Amlin plc

2013 Annual Report

Amlin

Continuity is...

We are a leading independent insurer specialising in providing insurance cover to commercial enterprises and reinsurance protection to other insurance companies around the world.

...delivering on our promises

At Amlin, we take care of risk so our clients can concentrate on their business, secure in the knowledge that we have them covered. Simply put, our business ensures theirs continues.

Our blend of highly skilled and experienced professionals, a dynamic approach to risk and a growing, diverse portfolio of business provides continuity for our investors and enables us to deliver above average market returns.

Contents

Strategic report

In line with new legislation, we have structured this year's Annual Report to incorporate the Strategic Report. This Strategic Report has been reviewed and signed by the Board of Directors on 28 February 2014. It presents a fair, balanced and understandable review of our business for the year ended 31 December 2013.

Governance

Our 2013 Annual Report on corporate governance provides information about how we run our business and reward performance.

Financial statements

Detailed statutory information relating to our financial position is presented between pages 113 and 205. In addition, these statements are available within the investor section of our website for readers who wish to view them in alternative formats.

Additional information

Visit our website, www.amlin.com, for other information about our business


This symbol indicates related information within this report


This symbol refers to additional online information

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 02854310, and has its registered office at St Helen's, 1 Undershaft, London, EC3A 8ND.

The Strategic Report has been prepared to provide the Company's shareholders with a fair review of the business of the Group and a description of the principal risks and uncertainties it faces. It may not be relied upon by anyone, including the Shareholders of the Company, for any other purpose. The Strategic Report only focuses on material issues and facts and the omission of reporting on any specific topic should not be taken as implying that it is not being addressed. The Strategic Report should be read in conjunction with the Directors' Report which contains information which cannot be included in the Strategic Report on the grounds that it is not material. The Strategic Report, and the other sections of the Annual Report and Accounts, 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. Shareholders should note that certain parts of this Annual Report and Accounts have not been audited or otherwise independently verified.

Pages 4 to 57 contain the Strategic Report and pages 61 to 108 contain the Directors' Report in accordance with English law. The liabilities of each Director in respect of these sections are subject to the limitations and restrictions of such law. These sections contain additional information required by these laws and regulations to be included by the Directors in the Annual Report.

Highlights

- Profit before tax up 23.3% at £325.7 million (2012: £264.2 million)
- Return on equity of 19.8% (2012: 17.4%), above our estimated cost of capital of 8.5%
- Combined ratio of 86% (2012: 89%)
- Solid underwriting performance, with limited major catastrophe activity
- Strong performance from Amlin London and Amlin Bermuda, with continued improvement from Amlin Europe
- Frequency of European catastrophe activity impacts Amlin Re Europe
- Average renewal rate down 2.1% at January 2014 with catastrophe rates decreased by an average of 8.4%
- Excellent investment return of £160.4 million, equivalent to 3.6% on average invested assets (2012: £165.3 million, 4.1%)
- Dividend declared increased by 8.3% to 26.0 pence per share (2012: 24.0 pence per share)
- Net tangible assets per share of 288.7 pence (2012: 259.8 pence)

Financial highlights[1]

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Gross written premium	**2,467.4**	2,405.6	2,304.1	2,172.5	1,543.9
Net written premium	**2,107.4**	2,058.6	2,013.2	1,910.3	1,332.6
Net earned premium	**2,077.4**	1,970.5	1,927.4	1,748.1	1,317.3
Profit attributable to underwriting	**283.1**	207.1	(146.0)	185.6	355.2
Investment return	**160.4**	165.3	40.5	175.0	207.5
Other costs[2]	**(117.8)**	(108.2)	(88.3)	(101.4)	(53.6)
Result before tax	**325.7**	264.2	(193.8)	259.2	509.1
Return on equity	**19.8%**	17.4%	(8.6)%	13.9%	37.0%
Net assets	**1,678.6**	1,497.7	1,420.4	1,729.9	1,593.1
Net tangible assets	**1,439.5**	1,286.3	1,201.5	1,545.4	1,430.3
Per share amounts (in pence)					
Earnings	**60.0**	50.1	(30.3)	45.0	94.1
Net assets	**336.7**	302.5	287.2	350.6	322.6
Net tangible assets	**288.7**	259.8	243.0	313.2	289.6
Dividend under IFRS[3]	**24.3**	23.3	23.0	20.7	17.5
Dividends declared for the calendar year[3]	**26.0**	24.0	23.0	23.0	20.0
Group operating ratios[4]					
Claims ratio	**52%**	57%	78%	60%	43%
Expense ratio	**34%**	32%	30%	29%	30%
Combined ratio	**86%**	89%	108%	89%	73%

Source: Amlin

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 International Financial Reporting Standards (IFRS) consolidated statement of profit or loss is included in note 5c to the consolidated financial statements.
2. Other costs comprise other non-underwriting expenses, finance costs, other operating income and share of profit or loss 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 for the year. The expense ratio does not include expenses that have not been attributed to underwriting, including employee incentive costs and finance costs. Combined ratio is the total of the claims and expense ratios.

Comparative data in the financial highlights above and the Preliminary Results Statement have been restated for changes in the Group's accounting policies following the adoption of new or revised IFRSs. These changes and the impact of their retrospective application on previously reported information are set out in note 1 to the consolidated financial statements.

Overview of our markets

Amlin's global portfolio of reinsurance and insurance spans more than 30 classes of business organised around four main markets: Reinsurance, Marine and Aviation, Commercial and Domestic P&C and International P&C.

Reinsurance

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

The majority of Amlin's reinsurance business is sourced through global reinsurance brokers.

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

In line with market practice in Continental Europe, Amlin Re Europe transacts some business direct with insurers.

Amlin also has a valuable growing foothold in the 'convergence' capital space, through Leadenhall Capital Partners.

Read more on page 25

Marine and Aviation

The global marine market provides insurance for hull, cargo, marine liability, energy and related risks. Global marine premium was approximately $38 billion in 2012[1]. Lloyd's and other London insurers form one of the largest marine markets, underwriting approximately 9% and 19% of global cargo and hull premiums respectively, and over 60% of global offshore energy premium.[1] Other regional centres for marine insurance include the Nordic region, the Netherlands and Japan.

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

Amlin's Marine and Aviation business is written by Syndicate 2001 (Amlin London) and by Amlin Europe in the Netherlands, Belgium and France. RaetsMarine also writes specialist marine P&I liability business.

Read more on page 28

Commercial and Domestic P&C

Commercial and Domestic P&C insurance covers 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 is 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 58% of Amlin's commercial and domestic gross written premium in 2013, with the remaining 42% from Amlin Europe.

Read more on page 30

International P&C

The international property and casualty market covers 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.[2]

Capacity is also provided by major international insurers and reinsurers world-wide.

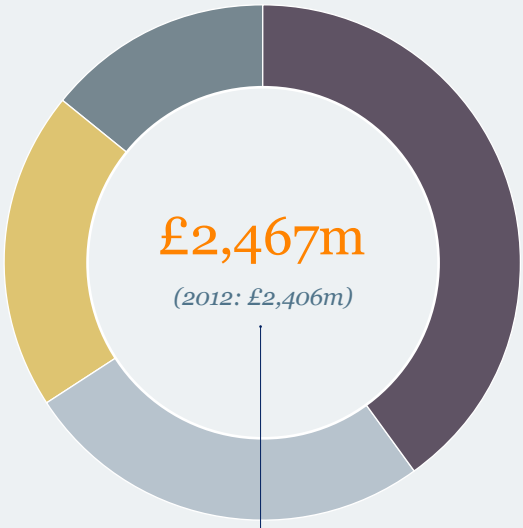
Amlin's International P&C business is written by Syndicate 2001 (Amlin London).

Read more on page 32

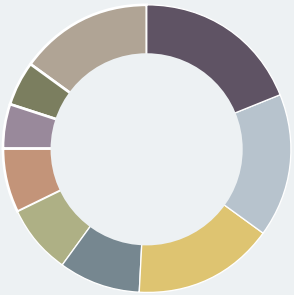
1. Swiss Re sigma No.4/2013.
2. AM Best rating of Lloyd's September 2013.

