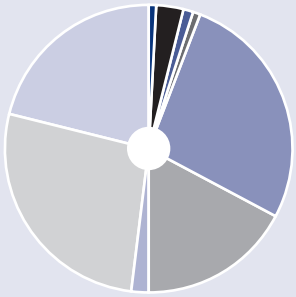


Africa	1%	North America	19%
Asia	3%	Oceania	2%
Caribbean	1%	UK	32%
Central & South America	2%	Worldwide/ Other	16%
Europe	24%		

Source: Amlin

2011 Direct insurance and facultative reinsurance

Gross written premium by geography



Africa	1%	North America	17%
Asia	3%	Oceania	2%
Caribbean	1%	UK	27%
Central & South America	1%	Worldwide/ Other	21%
Europe	27%		

Source: Amlin

A. (i) Property – direct and facultative

Property cover is provided to large commercial enterprises with high value single 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 from standard property cover in most territories.

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 and therefore, for these contracts the Group is reliant on coverholders exercising underwriting judgement on its behalf. Coverholders must have local regulatory approval, be Lloyd's registered where relevant and also be approved by the Local Binding Authority Committees. For all binding authority facilities, the Group receives monthly or quarterly bordereaux which are checked by underwriting staff. The underwriting is controlled 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.

As well as natural catastrophes, 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. The US account is particularly exposed to large catastrophe events, such as California earthquake, tornado and hurricane losses.

In the UK standalone property protection is written mainly on a 100% basis for small and medium commercial and household properties. Package policies combine one or more liability coverages (mainly employers' and public liability) with motor and/or property damage protection. The UK property owners account has continued to develop throughout 2012.

This portfolio is exposed to European weather conditions whereby a large windstorm, flood or winter freeze could result in a large number of small claims.

The European property account mainly comprises large schedules of properties (e.g. for municipalities) written on a co-insurance basis in the Netherlands and larger commercial industrial clients in Belgium and France. Overseas exposure is written mainly from the large commercial industrial portfolio where there are client or other incidental operations overseas. The engineering book includes contractors all risks, machinery breakdown and some computer equipment.

A. (ii) Casualty – direct insurance

The US casualty insurance account provides insurance 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 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. Professional lines liability cover is written by a dedicated underwriting team. This class includes professional indemnity cover given to US lawyers, accountants, architects and engineers.

The casualty portfolio 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 due to line size. 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.

The Group's international liability portfolio predominantly protects insured's domiciled in the UK, Ireland, France, Belgium and the Netherlands. There is also some Canadian business. A new international casualty team has recently been established to develop business in other territories including Australia. A portfolio of professional indemnity and general liability business is written in the Netherlands, on a claims made basis with a particular focus on property related professions and miscellaneous professions such as travel operators. In Belgium, medical liability and general liability are written on a losses occurring basis.

UK employers' liability insurance protects employers against accident or injury to employees. This is written on a losses occurring basis.

3. Risk disclosures continued

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.

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 advisors and is written on a claims made basis.

Since 2012, Syndicate 2001 has written a product recall account though a single coverholder. Product recall cover indemnifies producers against the costs of replacement production for specific goods.

Through AUA Insolvency Risk Services Ltd, an FSA registered broker, the Group writes a portfolio of UK insolvency practitioners business providing protection against fraud or negligence committed by the practitioners. Such cover 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 multiple claims could arise under multiple policies from a common cause such as financial advice or generic building defects. 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.

A. (iii) Motor – direct insurance

The Group's UK motor insurance account provides protection for fire, theft, collision and third party property and bodily injury liability. 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. A small UK agriculture facility, a taxi book and a specialist private car account are also written.

The Benelux commercial motor account is comprised of domestic company fleets including a large leasing and rental fleets, portfolio written in the Netherlands and a smaller portfolio in Belgium. Cars, vans or commercial vehicles account for over 70% of the book.

Claims frequency has improved in recent years due to car and road safety measures, but can fluctuate due to factors such as weather conditions. 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 European legal systems impacts liability claim values. This issue is evidenced in the UK through the provision for Periodic Payment Orders (PPOs) which spread insurers' payment liabilities for bodily injury claims over future years. Government intervention such as liability award limit changes or expense recoveries for government bodies, for example the UK 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.

Auto business is also written covering property damage only (fire, theft and collision) in the US 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. (iv) Personal accident – direct insurance

The accident and health class is written through medical expense schemes in the US and direct personal accident cover on a worldwide basis. Medical expense cover is subject to a high frequency of claim and significant medical cost inflation. Personal accident insurance 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.

A. (v) Marine and aviation – direct insurance and facultative reinsurance

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 portfolio written includes lower value tonnage, smaller 'brown water' vessels and fishing boats as well as larger 'blue water' ocean hull risks such as cruise liners, tankers and bulk carriers. 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 as trade reduces and hull values are impacted by reduced freight rates. It is also possible that claims frequency could increase due to increased economic pressures affecting fraud and theft claims.

The Benelux portfolio includes a commodities book for Belgian and French trading corporations, in addition to hull, land equipment, shipbuilders' risk, inland hull and large yachts.

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, for example 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 marine, aviation 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.

Yacht business covers property damage and third party injury for small leisure boats and craft. The UK domestic 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. Amlin Europe and the wholly owned coverholder Lead Yacht write shares of a portfolio of large private yachts.

The marine liability portfolio is written to protect ship-owners, harbours, charterers and energy companies against damage or injury to crew or 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.

Specie, bloodstock and livestock business are also written within the Marine and Aviation Business Unit of Syndicate 2001.

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 and may be exposed to terrorist events.

The bloodstock account provides coverage for death, illness or injury to horses mainly in the UK. Business from the US, 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, such as a stable fire, which could cause multiple claims.

Crowe Livestock, a leading Lloyd's coverholder for the insurance of livestock 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.

The aviation 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 liability insurance covers launch and 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. 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 119.

A. (vi) Special risks – direct insurance

The direct special risks class is largely made up of insurance of nuclear installations, contingency business and film finance risk.

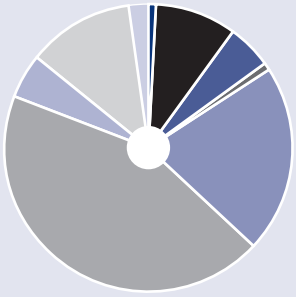
Transmission and distribution business is also written. This account is generally written without reinsurance protection.

There is a small portfolio of captive business written in Belgium as fronting for captive reinsurers of large industrial companies. Captives are subject to detailed financial analysis to manage potential credit risk.

B. Treaty reinsurance

The geographic spread of all treaty reinsurance classes is shown below:

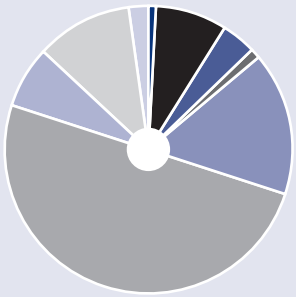
2012 Treaty reinsurance
Gross written premium by geography



Africa	1%	North America	44%
Asia	9%	Oceania	5%
Caribbean	5%	UK	12%
Central & South America	1%	Worldwide/ Other	2%
Europe	21%		

Source: Amlin

2011 Treaty reinsurance
Gross written premium by geography



Africa	1%	North America	50%
Asia	8%	Oceania	7%
Caribbean	4%	UK	11%
Central & South America	1%	Worldwide/ Other	2%
Europe	16%		

Source: Amlin

B. (i) Property – reinsurance

Catastrophe reinsurance protects insurance companies against catastrophic losses, such as windstorm or earthquake, which may impact more than one risk written by the client. The catastrophe excess of loss portfolio is a key part of the reinsurance risk written by the Group.

These programmes are placed on a layered or excess of loss basis. Territorial exposures, from a number of programmes, are carefully recorded and analysed through loss simulations or realistic disaster scenarios but represent significant loss exposure to natural or man made catastrophes.

3. Risk disclosures continued

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 catastrophe losses.

Proportional property reinsurance covers a proportionate share of a reinsured's portfolio of business subject to payment of commission and/or profit commission. Proportional property business is normally written with an occurrence limit.

The Group's portfolio of property reinsurance business is written with the aim of achieving territorial diversification. However, as experienced in 2011, a single or series of severe catastrophes to major economic zones in Europe, Japan, Australasia or the US is likely to result in a loss to the portfolio prior to retrocessional reinsurance. For each operating division, overall catastrophe loss limits are applied in relation to specific scenarios as an allocation of total Group tolerances.

B. (ii) Casualty – reinsurance

The US casualty reinsurance account provides cover for reinsureds in respect of legal liability arising from insureds' activities and actions or for incidents occurring on insureds' properties. The portfolio is written on both an excess of loss and proportional basis but most underlying policies are on a claims notified basis (responding to all claims made during a defined period). The portfolio includes 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.

US Workers Compensation Act /casualty clash excess of loss business may be impacted by large catastrophic events such as earthquake.

International liability reinsurance business is mainly general third party liability protecting companies against significant public or products liability claims, written on a proportional or excess of loss basis. The liability account also includes some professional liability reinsurance.

The construction and engineering portfolio provides liability and property reinsurance cover for construction projects which may be of several years' duration.

B. (iii) Motor – reinsurance

Motor reinsurance is written on a proportional and excess of loss basis. This portfolio is at risk from increases in frequency or severity of motor accident claims, bodily injury or third party property claims payments which may take several years to settle. Unlimited and limited motor business is written. Whilst the original premium and the investment income generated are expected to be more than sufficient to meet such claims, there is no guarantee that this will be the case, particularly due to inflation or superimposed inflation resulting from changes to court awards. The aim is to diversify the portfolio across several territories in order to reduce the impact of a single legal jurisdiction revising its claims policy.

B. (iv) Personal accident – reinsurance

Personal accident reinsurance is written on a worldwide basis. Such business 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.

B. (v) Marine and aviation – reinsurance

The Group's portfolio of aviation and marine excess of loss reinsurance protects insurers against losses to their direct portfolios of business on a worldwide basis. This will include offshore energy business, specie and other static risks written in reinsured companies' marine portfolios. The marine account, in particular, is exposed to catastrophe losses as well as large individual risk losses.

B. (vi) Special risks – reinsurance

The special risks reinsurance account is predominantly made up of terrorism excess of loss and nuclear reinsurance emanating from all parts of the world and written without excess of loss reinsurance protection. The portfolio also includes short-term trade credit and contingency business as well as trade credit reinsurance which protects reinsureds against the non-payment of monies or goods or services due from trade partners locally or overseas. Satellite physical damage cover is also written in the special risks account.

C. Business written and maximum risk limit by operating divisions
Direct insurance and facultative reinsurance

At 31 December 2012	Amlin London Gross written premium £m	Amlin UK Gross written premium £m	Amlin Europe Gross written premium €m	Amlin London Max line size £m	Amlin UK Max line size £m	Amlin Europe Max line size €m	Amlin London Average line size £m	Amlin UK Average line size £m	Amlin Europe Average line size €m
(i) Property – direct and facultative									
Direct and facultative property	112	–	–	23	–	–	3	–	–
Binding authorities	33	–	–	2	–	–	<1	–	–
UK/Europe property/package	–	140	135	–	52	50	–	1	5
(ii) Casualty – direct insurance									
International casualty	3	–	–	17	–	–	6	–	–
Casualty	19	–	–	3	–	–	<1	–	–
Professional lines	6	–	–	7	–	–	1	–	–
Employers' liability	–	22	–	–	27	–	–	10	–
Liability	–	–	98	–	–	13	–	–	2
Public/products liability	–	24	–	–	12	–	–	4	–
Financial institutions fidelity and liability	–	7	–	–	6	6	–	2	2
Professional indemnity	–	38	–	–	16	–	–	2	–
Engineering	–	–	27	–	–	25	–	–	4
(iii) Motor – direct insurance									
US/International auto	28	–	–	1	–	–	1	–	–
UK/Europe motor	–	132	45	–	Unlimited	Unlimited	–	Unlimited	Unlimited
(iv) Personal accident – direct insurance									
Accident and health	30	–	–	3	–	–	1	–	–
(v) Marine and aviation – direct insurance and facultative reinsurance									
Hull	40	–	81	13	–	25	2	–	3
Cargo	31	–	73	20	–	25	5	–	1
Energy	67	–	–	25	–	–	4	–	–
War and terrorism	34	–	–	50	–	–	10	–	–
Specie	15	–	–	24	–	–	6	–	–
Bloodstock/livestock	27	–	–	4	–	–	1	–	–
Yacht (hull & liability)	30	–	–	5	–	–	2	–	–
Liability	36	–	–	57	–	–	6	–	–
Protection and indemnity	–	–	74	–	–	50	–	–	20
Airline (hull & liability)	19	–	–	84	–	–	26	–	–
General aviation (hull & liability)	8	–	–	57	–	–	15	–	–
Risk excess	5	–	–	57	–	–	8	–	–
Airports liability	8	–	–	57	–	–	27	–	–
Products	5	–	–	50	–	–	20	–	–
Space (liability)	2	–	–	40	–	–	14	–	–
(vi) Special risks – direct insurance									
Special risks	6	–	23	97	–	25	8	–	5
Total direct insurance and facultative reinsurance	**564**	**363**	**556**						

Note:
1. Amlin London 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. Amlin London maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda and Amlin Europe.
3. Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.
4. Amlin London and Amlin UK gross written premiums are converted to sterling using the average rate of exchange for the month in which they are written.

3. Risk disclosures continued

C. Business written and maximum risk limit by operating divisions

Direct insurance and facultative reinsurance

At 31 December 2011	Amlin London Gross written premium £m	Amlin UK Gross written premium £m	Amlin Europe Gross written premium €m	Amlin London Max line size £m	Amlin UK Max line size £m	Amlin Europe Max line size €m	Amlin London Average line size £m	Amlin UK Average line size £m	Amlin Europe Average line size €m
(i) Property – direct and facultative									
Direct and facultative property	84	–	–	23	–	–	3	–	–
Binding authorities	28	–	–	2	–	–	<1	–	–
UK/Europe property/package	–	115	81	–	52	50	–	1	5
(ii) Casualty – direct insurance									
International casualty	–	–	–	–	–	–	–	–	–
Casualty	19	–	–	3	–	–	1	–	–
Professional lines	–	–	–	–	–	–	–	–	–
Employers' liability	–	14	–	–	27	–	–	10	–
Liability	–	–	95	–	–	13	–	–	2
Public/products liability	–	19	–	–	12	–	–	4	–
Financial institutions fidelity and liability	–	5	–	–	6	–	–	2	–
Professional indemnity	–	24	–	–	7	–	–	2	–
Engineering	–	–	30	–	–	25	–	–	4
(iii) Motor – direct insurance									
US/International auto	27	–	–	3	–	–	1	–	–
UK/Europe motor	–	127	46	–	Unlimited	Unlimited	–	Unlimited	Unlimited
(iv) Personal accident – direct insurance									
Accident and health	28	–	–	3	–	–	1	–	–
(v) Marine and aviation – direct insurance and facultative reinsurance									
Hull	37	–	130	10	–	25	2	–	3
Cargo	29	–	136	17	–	25	5	–	1
Energy	64	–	–	25	–	–	5	–	–
War and terrorism	36	–	–	50	–	–	10	–	–
Specie	12	–	–	24	–	–	6	–	–
Bloodstock/livestock	27	–	–	4	–	–	1	–	–
Yacht (hull & liability)	32	–	–	5	–	–	1	–	–
Liability	33	–	–	57	–	–	6	–	–
Protection and indemnity	–	–	62	–	–	50	–	–	19
Airline (hull & liability)	21	–	–	84	–	–	31	–	–
General aviation (hull & liability)	13	–	–	57	–	–	18	–	–
Risk excess	6	–	–	57	–	–	12	–	–
Airports liability	9	–	–	57	–	–	29	–	–
Products	6	–	–	50	–	–	22	–	–
Space (liability)	5	–	–	46	–	–	9	–	–
(vi) Special risks – direct insurance									
Special risks	5	–	–	67	–	–	–	–	–
Total direct insurance and facultative reinsurance	521	304	580						

Note:
1. Amlin London 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. Amlin London maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.
3. Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.
4. Amlin London and Amlin UK gross written premiums are converted to sterling using the average rate of exchange for the month in which they are written.

C. Business written and maximum risk limit by operating divisions
Treaty reinsurance

At 31 December 2012	Amlin London Gross written premium £m	Amlin Bermuda Gross written premium US$m	Amlin Re Europe Gross written premium €m	Amlin London Max line size £m	Amlin Bermuda Max line size US$m	Amlin Re Europe Max line size €m	Amlin London Average line size £m	Amlin Bermuda Average line size US$m	Amlin Re Europe Average line size €m
(i) Property – reinsurance									
Catastrophe reinsurance (per programme)	274	310	39	57	75	20	4	7	4
Per risk property reinsurance (per programme)	71	60	21	23	13	20	2	3	3
Proportional reinsurance	42	77	46	5	13	20	2	1	1
Engineering	–	–	22	–	–	20	–	–	2
(ii) Casualty – reinsurance									
International casualty	1	–	–	17	–	–	4	–	–
Casualty	36	9	–	3	5	–	<1	1	–
Liability	–	–	14	–	–	20	–	–	1
(iii) Motor – reinsurance									
Motor (limited)	–	–	45	–	–	20	–	–	2
(vi) Personal accident – reinsurance									
Personal accident	–	4	3	–	10	20	–	5	1
(v) Marine and aviation – reinsurance									
Marine reinsurance (per programme)	25	3	8	76	75	20	2	13	1
Aviation reinsurance (per programme)	4	–	–	31	–	–	2	–	–
(vi) Special risks – reinsurance									
Special risks	27	67	6	38	40	20	3	5	2
Surety	–	–	1	–	–	5	–	–	1
Total treaty reinsurance	**480**	**530**	**205**						

Note:
1. Amlin London 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. Amlin London maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda and Amlin Europe.
3. Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.
4. Amlin London gross written premiums are converted to sterling using the average rate of exchange for the month in which they are written.

3. Risk disclosures continued

C. Business written and maximum risk limit by operating divisions

Treaty reinsurance

At 31 December 2011	Amlin London Gross written premium £m	Amlin Bermuda Gross written premium US$m	Amlin Re Europe Gross written premium €m	Amlin London Max line size £m	Amlin Bermuda Max line size US$m	Amlin Re Europe Max line size €m	Amlin London Average line size £m	Amlin Bermuda Average line size US$m	Amlin Re Europe Average line size €m
(i) Property – reinsurance									
Catastrophe reinsurance (per programme)	257	328	–	62	75	20	5	8	–
Per risk property reinsurance (per programme)	69	72	42	25	13	20	2	3	2
Proportional reinsurance	41	89	–	–	13	20	2	2	–
Engineering	–	–	14	–	–	20	–	–	2
(ii) Casualty – reinsurance									
International casualty	–	–	–	–	–	–	–	–	–
Casualty	34	12	–	3	5	–	1	1	–
Liability	–	–	27	–	–	20	–	–	1
(iii) Motor – reinsurance									
Motor (limited)	–	–	36	–	–	20	–	–	7
(vi) Personal accident – reinsurance									
Personal accident	–	2	2	–	10	20	–	4	2
(v) Marine and aviation – reinsurance									
Marine reinsurance (per programme)	20	4	3	81	75	20	2	11	1
Aviation reinsurance (per programme)	2	–	–	33	–	–	2	–	–
(vi) Special risks – reinsurance									
Special risks	20	47	1	41	40	20	4	4	5
Surety	–	–	<1	–	–	5	–	–	2
Total treaty reinsurance	443	554	125						

Note:
1. Amlin London 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. Amlin London maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.
3. Gross written premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.
4. Amlin London gross written premiums are converted to sterling using the average rate of exchange for the month in which they are written.

Reinsurance and other risk mitigation arrangements

In December 2011, the Group acquired coverage for US hurricane, US earthquake and European windstorm perils of up to US$150 million from a Bermudian special purpose insurer, Tramline Re Ltd, which in turn placed a catastrophe bond into the capital markets. This transaction provides the Group with fully collateralised protection over a three year period from 1 January 2012 and is in addition to the protection the Group purchases through the traditional reinsurance marketplace. The bond provides significant protection against a remote aggregation of catastrophe events for the Group. Through the use of an aggregate trigger it protects against both severity and frequency of losses.

Syndicate 2001 purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks, notably for aviation and large property risks. Part of the premium ceded under such facilities is placed with Amlin Bermuda and Amlin Europe N.V. A separate proportional facility protects 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 direct property business is protected by a European wind programme which also protects Amlin Europe N.V.

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 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 in 2011 first loss cover responded to losses exceeding US$135 million. However, in 2012 the programme was restructured to provide first loss protection in excess of US$60 million for international catastrophe losses. With effect from 1 January 2013 first loss protection for US catastrophe losses is available in excess of US$95 million (for Florida windstorm with lower deductibles applicable depending on state and peril). In addition, the combined aggregate and catastrophe protection has been renewed to provide lower level cover in the event of multiple losses to the portfolio.

In 2012 the excess of loss programme purchased by Amlin Bermuda was also restructured to provide first event cover for international losses at a similar level to the Amlin London placement with enhanced first event cover for US losses and additional vertical protection. With effect from 1 January 2013 first loss cover for US catastrophe losses is available in excess of US$75 million (for Florida windstorm with lower deductibles applicable depending on other states and perils). In addition the combined aggregate and catastrophe excess of loss protection has been renewed.

Amlin Re Europe places quota share and catastrophe excess of loss reinsurance to protect the property portfolio. Motor excess of loss protection is also purchased.