GWP by category

Reinsurance	40%	Marine & Aviation	20%
Commercial & Domestic P&C	26%	International P&C	14%



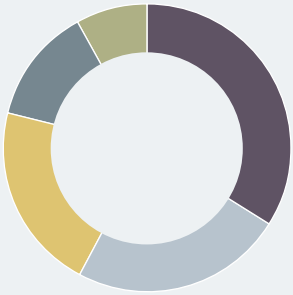
GWP by class



Catastrophe reinsurance	19%
Marine insurance	16%
Property insurance	16%
Other reinsurance	9%
Fleet/other motor insurance	8%
Proportional reinsurance	7%
Liability	5%
Other property reinsurance	5%
Classes <4%	15%

Source: Amlin

GWP by geography[1]



North America	34%
Europe	24%
UK	21%
Other	13%
Worldwide	8%

Source: Amlin

1. Revenues are allocated based on the country in which the insurance risk is located.

Overview of our business

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

How our business fits together

Amlin

GWP £2,467.4m **Net assets £1,678.6m**

Syndicate 2001
Capital support at Lloyd's £540.6m

Amlin London
GWP: £1,134.8m
- Reinsurance
- Marine and Aviation
- International P&C

Amlin UK
GWP: £336.3m
- Commercial and Domestic P&C

Amlin AG
Net assets £998.6m

Amlin Bermuda
GWP (direct): £354.2m
- Reinsurance

Amlin Re Europe
GWP: £210.8m
- Reinsurance

Amlin Europe N.V.
Net assets £284.1m

Benelux
GWP: £377.4m
- Marine and Aviation
- Commercial and Domestic P&C

France
GWP: £77.1m
- Marine and Aviation
- Commercial and Domestic P&C

Our underwriting businesses and principal office locations

Amlin London
Amlin London operates through Syndicate 2001 at Lloyd's. It underwrites a wide range of specialty insurance and reinsurance, and is organised into three business units, in line with the Reinsurance, Marine and Aviation and International P&C Practice Boards.

Amlin UK
Amlin UK, based in Chelmsford, is our UK commercial insurance business, underwritten through Syndicate 2001. It underwrites commercial motor, property and liability business, together with some specialist personal lines.

Amlin Europe
Amlin Europe underwrites commercial and marine insurance in the Netherlands, Belgium and France, with offices in Amstelveen, Rotterdam, Paris and Brussels.

Amlin Europe includes RaetsMarine, a specialist marine P&I liability insurer. It was acquired in 2013 and operates from Rotterdam, London, Paris and Singapore.

Amlin Re Europe
Amlin Re Europe is part of Amlin AG and underwrites treaty reinsurance business for insurers in the Continental European insurance market.

Amlin Singapore
Amlin Singapore operates as part of Syndicate 2001 (Amlin London), via the Lloyd's Asia platform, underwriting specialty insurance and reinsurance. Business is also sourced in Malaysia through a local service company, Amlin Labuan.

Amlin Bermuda
Amlin Bermuda is part of Amlin AG. Based in Bermuda, it underwrites mainly global reinsurance business.

Amlin Reinsurance Managers Inc.
Amlin Reinsurance Managers Inc., established in 2012, underwrites onshore US casualty reinsurance on behalf of Syndicate 2001 (Amlin London). It is based in New Jersey, in the United States.

Read more online at www.amlin.com

Chairman's statement

"Our strong performance in 2013 is underpinned by Amlin's market-leading franchise and diverse portfolio. Amid significant changes in the trading environment for some key business lines, we continued positioning the business for future sustainable growth. These efforts will move us closer to achieving our vision to be the benchmark for quality in all our markets."

Our results and dividend

Amlin's result for 2013 reflects a good performance across much of our business, with another strong underwriting result from our Amlin London and Bermudian businesses and continued improvement from Amlin Europe.

Major catastrophe activity in the year was relatively benign. However, European flooding in May and June together with numerous small catastrophe events, including hail in France and windstorms in October and December across the UK and Northern Europe, led to a small loss in Amlin Re Europe and impacted performance in the UK.

Amlin UK continued to benefit from the upward trend in UK commercial market pricing, particularly fleet motor. Amlin London and Amlin Bermuda benefited from peak or near peak catastrophe reinsurance rates at January 2013 renewals, although US catastrophe pricing came under significant pressure as the year progressed.

Whilst catastrophe losses resulted in a small loss in Amlin Re Europe, we continued to grow its portfolio, territorially and by client, and we are confident in the prospects for this business.

Amlin Europe's contribution to overall profit increased again, as work to improve the marine portfolio, implement Amlin business practices and integrate the business with the wider Group bore fruit.

In continuing volatile investment markets, another strong investment return of 3.6% contributed to our overall growth in pre-tax profit to £325.7 million, with a return on equity of 19.8%. Amlin's balance sheet is strong and capital headroom increased to £573.9 million above management's assessed capital needs.

We remain committed to managing our capital efficiently in the best interests of shareholders. To this end, we regularly review the level of capital relating to opportunities and constraints offered by the trading environment and the requirements of Amlin's strategic objectives. With the strength of our market positions, particularly in reinsurance and marine, we believe that there are still good opportunities to grow the business while generating a cross cycle return of at least 15%.

The Board has proposed an increase of 10.3% in the final dividend to 18.2 pence per share (2012: 16.5p). The final dividend will be paid on 29 May 2014 (subject to shareholder approval) to shareholders on the register on 22 April 2014.

Building our strategy

During 2013, we focused on positioning Amlin for the future so the Group can keep delivering long-term value to our shareholders, clients, employees and other stakeholders. Notably, the Board and senior management reviewed Amlin's strategy and it confirmed that while remaining focused on our Vision of being the benchmark for quality in our markets, we will place client intimacy higher up the agenda as a means of driving profitable growth, will seek to increase synergies across the Group, particularly between Leadenhall Capital Partners and our traditional reinsurance businesses, and will look to achieve meaningful efficiencies through an organisational review which takes account of the growth of the Group in recent years.

We continued investing in systems and resources to enhance efficiency. These included Nexus: a major project to improve financial processes, systems and reporting across the Group. Nexus will enable us to produce high-quality business information quickly, providing enhanced analytical capabilities, and meeting evolving business and regulatory reporting requirements.

People are our key asset and, during the year, we developed our Talent Management strategy, as described on page 38. We are continuing to invest in high-calibre people across a range of disciplines. This will ensure we have the resource to support a larger and more diverse business.

We also reviewed Group-wide remuneration during the year. We intend to make remuneration structures more comparable across the business and enable greater staff mobility within the Group. For more information regarding this review, see page 84.

Outlook

Our marketplace is changing rapidly, particularly for London specialty insurance and for global catastrophe reinsurance. Our scale in our chosen markets, as well as our diverse portfolio and investment, particularly in Leadenhall Capital Partners, position us well to meet these challenges and exploit opportunities.

The Board, management team and employees are united in one goal: to position our business for continued success.

Governance and the Board

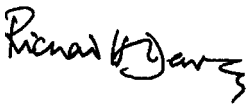
In 2012, an external review of the Board's performance delivered a broadly positive outcome. The review also identified areas for development, in particular, succession planning, which was reviewed again in 2013. For more information about this refer to page 73.

During 2013, the Remuneration Committee has been reviewing the way we report our Directors' remuneration and has recently consulted with our major shareholders on our policy. Further detail can be found on page 84.

Marty Feinstein was appointed Senior Independent Director following Nigel Buchanan's retirement. I am pleased to report that Marty is performing exceptionally well in his new role.

As previously reported, Brian Carpenter will be retiring during 2014. Brian has been a Board member since 2000 and his extensive market knowledge and underwriting experience have been invaluable as the Group has developed. His legacy as Underwriting Director of Amlin UK, reflected in the business' long-term growth and excellent performance, speaks for itself. I wish him well in his retirement.

Sir Alan Collins, an independent Non-Executive Director, has also announced that he wishes to retire at the AGM in May 2014. I would like to thank Sir Alan for his insight and the experience he has shared with the Board and to wish him well in his future Non-Executive career.



Richard Davey
Chairman

Chief Executive's review

"In 2013 we delivered an excellent return for shareholders, benefiting from the strength of our core underwriting businesses and continuing investment in broadening the scope of our portfolio. We are focused on ensuring that we optimise Amlin's market position to take advantage of the opportunities offered by changing market dynamics, particularly in reinsurance."

The year at a glance

In 2013, Amlin achieved a strong financial performance, with a solid underwriting result and an outstanding investment return in difficult markets. At 19.8%, our return on equity (ROE) far exceeded our cross-cycle target of at least 15%. Our ten year weighted average ROE of 18.0% places us amongst the top performers in the industry globally.

Amlin Europe's continued progress was particularly pleasing. The business achieved a combined ratio of 95% for the year, while in May 2013 Fitch Ratings recognised its improving risk profile, upgrading its rating from A (Positive) to A+ (Stable).

Overcoming trading challenges

The year was relatively benign in terms of major catastrophes although there was a high frequency of smaller events, particularly in Europe. However, rapid change in some of our key markets brought fresh challenges, in particular, alternative or 'convergence' capital continued to flow into the reinsurance market. This capital is sourced from pension funds and institutional investors, attracted by relatively uncorrelated risk at good rates of return.

The major global brokers increasingly consolidated capacity by channelling premium to fewer, larger carriers through placement platforms and exclusive agreements with selected insurers. This was particularly evident in the London subscription market.

At Amlin, we are well placed to keep meeting these challenges, thanks to our strong franchise and lead market position. We have a particularly robust position in reinsurance. Amlin is a preferred counterparty for all three global reinsurance brokers, and has a lead position on more than 50% of our London-market business. Amlin Re Europe, which was established in 2010, has further broadened the scope of our reinsurance offering in Continental Europe. Reinsurance is increasingly becoming a two-tier market and Amlin is benefiting from its position in the premier tier.

With Leadenhall Capital Partners, we have a valuable and growing foothold in the 'convergence' capital space. Leadenhall has

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significantly grown its assets under management in 2013 by £437.7 million to £966.0 million. The complementary strengths of Leadenhall and our traditional reinsurance underwriting have enabled us to provide a unique client proposition. We can now offer key clients substantially more capacity in catastrophe reinsurance and other classes, such as terrorism insurance.

Amlin is also a major underwriter of marine insurance. The marine and aviation practice wrote gross written premium of £504.6 million for the 2013 underwriting year with Amlin leading more than 40% of its London marine portfolio.

Diversifying distribution has been a key strategy for some years. In this time, we have focused on building relationships with a wide range of brokers. So while we have close strategic relationships with the 'big three' global brokers, others account for over 70% of our insurance book. Equally important, the largest broker is different for each of our insurance businesses.

As leader of more than 50% of our London market insurance business, we are in a strong position to benefit from the consolidating subscription market. We have built long-term client relationships on excellent service standards and financial strength, which are reflected in high Group retention ratios, averaging 86% over the past five years.

Setting out our strategy

While Amlin is in a strong current position, we continue to focus on ensuring our long-term sustainability. We recognise that when choosing counterparties, clients increasingly seek the comfort of size. So we must grow profitably at a rate that maintains our relevance to clients and brokers. To achieve these goals, in 2013, we undertook a thorough review of Amlin's strategy and objectives.

As a result of this review, our Vision to become the reference point for quality remains. However, we have identified a number of priorities to help enhance organic growth in both developed and developing markets. In particular, we will invest in more effective marketing, focused on achieving client intimacy.

Achieving intimacy with clients will be at the heart of our approach and differentiate us from our competitors. We will achieve it by building on our world-class customer service and expertise, underpinned by operational excellence. Our people's skills will also be crucial. We will continue investing in our people by proactively managing talent and performance, while creating an environment in which we can deploy people's skills more effectively across the Group. We are currently reviewing our organisational design and employee incentive arrangements to increase their alignment with our strategy.

We will continue developing the synergies between Leadenhall Capital Partners and our reinsurance business. We currently have a 40% partnership share and we expect to increase this, either partly or fully, during 2014. In the longer term, our strategic goal for Leadenhall is to be one of the top three global fund managers in insurance-linked securities. Over time, we expect that Leadenhall's growth, and its ability to supplement Amlin's reinsurance capacity, will help us grow our share of the global reinsurance market.

Management structure

The Group Management Committee represents a wealth of industry experience and expertise across a range of specialist underwriting and management disciplines.

Group Management Committee

- **Underwriting Review Board**
- **Investment Management Executive**
- **Corporate Centre Operations Committee**
- **Group Executive Risk Committee**

Executive Committees

Five principal management committees conduct executive oversight.

Group Management Committee

The Group Management Committee focuses on strategy and performance, and receives updates on key matters from the work of the other main committees.

Members

Charles Philipps (Chairman)	Mark Farrow	Philippe Regazzoni
Kevin Allchorne	Richard Hextall	Andrew Springett
Simon Beale	Kim Hvirgel	Jayne Styles
Brian Carpenter	James Illingworth	Rob Wyatt

Underwriting Review Board

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 adoption of Amlin's underwriting standards and practices across the Group.

Members

Charles Philipps (Chairman)	Brian Carpenter	James Illingworth
Simon Beale	Richard Hextall	

Investment Management Executive

The Investment Management Executive sets the strategic asset allocation and tactical asset allocation ranges for Amlin's investment portfolios. It monitors investment performance and levels of investment risk. The Investment Advisory Panel, comprising the Chief Investment Officer and three external experts, assists Group Investments in its decision-making and recommendations to the boards.

Members

Jayne Styles (Chairman)	Richard Hextall	Charles Philipps

Corporate Centre Operations Committee

The Corporate Centre Operations Committee, keeps under review the functional capability and effectiveness of all parts of the Group in line with Amlin's operational policies and standards; it proposes and oversees operational priorities and major change programmes; and oversees IT strategy.

Members

Richard Hextall (Chairman)	Mark Ferguson	Steve McMurray
Steve Bardell	Elizabeth Graham	David Melvin
Adrian Britten	James Illingworth	Piyush Patel
Jean-Bernard Crozet	Herman Kreulen	Peter Tavner
Mark Farrow	Gregoire Mauchamp	

Group Executive Risk Committee

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 Own Risk and Solvency Assessment before it is presented to the Risk and Solvency Committee.

Members

Charles Philipps (Chairman)	Richard Hextall	Fraser White
Simon Beale	James Illingworth	

Selective acquisitions remain an important aspect of our strategy. In 2013, we bought RaetsMarine, one of the world's leading providers of fixed premium P&I liability insurance, to further enhance our global marine offering.

Our ability to execute acquisitions has been enhanced through the development of the Group Underwriting function and integration management resource.

We also reviewed the Amlin brand and how we present ourselves to clients and other stakeholders. To align our brand with Amlin's core values and future strategy, we have adopted 'Continuity' as our central promise to customers, brokers, investors and employees. We have expressed the new proposition in our Annual Report's theme and design.

Progressing through our people

In 2013, we progressed a range of strategic initiatives regarding our people. These are summarised on pages 16 to 17 and described in more detail in the relevant section of the Strategic Report on pages 38 to 39.

The quality and commitment of our people drives our continued success. I am grateful for their unstinting enthusiasm and hard work through a period of considerable change and development. It is particularly pleasing to see excellent cooperation across geographies and divisions within the Practice Boards and other cross-discipline working groups.

Brian Carpenter, Underwriting Director of Amlin UK, has decided to retire during 2014. Under his leadership, Amlin UK's gross written premium has more than doubled to £336.3 million and the business has consistently outperformed its UK peers on its cross-cycle combined ratio and risk-adjusted return on capital. He has built a team in Amlin UK which is capable of continuing its success. I am grateful to Brian for his invaluable contribution to developing Amlin UK and the Group. I wish him well in his retirement.

Looking forward to 2014

We are experiencing rapid change in some of our key markets, notably reinsurance. This presents challenges, but also opportunities. Our business model is robust and adaptable and I believe our strategy will ensure we grasp these opportunities and strengthen our franchise.

While positioning Amlin for long-term profitable growth, we will maintain underwriting discipline across the insurance cycle.

A number of our businesses are experiencing improving trends. We have also made some material changes to our outwards reinsurance programmes, reducing spend whilst increasing mean expected profitability. This is expected to compensate for the lower margins in catastrophe reinsurance.

Therefore, even though reinsurance rates have come under downward pressure, we continue to believe that the Group can continue to deliver attractive returns on capital.