Amlin Europe N.V. purchases a comprehensive programme for each class of business. Specific cover is placed for engineering, personal accident, motor, liability and marine exposures. The property account is protected by both per risk and catastrophe excess of loss programmes, with the latter additionally protecting European property business written by Amlin UK.

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 the Group if renewal of the programme is not achieved.

Realistic Disaster Scenario (RDS) analysis

The Group has a defined event risk tolerance which determines the maximum net loss that the Group intends to limit its exposure with respect to major modelled catastrophe event scenarios. Currently this is a maximum of £350 million for the Group. The Group Catastrophe Risk team are responsible for aggregating potential scenarios and at 1 January 2013, levels of exposure were significantly below the potential maximum tolerance, one of the largest being the North-East US windstorm scenario at £268 million for the Group. At present the Group is not utilising the full extent of its risk tolerance.

These scenarios are extraordinary events – with an occurrence probability of less than 1 in 100 years estimated for the natural peril or elemental losses. The Group also adopts risk tolerance maximum net limits for a number of other non-elemental scenarios, including aviation collision and North Sea rig loss.

The risk tolerance 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 tolerance. 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.

3. Risk disclosures continued

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

The Group 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, Amlin Europe, Amlin Bermuda and Amlin Re Europe, directly from brokers and policyholders. Claims records are maintained for each policy and class. 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 the Group will post higher reserves than those notified.

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 year of account (using either accident year or underwriting year cohorts). In all cases, the different potential development of each class of business is fully recognised. 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 as a losses occurring (determined by date of loss) basis. This has a significant impact on the reporting period in which claims can be notified.

Amlin London, Amlin UK and Amlin Bermuda

To establish a provision for IBNR claims, the underwriting and claims teams in the UK and Bermuda use their experience and knowledge of the class of business to estimate the potential future development of each class for every underwriting year. 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 generally accepted accounting practice.

The actuarial team independently produce ultimate premium and claims projections on a strict best estimate basis utilising the same data as the underwriting and claims teams. Meetings are held for each Division in which executive management, actuarial staff and business management discuss claims issues and the estimates produced by the underwriting and claim teams are compared against the actuarial estimates. Any unexpected differences are discussed and investigated further if necessary. Best estimate IBNR is adjusted in a similar manner to the proposed IBNR in order to remove the element that relates to future events and is once more compared with the proposed IBNR. All of this is undertaken for inwards business gross of reinsurance and for outwards reinsurance separately.

Final reserve submissions are provided for the approval of Boards, as required.

Amlin Europe and Amlin Re Europe

For Amlin Europe and Amlin Re Europe the process is similar to that for Amlin London, Amlin UK and Amlin Bermuda except for the following differences. The underwriting and actuarial teams together produce a proposed best estimate onto which an appropriate margin is added and there is therefore only one set of numbers for discussion. The intention is to move all entities to a consistent reserving process along these lines. For Amlin Europe, given that data is readily available in this format, triangles with accident year cohorts are used together with earned premiums to estimate the IBNR required on a GAAP basis directly. Triangles on an underwriting year basis are available for Amlin Europe marine business and projections based on those triangles also feed into the reserving discussions.

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% improvement/deterioration in the total net claims reserves would be £26.0 million gain/loss (2011: £26.6 million).

Large loss case reserves are determined through careful analysis of the individual claim, often with the advice of legal advisers. 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 liability business written on a losses occurring basis.

The use of historical development data 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. Known changes to wordings or the claims environment are also considered.

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.

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 but actual premium may exceed or fail to meet initial estimates. The magnitude of claims arising from such facilities may differ from estimates as a result of differences between estimated and actual premium.

Internal capital modelling of risk

To improve the Group's risk management capability, and assessment of capital requirements, the Group has developed a stochastic model. This enables standalone modelling for each entity as well as a consolidated Group total position. The output from the model includes a distribution of outcomes of all material risks, giving distributions for: 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.

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 the Group'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 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 year event 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 the Group to support current and expected business levels, which should be considered over a longer period of modelling. Furthermore, the Group is required to carry higher levels of capital which are considered sufficient by the rating agencies and clients.

2013 forecast (unaudited)	£m
Underwriting risk	329
Reserving risk	244
Credit (reinsurance counterparty risk)	24
Investment (market risk)	45
Liquidity risk	3
Operational risk	38
Currency risk	54
Diversified result	737

Note:
1. All figures are based on business plan forecasts which are subject to regular review to take account of changes in the trading environment, interest rate outlook and movements in rates of exchange.
2. These figures are derived from the Group Internal Model and based on data as at 31 December 2012.
3. Capital has been allocated to risk categories using the Percentile Layer Capital Allocation approach. It should be recognised that allocating capital has a number of limitations and different allocations can be obtained by using alternative allocation approaches.
4. No dividend is considered.
5. Investment (market) risk includes explicit modelling of currency risk.
6. Non-sterling amounts have been converted at market rates of exchange as at 31 December 2012 (US$1.62: CAN$1.61: €1.23).
7. Figures include an allowance for investment returns generated on assets backing the insurance liabilities (i.e. discounting).
8. Investment income includes Group corporate (surplus) assets.
9. No credit has been taken for carried reserve margins.

3. Risk disclosures continued

Claims development

The tables below illustrate the development of the estimates of ultimate cumulative claims for the consolidated Group (excluding Amlin Europe), Amlin London, Amlin UK, Amlin Bermuda and Amlin Re Europe after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Tables for Amlin Europe 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 2012 exchange rates to aid comparability.

Group (excluding Amlin Europe)

Gross basis

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	**2012 £m**
Current ultimate gross written premium	1,078.5	1,071.7	1,079.4	1,230.5	1,176.2	1,153.1	1,325.6	1,421.6	1,693.3	**1,897.7**
Current gross earned premium	1,078.5	1,071.7	1,079.4	1,230.5	1,176.2	1,153.1	1,325.6	1,421.6	1,637.1	**1,065.9**
Estimate of cumulative claims at end of underwriting year	616.3	709.0	982.4	592.8	624.1	869.4	670.3	867.7	1,136.2	**1,066.6**
One year later	490.7	699.7	1,018.6	491.0	550.6	734.0	638.7	1,212.1	1,060.2	
Two years later	417.1	661.3	983.1	468.6	502.7	704.7	600.6	1,193.4		
Three years later	396.8	634.2	948.6	443.4	488.6	697.9	594.0			
Four years later	390.9	619.6	931.7	432.6	478.6	694.0				
Five years later	382.0	615.3	911.6	427.4	472.1					
Six years later	370.6	612.9	907.5	422.2						
Seven years later	361.7	605.1	890.7							
Eight years later	353.9	600.8								
Nine years later	355.1									
Cumulative payments	342.5	581.6	866.8	384.8	401.9	601.8	433.2	731.4	471.7	**98.5**
Estimated balance to pay	12.6	19.2	23.9	37.4	70.2	92.2	160.8	462.0	588.5	**968.1**

Net basis

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	**2012 £m**
Estimate of cumulative claims at end of underwriting year	515.8	570.4	605.9	539.1	559.3	715.9	603.1	778.9	964.0	**964.2**
One year later	408.7	518.7	594.0	439.1	498.2	613.1	571.1	1,027.5	915.4	
Two years later	348.5	478.1	573.0	426.6	454.2	579.5	541.1	1,018.5		
Three years later	329.8	457.9	544.9	404.1	441.7	576.1	532.6			
Four years later	321.9	441.3	532.2	392.9	432.9	569.6				
Five years later	314.1	436.0	512.3	388.1	423.8					
Six years later	304.8	429.5	508.1	383.8						
Seven years later	295.3	421.9	497.7							
Eight years later	290.1	418.2								
Nine years later	290.2									
Cumulative payments	281.4	402.7	471.9	344.4	354.7	470.0	384.5	587.2	348.2	**98.3**
Estimated balance to pay	8.8	15.5	25.8	39.4	69.1	99.6	148.1	431.3	567.2	**865.9**

The Group's net aggregate reserve releases from all prior years amounted to £94.2 million (2011: £112.6 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 £100.0 million release in reserves stated in the claims development table above as the table 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 Amlin Europe, which is disclosed on an accident year basis and for which net reserve releases are £32.2 million (2011: £6.6 million). The Amlin Europe 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	2011 £m	**2012 £m**
Current ultimate gross written premium	870.2	879.2	906.7	939.3	861.2	780.5	873.8	870.6	968.6	**1,049.4**
Current gross earned premium	870.2	879.2	906.7	939.3	861.2	780.5	873.8	870.6	942.6	**583.0**
Estimate of cumulative claims at end of underwriting year	470.9	582.3	866.8	447.9	452.9	602.2	438.1	520.9	633.6	**587.6**
One year later	360.4	587.0	906.2	360.1	394.5	497.7	409.4	714.5	586.6	
Two years later	314.2	556.1	879.2	337.8	354.8	457.1	362.4	684.7		
Three years later	299.5	542.0	858.4	323.2	341.5	453.3	357.6			
Four years later	293.4	531.9	841.5	315.1	333.7	450.8				
Five years later	293.9	527.7	831.1	308.8	330.9					
Six years later	290.0	523.3	823.6	304.7						
Seven years later	281.0	516.5	811.5							
Eight years later	275.2	516.0								
Nine years later	275.2									
Cumulative payments	266.2	501.3	793.4	287.1	294.0	410.7	265.5	432.2	272.4	**60.8**
Estimated balance to pay	9.0	14.7	18.1	17.6	36.9	40.1	92.1	252.5	314.2	**526.8**

Net basis

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	**2012 £m**
Estimate of cumulative claims at end of underwriting year	389.5	459.2	501.3	402.4	394.8	462.7	377.9	440.3	492.6	**509.3**
One year later	298.6	416.3	492.2	316.5	352.7	390.4	351.0	568.1	471.6	
Two years later	255.8	384.1	475.1	302.2	317.4	346.5	311.3	542.1		
Three years later	241.2	369.4	456.1	289.3	303.4	343.9	306.1			
Four years later	233.0	357.1	443.4	278.5	297.7	338.4				
Five years later	233.1	351.8	433.3	273.0	292.8					
Six years later	229.8	346.8	428.5	269.7						
Seven years later	221.0	340.2	421.4							
Eight years later	217.8	339.3								
Nine years later	217.8									
Cumulative payments	211.4	328.3	400.8	248.6	250.0	280.4	218.6	309.8	171.3	**60.6**
Estimated balance to pay	6.4	11.0	20.6	21.1	42.8	58.0	87.5	232.3	300.3	**448.7**

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	2011 £m	**2012 £m**
Current ultimate gross written premium	208.3	192.6	171.6	151.4	147.1	159.7	210.3	260.2	291.8	**353.4**
Current gross earned premium	208.3	192.6	171.6	151.4	147.1	159.7	210.3	260.2	288.1	**150.4**
Estimate of cumulative claims										
at end of underwriting year	145.4	126.7	115.6	103.1	101.9	118.1	137.5	168.3	199.1	**210.6**
One year later	130.3	112.7	111.6	107.0	103.3	124.3	151.5	177.7	192.0	
Two years later	103.0	105.2	103.5	102.6	102.6	126.8	156.9	174.5		
Three years later	97.3	92.2	89.9	95.1	104.5	126.6	155.2			
Four years later	97.5	87.7	89.9	93.0	103.6	124.7				
Five years later	88.1	87.7	80.2	94.2	101.2					
Six years later	80.5	89.6	83.5	93.5						
Seven years later	80.7	88.6	78.9							
Eight years later	78.7	84.8								
Nine years later	79.8									
Cumulative payments	76.3	80.3	73.1	74.1	72.9	77.5	100.6	101.1	78.1	**18.8**
Estimated balance to pay	3.5	4.5	5.8	19.4	28.3	47.2	54.6	73.4	113.9	**191.8**

Net basis

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	**2012 £m**
Estimate of cumulative claims										
at end of underwriting year	126.3	111.2	104.6	94.9	95.1	104.2	130.5	160.1	192.3	**200.7**
One year later	110.1	102.4	101.1	98.7	92.7	110.7	142.3	169.5	185.1	
Two years later	92.7	93.9	97.6	96.2	91.5	112.3	149.2	169.2		
Three years later	88.7	88.6	88.4	89.6	95.7	114.3	145.9			
Four years later	88.8	84.2	88.4	89.9	93.9	112.7				
Five years later	81.0	84.2	78.7	90.7	90.9					
Six years later	74.9	82.7	79.3	90.1						
Seven years later	74.3	81.7	76.0							
Eight years later	72.2	78.9								
Nine years later	72.4									
Cumulative payments	70.0	74.4	70.8	72.3	69.7	76.1	99.0	84.5	68.4	**18.4**
Estimated balance to pay	2.4	4.5	5.2	17.8	21.2	36.6	46.9	84.7	116.7	**182.3**

Amlin Bermuda

Gross basis

Underwriting year	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	**2012 £m**
Current ultimate gross written premium	1.2	139.8	167.9	212.8	241.5	287.8	332.7	**328.7**
Current gross earned premium	1.2	139.8	167.9	212.8	241.5	287.8	322.7	**215.1**
Estimate of cumulative claims at end of underwriting year	0.0	41.8	69.3	149.0	94.7	176.4	235.4	**157.6**
One year later	0.7	23.8	52.8	112.0	77.7	317.8	212.9	
Two years later	0.3	28.2	45.3	120.8	81.2	332.2		
Three years later	0.3	25.1	42.6	117.9	81.2			
Four years later	0.3	24.5	41.3	118.5				
Five years later	0.3	24.4	40.1					
Six years later	0.3	24.0						
Seven years later	0.3							
Cumulative payments	0.3	23.5	35.0	113.5	67.1	197.3	103.6	**16.2**
Estimated balance to pay	0.0	0.5	5.1	5.0	14.1	134.9	109.3	**141.4**

Net basis

Underwriting year	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	**2012 £m**
Estimate of cumulative claims at end of underwriting year	0.0	41.8	69.3	149.0	94.7	176.4	213.1	**157.6**
One year later	0.7	23.8	52.8	112.0	77.7	287.8	191.5	
Two years later	0.3	28.2	45.3	120.8	80.6	305.4		
Three years later	0.3	25.1	42.6	117.9	80.6			
Four years later	0.3	24.5	41.3	118.5				
Five years later	0.3	24.4	40.1					
Six years later	0.3	24.0						
Seven years later	0.3							
Cumulative payments	0.3	23.5	35.0	113.5	66.9	192.2	91.4	**16.2**
Estimated balance to pay	0.0	0.5	5.1	5.0	13.7	113.2	100.1	**141.4**

Amlin Re Europe

Gross basis

Underwriting year	2010 £m	2011 £m	**2012 £m**
Current ultimate gross written premium	3.0	100.2	**166.2**
Current gross earned premium	3.0	83.7	**117.5**
Estimate of cumulative claims at end of underwriting year	2.1	68.0	**110.8**
One year later	2.1	68.7	
Two years later	1.9		
Cumulative payments	0.7	17.6	**2.7**
Estimated balance to pay	1.2	51.1	**108.1**

Net basis

Underwriting year	2010 £m	2011 £m	**2012 £m**
Estimate of cumulative claims at end of underwriting year	2.1	66.0	**96.5**
One year later	2.1	67.1	
Two years later	1.9		
Cumulative payments	0.7	17.0	**3.2**
Estimated balance to pay	1.2	50.1	**93.3**

3. Risk disclosures continued

Amlin Europe

Gross basis

Accident year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	**2012 £m**
Current ultimate gross written premium	418.1	454.1	472.4	485.1	533.0	619.2	598.8	671.2	548.4	**463.2**
Current gross earned premium	413.0	445.3	472.1	480.7	513.1	601.3	626.7	585.1	581.8	**457.9**
Estimate of cumulative claims										
at end of accident year	210.3	228.2	251.9	286.5	318.4	512.3	418.8	428.4	434.4	**293.3**
One year later	238.6	261.7	348.4	299.9	331.5	503.2	429.3	501.3	446.7	
Two years later	225.5	243.1	334.3	300.4	355.6	494.5	429.5	459.8		
Three years later	221.8	238.5	318.3	287.7	345.1	495.2	446.6			
Four years later	214.4	230.1	309.9	285.0	334.6	477.4				
Five years later	212.3	206.4	303.0	283.0	332.8					
Six years later	211.5	204.7	301.2	280.6						
Seven years later	210.3	201.4	300.5							
Eight years later	208.0	201.0								
Nine years later	207.4									
Cumulative payments	190.0	182.1	278.4	250.6	290.6	408.3	311.5	328.9	223.1	**69.5**
Estimated balance to pay	17.4	18.9	22.1	30.0	42.2	69.1	135.1	130.9	223.6	**223.8**

Net basis

Accident year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	**2012 £m**
Estimate of cumulative claims										
at end of accident year	176.9	170.5	204.8	234.2	280.6	393.8	390.4	395.2	390.0	**271.8**
One year later	189.2	197.9	220.5	248.0	280.3	391.2	402.1	441.5	409.2	
Two years later	179.1	183.4	204.3	242.1	290.9	382.5	407.0	402.3		
Three years later	175.4	179.0	191.0	237.1	272.7	371.0	389.4			
Four years later	164.1	168.8	188.3	230.5	256.6	354.9				
Five years later	162.2	165.9	179.6	227.5	267.1					
Six years later	161.3	170.1	175.8	223.6						
Seven years later	152.8	166.0	177.0							
Eight years later	150.9	165.6								
Nine years later	149.1									
Cumulative payments	136.9	149.7	158.7	204.5	232.0	312.4	281.6	310.9	209.1	**69.7**
Estimated balance to pay	12.2	15.9	18.3	19.1	35.1	42.5	107.8	91.4	200.1	**202.1**

3.2 Financial 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 – premium received and held to meet future insurance claims.
- Capital assets – 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 (the Boards). 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 & Operations Director and Chief Investment Officer, and meets 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.

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 Corporate Centre Risk 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.

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 is monitored on an ongoing basis.

Note:
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.
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.

3. Risk disclosures continued

The managers as at 31 December 2012 were as follows:

Manager	Asset class
Segregated funds	
Aberdeen Fund Management Ltd	US dollar bonds
Artemis Investment Management LLP	Global equities
Barclays Bank plc	New Zealand dollar and US dollar money market deposits
CB Richard Ellis Collective Investors Ltd	Global property
Insight Investment Management (Global) Ltd	Sterling and Euro bonds
Lloyds Bank plc	New Zealand dollar money market deposits
Townsend Group Europe Ltd	Global property
Veritas Asset Management (UK) Ltd	Active global equity
Wellington Management International Ltd	US dollar and Canadian dollar bonds
Pooled vehicles – liquidity funds	
BlackRock Inc.	Sterling, Euro and US dollar liquidity funds
Citibank	New Zealand dollar and Australian dollar cash management
Goldman Sachs Asset Management International	Sterling, Euro and US dollar liquidity funds
HSBC Asset Management	US dollar and Euro liquidity funds; New Zealand dollar and Australian dollar cash management
Insight Investment Management (Global) Ltd	Sterling liquidity fund
JP Morgan Asset Management	Euro, Japanese yen and US dollar liquidity funds
Royal Bank of Scotland	Sterling liquidity fund
Western Asset Management	US dollar liquidity fund
Pooled vehicles – bonds and LIBOR plus funds	
BlueBay Asset Management Ltd	Euro bonds
Goldman Sachs Asset Management International	LIBOR plus funds
H20 AM LLP	LIBOR plus funds
PIMCO	Sterling and US dollar bonds
Wellington Management International Ltd	LIBOR plus funds
Pooled vehicles – insurance linked securities	
Leadenhall Capital Partners LLP	Insurance linked securities
Commingled funds	
Corporation of Lloyd's Treasury Services	US dollar, Canadian dollar, Australian dollar, South African rand and Japanese yen bonds
Union Bank of Switzerland	Canadian dollar and US dollar liquidity funds

The funds under management with each manager are shown below:

	Aberdeen £m	Artemis £m	Barclays Bank £m	BlackRock £m	BlueBay £m	BNP Paribas £m	CBRE £m	Citibank £m	Corporation of Lloyd's £m
Total as at 31 December 2012	**248.4**	**111.6**	**46.2**	**217.4**	**379.2**	**–**	**73.3**	**3.4**	**171.9**
%	**5.9**	**2.6**	**1.1**	**5.1**	**8.9**	**–**	**1.7**	**0.1**	**4.1**
Restated total as at 31 December 2011	259.2	46.4	–	355.7	315.9	1.2	43.5	24.9	146.7
%	6.4	1.2	–	8.8	7.8	–	1.1	0.6	3.6

	Goldman Sachs £m	H2O £m	HSBC £m	Insight – segregated funds £m	Insight – pooled vehicles £m	JP Morgan £m	Leadenhall Capital £m	Lloyds Bank £m	PIMCO £m
Total as at 31 December 2012	**530.0**	**192.0**	**184.7**	**571.9**	**69.2**	**146.7**	**59.4**	**15.2**	**379.5**
%	**12.5**	**4.5**	**4.4**	**13.5**	**1.6**	**3.5**	**1.4**	**0.4**	**9.0**
Restated total as at 31 December 2011	564.5	195.6	46.4	614.4	58.1	190.4	75.4	–	417.7
%	14.0	4.9	1.2	15.2	1.4	4.7	1.9	–	10.3

	Royal Bank of Scotland £m	Townsend £m	UBS £m	Veritas £m	Wellington – segregated funds £m	Wellington – pooled vehicle £m	Western £m	Total £m
Total as at 31 December 2012	**33.5**	**86.6**	**60.5**	**181.1**	**372.5**	**33.4**	**70.2**	**4,237.8**
%	**0.8**	**2.0**	**1.4**	**4.3**	**8.8**	**0.8**	**1.6**	**100.0**
Restated total as at 31 December 2011	–	85.7	47.8	169.5	353.9	–	25.1	4,038.0
%	–	2.1	1.2	4.2	8.8	–	0.6	100.0

Note: The table above excludes the Group's directly held securities of £9.4 million (2011: £44.5 million) comprising index linked bonds £nil (2011: £24.7 million), insurance linked securities £4.6 million (2011: £7.5 million), unlisted equities £4.0 million (2011: £4.0 million) and other liquid investments £0.8 million (2011: £8.3 million). The table also excludes £2.4 million (2011: £nil) unrealised gains accruing to a series of foreign exchange contracts placed on behalf of the Group to hedge portfolio currency exposures.

3. Risk disclosures continued

Asset allocation

The total value of investments in the following tables is reconciled to note 18, financial assets and financial liabilities, as follows:

	2012 £m	Restated 2011 £m
Net financial investments per note 18	**4,199.3**	3,972.9
Assets/(liabilities) shown separately in the notes to the accounts:		
Accrued income	**7.6**	11.2
Net unsettled payables for investments purchased	**(15.9)**	(5.1)
Cash funds held by financial institutions	**59.7**	112.0
Assets not analysed in the investment asset allocation tables:		
Liquid investments	**(0.8)**	0.6
Unlisted equities	**(0.7)**	(0.2)
Margin and collateral relating to derivative instruments	**0.4**	(8.9)
Total investments in asset allocation tables below	**4,249.6**	4,082.5

The asset allocation of the Group's investments is set out below.

	31 December 2012				Restated 31 December 2011			
	Underwriting assets £m	Capital assets £m	Total assets £m	Total %	Underwriting assets £m	Capital assets £m	Total assets £m	Total %
Global equities	**–**	**283.6**	**283.6**	**6.7**	–	208.0	208.0	5.1
Bonds								
Government securities	**497.4**	**206.1**	**703.5**	**16.6**	543.8	215.4	759.2	18.6
Government index-linked securities	**–**	**–**	**–**	**–**	–	24.7	24.7	0.6
Government agencies/guaranteed	**88.9**	**5.9**	**94.8**	**2.2**	92.5	17.7	110.2	2.7
Supranational	**8.3**	**3.4**	**11.7**	**0.3**	13.8	3.5	17.3	0.4
Asset backed securities – Home equity	**–**	**0.2**	**0.2**	**–**	–	2.4	2.4	0.1
Asset backed securities – Autos	**21.4**	**3.4**	**24.8**	**0.6**	16.6	5.8	22.4	0.6
Asset backed securities – Cards	**5.3**	**1.3**	**6.6**	**0.2**	1.6	6.7	8.3	0.2
Asset backed securities – Other	**18.2**	**5.3**	**23.5**	**0.5**	10.8	6.2	17.0	0.4
Mortgage backed securities – Prime	**80.9**	**97.4**	**178.3**	**4.2**	58.9	101.3	160.2	3.9
Mortgage backed securities – Alt A	**–**	**–**	**–**	**–**	–	0.8	0.8	–
Corporate bonds	**150.0**	**100.8**	**250.8**	**5.9**	146.2	114.1	260.3	6.4
Pooled vehicles	**965.9**	**398.9**	**1,364.8**	**32.1**	940.0	408.7	1,348.7	33.0
Insurance linked securities	**4.6**	**–**	**4.6**	**0.1**	7.5	–	7.5	0.2
	1,840.9	**822.7**	**2,663.6**	**62.7**	1,831.7	907.3	2,739.0	67.1
Property funds	**–**	**153.6**	**153.6**	**3.6**	–	117.3	117.3	2.9
Other liquid investments								
Liquidity funds and other liquid investments	**861.3**	**287.5**	**1,148.8**	**27.0**	595.7	422.5	1,018.2	24.9
	2,702.2	**1,547.4**	**4,249.6**	**100.0**	2,427.4	1,655.1	4,082.5	100.0

Government agencies/guaranteed bonds at 31 December 2012 include £11.2 million of corporate bonds (2011: £48.1 million) and £1.6 million of mortgage backed securities (2011: £1.3 million).

Pooled vehicles held are represented by 16.3% government/agency bonds (2011: 24.6%), 28.4% corporate bonds (2011: 24.0%), 31.7% mortgage backed and asset backed securities (2011: 26.2%), 4.3% insurance linked securities (2011: 5.6%) and 19.3% other liquid investments (2011: 19.6%).

The industry and geographical splits were as follows:

Industry	31 December 2012 Corporate bonds %	Global equities %	Total %	31 December 2011 Corporate bonds %	Global equities %	Total %
Asset backed securities	–	–	–	0.1	–	0.1
Oil & gas	8.1	12.7	10.4	6.4	14.6	9.7
Basic materials	0.2	2.5	1.4	0.9	1.2	1.0
Industrials	6.4	9.7	8.1	5.4	8.3	6.5
Consumer goods & services	10.9	19.6	15.4	9.0	18.2	12.7
Healthcare	4.0	16.1	10.2	2.7	15.7	8.0
Miscellaneous	1.8	1.2	1.5	0.5	0.4	0.5
Government guaranteed	4.2	–	2.0	15.2	–	9.1
Telecommunications	4.6	13.0	9.0	3.0	15.2	7.9
Utilities	2.0	0.6	1.3	3.3	0.4	2.1
Financials	54.8	14.5	34.0	51.5	15.2	36.8
Technology	3.0	10.1	6.7	2.0	10.8	5.6
	100.0	100.0	100.0	100.0	100.0	100.0

Note: The table above excludes government bonds but includes £11.2 million (2011: £48.1 million) of corporate bonds with government guarantees and pooled vehicles of £1,364.8 million (2011: £1,348.7 million).

Region	31 December 2012 Bonds %	Global equities %	Total %	31 December 2011 Bonds %	Global equities %	Total %
UK	7.0	15.7	8.5	7.5	20.9	9.3
US and Canada	52.6	40.8	50.7	48.3	34.0	46.5
Europe (excluding UK)	30.4	19.6	28.6	36.7	21.7	34.7
Far East	8.7	14.3	9.8	6.6	14.7	7.7
Emerging markets	0.8	9.6	2.4	0.9	8.7	1.8
South America	0.5	–	–	–	–	–
	100.0	100.0	100.0	100.0	100.0	100.0

Note: The table above includes all bond and equity investments, but excludes pooled vehicles.

Market risk

Valuation risk

Where possible Group assets are marked to market at bid price. Prices are supplied by the Group's custodians whose pricing processes are covered by their published annual controls reports. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources. These pricing sources use closing trades or, where more appropriate in illiquid markets, pricing models. These models typically use broker quotes or other independent valuation techniques such as discounted cash flow models using observable or unobservable market inputs. 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.

The Group's property fund portfolios are valued using the most recent net asset value provided by the fund managers which may be a quarter in arrears. In such cases, adjustments may be made to bring the net asset value to a more current valuation. Where an investment is made into a new property fund the transaction price is considered to be the fair value if it is the most recent price available.

As an additional level of governance over pricing, the Group validates the prices provided by pricing vendor sources against information obtained from Bloomberg where available, and conducts a review of stale prices at 31 December 2012, the impact of stale prices on the Group's investment valuation is considered immaterial. Further details of the fair value measurement of financial assets and financial liabilities are included in note 3.3.

The valuation of investments is sensitive to equity risk. The impact on profit before tax of a 1% improvement/deterioration in the total market value of shares and other variable yield securities would be a £2.8 million gain/loss (2011: £2.0 million). Sensitivities in relation to other risks are considered in the remainder of note 3.2.

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 as at 31 December 2012 are shown below.

	31 December 2012			31 December 2011		
	Underwriting assets £m	Capital assets £m	Total £m	Underwriting assets £m	Capital assets £m	Total £m
Less than 1 year	293.8	75.5	369.3	197.7	73.6	271.3
1-2 years	38.9	27.3	66.2	102.5	101.8	204.3
2-3 years	152.8	67.1	219.9	172.8	94.2	267.0
3-4 years	154.4	15.1	169.5	141.5	16.9	158.4
4-5 years	114.6	29.0	143.6	129.8	32.5	162.3
Over 5 years	120.4	209.9	330.3	147.3	179.7	327.0
	874.9	423.9	1,298.8	891.6	498.7	1,390.3

Note: The table above excludes pooled vehicles of £1,364.8 million (2011: £1,348.7 million).

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 as at 31 December 2012 were as follows:

	31 December 2012		31 December 2011	
Underwriting assets	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Sterling	0.1	2.2	0.4	3.5
US dollars	0.7	2.2	1.2	2.7
Euro	1.5	3.4	0.9	3.2
Canadian dollars	1.5	3.7	1.7	3.8

Note: The table above includes pooled vehicles.

The asset durations above are calculated by the custodian and are checked against those reported by the fund managers. Liabilities durations are calculated by the Group Actuarial team.

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		Amlin Europe N.V.		Net (reduction)/ increase in value £m
Shift in yield (basis points)	U/wtg Sterling %	U/wtg US$ %	U/wtg CAN$ %	U/wtg Euro %	U/wtg NZ$ %	U/wtg JPY %	Capital Sterling %	U/wtg %	Capital %	U/wtg %	Capital %	
100	(0.9)	(2.2)	(1.5)	(1.5)	0.4	0.3	(0.6)	(0.3)	(2.3)	(2.9)	(1.2)	(62)
75	(0.7)	(1.7)	(1.1)	(1.2)	0.3	0.2	(0.4)	(0.2)	(1.7)	(2.2)	(0.9)	(43)
50	(0.5)	(1.2)	(0.7)	(0.8)	0.2	0.1	(0.3)	(0.2)	(1.2)	(1.5)	(0.7)	(30)
25	(0.2)	(0.6)	(0.4)	(0.4)	0.1	0.1	(0.1)	(0.1)	(0.6)	(0.9)	(0.4)	(16)
– 25	0.2	0.5	0.4	0.4	(0.1)	(0.1)	0.1	0.1	0.5	0.8	0.4	15
– 50	0.5	1.0	0.8	0.8	(0.2)	(0.1)	0.2	0.2	0.9	1.5	0.7	27
– 75	0.7	1.2	1.2	1.2	(0.3)	(0.2)	0.3	0.2	1.2	2.2	0.9	37
– 100	0.9	1.3	1.5	1.5	(0.4)	(0.3)	0.3	0.2	1.5	2.9	1.2	47

Note: The table above includes pooled investments.

Note:
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

The exposure to translation, revaluation and asset liability currency matching risk combine to form the Group's overall exposure to foreign exchange risk. The Group's reporting currency is sterling and significant subsidiary functional currencies are sterling, euro and US dollar. The Group holds asset and liability balances in base currencies of sterling, euro, US dollars, Canadian dollars, New Zealand dollars and Japanese yen.

Translation risk

Foreign exchange translation risk exposure arises when business is written in non-functional currencies. These transactions are translated into the functional currency of the relevant Group entity 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-functional 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.

Revaluation risk

The Group is subject to revaluation risk as a result of the translation into the Group's sterling reporting currency of the balance sheets of the Group entities that have a non-sterling functional currency. At 31 December 2012, the Group was exposed to net investments in foreign operations balances totalling US$1,330.8 million (2011: US$1,061.6 million) and €499.0 million (2011: €445.4 million). Foreign exchange gains and losses on investments in foreign subsidiaries are recognised in other comprehensive income in accordance with IAS 21, 'The effects of changes in foreign exchange rates'. The loss recognised in other comprehensive income for the year ended 31 December 2012 was £57.1 million (2011: £38.9 million loss). This reflects the movement in the US dollar rate from 1.55 at the start of the year to 1.62 at the balance sheet date and the movement in the euro rate from 1.20 at the start of the year to 1.23 at the balance sheet date. In order to mitigate the impact of these currency fluctuations, the Group adopts a policy of hedging approximately 50% of the net currency exposure resulting from the net investments in foreign operations. For this purpose, the Group uses a combination of subordinated debt, drawdowns on the revolving credit facility and options that are accounted for as hedges of net investments in foreign operations, in accordance with the hedge accounting requirements of IAS 39. The effective portion of all unrealised and realised gains and losses on the designated portion of the hedging instruments are taken to reserves to match the underlying movement in the valuation of the net investment in foreign operations, with the ineffective portion recognised in profit or loss. At the year end, hedges were in place for US$628.0 million (2011: US$589.0 million) and €257.0 million (2011: €164.0 million). The net realised and unrealised gain from hedging recognised in other comprehensive income during the year was £3.7 million (2011: £2.4 million gain).

In relation to revaluation of the net investment in foreign operations, if the US$/GBP exchange rates were to improve by 10%, this would result in an additional exchange gain of £141.0 million recognised in other comprehensive income. This gain would be offset by a valuation loss of £23.9 million on the designated portion of the hedging instruments. The same exchange rate deterioration would result in an additional £42.5 million exchange loss through other comprehensive income. This loss would be offset by a valuation gain of £40.4 million on the designated portion of the hedging instruments.

If the EUR/GBP exchange rate were to improve by 10%, this would result in an additional exchange gain of £43.8 million recognised in other comprehensive income. This gain would be offset by a valuation loss of £14.3 million on the designated portion of the hedging instruments. The same exchange rate deterioration would result in an additional £34.1 million exchange loss through other comprehensive income. This loss would be offset by a valuation gain of £8.2 million on the designated portion of the hedging instruments.

Asset liability matching by currency risk

If a liability in a currency other than the functional currencies of sterling, euro and US dollars is considered to be sufficiently large following a major event, for example such as the 2010 and 2011 New Zealand earthquakes, that currency will be bought and held as a base currency to cover the potential liability.

Underwriting assets are held in the base currencies of sterling, euros, US dollars, Canadian dollars, New Zealand dollars and Japanese yen, which represent the majority of the Group's liabilities by currency, thus limiting the underwriting asset liability matching currency risk.

3. Risk disclosures continued

The table below presents the Group's assets and liabilities by currency. In a change from previous presentation, the amounts are stated in the sterling equivalent of the local currency, in order that the amounts can be reconciled to the Group's balance sheet. The local currency amounts have been converted into sterling using the exchange rates as disclosed in note 33. Prior period information has been updated to reflect this change in presentation.

	31 December 2012						
Currency risk	**Sterling £m**	**US$ £m**	**CAN$ £m**	**Euro £m**	**NZ$ £m**	**JPY £m**	**Total £m**
Cash and cash equivalents	25.6	31.3	0.1	77.6	33.3	22.7	190.6
Financial assets	735.9	1,871.8	84.4	1,294.0	179.0	39.9	4,205.0
Reinsurance assets	(147.4)	466.4	10.8	181.0	13.1	1.5	525.4
Loans and receivables and deferred acquisition costs	224.1	683.0	18.1	364.5	30.4	4.6	1,324.7
Current income tax assets	3.7	5.9	1.5	1.2	–	–	12.3
Deferred tax assets	1.4	–	–	16.1	–	–	17.5
Property and equipment	14.4	1.7	–	4.3	–	–	20.4
Intangible assets	131.8	–	–	79.6	–	–	211.4
Investments in associates	9.3	–	–	–	–	–	9.3
Total assets	998.8	3,060.1	114.9	2,018.3	255.8	68.7	6,516.6
Insurance liabilities	697.8	1,828.8	66.3	1,277.0	213.1	55.3	4,138.3
Other payables, including insurance and reinsurance payables	(26.4)	270.6	10.2	138.6	–	0.6	393.6
Financial liabilities	2.0	2.1	–	1.6	–	–	5.7
Current income tax liabilities	(1.4)	1.4	–	0.4	–	–	0.4
Borrowings	228.9	181.5	–	–	–	–	410.4
Retirement benefit obligations	17.0	–	–	31.9	–	–	48.9
Deferred tax liabilities	18.4	–	–	9.5	–	–	27.9
Total liabilities	936.3	2,284.4	76.5	1,459.0	213.1	55.9	5,025.2
Net assets	62.5	775.7	38.4	559.3	42.7	12.8	1,491.4

	Restated 31 December 2011						
Currency risk	Sterling £m	US$ £m	CAN$ £m	Euro £m	NZ$ £m	JPY £m	Total £m
Cash and cash equivalents	27.4	36.3	–	113.8	74.5	4.3	256.3
Financial assets	719.9	1,655.2	73.8	1,295.0	184.0	56.0	3,983.9
Reinsurance assets	(102.0)	575.0	11.2	164.8	17.5	0.9	667.4
Loans and receivables and deferred acquisition costs	208.7	629.8	23.6	314.0	27.9	6.2	1,210.2
Current income tax assets	1.2	9.9	1.6	1.0	–	–	13.7
Deferred tax assets	1.2	–	–	25.7	–	–	26.9
Property and equipment	13.7	1.7	–	4.5	–	–	19.9
Intangible assets	130.3	–	–	88.6	–	–	218.9
Investments in associates	8.3	–	–	–	–	–	8.3
Total assets	1,008.7	2,907.9	110.2	2,007.4	303.9	67.4	6,405.5
Insurance liabilities	724.6	1,799.4	64.9	1,242.3	327.6	112.8	4,271.6
Other payables, including insurance and reinsurance payables	(24.7)	241.0	15.8	103.6	–	0.7	336.4
Financial liabilities	3.0	0.5	–	7.5	–	–	11.0
Current income tax liabilities	(4.3)	4.2	–	0.2	–	–	0.1
Borrowings	228.6	64.2	–	–	–	–	292.8
Retirement benefit obligations	10.2	–	–	20.6	–	–	30.8
Deferred tax liabilities	30.1	–	–	12.3	–	–	42.4
Total liabilities	967.5	2,109.3	80.7	1,386.5	327.6	113.5	4,985.1
Net assets/(liabilities)	41.2	798.6	29.5	620.9	(23.7)	(46.1)	1,420.4

If the base currencies were to improve/deteriorate by 10%, the movement in the monetary net underwriting assets and liabilities and borrowings of the Group, excluding foreign operations, would result in the following gains/(losses) in the consolidated income statement at 31 December 2012:

	31 December 2012	
Currency	10% improvement £m	10% deterioration £m
US dollars	(5.5)	4.5
Canadian dollars	6.4	(5.2)
Euro	(0.9)	0.8
New Zealand dollars	14.7	(12.1)
Japanese yen	3.4	(2.8)
	18.1	(14.8)

Further foreign exchange risk arises until non-sterling profits or losses are converted into sterling. Foreign exchange risk is mitigated by converting the subsidiaries' functional currency profits into the Group's reporting 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 volatile sales. It is not the intention to take speculative currency positions in order to make currency gains.

At 31 December 2012 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.

Liquidity risk

It is important that the Group's entities 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 at 31 December 2012:

	Contractual cash flows (undiscounted)					
31 December 2012 Financial assets	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Shares and other variable yield securities	283.3	0.3	–	–	–	283.6
Debt and other fixed income securities[5]	1,364.8	285.5	523.3	373.9	125.0	2,663.6
Property funds	153.6	–	–	–	–	153.6
Liquidity funds and other liquid investments	1,145.5	1.9	–	–	–	1,147.4
Derivative financial instruments, net	1.4	–	–	–	–	1.4
Total	2,948.6	287.7	523.3	373.9	125.0	4,249.6

	Expected cash flows (undiscounted)					
Insurance liabilities	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	–	1,126.4	1,103.9	427.2	472.5	3,083.5
Less reinsurers' share of outstanding claims	–	(190.3)	(172.5)	(59.4)	(64.0)	(478.6)
Total	–	936.1	931.4	367.8	408.5	2,604.9
Difference in contractual cash flows	2,948.6	(648.4)	(408.1)	6.1	(283.5)	1,644.7

Note:
5. Debt and other fixed income securities include pooled vehicles of £1,364.8 million (2011: £1,348.7 million) which have no stated maturity.

3. Risk disclosures continued

Restated 31 December 2011 Financial assets	Contractual cash flows (undiscounted)					
	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Shares and other variable yield securities	207.5	0.5	–	–	–	208.0
Debt and other fixed income securities	1,348.7	286.6	633.3	360.7	150.1	2,739.0
Property funds	117.3	–	–	–	–	117.3
Liquidity funds and other liquid investments	1,015.6	6.1	–	–	–	1,021.7
Derivative financial instruments, net	(2.9)	–	(0.6)	–	–	(3.5)
Total	2,686.2	293.2	632.7	360.7	150.1	4,082.5

Insurance liabilities	Expected cash flows (undiscounted)					
	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	–	1,208.7	1,044.4	644.8	382.5	3,273.6
Less reinsurers' share of outstanding claims	–	(350.3)	(313.7)	(212.9)	(134.7)	(617.0)
Total	–	858.4	730.7	431.9	247.8	2,656.6
Difference in contractual cash flows	2,686.2	(565.2)	(98.0)	(71.2)	(97.7)	1,425.9

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 (note 31). 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's credit risk is mitigated by the collateral received from counterparties, details of which are given in note 29. 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 2012 of the exposure of the bond portfolio, liquidity funds and insurance and reinsurance receivables by credit quality[6].