Charles Philipps
Chief Executive

Developing our presence in Asia

We recognise that in order to achieve our strategic goal of measured expansion, we must access developing markets, where enormous economic growth and investment in infrastructure are creating demand for insurance and reinsurance. A growing proportion of the business which would previously have come to London from these developing markets is being underwritten locally, as they build their own capital and expertise. This is particularly evident in Singapore, which is becoming a significant regional insurance hub.

In 2007, we formed Amlin Singapore to underwrite local marine energy, hull and cargo business on behalf of Syndicate 2001 as part of the Lloyd's Asia platform, initially using underwriting expertise from Amlin London. The marine portfolio has developed well and in 2013 Amlin Singapore and RaetsMarine further enhanced its scope with the launch of a fixed premium P&I product (for more information on RaetsMarine see page 30). In addition, Amlin Singapore underwrites aviation, property, general liability business and leads a specialist terrorism and sabotage consortium and an aerospace consortium (Xin Consortium and Xin Aerospace Consortium). In 2013, Amlin Singapore's gross written premium was £10.2 million (2012: £8.6 million).

The strength of our reinsurance franchise is a major strategic asset, which we have successfully leveraged to develop our Bermudian business and which has provided a strong foundation for the successful start-up of Amlin Re Europe. Amlin already has valued and long-standing reinsurance relationships with clients in Asia, particularly in Japan, and we believe that there is scope to further develop our reinsurance franchise in Asia.

In 2012, we recruited a dedicated reinsurance underwriter to underwrite business via Singapore. This initiative has already generated significant new premium for Amlin London and Amlin Bermuda, in the region of £14 million at the end of 2013. As well as new local clients in countries such as China, Taiwan, Indonesia, South Korea and the Philippines, we have also been offered opportunities to underwrite additional business on regional reinsurance programmes for major European or Australasian clients. During 2013, we developed a five year regional business plan to further develop the reinsurance portfolio on a selective basis. This will be supported by marketing initiatives and investment in further dedicated staff in London and Singapore. At the start of 2014, the portfolio was showing further growth, reflecting both the development of core client relationships and new business opportunities.

Our business model

Our business model is founded on a number of fundamental pillars and is the key enabler of our strategy.

Outcomes of the business model

Cross-cycle track record of outperformance

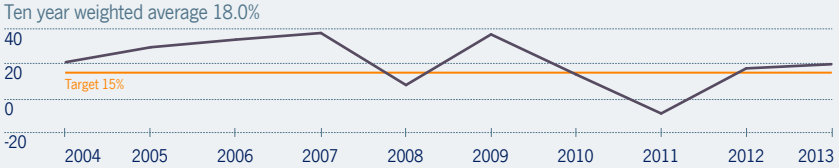
Total shareholder return (2009 – 2013)

171%

Return on equity

19.8%

Ten year weighted average 18.0%



Strong franchise

Group retention ratio 2013

86%

Strong balance sheet with scope for growth

Equity and long term debt

£1,968m

Understanding our business model

Specialist expertise

Amlin's 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 a number of high calibre senior recruits and talent developed in-house. In key business lines such as catastrophe reinsurance and marine, Amlin is a recognised market leader with a global franchise. The strength of Amlin's underwriting capabilities is a competitive advantage, which gives us access to high quality opportunities in all the markets in which we operate. We have also invested in developing market leading claims and modelling expertise.

Understanding our clients' needs

Amlin's business is built on long term relationships with clients and brokers, reflected in our promise of Continuity to all our stakeholders. These relationships are founded on our ability to deliver specialist solutions, based on a detailed understanding of our clients' business and risk management requirements, and a high level of service. The value of these long-standing relationships with brokers and clients is reflected in our high renewal retention ratio, which has averaged 86% over the past five years.

Operational excellence

The strength of our franchise is based on access to expert underwriters and speed of response combined with fair, timely and equitable claims settlement. We also aim for high performance across all other areas of the business.

Talented people

We believe that the quality of our people is a key differentiator which confers significant competitive advantage. Amlin's highly skilled underwriters are supported by a team of seasoned professionals in specialist disciplines including claims, risk management, actuarial, catastrophe modelling, investments and finance. Staff turnover is low, engagement is high and the average tenure of senior underwriters is 9.5 years. Alongside our commitment to retention of experienced employees, we use talent management and succession planning to ensure that Amlin's success is sustainable into the future.

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. We underwrite more than 30 principal classes of business, with the aim of optimising diversity of risk and geography within each class as well as across the whole portfolio.

Profitable cross-cycle underwriting

Amlin's business model is focused on delivering gross underwriting profit across the cycle. This is supported by long term profit-focused incentives for underwriters and a robust underwriting control framework. Over the past five years we have delivered an average combined ratio of 89% and an average loss ratio of 58%, which demonstrates quality and resilience.

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 for optimal return, ensuring that we allocate and utilise capital efficiently across the business and manage risk exposures within agreed tolerances. This has resulted in a Standard and Poor's accreditation of "Strong" risk management (see page 42). As well as enhancing returns, this recognised risk management capability is a competitive advantage as brokers and clients become increasingly selective in their choice of counterparties.

Active capital management

Our 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 dividends to shareholders. The diversity of our portfolio also enhances capital efficiency, contributing to a ten year weighted average return on equity of 18.0%. Our strong capital position underpins Amlin's ability to attract and retain the best quality business, support organic growth and fund longer term strategic investments in new ventures.

Our strategy

Our strategy is centred on delivering long term value to our shareholders, with our core objective being the delivery of a cross-cycle return on equity of at least 15%. 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 five strategic priorities which we believe must be achieved to be successful.

Strategic priorities	Profit focused underwriting excellence	First class client service based on a thorough understanding of customer needs
Description	Our business is built on a strong underwriting culture and robust controls, with profitable cross-cycle underwriting at its heart. We seek to maintain a balance between catastrophe and non-catastrophe exposures, as well as a broad spread of risk by geography and class. Our disciplined focus on underwriting profit, without reliance on investment returns, has underpinned Amlin's cross-cycle outperformance and is even more important in the current low interest rate environment.	Amlin's commitment to exceptional service reflects our Vision to be the global reference point for quality in each of our markets. During 2013 we placed client intimacy at the heart of our business (see page 24), and we recruited specialist expertise in marketing and communications to develop a strategy to deliver this to our clients.
2013 achievements	During 2013, we continued developing our Group-wide underwriting approach through the Group Underwriting function, the Underwriting Review Board and our Practice Boards. • Group-wide technical pricing framework agreed • Development of modelling to enable more efficient reinsurance purchase • Improved collection and use of market data to inform strategic decision making • Closer engagement with major brokers to ensure access to new business opportunities	The development of Practice Board strategy and business planning enabled us to focus on a more coordinated approach to client service and identify best practice. • Development of initial coordinated global client offerings through Practice Boards • Amlin ranked by brokers in top quartile overall (of 32 insurers) for London market claims service, ranked first in six out of nine specific claims service attributes[1] • Amlin has paid more than £100 million of claims through the Amlin Advance scheme since it was launched in 2008
More information	See page 22	See page 24

1. Gracechurch Claims Performance Monitor, December 2013.

Effective risk management which optimises return for the risks we take

We recognise that delivery of shareholder value comes from actively seeking and accepting risk while managing that risk within acceptable bounds. Amlin's well-developed capital model, strong risk management framework, informed use of catastrophe risk models and culture of continuous improvement all contribute to achieving this strategic objective.

During the year we extended the application of Amlin's risk framework and Internal Model, for example to help us consider the capital implications of strategic decisions such as the purchase of RaetsMarine and the start-up of Amlin Europe's German branch. In both cases, the process proved valuable for challenging and validating the relevant business plans.

- Upgrade of Group ERM rating from 'Adequate' to 'Strong' by Standard and Poor's
- Development of the Pricing and Portfolio Management tool for the management of catastrophe exposures
- Use of the Internal Model to review and evaluate the impact of proposed changes to the 2014 reinsurance programme, particularly increases in internal coverage
- Development of a new economic scenario generator for the measurement of market risk

See page 42

Measured expansion of our core businesses and geographic footprint

We believe that we can add significant value over the insurance cycle, through a combination of profitable organic growth and carefully selected acquisitions. As the business develops, our goal is to maintain a diverse and balanced portfolio, which reduces volatility and enhances capital efficiency.