31 December 2012	Debt securities[7] £m	%	Liquidity funds £m	%	Insurance and reinsurance receivables[8] £m	%	Reinsurers' share of outstanding claims £m	%
AAA	950.1	35.7	974.9	100.0	–	–	25.2	5.3
AA	927.6	34.8	–	–	13.0	1.3	148.1	30.9
A	494.9	18.6	–	–	116.5	11.6	250.5	52.4
BBB	153.0	5.7	–	–	0.6	0.1	4.0	0.8
Other	138.0	5.2	–	–	873.1	87.0	50.8	10.6
	2,663.6	100.0	974.9	100.0	1,003.2	100.0	478.6	100.0

Restated 31 December 2011	Debt securities £m	%	Liquidity funds £m	%	Insurance and reinsurance receivables £m	%	Reinsurers' share of outstanding claims £m	%
AAA	987.9	36.1	892.7	100.0	1.2	0.1	40.1	6.5
AA	1,104.8	40.3	–	–	11.7	1.3	190.7	30.9
A	516.9	18.9	–	–	82.2	8.8	324.9	52.7
BBB	31.3	1.1	–	–	0.2	–	0.5	–
Other	98.1	3.6	–	–	838.2	89.8	60.8	9.9
	2,739.0	100.0	892.7	100.0	933.5	100.0	617.0	100.0

Note:
6. 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.
7. Other relates to non-rated and rated lower than BBB, which includes insurance linked securities of £59.4 million (2011: £75.4 million) and Spain sovereign bonds of £64.1 million (2011: £45.5 million included in AA).
8. Other includes £577.6 million (2011: £557.2 million) of premium receivable from policyholders and £295.5 million (2011: £281.0 million) of premium receivable from intermediaries that are not rated.

Insurance and reinsurance

The table includes 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.

Also included are reinsurance receivables, which represent the amounts due at 31 December 2012, as well as amounts expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned risks. These are stated net of provisions for impairment. The credit risk in respect of reinsurance receivables, including reinsurers' share of outstanding claims, 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 as security against potential default. The details of reinsurance collaterals held and placed with third party trust funds are provided in note 29. At 31 December 2012 the Group held collateral of £300.2 million (2011: £226.5 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 reinsurance assets would be £5.3 million (2011: £6.7 million). The details of overdue reinsurance assets and insurance receivables are provided in notes 19 and 20.

Investments

As well as failure of a counterparty to perform its contractual obligations, the price of government and 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, and by holding diversified portfolios. £30.3 million of bonds held at 31 December 2012 were subject to downgrades during the year (2011: £21.0 million).

The Group's largest non-government counterparty as at 31 December 2012, excluding liquidity funds, has an AA rating and is valued at £56.5 million (2011: £63.7 million). The investment comprises cash of £53.4 million (2011: £53.8 million), corporate bonds of £2.3 million (2011: £9.4 million), asset backed securities of £nil (2011: £0.5 million) and mortgage backed securities of £0.8 million (2011: £nil). The tables below show the credit rating of the Group's non-government bonds and the Group's exposure to sovereign debt.

Non-government bonds 31 December 2012	**Total £m**	**AAA**	**AA**	**A**	**BBB**	**Other**
Corporate – Financials	**141.4**	**14.5%**	**30.2%**	**54.1%**	**1.2%**	**–**
Corporate – Other	**109.4**	**–**	**11.5%**	**57.8%**	**30.7%**	**–**
Mortgage backed securities	**179.9**	**91.3%**	**4.7%**	**0.4%**	**0.2%**	**3.4%**
Asset backed securities	**55.1**	**95.8%**	**1.7%**	**2.1%**	**–**	**0.4%**
Insurance linked securities	**4.6**	**–**	**–**	**–**	**–**	**100%**

Non-government bonds 31 December 2011	Total £m	AAA	AA	A	BBB	Other
Corporate – Financials	155.1	16.4%	39.3%	41.7%	2.6%	–
Corporate – Other	105.2	–	14.7%	60.8%	22.5%	2.0%
Mortgage backed securities	162.3	90.7%	4.8%	0.6%	0.1%	3.8%
Asset backed securities	50.1	83.8%	12.2%	1.0%	–	3.0%
Insurance linked securities	7.5	–	–	–	–	100.0%

The table excludes pooled investments and £11.2 million (2011: £48.1 million) of corporate bonds with explicit government guarantees but includes £1.6 million (2011: £1.3 million) of government agency mortgage backed securities.

3. Risk disclosures continued

A breakdown of the Group's exposure to sovereign debt is set out below:

	2012 £m	2011 £m
Investments in sovereign debt		
France	–	20.8
US	342.1	433.7
Germany	300.0	316.0
The Netherlands	12.1	–
Canada	51.6	60.8
Australia	74.2	45.6
Italy	50.3	62.7
Spain	75.6	52.6
Other	94.2	170.3
Total sovereign debt	**1,000.1**	1,162.5

Note: The Group's investments in sovereign debt issued by Portugal, Republic of Ireland and Greece were £nil (2011: £nil).

Sovereign debt is included in the asset allocation table under government securities, government index-linked securities, government agencies/guaranteed assets, supranational bonds and within the underlying holdings of pooled vehicles.

Included in the investments in sovereign debt of Italy and Spain disclosed above are investments in short-duration treasury bills of £36.9 million and £57.5 million respectively (2011: £49.8 million and £41.6 million respectively). The Group continues to monitor developments in the Eurozone and take action to manage its exposure as required. The impact of a number of different scenarios has been considered, with appropriate contingency plans determined.

3.3 Fair value methodology

For financial instruments carried at fair value the Group has 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 in an active market 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 bond funds, where fair value is based upon quoted prices. 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 and these are classified as Level 1.

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 certain catastrophe linked instruments.

	Fair value hierarchy				Restated Fair value hierarchy			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total 2012 £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total 2011 £m
Assets								
Financial assets held for trading at fair value through profit or loss								
Shares and other variable yield securities	**279.6**	**–**	**–**	**279.6**	204.0	–	–	204.0
Debt and other fixed income securities	**2,089.7**	**622.8**	**12.2**	**2,724.7**	2,122.2	615.8	0.6	2,738.6
Property funds	**–**	**–**	**153.6**	**153.6**	–	–	117.3	117.3
Derivative instruments	**–**	**6.8**	**–**	**6.8**	6.3	13.1	–	19.4
Other financial assets at fair value through profit or loss								
Participation in investment pools	**997.1**	**–**	**–**	**997.1**	903.7	–	–	903.7
Deposits with credit institutions	**42.9**	**–**	**–**	**42.9**	–	–	–	–
Other	**0.6**	**–**	**0.6**	**1.2**	1.1	–	1.6	2.7
Available-for-sale financial assets								
Unlisted equities	**–**	**–**	**4.7**	**4.7**	–	–	4.2	4.2
Other								
Derivative instruments in designated hedge accounting relationships	**–**	**2.0**	**–**	**2.0**	3.5	1.7	–	5.2
Total assets	**3,409.9**	**631.6**	**171.1**	**4,212.6**	3,240.8	630.6	123.7	3,995.1
Liabilities								
Financial liabilities held for trading at fair value through profit or loss								
Derivative instruments	**–**	**(5.0)**	**–**	**(5.0)**	(1.5)	(7.0)	–	(8.5)
Other								
Derivative instruments in designated hedge accounting relationships	**–**	**(0.7)**	**–**	**(0.7)**	–	(2.5)	–	(2.5)
Total liabilities	**–**	**(5.7)**	**–**	**(5.7)**	(1.5)	(9.5)	–	(11.0)
Net financial assets	**3,409.9**	**625.9**	**171.1**	**4,206.9**	3,239.3	621.1	123.7	3,984.1
Assets shown separately in the notes to the accounts								
Accrued income				**(7.6)**				(11.2)
Net financial investments (note 18)				**4,199.3**				3,972.9

There has been no significant transfer between the different levels during the year.

3. Risk disclosures continued

The table below analyses the movements in assets and liabilities classified as Level 3 investments during 2012:

	Debt and other fixed income securities £m	Property funds £m	Derivative instruments £m	Other £m	Unlisted equities £m	Total £m
At 1 January 2012	0.6	117.3	–	1.6	4.2	123.7
Total net gains/(losses) recognised in investment return in profit or loss	0.1	(2.0)	–	–	–	(1.9)
Sales	(0.5)	(4.5)	–	(1.0)	–	(6.0)
Purchases	12.6	47.1	–	–	–	59.7
Unrealised gains on investments designated as available-for-sale	–	–	–	–	0.5	0.5
Transfer out of Level 3	(0.6)	–	–	–	–	(0.6)
Foreign exchange losses	–	(4.3)	–	–	–	(4.3)
At 31 December 2012	12.2	153.6	–	0.6	4.7	171.1
Total losses for the period included in profit or loss for assets and liabilities held at the end of the reporting period						(1.4)

	Debt and other fixed income securities £m	Property funds £m	Derivative instruments £m	Other £m	Unlisted equities £m	Total £m
At 1 January 2011	20.5	60.2	(1.2)	5.7	9.0	94.2
Total net gains/(losses) recognised in investment return in profit or loss	–	4.5	–	–	(0.2)	4.3
Sales	–	(36.7)	–	(3.9)	–	(40.6)
Purchases	0.6	89.8	–	–	–	90.4
Assets of operation subject to deemed disposal	(20.6)	–	1.2	–	–	(19.4)
Investments recognised as associates	–	–	–	–	(4.6)	(4.6)
Foreign exchange gains/(losses)	0.1	(0.5)	–	(0.2)	–	(0.6)
At 31 December 2011	0.6	117.3	–	1.6	4.2	123.7
Total gains for the period included in profit or loss for assets and liabilities held at the end of the reporting period						4.3

The majority of the Group's investments are valued based on quoted market information or other observable market data. The Group holds 4.1% (2011 restated: 3.1%) of its net financial investments 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. Subsidiaries and associates

a) Adoption of IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements' and IFRS 12, 'Disclosure of interests in other entities'

As stated in note 1, the Group has early adopted the accounting requirements of IFRS 10 and IFRS 11 and the disclosure requirements of IFRS 12 in this set of financial statements. In accordance with these standards, the changes in accounting policy have been applied retrospectively and the comparative financial information has been restated accordingly. The Group has not presented a balance sheet for the beginning of the earliest comparative period as required by IAS 1 because the impact is not material.

The amount of the adjustment for each financial statement line item affected is presented below:

Consolidated income statement	As reported 2011 £m	Restatement £m	Restated 2011 £m
Other operating expenses	(263.0)	(0.4)	(263.4)
Total expenses	(643.2)	(0.4)	(643.6)
Results of operating activities	(165.9)	(0.4)	(166.3)
Finance costs	(27.8)	0.4	(27.4)
Loss before tax	(193.8)	–	(193.8)

Consolidated balance sheet	As reported 2011 £m	Restatement £m	Restated 2011 £m
Cash and cash equivalents	256.4	(0.1)	256.3
Financial assets	4,080.4	(96.5)	3,983.9
Total assets	6,502.1	(96.6)	6,405.5
Other payables, including insurance and reinsurance payables:			
- other payables	118.5	(0.9)	117.6
Borrowings	388.5	(95.7)	292.8
Total liabilities	5,081.7	(96.6)	4,985.1
Total equity, reserves and liabilities	6,502.1	(96.6)	6,405.5

Consequential amendments have also been made to the consolidated statement of cash flows and related notes to the accounts.

The impact of the restatement has had no effect on the previously reported amounts of basic and diluted earnings per share.

b) Significant judgements in determining control

The Group has made significant judgements and assumptions in reaching its control conclusions for the following entities:

i. Investment funds

The Group holds financial investments in a number of pooled vehicles, which are typically sub-funds of umbrella structures. In certain instances the Group holds a majority of the voting rights in particular sub-funds. The Group has determined that it neither controls nor significantly influences these sub-funds despite owning a majority of the voting rights on the basis that direction of the relevant activities of the sub-funds is by the umbrella vehicle, over which the Group has no significant rights. Such entities are accounted for as financial investments in accordance with IAS 39.

ii. Leadenhall Capital Partners LLP (LCP)

The Group holds 50.0% of the voting rights in LCP. Owing to the Group's contractual commitments to LCP, as detailed below, and its interests in the funds managed by LCP, the Group has assessed whether it has de facto control over the entity. The Group has determined that it does not have controlling power over LCP as significant decision making requires the consent of more than one party to the arrangement and LCP is therefore collectively controlled. However, such significant decisions do not require the unanimous consent of all the controlling parties and therefore LCP does not meet the definition of a joint arrangement under IFRS 11. The Group is therefore considered to have significant influence over LCP and its interest is accounted for as an investment in associate using the equity method accordingly. LCP was previously accounted for as a joint venture using the equity method. The contractual terms of the Group's interest in LCP have not changed and the impact is one of disclosure only.

4. Subsidiaries and associates continued

c) Principal subsidiaries

The principal subsidiaries at 31 December 2012 which are consolidated in these financial statements are detailed below. Unless otherwise stated, the Group owns 100% of ordinary share capital and voting rights in these entities:

Subsidiaries	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 Insurance (UK) Limited (formerly Cedar Insurance Company Limited)	Insurance company	England and Wales
Amlin Underwriting Services Limited	Lloyd's coverholder	England and Wales
Amlin Plus Limited*	Lloyd's coverholder	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 Europe N.V. (formerly Amlin Corporate Insurance N.V.)	Insurance company	The Netherlands
Amlin France Holdings SAS**	Intermediate holding company	France
Amlin France SAS**	Lloyd's coverholder	France
JR Clare Underwriting Agencies Limited	Lloyd's coverholder	England and Wales
Lead Yacht Underwriters Limited	Lloyd's coverholder	England and Wales
Amlin Bermuda Holdings Limited	Finance company	Bermuda
Solo Absolute Bonds & Currency Fund	Investment fund	France

Note:
* 60.0% owned by the Group
** 100.0% owned by the Group (2011: 96.5%)

Some subsidiaries have been omitted from this statement to avoid providing particulars of excessive length but none materially affects the results or net assets of the Group.

d) Investments in associates

The Group owns interests in three associates: Miles Smith Holdings Limited, Manchester Underwriting Management Limited and Leadenhall Capital Partners LLP. The aggregate amount of the Group's share of returns from these investments during the year is as follows:

	2012 £m	2011 £m
Profit/(loss) from continuing operations	**0.5**	(0.1)
Total comprehensive income/(expense)	**0.5**	(0.1)

At 31 December 2012, the Group had an aggregate balance receivable from associates, excluding loans as detailed below, of £9.9 million (2011: £2.2 million). No amounts were provided for doubtful recovery of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from associates.

The Group has a loan to Miles Smith Holdings Limited of £0.3 million (2011: £0.5 million). The loan is repayable in three instalments, with the final instalment due on 31 December 2014. Interest is charged at 4.0% over the three month LIBOR. Convertible loan stock of £0.7 million (2011: £0.7 million) has been issued by the associate to the Group. The conversion date is 31 December 2015. Interest is accrued at 5.0% over five year gilts.

The Group has a loan to Manchester Underwriting Management Limited of £1.0 million (2011: £0.2 million). The loan is repayable in full on 31 December 2014. Interest is charged at 5.1% above the Bank of England base rate.

The Group had a contractual commitment to pay up to US$7.0 million to support the operations of Leadenhall Capital Partners LLP which expired on 31 December 2012. At 31 December 2012, £2.5 million (2011: £2.5 million) was drawn on this agreement which is included within the Group's investment in associate balance.

e) Interests in unconsolidated structured entities

As noted above, the Group holds financial investments in certain pooled vehicles which are typically sub-funds of umbrella structures. These sub-funds meet the definition of structured entities under IFRS 10 as voting and similar rights are not the dominant factor in determining who controls the entity. Decision-making at the sub-fund level is typically restricted to administrative tasks only, and instead it is the voting rights at the umbrella level which determines the control of the sub-funds.

The investments which meet the definition of structured entities are the Group's investments in pooled vehicles – liquidity funds and pooled vehicles – bonds and LIBOR plus funds, as listed in note 3.2. The funds under management with each of the fund managers in these pooled vehicles are also included within the same note. These amounts are recorded within financial assets on the Group's balance sheet.

The maximum exposure to loss from the Group's interests in unconsolidated structured entities is 100% of the funds invested in those entities, should the fair value of the assets held deteriorate to nil.

The Group has provided no financial or other support to any unconsolidated structured entities in the period outside of transactions in the ordinary course of investment management, and has no current intentions to do so.

5. Segmental reporting

a) Basis of segmentation

Management has determined the Group's operating segments based on the management information reviewed by the chief operating decision maker that is used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8, 'Operating segments'.

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 and Marine & Aviation business units, underwritten via Syndicate 2001;
- Amlin UK, underwriting commercial insurance in the UK domestic market, via Syndicate 2001 and Amlin Insurance (UK) Limited;
- Amlin Bermuda, which writes predominantly property reinsurance business, via Amlin AG, including reinsurance ceded by Syndicate 2001;
- Amlin Re Europe, which writes continental European non-life reinsurance business, via Amlin AG;
- Amlin Europe, including Amlin Europe N.V., a leading provider of marine, corporate property and casualty insurance in the Netherlands and Belgium and specialty business in France; and
- Other corporate companies, comprising all other entities of the Group including holding companies.

Included within the intra Group items column are consolidation adjustments.

Following the Group's announcement in May 2012 that Amlin France will be integrated with Amlin Corporate Insurance, the two businesses now meet the definition of one reportable segment in accordance with IFRS 8 and have therefore been reported together within the 'Amlin Europe' column in the segmental information. Comparative information for the year ended 31 December 2011 has been restated accordingly.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision maker is measured in a manner consistent with that in the income statement and revenues are allocated based on the country in which the insurance risk is located. Management considers its external customers to be the individual policyholders, and as such the Group is not reliant on any individual customer.

5. Segmental reporting continued

b) Segmental information

Segmental information for the reportable segments of the Group is provided below.
A reconciliation between this information and the consolidated income statement is provided in note 5(c).

Income and expenses by business segment Year ended 31 December 2012	Amlin London £m	Amlin UK £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Europe £m	Other corporate companies £m	Intra group items £m	Total £m
Analysed by geographic segment:								
UK	170.3	316.7	244.2	17.6	24.2	–	(223.0)	**550.0**
North America	589.4	10.3	184.3	1.9	–	–	–	**785.9**
Europe	85.6	22.2	30.9	141.7	282.1	–	(2.0)	**560.5**
Worldwide	15.9	17.0	–	–	169.9	–	–	**202.8**
Other	204.9	6.4	84.6	10.5	–	–	–	**306.4**
Gross written premium	**1,066.1**	**372.6**	**544.0**	**171.7**	**476.2**	**–**	**(225.0)**	**2,405.6**
Net written premium	739.4	303.3	488.3	138.5	394.0	–	(4.9)	**2,058.6**
Gross earned premium	1,037.7	323.6	537.2	154.9	471.4	–	(205.8)	**2,319.0**
Reinsurance premium ceded	(321.3)	(57.6)	(61.5)	(28.5)	(80.6)	–	201.0	**(348.5)**
Net earned premium	**716.4**	**266.0**	**475.7**	**126.4**	**390.8**	**–**	**(4.8)**	**1,970.5**
Insurance claims and claims settlement expenses	(508.0)	(185.7)	(259.8)	(103.1)	(273.9)	–	133.2	**(1,197.3)**
Reinsurance recoveries	129.6	35.6	(5.0)	11.0	42.7	–	(141.2)	**72.7**
Expenses for the acquisition of insurance contracts	(193.5)	(72.8)	(71.8)	(20.2)	(74.3)	–	10.1	**(422.5)**
Underwriting expenses	(79.7)	(29.0)	(16.7)	(12.7)	(78.6)	–	0.4	**(216.3)**
Profit attributable to underwriting	**64.8**	**14.1**	**122.4**	**1.4**	**6.7**	**–**	**(2.3)**	**207.1**
Investment return	22.0	6.6	60.9	2.3	60.5	20.2	(7.2)	**165.3**
Other operating income[1]	23.5	7.7	1.4	–	1.9	8.4	(37.3)	**5.6**
Agency expenses[2]	(20.1)	(6.5)	–	–	(0.7)	–	27.3	**–**
Other non-underwriting expenses	(0.8)	(0.1)	(4.4)	(2.5)	(24.8)	(61.7)	7.6	**(86.7)**
Result of operating activities	**89.4**	**21.8**	**180.3**	**1.2**	**43.6**	**(33.1)**	**(11.9)**	**291.3**
Finance costs[3]								**(27.6)**
Share of profit after tax of associates								**0.5**
Profit before taxation								**264.2**
Claims ratio	53%	57%	56%	73%	59%			**57%**
Expense ratio	38%	38%	18%	26%	39%			**32%**
Combined ratio	**91%**	**95%**	**74%**	**99%**	**98%**			**89%**

Note:
1. Other operating income is mainly agency fees payable by Syndicate 2001 to Amlin Underwriting Limited and external commission income earned 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.

Included within the gross written premium of Amlin Bermuda is premium ceded from Amlin London, Amlin UK and Amlin Europe amounting to £207.4 million on reinsurance contracts undertaken at commercial rates (2011: £183.4 million).

Investment return in other corporate companies includes a £14.2 million gain (2011: £3.2 million loss) generated from investments in Funds at Lloyd's that support the business reported in the Amlin London, Amlin UK and Amlin Europe segments.

Assets and liabilities by business segment At 31 December 2012	Amlin London £m	Amlin UK £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Europe £m	Other corporate companies £m	Intra group items £m	Total £m
Assets	2,188.9	774.1	1,815.5	220.9	1,588.6	3,582.1	(3,653.5)	**6,516.6**
Liabilities	(2,216.5)	(768.0)	(808.8)	(227.3)	(1,355.2)	(1,562.6)	1,913.2	**(5,025.2)**
Total net assets	**(27.6)**	**6.1**	**1,006.7**	**(6.4)**	**233.4**	**2,019.5**	**(1,740.3)**	**1,491.4**

Amlin AG consists of a Bermudian branch and a Zurich based underwriting unit, which are reported as Amlin Bermuda and Amlin Re Europe segments respectively. Therefore, the net assets for Amlin Bermuda and Amlin Re Europe should be analysed on a combined basis.

Other corporate companies' segmental assets include £508.4 million (2011: £563.1 million) of capital assets that support the business written by Syndicate 2001 which is reported within the Amlin London, Amlin UK and Amlin Europe segments.