During 2013, we reviewed potential opportunities for Amlin in developing markets, particularly Asia and South America. We continued to diversify Amlin's overall portfolio through growth in non-catastrophe lines such as UK commercial and Marine P&I liability insurance.

- Acquisition of RaetsMarine
- Development of reinsurance offering and launch of P&I product in Singapore
- Regulatory approval for Amlin Europe branch in Germany
- 22.8% growth in Amlin Re Europe's gross written premium to £210.8 million

See page 11

Develop a culture and employment practices that make Amlin 'the place to work' in our industry

Our ability to attract, develop and retain talent is important to the long term sustainability of the Group. The high level of retention of our senior underwriters, in particular, underpins our unique underwriting culture and provides the foundation for the extension of our underwriting business model into new markets and through the integration of acquisitions. Achievement of our Vision and meeting our commitment to deliver unrivalled service requires exceptional skills across all areas of the business.

During 2013, we further developed our Talent Management strategy and addressed employee engagement issues raised by the MORI Employee Survey undertaken in 2012 (see page 39).

- Launch of management training and development initiatives, including INSEAD programme as part of Talent Management strategy
- Implementation of Group employee communication strategy, including launch of upgraded Intranet
- Enhancement of Group-wide succession planning

See page 37

Key performance indicators

Our strategy is centred on delivering long term value to our shareholders. We measure this against a focused set of key performance indicators. We believe that consistent performance in a cyclical market requires a long term perspective, unwavering discipline and a commitment to providing the highest levels of service to our clients.

These key performance indicators are the product of our proven business model (see page 14) and strategic priorities (see page 16).

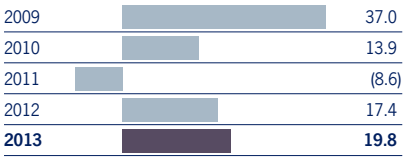
Shareholder returns

Return on equity

(%)

19.8%

Ten year weighted average 18.0%

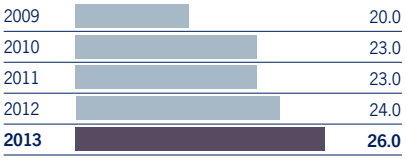


Our ten year weighted average return on equity of 18.0% (2004 – 2013) exceeds our cross-cycle target of at least 15% and our estimated cost of capital of 8.5%.

Dividend per share

(p)

26.0p

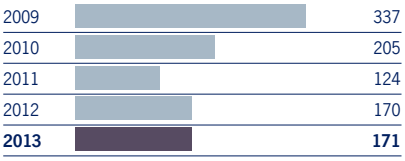


We are committed to steadily increasing dividend over time. Since 2009 we have returned £536.7 million in cash to shareholders by way of dividends.

Total shareholder return

Five year (%)

171%



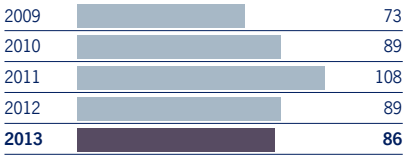
Our total shareholder return reflects the strength of our business model, which has enabled Amlin to generate cumulative profit after tax of £1,995.3 million over the past ten years (2004 – 2013).

Business performance

Combined ratio

(%)

86%

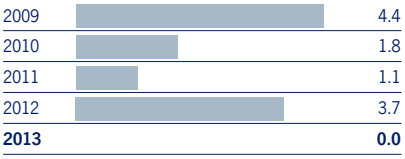


Our combined ratio reflects the diversity of our global business mix and the quality of portfolios built and refined over many years.

Renewal rate movement

(%)

0.0%

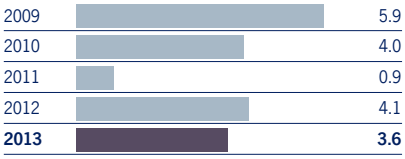


Our diverse portfolio gives exposure to different pricing cycles, allowing efficient capital allocation and enabling us to optimise opportunities for profitable growth.

Investment return

(%)

3.6%



Our consistent outperformance of peers on investment return reflects our proactive and dynamic approach to investment risk.

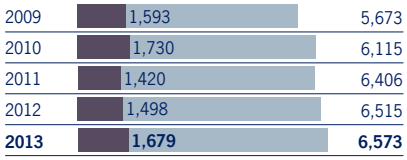
Sustainability and continuity

Gross and net assets

(£m)

Gross £6,573m

Net £1,679m

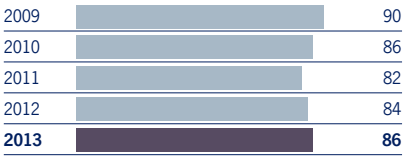


Our balance sheet strength makes Amlin a preferred market for major brokers and clients. Amlin's strong capital position underpins our ability to attract and retain the best quality business, support organic growth and fund longer term strategic initiatives.

Retention ratio

(%)

86%

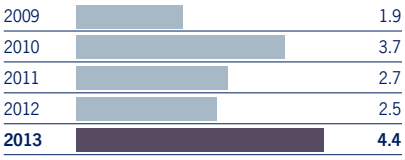


Our consistently high retention ratio reflects the strength of our franchise and the value clients attach to our high standards of service.

Senior underwriter turnover

(%)

4.4%



The experience and expertise of our underwriters is crucial to Amlin's underwriting business model, with its proven ability to deliver superior returns. Developing and retaining talent within the business is a strategic priority, reflected in our goal of making Amlin 'the place to work' in our industry.

Continuity is... empowering underwriters to make timely decisions

Underwriting excellence

Our focus is to deliver gross underwriting profit across the cycle. Our quality and resilience is demonstrated by an average five year combined ratio of

89%

Underwriting management

"During 2013, we continued to develop underwriting strategy and business planning through the Practice Boards. These are already enabling us to target new business opportunities more effectively, and to offer clients an optimal combination of Amlin's skills and capacity."

Simon Beale
Group Chief Underwriting Officer

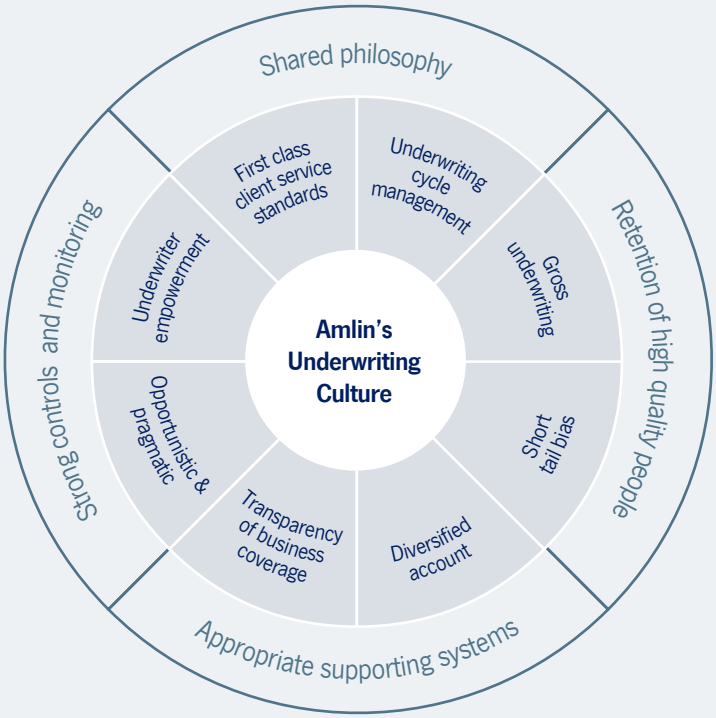
Strengthening our culture

Our business is built on a strong underwriting culture and robust controls, with profitable cross-cycle underwriting at its heart. This model is founded on the development over many years of Amlin's Lloyd's based businesses and underlies the integration of newer businesses added to the Group in recent years.

The expertise of our senior underwriters has allowed Amlin to build quality portfolios in line with our strategy of diversifying by class and within portfolios. We empower underwriters to develop their accounts and be opportunistic when market conditions are favourable, while strong controls and monitoring, combined with profit-focused remuneration, ensure we remain disciplined. A focus on service and continuity has created long-standing relationships with brokers and clients.