Included in assets are the following:

At 31 December 2012	Amlin London £m	Amlin UK £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Europe £m	Other corporate companies £m	Intra group items £m	Total £m
Investments in associates	–	–	–	–	–	9.3	–	**9.3**
Additions to non-current assets	0.3	–	0.2	0.1	3.5	5.0	0.1	**9.2**

The Group's non-current assets, consisting of property and equipment and intangible assets, are £231.8 million (2011: £238.8 million) of which £207.5 million (2011: £214.7 million) is located in the UK and £24.3 million (2011: £24.1 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 £6.2 million (2011: £5.3 million) of which £0.9 million (2011: £1.1 million) has been charged to Amlin London, £1.7 million (2011: £1.2 million) to Amlin UK, £0.7 million to Amlin Bermuda (2011: £0.4 million), £0.5 million to Amlin Re Europe (2011: £0.3 million), £2.1 million to Amlin Europe (2011: £1.8 million) and £0.3 million to Other corporate companies (2011: £0.5 million).

No impairment losses in respect of intangible assets have been recognised during the year (2011: £nil).

5. Segmental reporting continued

Restated Income and expenses by business segment Year ended 31 December 2011	Amlin London £m	Amlin UK £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Europe £m	Other corporate companies £m	Intra group items £m	Total £m
Analysed by geographic segment:								
UK	151.2	283.2	220.0	9.0	–	–	(185.2)	478.2
North America	544.5	8.3	201.8	2.2	–	–	(0.7)	756.1
Europe	81.4	14.9	25.8	90.3	309.1	–	(0.9)	520.6
Worldwide	17.1	0.7	0.1	–	279.6	–	–	297.5
Other	160.7	5.3	79.8	5.9	–	–	–	251.7
Gross written premium	954.9	312.4	527.5	107.4	588.7	–	(186.8)	2,304.1
Net written premium	675.3	261.3	503.8	98.3	480.1	–	(5.6)	2,013.2
Gross earned premium	938.2	280.3	499.8	58.3	620.2	–	(173.6)	2,223.2
Reinsurance premium ceded	(268.7)	(49.1)	(21.2)	(7.4)	(120.4)	–	171.0	(295.8)
Net earned premium	669.5	231.2	478.6	50.9	499.8	–	(2.6)	1,927.4
Insurance claims and claims settlement expenses	(751.2)	(205.7)	(504.7)	(38.3)	(497.9)	–	128.2	(1,869.6)
Reinsurance recoveries	300.3	45.3	54.5	1.8	99.6	–	(131.3)	370.2
Expenses for the acquisition of insurance contracts	(172.1)	(52.8)	(66.5)	(7.6)	(91.9)	–	10.7	(380.2)
Underwriting expenses	(60.4)	(25.9)	(20.0)	(9.4)	(76.2)	–	(1.9)	(193.8)
Loss attributable to underwriting	(13.9)	(7.9)	(58.1)	(2.6)	(66.6)	–	3.1	(146.0)
Investment return	17.5	5.0	4.5	0.1	(15.1)	29.0	(0.5)	40.5
Other operating income[1]	24.8	6.4	0.2	–	1.9	11.2	(35.7)	8.8
Agency expenses[2]	(20.2)	(5.3)	–	–	(0.7)	–	26.2	–
Other non-underwriting expenses	(0.6)	(0.2)	(4.4)	(1.9)	(26.2)	(49.0)	12.7	(69.6)
Result of operating activities	7.6	(2.0)	(57.8)	(4.4)	(106.7)	(8.8)	5.8	(166.3)
Finance costs[3]								(27.4)
Share of loss after tax of associates								(0.1)
Loss before taxation								(193.8)
Claims ratio	67%	69%	94%	72%	80%			78%
Expenses ratio	35%	34%	18%	33%	33%			30%
Combined ratio	102%	103%	112%	105%	113%			108%

Note:
1. Other operating income is mainly agency fees payable by Syndicate 2001 to Amlin Underwriting Limited and external commission income earned 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.

Restated Assets and liabilities by business segment At 31 December 2011	Amlin London £m	Amlin UK £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Europe £m	Other corporate companies £m	Intra group items £m	Total £m
Assets	2,160.3	476.0	1,750.0	101.8	1,669.3	3,519.6	(3,271.5)	6,405.5
Liabilities	(2,136.8)	(476.0)	(874.3)	(108.6)	(1,481.1)	(1,744.6)	1,836.3	(4,985.1)
Total net assets	23.5	–	875.7	(6.8)	188.2	1,775.0	(1,435.2)	1,420.4

Included in assets are the following:

Restated At 31 December 2011	Amlin London £m	Amlin UK £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Europe £m	Other corporate companies £m	Intra group items £m	Total £m
Investments in associates	–	–	–	–	–	8.3	–	8.3
Additions to non-current assets	–	–	1.8	1.3	8.2	27.6	16.4	55.3

c) Reconciliation between management information and the consolidated income statement

The table below shows the reconciliation between the management information provided to the chief operating decision maker and the consolidated income statement.

Year ended 31 December 2012	Management information £m	Reconciling items £m	IFRS Income statement £m
Gross written premium	**2,405.6**	**–**	**2,405.6**
Net written premium	2,058.6	15.9	**2,074.5**
Gross earned premium	2,319.0	–	**2,319.0**
Reinsurance premium ceded	(348.5)	15.9	**(332.6)**
Net earned premium	**1,970.5**	**15.9**	**1,986.4**
Insurance claims and claims settlement expenses	(1,197.3)	–	**(1,197.3)**
Reinsurance recoveries	72.7	–	**72.7**
Expenses for the acquisition of insurance contracts	(422.5)	–	**(422.5)**
Underwriting expenses	(216.3)	–	**(216.3)**
Profit attributable to underwriting	**207.1**	**15.9**	**223.0**
Investment return	165.3	(15.9)	**149.4**
Other operating income	5.6	–	**5.6**
Other non-underwriting expenses	(86.7)	–	**(86.7)**
Result of operating activities	**291.3**	**–**	**291.3**
Finance costs	(27.6)	–	**(27.6)**
Share of profit after tax of associates	0.5	–	**0.5**
Profit before taxation	**264.2**	**–**	**264.2**

The reconciling items disclosed in the table above relate to items of income and expense under the Group's risk transfer contract with Tramline Re Ltd, the risk period of which incepted on 1 January 2012. From a management information perspective, the instrument is insurance linked and therefore these balances are included within the Group's profit attributable to underwriting in the segmental information. Under IAS 39, the instrument is classified as a derivative and therefore such items of income and expense are reported through investment return in the Group's consolidated income statement.

6. Net earned premium

	2012 £m	2011 £m
Gross earned premium		
Gross written premium	**2,405.6**	2,304.1
Change in unearned premium	**(86.6)**	(80.9)
	2,319.0	2,223.2
Reinsurance premium ceded		
Reinsurance premium payable	**(331.1)**	(290.9)
Change in reinsurers' share of unearned premium	**(1.5)**	(4.9)
	(332.6)	(295.8)
	1,986.4	1,927.4

7. Investment return

	2012 £m	2011 £m
Investment income		
– dividend income	**11.3**	12.2
– interest income	**31.1**	42.8
– cash and cash equivalents interest income	**5.6**	5.7
	48.0	60.7
Net realised gains/(losses)		
on assets held for trading		
– equity securities	**7.0**	12.8
– debt securities	**28.4**	29.2
– property funds	**(0.1)**	2.6
– derivative instruments	**(22.8)**	(8.7)
on assets classified as other than trading		
– participation in investment pools	**3.3**	2.4
	15.8	38.3
Net unrealised gains/(losses)		
on assets held for trading		
– equity securities	**11.5**	(29.4)
– debt securities	**77.7**	(35.1)
– property funds	**(2.7)**	1.7
– derivative instruments	**(0.9)**	4.1
on assets classified as other than trading		
– participation in investment pools	**–**	0.2
	85.6	(58.5)
	149.4	40.5

8. Net insurance claims

	2012 £m	2011 £m
Insurance claims and claims settlement expenses		
Current year insurance claims and claims settlement expenses	**1,291.6**	1,948.1
Reduced costs for prior period insurance claims	**(94.3)**	(78.5)
	1,197.3	1,869.6
Insurance claims and claims settlement expenses recoverable from reinsurers		
Current year reinsurers' share of insurance claims and claims settlement expenses	**(72.8)**	(336.1)
Reduced/(additional) costs for reinsurers' share of prior period insurance claims	**0.1**	(34.1)
	(72.7)	(370.2)
	1,124.6	1,499.4

9. Expenses for the acquisition of insurance contracts

	2012 £m	2011 £m
Expenses for the acquisition of insurance contracts	**454.8**	401.7
Changes in deferred expenses for the acquisition of insurance contracts	**(32.3)**	(21.5)
	422.5	380.2

10. Other operating expenses

	Note	2012 £m	Restated 2011 £m
Expenses relating to underwriting			
Employee expenses, excluding employee incentives		**115.3**	95.1
Lloyd's expenses		**19.3**	18.3
Other administrative expenses		**71.2**	74.5
Underwriting exchange losses	16	**10.5**	5.9
		216.3	193.8
Other expenses			
Employee expenses, excluding employee incentives		**13.9**	15.7
Employee incentive and related social security costs		**34.8**	9.5
Asset management fees		**6.4**	6.8
Other administrative expenses		**18.8**	16.5
Amlin Europe N.V. disentanglement and integration costs		**20.6**	16.8
Non-underwriting exchange (gains)/losses	16	**(7.8)**	4.3
		86.7	69.6
		303.0	263.4

Employee and other administrative expenses not relating to underwriting represent costs associated with the corporate activities of the Group.

Amlin Europe N.V. disentanglement and integration costs include expenditure incurred on the systems replacement programme which completed in 2012.

11. Directors' remuneration

The aggregate remuneration of the Directors of the Company, including amounts received from subsidiaries, was:

	2012 £m	2011 £m
Remuneration of Executive Directors	**3.0**	2.5
Remuneration of Non-Executive Directors	**0.6**	0.6
Amounts (excluding equity settled share options and awards) receivable under long-term incentive schemes	**1.1**	1.1
	4.7	4.2
Pension contributions	**0.1**	0.2
	4.8	4.4

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 two (2011: two) Executive Directors and to stakeholder defined contribution schemes for two (2011: two) other Executive Directors.

12. Employee benefit expenses

The average number of persons employed by the Group, including individuals on fixed term contracts and Directors, were:

	2012	2011
Underwriting divisions		
Underwriting, claims and reinsurance	**787**	721
Administration and support	**595**	530
Corporate Centre functions		
Operations	**188**	164
Finance	**43**	40
Internal audit and compliance	**15**	14
	1,628	1,469

The presentation of the allocation of headcount has been amended to align with management's view of the business and provide consistency with the classification of employees and administrative expenses disclosed in note 10. The presentation of the comparative information for 2011 also reflects this change.

	2012	2011
By location		
UK	**1,038**	909
Continental Europe	**530**	510
Bermuda	**46**	40
Singapore	**13**	10
US	**1**	–
	1,628	1,469

The aggregate payroll costs incurred by Group companies are analysed as follows:

	Note	2012 £m	2011 £m
Wages and salaries		**111.8**	114.6
Employee incentive and related social security costs		**34.8**	9.5
Equity settled share options and awards granted to Directors and employees	28	**4.4**	3.8
Social security costs		**14.4**	13.8
Pension costs – defined contribution schemes	32	**6.6**	6.4
Pension costs – defined benefit schemes	32	**6.4**	4.2
		178.4	152.3

13. Finance costs

	2012 £m	Restated 2011 £m
Letter of credit commission	**1.1**	2.2
Revolving credit facility	**1.8**	–
Subordinated bond interest	**20.2**	20.3
Other similar charges	**4.5**	4.9
	27.6	27.4

14. Profit/(loss) before tax

Profit/(loss) before tax is stated after charging the following amounts:

	Note	2012 £m	2011 £m
Depreciation	22	**6.2**	5.3
Amortisation	23	**7.3**	4.9
Operating lease expenditure	35	**9.7**	9.0
Foreign exchange losses	16	**2.7**	10.2

Fees paid to the Group's auditors in respect of the financial year are set out below:

	2012 £'000	2011 £'000
Audit		
Audit of the Group's and Company's annual financial statements	**161.3**	127.7
Audit of subsidiaries	**1,106.1**	1,048.2
	1,267.4	1,175.9
Assurance services		
Audit-related assurance services	**308.6**	161.2
Other assurance services	**23.3**	10.5
	331.9	171.7
Services relating to taxation		
Tax advisory services	**84.7**	149.0
	84.7	149.0
Other non-audit services		
Internal audit services	**20.0**	–
Services related to corporate finance transactions	**100.3**	166.9
Other non-audit services[1]	**617.8**	43.1
	738.1	210.0
Total fees	**2,422.1**	1,706.6

Note:
1. Other non-audit services include £562,000 in 2012 relating to advisory work to assess the Group's financial reporting systems and scope a finance transformation project. For more detailed explanation of the process for authorisation see the Audit Committee report on page 68.

The disclosure of fees paid to the Group's auditor has been provided in accordance with The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) (Amendment) Regulations 2011 which is effective for financial years beginning on or after 1 October 2011. The presentation of the comparative information for 2011 also reflects these changes.

15. Tax

	2012 £m	2011 £m
Current tax – current year		
Corporate income tax	**23.3**	25.5
Foreign tax	**6.4**	4.8
Double tax relief	**(3.8)**	(3.2)
	25.9	27.1
Current tax – adjustments in respect of previous years		
Corporate income tax	**(7.2)**	(15.9)
Deferred tax – current year		
Origination and reversal of temporary differences	**(1.3)**	(61.9)
Deferred tax – adjustments in respect of previous years		
Movements for the year	**1.5**	10.4
Impact of change in UK tax rate	**(2.4)**	(4.0)
	(0.9)	6.4
Taxes on income	**16.5**	(44.3)

In addition to the above, tax of £3.7 million (2011: £6.4 million) has been credited directly to other comprehensive income as follows:

	2012 £m	2011 £m
Current tax on gains on revaluation of hedge instruments	**0.9**	0.1
Current tax on foreign exchange losses on translation of foreign operations	**(1.9)**	(2.0)
Current tax charged on other items within other comprehensive income	**0.7**	–
Deferred tax on defined benefit pension fund actuarial losses	**(3.4)**	(4.5)
Taxes credited to other comprehensive income	**(3.7)**	(6.4)

In addition to the above, tax of £0.1 million (2011: £1.0 million charged) has been credited directly to reserves as follows:

	2012 £m	2011 £m
Deferred tax on employee share option scheme	**(0.1)**	1.0
Taxes (credited)/charged to reserves	**(0.1)**	1.0

Reconciliation of tax expense

The UK standard rate of corporation tax is 24.5% (2011: 26.5%), whereas the tax charged for the year ended 31 December 2012 as a percentage of profit (2011: loss) before tax is 6.2% (2011: 22.9%). The reasons for this difference are explained below:

	2012 £m	2012 %	2011 £m	2011 %
Profit/(loss) before tax	**264.2**		(193.8)	
Taxation on profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK	**64.8**	**24.5**	(51.4)	26.5
Non-deductible or non-taxable items	**0.1**	**–**	4.1	(2.1)
Tax rate differences on foreign subsidiaries	**(42.9)**	**(16.2)**	10.9	(5.6)
Over provision in respect of previous years	**(5.7)**	**(2.1)**	(5.5)	2.8
Irrecoverable foreign tax	**2.6**	**0.9**	1.6	(0.8)
Deferred tax rate change	**(2.4)**	**(0.9)**	(4.0)	2.1
Taxes on income	**16.5**	**6.2**	(44.3)	22.9

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 2011	13.8	0.9	–	–	14.7
Movements in the year	24.6	4.2	8.0	(24.6)	12.2
At 31 December 2011	38.4	5.1	8.0	(24.6)	**26.9**
Movements in the year	(10.2)	(3.6)	2.0	(7.9)	**(19.7)**
Amounts netted off against deferred tax liabilities	–	–	–	10.3	**10.3**
At 31 December 2012	**28.2**	**1.5**	**10.0**	**(22.2)**	**17.5**

The deferred tax liability is attributable to temporary differences arising on the following:

	Underwriting results £m	Unrealised capital gains £m	Syndicate capacity £m	Intangibles £m	Other timing differences £m	Total £m
At 1 January 2011	43.5	13.7	6.9	14.7	9.0	87.8
Movements in the year	(33.0)	(6.2)	(0.2)	(3.3)	(2.7)	(45.4)
At 31 December 2011	10.5	7.5	6.7	11.4	6.3	**42.4**
Movements in the year	(17.7)	5.7	0.1	(1.7)	(11.8)	**(25.4)**
Amounts netted off against deferred tax assets	–	–	–	–	10.3	**10.3**
Other movements	–	–	–	–	0.6	**0.6**
At 31 December 2012	**(7.2)**	**13.2**	**6.8**	**9.7**	**5.4**	**27.9**

A deferred tax asset of £8.8 million (2011: £23.9 million) is expected to be recovered after more than 12 months from the balance sheet date.

UK tax rate

The UK Budget in March 2012 announced a change in the main rate of UK corporation tax. The new rate of 24.0% was substantively enacted on 26 March 2012 and applied from 1 April 2012.

Underwriting profits

Underwriting profits and losses are recognised in the income statement 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. This creates a deferred tax position.

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. A deferred tax asset (before netting off) has been recognised on the underwriting result for this accounting period of £7.2 million (2011: £10.5 million liability).

The Group is subject to US tax on US underwriting profits. No provision has been made in respect of such tax arising in 2012 (2011: £nil) as any net provision is likely to be immaterial.

Controlled Foreign Companies legislation

The Group's reinsurance subsidiary, Amlin Bermuda Ltd, was re-domiciled from Bermuda to Switzerland during 2010 and renamed Amlin AG. The company has since operated in Switzerland as Amlin Re Europe, with the Bermudian business operating as a branch. The Group's tax provision for 2012 has been prepared on the basis that Amlin AG is non-UK resident for UK corporation tax purposes and is exempt from the UK controlled foreign company regime. The corporation tax rate for profits earned by the Bermudian branch of Amlin AG is currently nil% (2011: nil%). The combined rate of Swiss cantonal and federal taxes, applicable to profits arising from the Swiss operation only, is 21.2% (2011: 21.2%).

Deferred tax rate

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 – 23.0% (2011: 25.0%);
- The Netherlands – 25.0% (2011: 25.0%);
- Bermuda – nil% (2011: nil%); and
- Switzerland – 21.2% (2011: 21.2%).

The UK tax rate applied for deferred tax purposes (23.0%) was enacted in July 2012. Further reductions in the UK corporation tax rate have been announced, which will reduce the corporation tax rate to 21.0%. These subsequent reductions have not yet been enacted or substantively enacted and therefore the rate at which deferred tax is provided remains 23.0% in accordance with IAS 12. The estimated impact of the reduction from 23.0% to 21.0% will be a reduction in the net deferred tax liability of £0.3 million (2011: £4.2 million).

16. Net foreign exchange losses

The Group recognised net foreign exchange losses of £2.7 million (2011: £10.2 million) 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 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 in the income statement are:

	2012 £m	2011 £m
Underwriting exchange losses		
Net losses on underwriting transactions and translation of underwriting assets and liabilities at closing rates	(10.5)	(5.9)
	(10.5)	(5.9)
Non-underwriting exchange gains/(losses)		
Gains/(losses) on long-term US dollar borrowings	2.8	(0.2)
Net gains/(losses) on non-underwriting transactions and translation of non-underwriting assets and liabilities at closing rates	5.0	(4.1)
	7.8	(4.3)
Total net foreign exchange losses	(2.7)	(10.2)

The above excludes foreign exchange gains and losses in relation to financial instruments measured at fair value through profit or loss.

In addition, the following exchange movements have been charged directly to other comprehensive income:

	2012 £m	2011 £m
Gains/(losses) on translation of foreign operations:		
– Amlin Bermuda	(51.6)	(0.2)
– Amlin Singapore Pte Limited	–	(0.3)
– Amlin France SAS	0.1	0.1
– Amlin Europe N.V.	3.3	(6.4)
– Amlin Re Europe	0.2	0.6
– Solo Absolute Bonds & Currency Fund	(7.2)	(30.5)
	(55.2)	(36.7)
Gains on financial instruments that hedge investments in foreign operations	3.7	2.4
Losses on translation of intangibles arising from investments in foreign operations	(1.9)	(2.2)
	(53.4)	(36.5)

17. Cash and cash equivalents

	2012 £m	Restated 2011 £m
Cash and cash in hand	153.3	132.8
Short-term deposits	37.3	123.5
	190.6	256.3

Cash and cash equivalents represent cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments that are subject to insignificant risk of changes in fair value.

18. Financial assets and financial liabilities

Net financial investments	At valuation 2012 £m	Restated At valuation 2011 £m	At cost 2012 £m	Restated At cost 2011 £m
Assets				
Financial assets held for trading at fair value through profit or loss				
Shares and other variable yield securities	279.3	203.3	259.7	194.1
Debt and other fixed income securities	2,717.4	2,728.1	2,797.6	2,896.2
Property funds	153.6	117.3	158.8	120.0
Derivative instruments	6.8	19.4	–	4.9
Other financial assets at fair value through profit or loss				
Participation in investment pools	997.1	903.7	997.1	903.8
Deposits with credit institutions	42.9	–	42.9	–
Other	1.2	2.7	1.2	2.7
Available-for-sale financial assets				
Unlisted equities	4.7	4.2	4.7	4.0
Other				
Derivative instruments in designated hedge accounting relationships	2.0	5.2	–	–
Total financial assets	4,205.0	3,983.9	4,262.0	4,125.7
Liabilities				
Financial liabilities held for trading at fair value through profit or loss				
Derivative instruments	(5.0)	(8.5)	–	–
Other				
Derivative instruments in designated hedge accounting relationships	(0.7)	(2.5)	–	–
Total financial liabilities	(5.7)	(11.0)	–	–
Net financial assets	4,199.3	3,972.9	4,262.0	4,125.7

Debt and other fixed income securities include pooled funds, investing in bonds and other fixed income securities. The valuation of these funds is £1,364.8 million (2011: £1,348.7 million).