Our investment in service, for example, has made Amlin a highly ranked London market insurer on claims, with an excellent reputation, high retention rates and ability to attract quality new business.

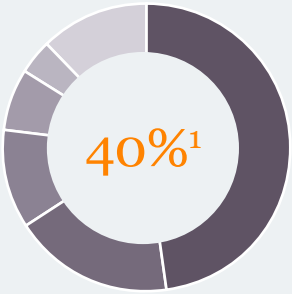
As the Group has expanded, we have benefited from the experience and expertise of colleagues in new markets. However, given the proven success of our underwriting culture and controls, we have aimed to firmly establish them in start-ups or acquired businesses. We also focus on ensuring that Amlin entities operating in similar business lines cooperate effectively. During 2013, we continued developing this Group-wide underwriting approach through the Group Underwriting function, the Underwriting Review Board and our Practice Boards (see charts opposite).



Underwriting Review Board

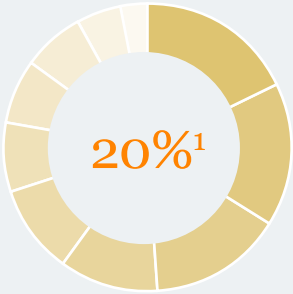
Charles Philipps	Simon Beale	Brian Carpenter	Richard Hextall	James Illingworth
Chief Executive	Group Chief Underwriting Officer	Underwriting Director, Amlin UK	Group Finance & Operations Director	Chief Risk Officer

Reinsurance



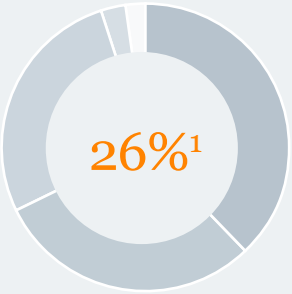
Catastrophe reinsurance	48%
Proportional reinsurance	18%
Other property reinsurance	11%
Special risks	7%
Motor reinsurance	4%
Classes <4%	12%

Marine & Aviation



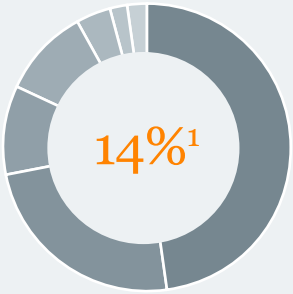
Hull	18%
Cargo	16%
Other marine	15%
Energy	11%
Aviation	10%
Liability	8%
Yacht	7%
War	7%
Bloodstock	5%
Specie	3%

Commercial & Domestic P&C



Property	38%
Fleet/Other motor	30%
Liability	27%
Captives	3%
Other	2%

International P&C



Property	48%
Casualty	24%
Auto	10%
Accident & Health	10%
Professional lines	4%
Special risks	2%
Other	2%

1. Percentages represent GWP by category.

Establishing exceptional standards

The Group Chief Underwriting Officer and Underwriting Review Board ensure our underwriting standards are observed consistently across the Group. These standards set guidelines for monitoring underwriting in such areas as rate movements, pricing, exception reports and exposure management. The standards also include risk and performance reviews, conducted by Amlin underwriters and managers, and independent reviewers.

In 2013, the Group Underwriting function sponsored several initiatives to improve underwriting methodology and risk management. For example, a Technical Pricing[1] framework, with consistently derived technical loss ratios for each class, was agreed, using a combination of central and local-pricing modelling.

The framework ensures a consistent technical pricing approach across divisions and classes. This improves monitoring of pricing adequacy and strengthens our ability to respond to adverse pricing trends. We will continue developing modelling to support this framework in 2014.

During the year, we analysed opportunities for more efficient reinsurance purchase, for example, through greater internal risk transfer between underwriting entities. While potentially reducing the cost of reinsurance, more efficient internal risk transfer also enhances the Group's capital efficiency.

Coordinating through our Practice Boards

Our Practice Boards coordinate underwriting and provide review and oversight of underwriting strategy and performance across common classes of business. This involves:

- Agreeing underwriting direction in the context of long-term underwriting strategy, such as classes targeted for growth or retraction;
- Coordinating consistent underwriting management and agreeing where we will write business within the Group;
- Facilitating a common underwriting approach through sharing expertise and best practice; and
- Encouraging effective communication and teamwork, including identifying opportunities for cross-selling.

They also play important roles in reviewing underwriting competence and business performance, and assisting underperforming areas.

In 2013, the International P&C and Commercial and Domestic P&C businesses began operating as a combined Practice Board and developed a coordinated approach across their business lines.

During the year, the Practice Boards for Reinsurance and Marine and Aviation, which launched in 2012, focused on building their strategies for developing business. They also continued working on areas of cooperation, such as collective purchase of outwards reinsurance.

Developing our Practice Boards

Leadenhall Capital Partners joined the Reinsurance Practice Board in 2013. The move recognised the growing influence of non-traditional capital in the catastrophe reinsurance market and Leadenhall's increased importance to Amlin's reinsurance proposition.

Developing our Group Underwriting function and Practice Boards has enhanced our ability to integrate acquisitions.

The Practice Boards also have an important role in creating a coordinated approach to distribution through brokers and agents, building opportunities to optimise broker and client relationships across key business lines. During 2013, we appointed an interim Group Head of Marketing to help formulate a comprehensive marketing strategy for the Group, in line with our strategic focus on client intimacy as described below.

Improving management information

In 2013, we continued to improve our management information and analytical capabilities, involving detailed reviews of certain risk areas such as terrorism and casualty clash classes. Performance, market, client and broker data were provided on a Practice Board basis to help develop Practice Board strategy and support new business planning and marketing initiatives.

We also continued working closely with major brokers to ensure Amlin can access desirable business opportunities.

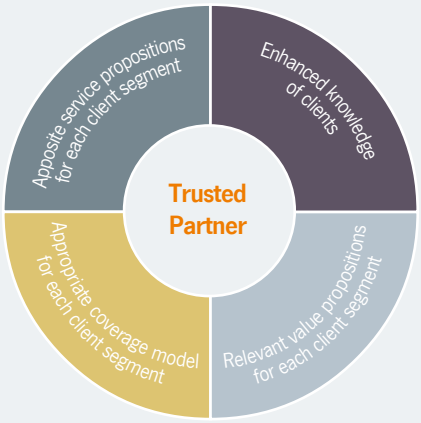
Client intimacy

In an increasingly competitive environment, we must never forget that our clients have choices. Their loyalty is a prerequisite to sustainable growth, be they insureds, reinsureds, brokers or cover-holders.

During 2013, we developed a strategy for 'client intimacy', expressed as being a trusted partner to our clients, using our expertise to provide solutions based on a thorough understanding of their business and the risks they face. In 2013 we invested in marketing capability and insight to further support long-term client loyalty and growth. For example:

- Seeking regular feedback from our clients to ensure that the products and services we offer are tailored to meet client needs;
- Investing in enhanced data quality, systems and analytical capability to enable us to derive valuable insights and target our product offerings by segmenting our client base.

We believe that attainment of our goal of being the trusted partner requires achievement of the four components identified below.

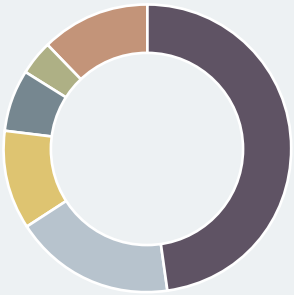


1. Amlin's definition of technical pricing is technical loss cost, plus expense loadings including reinsurance costs, a discount factor to allow for risk-free investment and a required profit margin.

Market and Practice Board review

Reinsurance

GWP by class



Catastrophe reinsurance	48%
Proportional reinsurance	18%
Other property reinsurance	11%
Special risks	7%
Motor reinsurance	4%
Classes <4%	12%

Source: Amlin

Our market position

Amlin's reinsurance practice comprises Amlin London, Amlin Bermuda, Amlin Re Europe (ARE), Amlin Reinsurance Managers Inc. and Leadenhall Capital Partners (Leadenhall). We offer cedants a market leading traditional reinsurance franchise, supported by strong financial strength ratings and capitalisation; underwriting expertise built on local market knowledge; and exceptional service. As described below, Leadenhall also enables us to offer clients non-traditional risk transfer through Insurance-Linked Securities (ILS).

Amlin London and Amlin Bermuda write a mixed portfolio of reinsurance, of which catastrophe reinsurance forms the largest part, accounting for 18% of Amlin's gross written premium in 2013. Amlin London is a recognised leader for catastrophe reinsurance and brokers view Amlin's London and Bermuda operations as preferred markets. This is reflected in the consistently high retentions we achieve on renewal business and in market feedback.

Amlin's catastrophe account is mainly underwritten on a treaty excess of loss basis. The US accounts for the largest proportion of catastrophe premium by geography for London and Bermuda. However, our overall catastrophe portfolio is global, with a significant spread of international business outside the US. This reflects our strategy to diversify profitably within individual business classes and across the whole Group's underwriting portfolio.

Amlin London and Amlin Bermuda also write other property reinsurance, including risk excess of loss, facultative, and proportional business. Additionally, excess of loss reinsurance is written for marine, aviation and satellite exposures. These classes further diversify our reinsurance portfolio and are underwritten to minimise correlation with the catastrophe account. A particular area of development in 2013 has been our Asian reinsurance account written through Amlin Singapore on the Lloyd's Asia platform.

ARE was established in October 2010 to give the Group greater access to European reinsurance business that does not typically flow into the London and Bermuda markets. The business meets demand amongst 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 operating in the Continental European market. Brokers and clients have received ARE's business proposition very positively, with the division generating gross written premium of £210.8 million in 2013.

Amlin Reinsurance Managers Inc. was established in the US in the second half of 2012 as a managing general agent to write a selective portfolio of casualty reinsurance on behalf of Syndicate 2001. It wrote £6.3 million of income during 2013. Developing this portfolio over time will add diversity to Amlin's catastrophe reinsurance account and provide an additional growth opportunity.

Leadenhall, which was started in 2008, is a London based investment manager wholly focused on investing in insurance-linked investment portfolios for institutional investors. With its strong track record since 2008 and its ability to access a wider range of reinsurance transactions through Amlin than most of its peers, it continued to attract third party funds under management, which reached £966.0 million by year end. Our ability to offer clients a blend of traditional and ILS reinsurance solutions gives the Group an exceptionally strong reinsurance proposition and has significantly enhanced our relevance to both brokers and reinsureds.

Market commentary

There was no single major insured catastrophe event in 2013. However, weather-related losses, particularly floods, generated insured losses of US$44 billion[1]. Amlin's largest single catastrophe loss resulted from June's floods in Central and Eastern Europe, which caused estimated insured losses of US$4.1 billion[2]. We estimate the net loss to Amlin at £18.5 million for this event.

At the start of 2013, catastrophe pricing retained the upward momentum generated by Hurricane Sandy in the US in November 2012 and the severe international catastrophe losses of 2011. Rate increases at January renewals were 4.2% and flat for Amlin's US and international catastrophe accounts respectively.

The low interest rate environment and perceived lack of correlation between reinsurance and other asset classes continued to fuel investor demand for structured access to catastrophe risk. For 2013, alternative capacity was estimated to amount to approximately 18% of global catastrophe limits[3].

1,2. Swiss Re sigma, Dec 2013.
3. Guy Carpenter Market Overview, Sept 2013.

Reinsurance continued

Alternative capital remained focused on US catastrophe risks, particularly Florida, where peak pricing and well-developed modelling provided an attractive environment. US catastrophe rates on Amlin's portfolio fell 14.9% at the June renewals. However, in July, the rate of decline mitigated to 8.3%, giving an overall decline of 4.5% for the year. International catastrophe rates declined 1.1% for the year, with less competition from alternative capital and greater stability in areas affected by 2011 losses, such as Japan.

We monitor achieved rate movements on renewals and in many areas of this practice we remain close to peak levels.

Developing our strategy

During 2013, the Reinsurance Practice Board focused on developing a strategy aligned with Amlin's strategic objective of becoming a top tier global reinsurer and increasing the coordination between Amlin's London, Zurich and Bermudian underwriting platforms. This included adopting a consistent approach to brokers and maximising the combined capacity Amlin can offer on major placements.

Greater cooperation has also developed between catastrophe underwriters in Amlin London and Leadenhall. Leadenhall typically provides capacity on more remote layers of cover which are unattractive to our traditional reinsurance business, because of the tail risk and impact on capital requirement. However, Amlin's well developed client base provides Leadenhall with access to business on these higher layers, and this is enhancing our overall client relationships.

The benefits of our strategy are being realised in a more competitive environment, with good take up of offered lines, access to business which is not written in the open market and on some business, better pricing than is available on the open market.

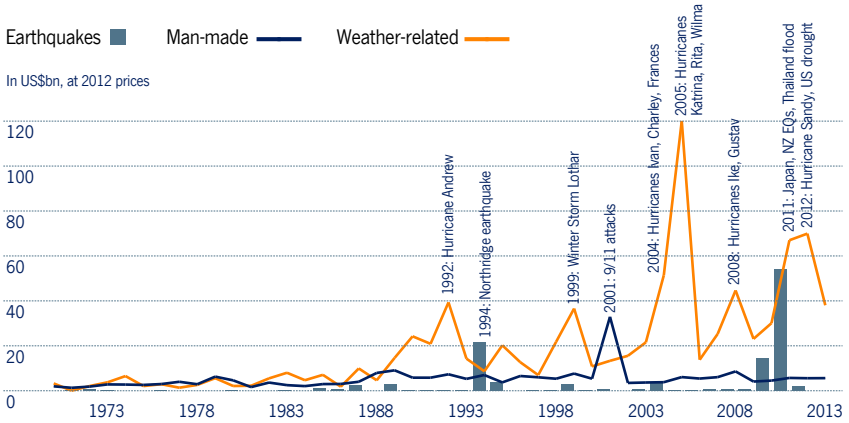
Renewal ratings indices

Rating indices in key Group classes

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
US catastrophe reinsurance	100	115	146	150	143	144	185	188	167	185	175	176	**190**	182
International catastrophe reinsurance	100	120	157	**161**	145	131	138	131	119	124	123	131	149	147
Other property reinsurance	100	122	189	**191**	170	146	170	144	126	127	115	109	110	104

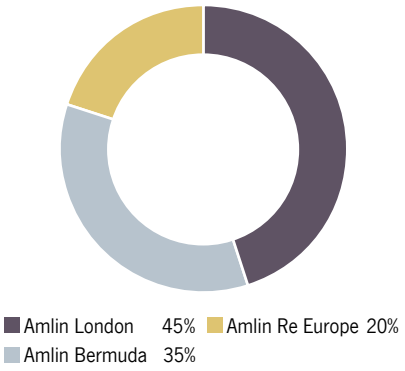
Note: Figures in bold represent peak ratings.

Insured catastrophe losses, 1970-2013



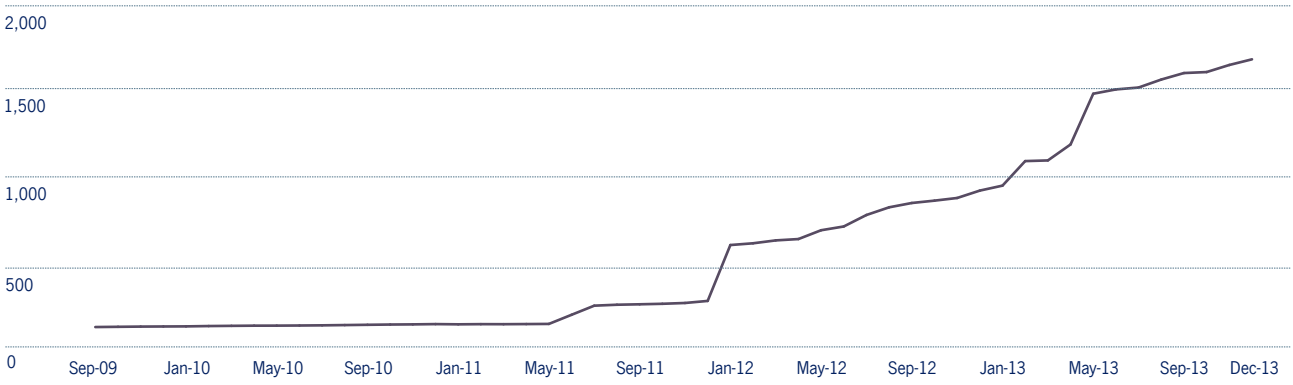
Source: Swiss Re sigma

GWP by division



Source: Amlin

Growth in Leadenhall Funds Under Management ($m)



Amlin commissions research into systemic risk

One of the most profound changes our industry has experienced in the last two decades is the increasing influence of quantitative models, now used for many purposes from assessing and measuring catastrophe risk to technical pricing to capital adequacy.