Participation in investment pools includes units held in money market funds.

The Group holds hedging and non-hedging derivatives. Hedging derivatives are designated at inception and qualify for hedge accounting under IAS 39. Non-hedging derivatives either do not qualify for hedge accounting or the option to hedge account has not been taken.

The reconciliation of opening and closing financial investments is as follows:

	2012 £m	Restated 2011 £m
At 1 January	3,972.9	4,300.4
Exchange (losses)/gains	(109.6)	7.1
Net purchases/(sales)	234.1	(312.4)
Net realised gains on assets held for trading or other than trading	15.8	38.3
Net unrealised gains/(losses) on assets held for trading or other than trading	85.6	(58.5)
Net unrealised gains on assets designated as available-for-sale	0.5	0.2
Asset recognised as associate	–	(4.6)
Net realised and unrealised gains on derivative instruments in designated hedge accounting relationships	–	2.4
At 31 December	4,199.3	3,972.9

19. Insurance liabilities and reinsurance assets

Outstanding claims	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m	2011 Insurance liabilities £m	2011 Reinsurers' share £m	2011 Net liabilities £m
At 1 January	3,273.6	617.0	2,656.6	2,631.9	383.1	2,248.8
Claims incurred during the current year	1,291.6	72.8	1,218.8	1,948.1	336.1	1,612.0
Movements arising from prior year claims	(94.3)	(0.1)	(94.2)	(78.5)	34.1	(112.6)
Claims paid during the year	(1,295.6)	(195.5)	(1,100.1)	(1,234.1)	(119.3)	(1,114.8)
Accretion of fair value adjustment	4.7	0.8	3.9	4.8	0.8	4.0
Other movements	–	(1.9)	1.9	9.4	(10.5)	19.9
Exchange adjustments	(96.5)	(14.5)	(82.0)	(8.0)	(7.3)	(0.7)
At 31 December	3,083.5	478.6	2,604.9	3,273.6	617.0	2,656.6

In connection with the purchase accounting for the acquisition of Amlin Europe N.V., the Group adjusted outstanding claims and related reinsurers' share of outstanding claims to fair value on acquisition. The reduction to the original carrying value of £39.1 million and £6.4 million to outstanding claims and reinsurers' share of outstanding claims respectively is being recognised through a charge to the income statement over the period the claims are settled. This net charge is £3.9 million in 2012 (2011: £4.0 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.

Further information on the calculation of outstanding claims and the risks associated with them is provided in the risk disclosures in note 3. Outstanding claims are further analysed between notified outstanding claims and claims incurred but not reported below:

Outstanding claims	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m	2011 Insurance liabilities £m	2011 Reinsurers' share £m	2011 Net liabilities £m
Notified outstanding claims	2,200.6	394.2	1,806.4	2,288.4	385.8	1,902.6
Claims incurred but not reported	882.9	84.4	798.5	985.2	231.2	754.0
	3,083.5	478.6	2,604.9	3,273.6	617.0	2,656.6

The current and non-current portions for outstanding claims are expected to be as follows:

Outstanding claims	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m	2011 Insurance liabilities £m	2011 Reinsurers' share £m	2011 Net liabilities £m
Current portion	1,126.4	190.3	936.1	1,175.0	189.6	985.4
Non-current portion	1,957.1	288.3	1,668.8	2,098.6	427.4	1,671.2
	3,083.5	478.6	2,604.9	3,273.6	617.0	2,656.6

Unearned premium	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m	2011 Insurance liabilities £m	2011 Reinsurers' share £m	2011 Net liabilities £m
At 1 January	998.0	50.4	947.6	914.4	55.3	859.1
Premiums written during the year	2,405.6	331.1	2,074.5	2,304.1	290.9	2,013.2
Premiums earned during the year	(2,319.0)	(332.6)	(1,986.4)	(2,223.2)	(295.8)	(1,927.4)
Other movements	–	–	–	(0.5)	0.1	(0.6)
Exchange adjustments	(29.8)	(2.1)	(27.7)	3.2	(0.1)	3.3
At 31 December	1,054.8	46.8	1,008.0	998.0	50.4	947.6

The current and non-current portions for unearned premium are expected to be as follows:

Unearned premium	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m	2011 Insurance liabilities £m	2011 Reinsurers' share £m	2011 Net liabilities £m
Current portion	926.1	28.6	897.5	870.2	39.0	831.2
Non-current portion	128.7	18.2	110.5	127.8	11.4	116.4
	1,054.8	46.8	1,008.0	998.0	50.4	947.6

The total reinsurers' share of outstanding claims and unearned premium is set out in the table below:

	2012 £m	2011 £m
Reinsurers' share of insurance liabilities	541.6	686.8
Less provision for impairment of receivables from reinsurers	(16.2)	(19.4)
Reinsurance assets	525.4	667.4

The Group assesses its reinsurers' share of outstanding claims 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 reinsurers' share of outstanding claims are shown in note 3.2. As at 31 December 2012 there were £1.2 million (2011: £nil) reinsurance assets greater than three months overdue. The Group holds collateral of £300.2 million (2011: £226.5 million) in relation to reinsurers' share of outstanding claims. Details are included in note 29.

The Group has recognised a total net impairment loss of £nil (2011: £0.1 million) on reinsurance assets and insurance and reinsurance receivables.

20. Loans and receivables, including insurance and reinsurance receivables

	2012 £m	2011 £m
Receivables arising from insurance and reinsurance contracts	1,021.6	953.5
Less provision for impairment of receivables from contract holders and agents	(18.4)	(20.0)
Insurance and reinsurance receivables	1,003.2	933.5
Other receivables	56.4	51.6
Prepayments and other accrued income	25.8	17.4
Other loans and receivables	82.2	69.0
	1,085.4	1,002.5

20. Loans and receivables, including insurance and reinsurance receivables continued

The current and non-current portions are expected to be as follows:

	2012 £m	2011 £m
Current portion	**1,037.2**	932.5
Non-current portion	**48.2**	70.0
	1,085.4	1,002.5

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 and for circumstances which may give rise to a dispute or default. At 31 December 2012 insurance and reinsurance receivables at a nominal value of £16.8 million (2011: £50.5 million) were greater than three months overdue and provided for on the basis of credit rating to the value of £9.0 million (2011: £11.3 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:

	2012 £m	2011 £m
3 to 6 months	**6.2**	10.9
6 to 9 months	**3.7**	14.6
Greater than 9 months	**6.9**	25.0
	16.8	50.5

The Netherlands and Belgium business of Amlin Europe N.V. 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 and Belgium is £82.4 million (2011: £88.4 million). The provision for non-recovery is £4.8 million (2011: £5.0 million).

Other receivables comprise principally of amounts receivable from investment managers for financial investments sold, input VAT and other sundry receivables.

21. Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:

	£m
At 1 January 2011	185.8
Expense deferred	401.7
Amortisation	(380.2)
Other movements	0.4
At 31 December 2011	**207.7**
Expense deferred	**454.8**
Amortisation	**(422.5)**
Other movements	**(0.7)**
At 31 December 2012	**239.3**

The current and non-current portions are expected to be as follows:

	2012 £m	2011 £m
Current portion	**209.9**	182.1
Non-current portion	**29.4**	25.6
	239.3	207.7

22. 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 2012	6.8	0.1	36.9	14.4	58.2
Additions	0.4	–	4.4	2.1	6.9
Disposals	–	–	(0.3)	(1.5)	(1.8)
Foreign exchange losses	–	–	(0.2)	(0.1)	(0.3)
At 31 December 2012	**7.2**	**0.1**	**40.8**	**14.9**	**63.0**
Accumulated depreciation					
At 1 January 2012	0.3	–	28.8	9.2	38.3
Charge for the year	0.1	–	4.6	1.5	6.2
Disposals	–	–	(0.2)	(1.5)	(1.7)
Foreign exchange gains	–	–	(0.1)	(0.1)	(0.2)
At 31 December 2012	**0.4**	**–**	**33.1**	**9.1**	**42.6**
Net book value					
At 31 December 2012	**6.8**	**0.1**	**7.7**	**5.8**	**20.4**
At 1 January 2012	6.5	0.1	8.1	5.2	19.9

	Freehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improvements £m	Total £m
Cost					
At 1 January 2011	4.1	0.2	30.9	11.3	46.5
Additions	2.7	0.1	6.3	3.6	12.7
Acquisition through business combination	–	–	0.1	0.2	0.3
Disposals	–	(0.2)	(0.1)	(0.6)	(0.9)
Foreign exchange losses	–	–	(0.3)	(0.1)	(0.4)
At 31 December 2011	6.8	0.1	36.9	14.4	58.2
Accumulated depreciation					
At 1 January 2011	0.3	0.1	24.9	8.7	34.0
Charge for the year	–	–	4.0	1.3	5.3
Disposals	–	(0.1)	(0.1)	(0.6)	(0.8)
Foreign exchange gains	–	–	–	(0.2)	(0.2)
At 31 December 2011	0.3	–	28.8	9.2	38.3
Net book value					
At 31 December 2011	6.5	0.1	8.1	5.2	19.9
At 1 January 2011	3.8	0.1	6.0	2.6	12.5

23. Intangible assets

	Goodwill £m	Syndicate participations £m	Broker and customer relationships £m	Computer software £m	Other intangibles £m	Total £m
Cost						
At 1 January 2012	77.0	63.2	50.3	42.6	2.5	235.6
Additions	–	–	–	1.9	0.4	2.3
Adjustments to prior acquisitions	(0.2)	–	–	–	–	(0.2)
Foreign exchange losses	(1.3)	–	(0.9)	(0.3)	–	(2.5)
At 31 December 2012	**75.5**	**63.2**	**49.4**	**44.2**	**2.9**	**235.2**
Accumulated amortisation						
At 1 January 2012	0.4	–	14.6	–	1.7	16.7
Charge for the year	–	–	4.2	2.6	0.5	7.3
Foreign exchange gains	–	–	(0.2)	–	–	(0.2)
At 31 December 2012	**0.4**	**–**	**18.6**	**2.6**	**2.2**	**23.8**
Net book value						
At 31 December 2012	**75.1**	**63.2**	**30.8**	**41.6**	**0.7**	**211.4**
At 1 January 2012	76.6	63.2	35.7	42.6	0.8	218.9

	Goodwill £m	Syndicate participations £m	Broker and customer relationships £m	Computer software £m	Other intangibles £m	Total £m
Cost						
At 1 January 2011	62.2	63.2	51.1	17.4	2.5	196.4
Additions	–	–	–	25.7	–	25.7
Acquisition through business combination	16.3	–	–	–	–	16.3
Adjustments to prior acquisitions	(0.5)	–	–	–	–	(0.5)
Foreign exchange losses	(1.0)	–	(0.8)	(0.5)	–	(2.3)
At 31 December 2011	77.0	63.2	50.3	42.6	2.5	235.6
Accumulated amortisation						
At 1 January 2011	0.4	–	10.3	–	1.2	11.9
Charge for the year	–	–	4.4	–	0.5	4.9
Foreign exchange gains	–	–	(0.1)	–	–	(0.1)
At 31 December 2011	0.4	–	14.6	–	1.7	16.7
Net book value						
At 31 December 2011	76.6	63.2	35.7	42.6	0.8	218.9
At 1 January 2011	61.8	63.2	40.8	17.4	1.3	184.5

Syndicate participations represent the ongoing rights to trade on Syndicate 2001 within the Lloyd's insurance market.

Goodwill and the intangible asset in relation to syndicate participations are considered to have an indefinite life. As such, they are tested for impairment annually. All other intangible assets are tested for impairment only if an indication exists that the asset may be impaired at the reporting date.

Broker and customer relationship intangibles include those acquired in relation to AUA Insolvency Risk Services Limited, Amlin Europe N.V. and Amlin France Holdings SAS, the net book value being £10.0 million (2011: £11.0 million), £19.4 million (2011: £21.7 million) and £1.4 million (2011: £3.0 million) respectively. These intangibles are being amortised over a period of 13, 15 and 5 years respectively, and their remaining amortisation life is 11, 12 and 1 years respectively.

Computer software represents the costs that the Group has incurred on internally developed software relating to a new underwriting platform for Amlin Europe N.V. This software was completed in the period and is being amortised over 10 years on a straight-line basis.

For the purpose of impairment testing, intangible assets are allocated to the Group's cash generating units (CGUs), identified according to the way in which management operates and monitors the business. The intangible asset relating to the syndicate participations supports the underwriting in Amlin London and Amlin UK.

The analysis of goodwill and indefinite life intangible assets by CGU is shown below:

	2012				2011				
	Amlin London £m	Amlin UK £m	Amlin Europe £m	Total £m	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Corporate Insurance £m	Total £m
Goodwill	18.8	4.8	51.5	75.1	19.2	4.8	24.0	28.6	76.6
Syndicate participations	53.6	9.6	–	63.2	51.7	10.7	0.8	–	63.2
	72.4	14.4	51.5	138.3	70.9	15.5	24.8	28.6	139.8

Note: The Amlin London goodwill balance comprises the goodwill from three CGUs. The largest individual balance is the goodwill from the acquisition of Lead Yacht Underwriters Limited totalling £11.5 million (2011: £11.5 million).

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 as follows:

- Cash flow projections are based on the budgeted profit before tax for each CGU contained within the most recent business plans approved by management, and adjusted for non-cash items such as depreciation. As such, these forecasts reflect the best estimate of future cash flows based on historical trends and expected growth rates. The period covered by the projections is five years. The most significant assumptions used to derive the operating profit include an 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% (2011: 2.5%) has been assumed for all CGUs, based on historical growth rates and management's estimates of future growth.
- A risk adjusted pre-tax discount rate of 8.5% (2011: 8.5%), has been applied to each CGU's cash flow projection, which reflects a combination of factors including the Group's expected cost of equity and cost of borrowing.

In each case, the results of this exercise indicate that the recoverable amount exceeds the intangible asset's carrying value and would not be sensitive to reasonable possible changes in assumptions.

24. Share capital

	2012 Number	2012 £m	2011 Number	2011 £m
Allotted, called up and fully paid ordinary shares				
At 1 January issued ordinary shares of 28.125p each (2011: 28.125p)	502,076,006	141.2	502,076,006	141.2
At 31 December issued ordinary shares of 28.125p each (2011: 28.125p)	502,076,006	141.2	502,076,006	141.2

The Company transferred 418,721 shares out of treasury at a cost of £1.1 million (2011: 488,309 shares at a cost of £1.2 million). The shares have been transferred to meet exercises of employee share options, leaving 4,968,671 shares in treasury at 31 December 2012 (2011: 5,387,392 shares).

25. Earnings and net assets per share

Basic and diluted earnings per share are as follows:

	2012	2011
Profit/(loss) attributable to equity holders of the Parent Company	**£247.7m**	(£149.9m)
Weighted average number of shares in issue	**494.8m**	494.1m
Dilutive shares	**6.0m**	–
Adjusted average number of shares in issue	**500.8m**	494.1m
Basic earnings per share	**50.0p**	(30.3p)
Diluted earnings per share	**49.4p**	(30.3p)

Note: In 2011, 5.8 million potential ordinary shares have not been treated as dilutive as their conversion to ordinary shares would decrease the loss per share.

Net assets and tangible net assets per share are as follows:

	2012	2011
Net assets	**£1,491.4m**	£1,420.4m
Adjustments for intangible assets	**(£211.4m)**	(£218.9m)
Tangible net assets	**£1,280.0m**	£1,201.5m
Number of shares in issue at end of the year	**502.1m**	502.1m
Adjustment for ESOT and treasury shares	**(7.0m)**	(7.6m)
Basic number of shares after ESOT and treasury shares adjustment	**495.1m**	494.5m
Basic net assets per share	**301.2p**	287.2p
Basic tangible net assets per share	**258.5p**	243.0p

26. Other comprehensive income

All items of other comprehensive income in 2012 and 2011 are charged to 'Other reserves'.

Other reserves comprise a merger reserve of £87.7 million (2011: £87.7 million), a capital redemption reserve of £123.1 million (2011: £123.1 million), gains on the issue of employee share option schemes of £9.8 million (2011: £6.0 million), tax relating to components of other reserves of £33.9 million (2011: £30.1 million), foreign exchange gains on translation of investments in foreign operations of £6.9 million (2011: £65.1 million) and other items of £1.0 million (2011: £1.8 million charge). This is offset by a charge for goodwill written off to reserves on acquisitions prior to 1 January 1999 of £45.7 million (2011: £45.7 million), losses on revaluation of financial instruments in designated hedge accounting relationships of £43.5 million (2011: £47.2 million) and defined benefit pension fund balances of £60.3 million (2011: £42.8 million).

27. Dividends

The amounts recognised as distributions to equity holders are as follows:

Group	2012 £m	2011 £m
Final dividend for the year ended:		
– 31 December 2011 of 15.8 pence per ordinary share	**78.2**	–
– 31 December 2011 of Amlin Plus Limited to non-controlling interests	**0.1**	–
– 31 December 2010 of 15.8 pence per ordinary share	**–**	78.0
Interim dividend for the year ended:		
– 31 December 2012 of 7.5 pence per ordinary share	**37.1**	–
– 31 December 2011 of 7.2 pence per ordinary share	**–**	35.6
	115.4	113.6

The final ordinary dividend of 16.5 pence per ordinary share for 2012, amounting to £81.7 million, payable in cash, was agreed by the Board on 1 March 2013, subject to shareholder approval at the AGM 16 May 2013, and has not been included as a liability as at 31 December 2012.

28. Long-term employee incentive schemes

During the year ended 31 December 2012 the Group operated a number of long-term employee incentive schemes. The total cost recognised in the income statement for these schemes is shown below:

	2012 £m	2011 £m
Equity settled schemes	4.4	3.8
Capital Builder Plan	3.1	(6.2)
Total expense/(income) arising from long-term employee incentive schemes	**7.5**	(2.4)

a) Equity settled share-based payment schemes

i) Share options

Details of the Group's executive and all employee share option schemes are set out in the Directors' Remuneration Report.

A summary of the status and the changes to new or treasury shares under option during the year were as follows:

	Number of shares 2012	Weighted average exercise price per share (pence)	Number of shares 2011	Weighted average exercise price per share (pence)
Outstanding at 1 January	2,672,806	258	2,463,133	267
Granted during the year	431,700	311	1,108,929	247
Exercised during the year	(320,733)	263	(488,309)	227
Expired during the year	–	–	(7,770)	108
Forfeited during the year	(107,425)	270	(403,177)	318
Total shares outstanding at 31 December	**2,676,348**	**266**	2,672,806	258
Total shares exercisable at 31 December	**828,189**	**251**	940,818	246

The weighted average share price at the date of exercise for share options exercised during the year was 363 pence (2011: 360 pence).

The following table summarises information about options outstanding at the end of the year:

Range of exercise prices	Number of outstanding shares under option 2012	Weighted average remaining contractual life (years)	Number of outstanding shares under option 2011	Weighted average remaining contractual life (years)
£0.76 – £1.11	10,647	0.33	29,096	0.90
£1.12 – £1.62	248,753	1.85	268,038	2.80
£1.63 – £2.46	165,146	1.42	216,455	1.60
£2.47 – £2.93	1,579,962	3.28	1,817,551	4.00
£2.94 – £3.34	671,840	3.48	341,666	2.80

ii) Share awards

Details of the Group's share awards are set out in the Directors' Remuneration Report in the Governance section.

At 31 December 2012, the total awards over new or treasury shares outstanding, or committed to be met by the Group's Employee Share Ownership Trust (ESOT), or shares held in trust under these schemes are summarised below:

	Number of shares under conditional award 2012	Vesting period	Number of shares under conditional award 2011	Vesting period
LTIP grants	4,857,704	2011 to 2015	3,592,717	2011 to 2014
PSP grants	3,183,555	2011 to 2017	2,549,456	2011 to 2016
SIP grants	1,545,266	2010 to 2014	1,899,117	2010 to 2014
Amlin Special	209,961	2013 to 2015	74,167	2012 to 2014

LTIP and PSP awards are normally exercisable from three and five years after grant respectively.

iii) Modifications to share-based payment arrangements

There have been no modifications to share-based payment arrangements in 2012.

iv) Options from the ESOT

The trustee of the ESOT held 2,023,644 ordinary shares as at 31 December 2012 (2011: 2,179,168 ordinary shares) to meet potential future exercises of executive awards 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 on the last trading day of the year being 31 December 2012 was 379.0 pence per share (2011: 313.9 pence per share).

28. Long-term employee incentive schemes continued

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 each share ranking for an interim or final dividend.

v) Fair value of options and awards

At 31 December 2012, the weighted average fair values of options and awards granted during the year were 58.14 pence per option and 131.94 pence per award respectively (2011: 29.49 pence and 163.22 pence).

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:

	2012	2011
Weighted average share price on grant (pence)	**361.83**	346.66
Weighted average exercise price (pence)	**281.79**	271.86
Expected volatility	**30.00%**	30.00%
Expected life (years)	**3.00 – 5.25**	3.00 – 7.50
Risk free rate of return	**1.00% – 5.00%**	1.50% – 5.00%
Expected dividend yield	**4.50% – 7.00%**	2.00% – 7.00%

Volatility

The volatility of Amlin plc's 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.

b) Capital Builder Plan

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 or as a cash payment.

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 of the liability under the Plan at 31 December 2012 is £4.1 million (2011: £3.4 million) and is recorded in other payables.

29. Restricted funds held/placed by the Group

At 31 December 2012, the Group holds restricted funds in the form of trust fund investments, letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments and collateral received from reinsurance counterparties.

Trust funds

Syndicate 2001 holds gross assets of £3,086.9 million (2011: £3,131.2 million), matched by gross liabilities of £2,656.0 million (2011: £2,642.7 million), which are held within individual trust funds. The Group cannot obtain or use these assets until such time as each Syndicate underwriting year is closed and profits are distributed, or an advance profit release is made. Furthermore, £16.0 million (2011: £11.5 million) of Amlin Singapore Pte Limited's and Amlin Labuan Limited's assets are held within trust funds and restricted from use within the working capital of the Group until settlement has been made to Syndicate 2001.

LOC facilities

At 31 December 2012, £176.5 million (2011: £136.3 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 31. At 31 December 2012, Syndicate 2001 recognised £0.8 million (2011: £0.9 million) of cash drawn down from LOC facilities as a liability on the balance sheet. This has been received from reinsurance counterparties as a guarantee for business written and is included within total funds held by Syndicate 2001.

Derivative margins and collateral

Derivative instruments traded across the Group give rise to collateral being placed with, or received from, external counterparties. At 31 December 2012, included in other receivables and other payables are £5.8 million (2011: £10.9 million) margins and collaterals pledged and £2.0 million (2011: £nil) margins and collaterals held respectively in relation to listed futures margins and over-the-counter options.

Reinsurance collateral received

Collateral of £241.8 million (2011: £162.0 million) is held in third party trust funds to guarantee Syndicate 2001 against reinsurance counterparties. Furthermore, collateral of £184.5 million (2011: £76.4 million) and £32.8 million (2011: £17.1 million) is held in third party trust funds as a guarantee against reinsurance counterparties to Amlin Bermuda and Amlin Re Europe respectively. Collateral held in third party trust funds is not recognised as assets pertaining to the Group but is available for immediate drawdown in the event of a default. At 31 December 2012 £25.6 million (2011: £45.7 million) of the funds placed in trust by counterparties of Amlin Bermuda related to specific reinsurance assets.

Insurance collateral placed

Syndicate 2001 holds £342.9 million (2011: £323.4 million) of collateral in a US trust fund to meet US regulatory requirements. The Group cannot obtain or use these funds for any other purpose and they are recognised as an asset to the Group. Amlin Europe N.V. has £22.1 million (2011: £24.4 million) of bank guarantees in place to cover insurance counterparties.

Funds withheld as premium/claim deposits

At 31 December 2012 the Group had placed funds totalling £29.1 million (2011: £3.5 million) as premium deposits and £3.7 million (2011: £2.5 million) as claim deposits with external brokers. Amlin Re Europe has also placed a further £4.4 million (2011: £1.3 million) into pledge accounts to collateralise against losses due to reinsurance cedants.

Funds in escrow

At 31 December 2012 the Group holds £10.0 million (2011: £5.0 million) of funds in an escrow account to meet any potential funding requirements of the Lloyd's Superannuation Fund. Further details are provided in note 32.

30. Other payables, including insurance and reinsurance payables and deferred income

	2012 £m	Restated 2011 £m
Insurance and reinsurance payables	**275.0**	218.8
Trade payables	**39.3**	48.5
Accrued expenses	**71.6**	61.2
Social security and other tax payables	**7.7**	7.9
Other payables	**118.6**	117.6
	393.6	336.4

The current and non-current portions are expected to be as follows:

	2012 £m	Restated 2011 £m
Current portion	**307.6**	239.5
Non-current portion	**86.0**	96.9
	393.6	336.4

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.

31. Borrowings

	2012 £m	Restated 2011 £m
Subordinated debt	**290.4**	292.8
Revolving credit facility	**120.0**	–
	410.4	292.8

The current and non-current portions are expected to be as follows:

	2012 £m	Restated 2011 £m
Current portion	**–**	–
Non-current portion	**410.4**	292.8
	410.4	292.8

Details of the Group's three subordinated debts issued by Amlin plc 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	US$50m	November 2014	November 2019	7.11	LIBOR + 3.48
15 March 2005	US$50m	March 2015	March 2020	7.28	LIBOR + 3.32
25 April 2006	£230m	December 2016	December 2026	6.50	LIBOR + 2.66

The subordinated debt will be redeemed on the maturity dates at the principal amounts, together with any outstanding accrued interest. 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 Directors' estimation of the fair value of the Group's subordinated debt is £352.0 million (2011: £368.3 million) and £122.0 million for the revolving credit facility. The aggregate fair values 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 0.86% (2011: 1.05%).

On 17 August 2012 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 £300.0 million multicurrency revolving credit facility available by way of cash advances and a secured US$200.0 million letter of credit (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 2012 the revolving credit facility was drawn down by £120.0 million (2011: undrawn).

Amlin AG has increased the LOC facility with Lloyds TSB Bank plc and the Royal Bank of Scotland plc as lead arrangers by US$30.0 million to US$280.0 million (2011: US$250.0 million). 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. During the year three further LOCs were arranged (Barclays Bank plc: US$20.0 million and NZ$30.0 million, and Lloyds TSB NZ$28.5 million) and are secured by time deposits. As at 31 December 2012, US$244.4 million of LOC were issued (2011: US$194.7 million). The total value of restricted assets as at 31 December 2012 was US$286.8 million (2011: US$211.8 million).

In June 2009, Amlin Europe N.V. entered into a credit facility with Fortis Bank Nederland N.V. as arranger. The facility provides a daily revocable overdraft of up to £5.0 million, a guarantee facility to a third party of up to €10.0 million and a guarantee/standby LOC for up to £22.5 million. At 31 December 2012, €27.3 million of guarantees were issued (2011: €29.4 million); €4.3 million (2011: €7.7 million) from the guarantee facility and €23.0 million (2011: €21.7 million) from the guarantee/standby LOC. There are no restricted assets to secure the facility.

32. 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:

	2012 £m	2011 £m
Defined contribution schemes	**6.6**	6.4
Defined benefit schemes:		
– Lloyd's Superannuation Fund	**0.7**	(1.1)
– Amlin Europe N.V. defined benefit schemes	**5.0**	4.5
– Amlin Re Europe defined benefit schemes	**0.7**	0.8
	6.4	4.2
	13.0	10.6

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 consolidation in the market, employers closing final salary schemes and some companies failing, during 2012 there were only two (2011: two) 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 collectively responsible 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. 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.

At 31 December 2011, the Trustees allocated the Orphan Scheme liabilities between the two remaining employers. An actuarial estimate of the allocation of the Group's share was recognised which resulted in an increase in the defined benefit obligations of £34.0 million and an increase in the plan assets of £34.2 million, included in actuarial gains and losses recognised in the consolidated statement of comprehensive income. At 31 December 2012, there were two employers with active members in the Fund to which the remaining Orphan Schemes' liabilities were allocated.

In 2013, it is likely that the Group will become the sole employer with active members in the Fund.

Fund contributions

Contributions are paid to provide for the cost of benefit accrual. The rate of contribution agreed with the Trustee is 16% (2011: 16%) paid by the employer plus 5% (2011: 5%) member contributions, in each case of pensionable earnings, and totalled £2.8 million (2011: £2.8 million).

The expected contribution to the fund for the year ending 31 December 2013 is £2.6 million (2012: £2.6 million) by the Group and £0.2 million (2012: £0.2 million) by plan participants.

The total amounts paid in respect of the Fund are analysed in the table below:

	2012 £m	2011 £m
Contributions relating to:		
Annual top up payment	**2.0**	2.0
Ongoing funding	**0.6**	0.6
Group share of total payment	**2.6**	2.6

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. All actuarial amounts quoted below are for the Group's notional share of the scheme liabilities.

The last completed formal valuation of the Fund was as at 31 March 2010 and was completed in June 2011 by Mr R N Wharmby, Fellow of the Institute of Actuaries, and used the projected unit credit actuarial method.

On 30 June 2011, the Group agreed a schedule of contributions with the Trustee. The schedule requires seven separate annual payments of £2.0 million to the Fund over a period of seven years.

32. Retirement benefit obligations continued

The Group has also entered into an agreement with the Trustee to hold certain funds within an escrow account. These funds would be transferred to the Trustee in full for the purpose of defined benefit funding if any one of a number of enforcement events within the agreement were to occur. The Group made two payments of £5.0 million each to the escrow account in July 2011 and June 2012. A further payment to the escrow account of £4.0 million will be made in June 2013. The Group considers it unlikely that any one of the enforcement events defined within the agreement will occur.

For the purpose of providing disclosure in accordance with IAS 19, the Group has requested the actuary to update the 2010 valuation to 31 December 2012 using appropriate techniques and the following assumptions:

	2012 % pa	2011 % pa
Discount rate	4.4	4.8
Expected return on plan assets:		
– Equities	7.0	7.3
– Bonds	3.6	3.7
– Property	6.9	6.8
– Diversified growth funds	7.0	7.3
Price inflation	3.0	3.2
Rate of increase in pensions payment:		
– LPI (maximum 5% pa)	2.8	3.1
– LPI (minimum 3% pa, maximum 5% pa)	3.3	3.3
– LPI (maximum 3% pa)	2.1	2.5
Rate of increase of statutory revaluation on deferred pension	2.0	2.2

The scheme allows members to continue accruing additional years' service under the schemes, but these accruals are 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% (2011: nil%).

The expected rate of return is based on market expectations for returns for each category of assets over the entire life of the related obligation.

The mortality assumptions used in the latest valuation included the following life expectancies:

	31 December 2012		31 December 2011	
Life expectancy (years) at age 60 for a member currently:	Male	Female	Male	Female
Aged 60	27.9	29.3	27.7	29.2
Aged 45	29.9	30.9	29.7	30.8

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%	(14.0)/16.0
(Decrease)/increase in inflation rate by 0.25%	(8.0)/8.0
Increase in floor mortality improvements for males of 1.5% and females of 1.25% per annum	5.0

ii) Amlin Europe N.V. defined benefit plans

Scheme description

Amlin Europe N.V. operates defined benefit pension plans covering the majority of its employees. These plans are insured and are funded partly by means of employee contributions. Under these plans, benefits are based on years of service and level of salary. 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.

Fund contributions

The expected contribution to the funds during 2013 is £3.4 million (2012: £3.1 million) by the Group, and £0.6 million (2012: £0.6 million) by the plan participants.

Funding assessment assumptions

The table below shows the actuarial assumptions used:

	The Netherlands 2012 %	Belgium 2012 %	The Netherlands 2011 %	Belgium 2011 %
Discount rate for pension benefits	3.2	2.5	4.5	3.9
Discount rate for Jubilee benefits	3.8	2.0	3.8	3.4
Discount rate for farewell premium	–	2.2	–	3.6
Discount rate for post retirement medical	–	3.4	–	4.8
Expected return on plan assets	3.2	4.0	4.5	4.0
Expected wage increases – general	2.0	2.0	2.0	2.0
Expected wage increases – merit	0-6.75	1.5	0-6.75	1.5
Inflation	2.0	2.0	2.0	2.0
Indexation for active employees	2.0	–	2.0	–
Indexation for formerly active employees	2.0	–	2.0	–
Medical trend rate	–	4.0	–	4.0

The expected rate of return for these schemes is based on the accrued value of the insured benefits.

The mortality assumptions used in the latest valuation included the following life expectancies:

	31 December 2012				31 December 2011			
	The Netherlands		Belgium		The Netherlands		Belgium	
Life expectancy (years) at age 60 for a member currently:	Male	Female	Male	Female	Male	Female	Male	Female
Aged 60	26.5	27.9	22.1	25.9	24.5	27.4	22.1	25.9
Aged 45	27.9	28.8	22.1	25.9	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%	(4.3)/4.4
(Decrease)/increase in inflation rate by 0.25%	(4.3)/4.6
Increase in floor mortality improvements for males of 1.5% and females of 1.0% per annum	0.3

iii) Amlin Re Europe defined benefit plans

Scheme description

In Switzerland, Amlin Re Europe operates a pension scheme which meets the classification of a defined benefit plan under IAS 19. In accordance with Swiss legislation, Amlin Re Europe provides for occupational pension insurance, the regulations of which, as may be amended from time to time, apply to both Amlin Re Europe and the employee. The insured salary is based on the agreed compensation exclusive of bonus and/or other benefits granted by Amlin Re Europe. The employees pay a portion of the premiums determined in the applicable pension fund regulations.

Fund contributions

The expected contribution to the funds during 2013 is £0.7 million (2012: £0.6 million) by the Group, and £0.3 million (2012: £0.2 million) by the plan participants.

32. Retirement benefit obligations continued

Funding assessment assumptions

The table below shows the actuarial assumptions used:

	2012 % pa	2011 % pa
Discount rate	1.8	2.5
Expected return on plan assets	1.8	2.5
Expected wage increases	2.5	2.5
Price inflation	1.5	1.5

The expected rate of return is set equal to the discount rate as the plan's assets are fully insured.

The mortality assumptions used in the latest valuation included the following life expectancies:

	31 December 2012		31 December 2011	
Life expectancy (years) at age 60 for a member currently:	Male	Female	Male	Female
Aged 60	26.1	28.8	26.0	28.7
Aged 45	27.6	30.2	27.5	30.1

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%	(0.3)/0.3
(Decrease)/increase in inflation rate by 0.25%	(0.1)/0.1

iv) Amounts recognised in the Group's financial statements for defined benefit schemes

Amounts recognised in the income statement in respect of the defined benefit schemes are as follows:

	2012 £m	2011 £m
Current service cost	4.0	3.7
Interest cost	20.6	19.4
Expected return on scheme assets	(18.2)	(19.0)
Other	–	0.1
Total debited to income statement (included in staff costs)	6.4	4.2

Amounts recognised in the consolidated statement of comprehensive income are as follows:

	2012 £m	2011 £m
Recognition of net losses	23.7	18.1
Movement in ceiling limit on asset (gains)/losses	(6.2)	0.2
Losses recognised in the consolidated statement of comprehensive income	17.5	18.3

The cumulative amount of net actuarial losses recognised in other comprehensive income for all defined benefit schemes is £73.5 million (2011: £49.7 million).

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:

	2012 £m	2011 £m
Present value of defined benefit obligations	485.5	446.0
Fair value of scheme assets	436.6	421.4
Deficit in schemes	(48.9)	(24.6)
Restriction to defined benefit asset due to asset ceiling	–	(6.2)
Liability recognised in the balance sheet	(48.9)	(30.8)

A schedule of contributions has been agreed with the Trustee of the Lloyd's Superannuation Fund, as explained above. The Fund's rules do not allow the Group to receive a refund of contributions in any circumstances. As such, a liability was recognised at 31 December 2011 to the extent that asset gains arising from the contributions will not be available after they are paid into the Fund. As at 31 December 2012, no such liability has been recognised because the deficit on the Fund exceeds the asset gains arising from the schedule of future contributions.

Movements in the present value of defined benefit obligations during the year are as follows:

	2012 £m	2011 £m
At 1 January	446.0	364.9
Employer service cost	4.0	3.7
Interest cost	20.6	19.4
Contributions from scheme members	1.1	1.0
Actuarial losses	31.3	72.5
Benefits paid from plan assets	(15.8)	(16.4)
Foreign exchange gains	(1.7)	(2.3)
Other movements	–	3.2
At 31 December	**485.5**	446.0

The expected total benefit payments to plan participants during 2013 is £15.1 million for the Lloyd's Superannuation Fund (2012: £14.8 million), £1.5 million for the Amlin Europe N.V. defined benefit schemes (2012: £1.7 million) and £0.4 million for the Amlin Re Europe defined benefit scheme (2012: £0.4 million).

Movements in the fair value of scheme assets during the year are as follows:

	2012 £m	2011 £m
At 1 January	421.4	355.6
Expected return on scheme assets	18.2	19.0
Difference between expected and actual return	7.6	21.0
Other actuarial gains	–	34.2
Employer contributions	5.3	6.3
Contributions from scheme members	1.1	1.0
Benefits paid from plan assets	(15.8)	(16.4)
Administrative expenses	–	(0.5)
Foreign exchange losses	(1.2)	(1.3)
Other movements	–	2.5
At 31 December	**436.6**	421.4

The analysis of the plan assets for the Lloyd's Superannuation Fund at the balance sheet date are as follows:

Asset mix	2012 %	2011 %
Equities	13.0	12.0
Bonds	66.0	68.8
Property	8.0	8.0
Diversified growth funds	13.0	12.0

The analysis of the plan assets and the expected rate of return by asset class are not provided for the Amlin Europe N.V. and Amlin Re Europe defined benefit schemes as the investment decisions are at the discretion of the third parties to whom Amlin Europe N.V. and Amlin Re Europe have ceded investment risk under the insurance policies taken out to meet their obligations.

32. Retirement benefit obligations continued

The five-year history of experience adjustments is as follows:

Lloyd's Superannuation Fund	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Asset experience					
Fair value of scheme asset	**377.0**	374.0	320.0	295.0	256.0
Asset (loss)/gain during period	**(2.7)**	50.9	18.7	30.3	(71.5)
Asset (loss)/gain as percentage of plan assets	**(0.7%)**	13.6%	5.8%	10.3%	(27.9%)
Liability experience					
Present value of defined benefit obligations	**(394.0)**	(378.0)	(314.0)	(315.0)	(260.0)
Liability (loss)/gain during period	**–**	(34.0)	0.5	–	(6.7)
Liability loss/(gain) as percentage of defined benefit obligations	**–**	9.0%	(0.2%)	–	2.6%
Liability assumptions					
Liability (loss)/gain over period	**(12.2)**	(30.6)	6.0	(51.0)	47.0
Liability loss/(gain) as percentage of defined benefit obligations	**3.1%**	8.1%	(1.9%)	16.2%	(18.1%)
Surplus/(deficit)					
(Deficit)/surplus in the plan	**(17.0)**	(4.0)	6.0	(20.0)	(4.0)

Amlin Europe N.V.	2012 £m	2011 £m	2010 £m	2009 £m
Asset experience				
Fair value of scheme asset	**52.1**	41.4	35.6	39.5
Asset (loss)/gain during period	**(10.4)**	3.7	(7.8)	0.2
Asset (loss)/gain) as percentage of plan assets	**(20.0%)**	8.8%	(21.8%)	1.0%
Liability experience				
Present value of defined benefit obligations	**(81.5)**	(60.8)	(50.9)	(44.0)
Liability gain during period	**1.6**	0.2	0.2	–
Liability gain as percentage of defined benefit obligations	**(2.0%)**	(0.4%)	(0.3%)	–
Liability assumptions				
Liability (loss)/gain over period	**(19.3)**	(7.2)	(4.2)	2.6
Liability loss/(gain) as percentage of defined benefit obligations	**23.7%**	11.9%	8.2%	(5.9%)
Surplus/(deficit)				
Deficit in the plan	**(29.4)**	(19.4)	(15.3)	(4.5)

Amlin Re Europe	2012 £m	2011 £m
Asset experience		
Fair value of scheme asset	**7.5**	6.0
Asset loss during period	**(0.0)**	(0.0)
Asset loss as percentage of plan assets	**(0.0%)**	(0.0%)
Liability experience		
Present value of defined benefit obligations	**(10.0)**	(7.2)
Liability loss during period	**(0.2)**	(0.5)
Liability loss as percentage of defined benefit obligations	**2.0%**	7.1%
Liability assumptions		
Liability loss over period	**(1.0)**	(0.2)
Liability loss as percentage of defined benefit obligations	**10.0%**	2.5%
Surplus/(deficit)		
Deficit in the plan	**(2.5)**	(1.2)

b) The stakeholder defined contribution scheme

The defined contribution schemes operated by the Group are stakeholder arrangements. The total contributions for the year ended 31 December 2012 to the schemes were £6.6 million (2011: £6.4 million).

The estimated amounts of contributions to the Group's defined contribution pension schemes for the year ending 31 December 2013 are £7.4 million (2012: £7.6 million).

c) 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 2012 (2011: £nil).

33. 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	
	2012	2011	**2012**	2011
US dollar	**1.59**	1.60	**1.62**	1.55
Canadian dollar	**1.58**	1.59	**1.61**	1.59
Euro	**1.23**	1.15	**1.23**	1.20
New Zealand dollar	**1.96**	2.03	**1.97**	2.00
Japanese yen	**126.55**	127.88	**140.78**	119.54

34. Contingent liabilities

Aside from the escrow account entered into with the Trustee of the Lloyd's Superannuation Fund defined benefit pension scheme, the Group has no material contingent liabilities at 31 December 2012 (2011: £nil). Further details are provided in note 32.

35. Commitments

a) Capital commitments

In addition to the commitments made to Leadenhall Capital Partners LLP as described in note 4, the Group also made commitments to subscribe to property funds at 31 December 2012 of £19.2 million (2011: £10.8 million).

b) Operating lease commitments

The Group leases various offices under 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 £9.7 million (2011: £9.0 million), as disclosed in note 14.

The future aggregate minimum lease payments under the non-cancellable portion of the Group's operating leases are as follows:

	2012 £m	2011 £m
No later than 1 year	**8.2**	7.1
Later than 1 year and no later than 5 years	**25.2**	22.5
Later than 5 years	**2.3**	3.3
	35.7	32.9

36. Cash flows from operations

	Note	2012 £m	Restated 2011 £m
Profit/(loss) on ordinary activities before taxation		**264.2**	(193.8)
Adjustments:			
Depreciation charge	14	**6.2**	5.3
Amortisation charge	14	**7.3**	4.9
Finance costs	13	**27.6**	27.4
Interest income	7	**(36.7)**	(48.5)
Dividend income	7	**(11.3)**	(12.2)
(Gains)/losses on investments realised and unrealised	7	**(101.4)**	20.2
Other non-cash movements		**4.5**	3.2
Movement in operating assets and liabilities:			
Net (purchases)/sales of financial investments	18	**(234.1)**	312.4
Exchange losses/(gains) on investments	18	**109.6**	(7.1)
(Increase)/decrease in loans and receivables		**(45.3)**	3.1
Decrease/(increase) in insurance and reinsurance contract assets		**72.2**	(366.8)
(Decrease)/increase in insurance contract liabilities		**(77.1)**	698.2
Decrease in other payables		**(8.8)**	(40.8)
Increase/(decrease) in retirement benefits		**0.6**	(2.7)
Exchange (gains)/losses on long-term borrowings		**(1.9)**	1.1
Exchange gains on other non-operating assets and liabilities		**(49.8)**	(36.4)
Cash (utilised in)/generated from operations		**(74.2)**	367.5

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 £234.1 million from net purchases of financial investments was utilised in operations during the year (2011 restated: £312.4 million from net sales).

37. Related party transactions

a) Transactions and balances with related parties

i) 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 £13.8 million (2011: £14.0 million) of premium under the binding authority agreement, of which £5.6 million (2011: £5.1 million) was produced by Lycett, Browne-Swinburne and Douglas Limited earning brokerage commission of £0.8 million (2011: £0.8 million) on this business. At 31 December 2012, Syndicate 2001 had a receivable of £2.4 million (2011: £2.6 million) from Amlin Plus and Lycett Browne-Swinburne and Douglas Limited had a payable of £0.9 million (2011: £1.1 million) to Amlin Plus.

ii) Associates

The Group enters into transactions with its associates in the normal course of business. The sales to and purchases from associates are made at normal market prices. Details of the Group's associates are given in note 4.

iii) Syndicate 6106

For the 2012 underwriting year of account Special Purpose Syndicate (S6106), managed by Amlin Underwriting Limited, wrote a 10.0% (2011: 12.9%) quota share contract of the excess of loss reinsurance account of Syndicate 2001. The transactions provide external members' capital to support 2012 underwriting, enabling Syndicate 2001 to take advantage of strong opportunities in peak zones in the US, Japan and Europe. All transactions with S6106 are undertaken on an arm's length basis.

b) Compensation of key management personnel

Key management personnel are those Plc Board Directors and Group Management Committee members responsible for planning and control of the activities of the Group. Key management comprises twelve Executive Directors and employees and six Non-Executive Directors (2011: twelve and seven respectively). During the year, Ms Bosse and Mr Taylor ceased their roles as Non-Executive Directors with Ms Jemmett-Page joining the Board. It was also announced that Ms Chakraverty will be joining as a Non-Executive Director with effect from 1 January 2013. Compensation during the year to key management personnel is analysed below:

	2012 £m	2011 £m
Short-term employee benefits	**8.5**	6.4
Long-term employee benefits	**1.9**	1.8
Post-employment benefits	**0.4**	0.3
Equity-settled share-based payments	**1.2**	1.2
Cash-settled share-based payments	**0.4**	0.3
	12.4	10.0

c) Transactions with Directors

Certain Directors of the Company are also Directors of other companies, as described in the Directors' biographical details on page 57 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 was a non-executive director until 10 August 2012). In all cases transactions between the Amlin Group and such other companies are carried out on normal arm's length commercial terms.

d) 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 contracts between Syndicate 2001 and Amlin Bermuda, Syndicate 2001 and Amlin Europe, Amlin Re Europe and Amlin Europe and between Amlin Bermuda and Amlin Europe.

The related results of these transactions have been eliminated on consolidation.

38. Subsequent events

Acquisition of subsidiary – RaetsMarine Insurance B.V. ('RaetsMarine')

On 1 March 2013, the Group entered into an agreement to acquire 100% of the share capital and voting rights in RaetsMarine and its subsidiaries. RaetsMarine is an insurance underwriting agency, specialising in protection and indemnity and marine insurance.

The initial consideration is US$50.0 million, plus an earn out arrangement of up to US$15.0 million. The earn out is payable 24 months after completion, with the final amount payable based on RaetsMarine's hull and cargo performance for the three underwriting years up to and including 2012. A management incentive plan has also been entered into which will be accounted for as a separate transaction.

The Group will complete the initial accounting for the business combination under IFRS 3, 'Business combinations' in 2013 following the closing of the transaction.

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 2012 which comprise the Parent Company balance sheet, the parent company statement of changes in equity, and the Parent Company statement of cash flows, the accounting policies and the related notes 39 to 53. 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 and as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 94, 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. In addition, we read all the financial and non-financial information in the Amlin plc 2012 Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; 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 2012.

Andrew Kail (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
1 March 2013

Parent company balance sheet

At 31 December 2012

Assets	Note	2012 £m	2011 £m
Cash and cash equivalents	42	**10.2**	5.0
Financial assets	43	**18.0**	32.1
Loans and receivables	44	**4.6**	1.1
Amounts due from subsidiaries	44	**412.4**	669.3
Current income tax asset		**29.2**	31.9
Deferred tax asset		**2.9**	3.2
Investments in subsidiaries	45	**1,243.9**	964.6
Property and equipment	46	**3.7**	3.7
Total assets		**1,724.9**	1,710.9
Equity			
Share capital	24	**141.2**	141.2
Share premium account		**300.4**	300.3
Other reserves		**132.8**	129.0
Treasury shares		**(20.8)**	(22.5)
Retained earnings		**488.4**	602.8
Total shareholders' equity		**1,042.0**	1,150.8
Liabilities			
Financial liabilities	43	**0.7**	2.5
Other payables	47	**3.3**	1.9
Amounts due to subsidiaries	47	**268.5**	262.9
Borrowings	48	**410.4**	292.8
Total liabilities		**682.9**	560.1
Total liabilities and shareholders' equity		**1,724.9**	1,710.9

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 2013. They were signed on its behalf by:

Charles Philipps
Chief Executive

Richard Hextall
Group Finance & Operations Director

Parent company statement of changes in equity

For the year ended 31 December 2012

For the year ended 31 December 2012	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
Balance at 1 January 2012	141.2	300.3	129.0	(22.5)	602.8	**1,150.8**
Profit and total comprehensive income for the year	–	–	–	–	1.2	**1.2**
Employee share option schemes:						
– share-based payment reserve	–	–	3.8	0.6	–	**4.4**
– proceeds from shares issued	–	0.1	–	1.1	(0.3)	**0.9**
Net purchase of employee share ownership trust	–	–	–	–	–	**–**
Dividends paid	–	–	–	–	(115.3)	**(115.3)**
Transactions with the owners of the Company for the year	–	0.1	3.8	1.7	(115.6)	**(110.0)**
At 31 December 2012	141.2	300.4	132.8	(20.8)	488.4	**1,042.0**

For the year ended 31 December 2011	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
Balance at 1 January 2011	141.2	300.3	128.2	(26.2)	559.7	1,103.2
Profit and total comprehensive income for the year	–	–	–	–	156.9	156.9
Employee share option schemes:						
– share-based payment reserve	–	–	1.4	2.5	–	3.9
– proceeds from shares issued	–	–	–	1.2	(0.2)	1.0
Net purchase of employee share ownership trust	–	–	(0.6)	–	–	(0.6)
Dividends paid	–	–	–	–	(113.6)	(113.6)
Transactions with the owners of the Company for the year	–	–	0.8	3.7	(113.8)	(109.3)
At 31 December 2011	141.2	300.3	129.0	(22.5)	602.8	1,150.8

The attached notes form an integral part of these financial statements.

Parent company statement of cash flows

For the year ended 31 December 2012

	Note	2012 £m	Restated 2011 £m
Cash flows from operating activities			
Cash generated from operations	50	**30.0**	107.9
Interest received		**–**	0.1
Dividend received		**0.1**	72.8
Income tax paid		**(11.9)**	(38.7)
Net cash inflows from operating activities		**18.2**	142.1
Cash flows from investing activities			
Realised losses on financial investments		**–**	(3.6)
Acquisition through business combination, net of cash acquired		**(0.1)**	–
Deferred payment for acquired subsidiary		**(0.1)**	(0.1)
Net cash outflows from investing activities		**(0.2)**	(3.7)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares, including treasury shares		**0.9**	1.0
Dividends paid to shareholders	49	**(115.3)**	(113.6)
Interest paid		**(21.2)**	(20.3)
Drawdown of revolving credit facility		**122.8**	–
Purchase of ESOT and treasury shares		**–**	(0.6)
Net cash outflows used in financing activities		**(12.8)**	(133.5)
Net increase in cash and cash equivalents		**5.2**	4.9
Cash and cash equivalents at beginning of year		**5.0**	0.1
Effect of exchange rate changes on cash and cash equivalents		**–**	–
Cash and cash equivalents at end of year	42	**10.2**	5.0

The attached notes form an integral part of these consolidated financial statements.

39. Accounting policies

Basis of preparation

Amlin plc (the Company), domiciled in the United Kingdom, is the ultimate Parent Company for the Amlin Group (the Group).

The separate financial statements of the Company are prepared as required by the Companies Act 2006. The balance sheet of the Company has also been prepared in accordance with IFRS as adopted for use in the European Union (EU). In accordance with the exemption permitted under section 408 of the Companies Act 2006, the income statement and statement of comprehensive income of the Company is not presented as part of these accounts. The profit after taxation for the year of the Company was £1.2 million (2011: £156.9 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.

Consistent with the presentation made within the consolidated financial statements, improvements have been made to the presentation of interest received and dividends received in the statement of cash flows to better reflect their nature. There is no impact on the previously reported net change in cash and cash equivalents.

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. Overseas employees are employed by the relevant foreign entities. Therefore, the persons employed by the Company are nil (2011: nil).

The details of the Company's Directors' remuneration are in note 11 to the Group accounts.

41. Audit fees

	2012 £'000	2011 £'000
Audit		
Audit of the Group's and Company's annual financial statements	**161.3**	127.7
Total fees	**161.3**	127.7

42. Cash and cash equivalents

	2012 £m	2011 £m
Cash and cash in hand	**10.2**	5.0

The cash and cash in hand balance includes £10.0 million (2011: £5.0 million) held in an escrow account in accordance with the funding requirements set out in the agreement with the Trustee of the Lloyd's Superannuation Fund defined benefit pension scheme. Details of the arrangement are in note 32.

43. Financial assets and financial liabilities

The cost and valuation of the Company's investments are as follows:

	At valuation 2012 £m	At valuation 2011 £m	At cost 2012 £m	At cost 2011 £m
Assets				
Financial assets held for trading at fair value through profit or loss				
Derivative instruments	**2.0**	5.2	**–**	3.4
Other financial assets at fair value through profit or loss				
Participation in investment pools	**12.0**	22.9	**12.0**	22.9
Available-for-sale financial assets				
Unlisted equities	**4.0**	4.0	**4.0**	4.0
Total financial assets	**18.0**	32.1	**16.0**	30.3
Liabilities				
Financial liabilities held for trading at fair value through profit or loss				
Derivative instruments	**(0.7)**	(2.5)	**–**	–
Total financial liabilities	**(0.7)**	(2.5)	**–**	–
Net financial assets	**17.3**	29.6	**16.0**	30.3

44. Loans and other receivables

	2012 £m	2011 £m
Loans and receivables	**4.6**	1.1
Amounts due from subsidiaries	**412.4**	669.3
	417.0	670.4

	2012 £m	2011 £m
Current portion	**269.8**	408.4
Non-current portion	**147.2**	262.0
	417.0	670.4

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

45. Investments in subsidiaries

	2012 £m	2011 £m
At 1 January	**964.6**	960.7
Additions during the year	**279.3**	3.9
At 31 December	**1,243.9**	964.6

During 2012, the Company acquired the share capital of Amlin Bermuda Holdings Limited (ABHL) at its net asset value from another subsidiary. ABHL subsequently issued new share capital of £250.1 million to the Company in exchange for a loan receivable from a third subsidiary, Amlin Corporate Services Limited and cash.

Also during the year the Company capitalised its subordinated loan to Amlin Europe N.V. and converted this loan into 1 share in Amlin (Overseas Holdings) Limited, resulting in an increase in investment in subsidiary of £24.8 million.

45. Investments in subsidiaries continued

The Company increased investments in the following subsidiaries by a total of £4.4 million (2011: £3.9 million) to account for costs in providing share-based payments to employees:

- Amlin Corporate Services Limited;
- Amlin AG;
- Amlin France SAS;
- Amlin Singapore Pte Limited;
- Amlin Europe N.V.; and
- Amlin Reinsurance Managers Inc.

For further details of investments in principal subsidiaries refer to note 4.

46. Property and equipment

	Freehold land and buildings 2012 £m	Freehold land and buildings 2011 £m
Cost		
At 1 January and 31 December	**4.1**	4.1
Accumulated depreciation		
At 1 January	**0.4**	0.3
Charge for the year	**–**	0.1
At 31 December	**0.4**	0.4
Net book value		
At 31 December	**3.7**	3.7

47. Other payables

	2012 £m	2011 £m
Trade payables and accrued expenses	**3.3**	1.9
Amounts due to subsidiaries	**268.5**	262.9
	271.8	264.8

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.

48. Borrowings

	2012 £m	2011 £m
Subordinated debt	**290.4**	292.8
Revolving credit facility	**120.0**	–
	410.4	292.8

The current and non-current portions are expected to be as follows:

	2012 £m	2011 £m
Current portion	**–**	–
Non-current portion	**410.4**	292.8
	410.4	292.8

For details of the Company's borrowings refer to note 31.

49. Dividends

The amounts recognised as distributions to equity holders are as follows:

	2012 £m	2011 £m
Final dividend for the year ended:		
– 31 December 2011 of 15.8 pence per ordinary share	78.2	–
– 31 December 2010 of 15.8 pence per ordinary share	–	78.0
Interim dividend for the year ended:		
– 31 December 2012 of 7.5 pence per ordinary share	37.1	–
– 31 December 2011 of 7.2 pence per ordinary share	–	35.6
	115.3	113.6

A final ordinary dividend of 16.5 pence per ordinary share for 2012, amounting to £81.7 million, payable in cash, was agreed by the Board on 1 March 2013, subject to shareholder approval at the AGM 16 May 2013, and has not been included as a liability as at 31 December 2012.

50. Cash flows from operations

	2012 £m	2011 £m
(Loss)/profit on ordinary activities before taxation	(7.3)	150.7
Adjustments:		
Depreciation charge	–	0.1
Finance costs	22.0	20.9
Dividend income	(30.4)	(186.7)
Losses/(gains) on investments realised and unrealised	0.4	(1.0)
Foreign exchange gains on revaluation	(5.4)	(0.4)
Other non-cash movements	0.6	0.3
Movement in operating assets and liabilities:		
Net sales of financial investments	11.8	33.9
(Increase)/decrease in loans and receivables	(3.5)	0.5
Decrease in amounts due from subsidiaries	35.8	28.4
Increase in amounts due to subsidiaries	5.5	64.4
Increase/(decrease) in other payables	0.5	(3.2)
Cash generated from operations	30.0	107.9

51. Related party transactions

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.

	2012 £m	2011 £m
Purchases of goods and services:		
– Amlin Corporate Services Limited	**25.1**	19.9

Year end balance with related parties

Cash resources are held centrally within the Group. This eliminates the need for many of the Group's subsidiaries 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 inter company accounts.

The following table shows the balances outstanding at the year end between the Company and fellow subsidiaries of the Group. The balances are all unsecured and no provisions are required for bad or doubtful debts.

	2012 £m	2011 £m
Balances outstanding at the year end:		
– Syndicate 2001	**3.5**	7.3
– Amlin Investments Limited	**(149.7)**	(149.7)
– St Margaret's Insurance Services Limited	**1.3**	1.3
– Amlin Corporate Services Limited	**142.6**	372.0
– Amlin Corporate Member Limited	**(14.2)**	(2.3)
– AUT Holdings Limited and AUT (1 – 10) Limited companies	**(4.5)**	(4.7)
– Delian (A – L) Limited companies	**1.0**	1.0
– Amlin (Overseas Holdings) Limited	**258.7**	258.3
– Amlin Underwriting Services Limited	**0.5**	0.5
– Amlin Insurance (UK) Limited (formerly Cedar Insurance Company Limited)	**1.9**	0.3
– Amlin France SAS	**0.3**	0.3
– AUA Insolvency Risk Services Limited	**0.2**	–
– Amlin AG	**(98.1)**	(103.3)
– Amlin Europe N.V. (formerly Amlin Corporate Insurance N.V.)	**0.4**	25.4
	143.9	406.4

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.

During 2012, the Company issued a loan facility to a subsidiary, Amlin Corporate Services Limited, of up to £500.0 million, repayable on demand, of which £142.6 million has currently been drawn down at the balance sheet date.

The Company also has a loan to, and redeemable loan stock issued by, Miles Smith Holdings Limited, an associate of the Group. The values of these are disclosed below:

	2012 £m	2011 £m
Loan issued to associate	**0.3**	0.5
Loan stock issued by associate	**0.7**	0.7
	1.0	1.2

52. Parent Company risk disclosures

The business of the Company is managing its investments in subsidiaries. The Company also holds, on behalf of the Group, various instruments to hedge exposures arising from its investments in subsidiaries. In the Company, gains and losses arising from such investments are taken to the profit or loss. Details of such instruments are given in note 3.

The Company's risks are considered to be the same as those in the operations of the Group itself. Full details of the risks faced by the Group and the Group's risk management policies are given in note 3.

53. Contingent liabilities

The Company has no material contingent liabilities at 31 December 2012 (2011: £nil), other than that in respect of a funding arrangement entered into with the Trustee of the Lloyd's Superannuation Fund defined benefit pension scheme. Further details are provided in note 32.

Information for shareholders

Financial Calendar

2013	
12 April	Record date for proposed final dividend
16 May	Annual General Meeting
23 May	Payment of final dividend, subject to shareholder approval
19 August	Expected date of announcement of interim results and interim dividend for the six months ending 30 June 2013
October	Expected payment of interim dividend
2014	
Feb/Mar	Announcement of 2013 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 listed daily in the Telegraph, regularly in the Financial Times and other UK newspapers with share price services, as well as being on the Company's and many other websites.

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 9 ordinary shares of 25p each in the Company previously held by shareholders by 9 B Shares of 22.4p each and 8 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 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 2008 to date have been as follows:

	Record date	Payment date	Amount per share
Return of capital[1]	14 Dec 2007	17 Jan 2008	22.4p[1]
2007 final	25 March 2008	30 April 2008	10.0p
2008 interim	12 Sept 2008	10 Oct 2008	6.0p
2008 final	27 March 2009	20 May 2009	11.0p
2009 interim	11 Sept 2009	8 Oct 2009	6.5p
2010 second interim	19 March 2010	31 March 2010	13.5p
2010 interim	10 Sept 2010	7 Oct 2010	7.2p
2010 final	25 March 2011	19 May 2011	15.8p
2011 interim	9 Sept 2011	6 Oct 2011	7.2p
2011 final	10 April 2012	24 May 2012	15.8p
2012 interim	7 Sept 2012	4 Oct 2012	7.5p

Note:
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 2012 are set out on page 92.

Glossary of terms

Accident year
The calendar or accounting year in which a loss occurs.

Actuarial best estimate
An estimate produced by Amlin's in-house actuarial team using statistical methods overlaid with judgement and intended to represent the probability-weighted average of all possible future outcomes with the exception of unforeseen events and the emergence of new types of claims. The estimate therefore intentionally does not include any 'risk margin' to allow for the uncertainties within the claims process. Actual claims experience will not develop exactly as projected and may, in fact, vary significantly from the projections. No allowance is made for discounting except where explicitly highlighted.

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.

Carried Reserves
Management's best estimate of the appropriate amount of reserves to hold at the balance sheet date. The carried reserves take account of specific uncertainties in the reserves and are higher than the actual best estimate.

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.

Efficient frontier
Represents the combinations of securities that produce the maximum expected return for a given level of risk.

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.

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.

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
Speciality 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.

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 (TSR)
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.

VaR
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.

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.

Directors and advisers

Directors
Richard Davey (appointed Chairman 17 May 2012)[2]
Roger Taylor (Chairman, retired 17 May 2012)[2]
Simon Beale
Christine Bosse (resigned 6 July 2012)[2]
Nigel Buchanan[1,2]
Brian Carpenter
Sir Alan Collins[2]
Julie Chakraverty[2] (appointed 1 Jan 2013)
Marty Feinstein[2]
Richard Hextall (Group Finance & Operations Director)
Shonaid Jemmett-Page (appointed 1 Sep 2012)[2]
Charles Philipps (Chief Executive)
Sir Mark Wrightson Bt[2]

Audit Committee
Nigel Buchanan (Chairman)
Sir Alan Collins
Marty Feinstein
Shonaid Jemmett-Page

Remuneration Committee
Sir Mark Wrightson (Chairman)
Nigel Buchanan
Julie Chakraverty

Risk & Solvency Committee
Marty Feinstein (Chairman)
Nigel Buchanan
Julie Chakraverty
Sir Alan Collins
Richard Davey
Shonaid Jemmett-Page

Nomination Committee
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Julie Chakraverty
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1. Senior Independent Director
2. Non-Executive

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