However, the increase in model usage could create the potential for a systemic risk. During 2013, Amlin partnered with the Future of Humanity Institute (FHI) in Oxford to sponsor a research programme aimed at investigating the systemic risk of modelling, with particular reference to the reinsurance industry.

The FHI-Amlin Research collaboration will pursue better understanding and management of systemic risks. Systemic risks originate from vulnerability to loss which impacts markets or industries as a whole and also emanates from common practice risk controls. Risks that emerge from complex decision making, including decision making about risk itself, are the main focus of interest in this project.

The collaboration will be enabling research into how systemic risks emerge and can be managed, with particular reference to catastrophe risk. In funding the research, Amlin's insurance practitioners also take an active role in testing academic theory and providing 'live' examples of modelling activity for study.

Amlin is making the project's discussions and findings available to the insurance industry and encouraging other insurance market participants to engage with the research, with the aim of contributing towards a better understanding of the wider implications of risk.

Three initial research papers were published in Oxford on 11 February 2014 at a conference at the Oxford Martin School. Further information on the project can be accessed online at www.amlinworld.com.

Marine and Aviation

GWP by class

Hull	18%	Liability	8%
Cargo	16%	Yacht	7%
Other marine	15%	War	7%
Energy	11%	Bloodstock	5%
Aviation	10%	Specie	3%

Source: Amlin

Our market position

Amlin is a major insurer in the marine market. The marine and aviation practice wrote £504.6 million of combined gross written premium in the 2013 underwriting year.

We write a diverse marine portfolio through Amlin London, Amlin Europe and their service companies, including RaetsMarine, Lead Yacht, Haven Knox-Johnston, Amlin Plus, and Crowe Livestock. We source our marine and aviation business mainly through brokers and other intermediaries. In certain lines, we write part of the business via lineslips and binding authorities. This involves delegating underwriting authority for certain types of risk to selected intermediaries and coverholders.

Amlin is a leading marine hull insurer in the London and Benelux markets. We write an international and domestic hull book balanced between larger 'bluewater' accounts and specialist risks, including dredging, lifting, salvage, and inland craft. We have a strong position as a global underwriter of marine construction.

Our marine liability account includes a wide range of clients, from ship owners, charterers and shipyards to port and terminal owners. Amlin offers cover for marine contractual liability, pollution risks and other liability risks. Our energy liability portfolio comprises oil and gas risks associated with worldwide exploration and production companies, drilling contractors, construction risks, pipelines, fixed platforms and mobile units.

During 2013, Amlin acquired RaetsMarine (see page 30): a top-three global provider of fixed-premium marine liability protection and indemnity (P&I) business. RaetsMarine operates as a service company, mainly on behalf of Amlin Europe.

We also write a substantial global cargo portfolio. Major business areas include stock-throughput, storage, project cargo and capital equipment, manufactured goods, heavy-lift, oil, and other commodities.

Amlin London specialises in leading large, complex and capacity driven risks. Our offices in the Benelux, France and Singapore offer local knowledge and expertise to brokers in their local markets.

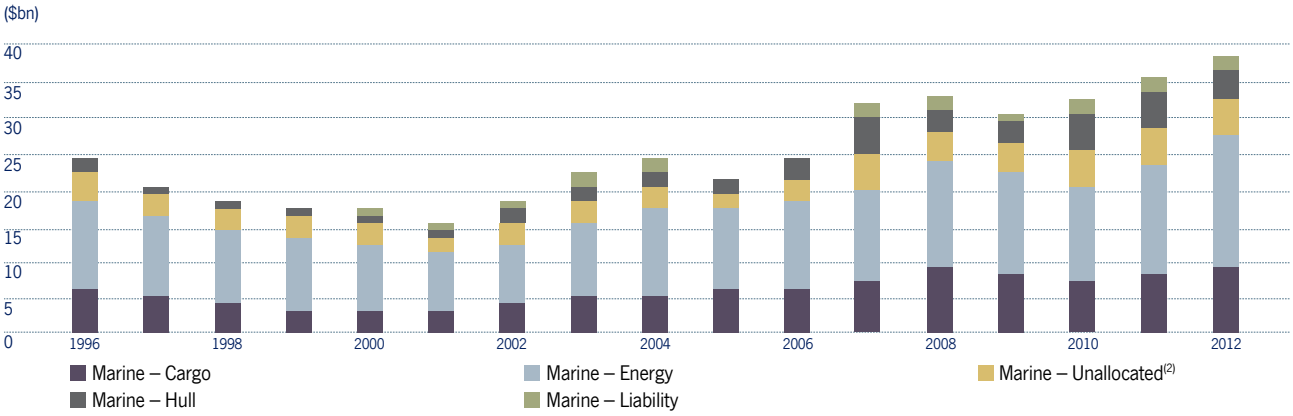
Amlin underwrites a broad energy portfolio, from geo-thermal wells to multi-billion dollar platforms and their supporting pipelines. We specialise in insuring risks associated with the energy industry's exploration and production phases, and constructing new offshore platforms and facilities.

We are a leading underwriter of yacht business ranging from small pleasure boats to super yachts over 30 metres long and up to US$200 million in value. Specialist yacht cover is provided through Haven Knox-Johnston for smaller craft, Lead Yacht for super yachts, and directly by Amlin Europe.

The Practice also includes Amlin's capabilities in traditional marine classes: war, bloodstock and specie. We provide war and political risks insurance for marine, non-marine and aviation assets against physical damage from war perils, including terrorism and foreign government confiscation.

Our bloodstock team offers thoroughbred racing and breeding insurance, and is a specialist in high value sport horse insurance. The team sources business worldwide from Lloyd's brokers and via the service company, Amlin Plus.

Global marine insurance premiums 1996-2012[1]



Note: (1) The figures for marine prior to 2010 have been adjusted to reflect the impact of countries that previously did not report data to IUMI. (2) Unallocated refers to IUMI premium data for which no class of business is detailed.

Sources: IUMI, Ascend Worldwide Limited and Swiss Re Economic Research & Consulting calculations

Crowe Livestock provides specialist and individually tailored insurance solutions to meet the livestock industry's diverse needs, focusing particularly on animal welfare.

Amlin is a specialist in the fine art and general specie field, including insurance for vault risks, cash and precious metals in transit or storage, and securities. The specie team also provides coverage for major museums and exhibitions worldwide, and for companies mining precious metals and stones.

Amlin is a respected aviation underwriter, offering expertise across the aviation and aerospace sectors. The portfolio includes global airline operators and their lessors, aviation products manufacturers, service providers, air-traffic controllers, and airports. We also underwrite general aviation risks, including small aircraft and specialist aerospace insurance for risks associated with the launch and continuing operation of satellites.

Market commentary

Marine market conditions and pricing during 2013 were generally stable, with some variations between classes.

Renewal rates for Amlin London's marine business, which has traded exceptionally well over recent years, were up marginally overall. This was driven mainly by marine liability rate increases of 5.0%, reflecting the continued market impact of the developing Costa Concordia loss. By the end of 2013, the loss had reached more than $1 billion, making it the largest ever marine market loss[1]. Our estimated share of this loss remains immaterial.

The Continental European marine market remained competitive. However, there are recent signs of greater stability, following a major competitor withdrawing from the Benelux market.

Aviation market conditions remained intensely competitive and challenging.

Developing our strategy

In 2013, the Practice Board focused on developing a vision, strategy and long-term objectives. This included oversight of performance; to set and lead the direction for the business lines to achieve their goals; and to ensure the marine and aviation underwriting teams have the right tools to deliver targeted returns.

During the year, the Practice undertook several projects, including:

- Implementing practice-level underwriting performance management by reviewing overall progress against business plans, and conducting more detailed reviews of various classes across the Group;
- Reviewing reinsurance purchase strategy, resulting in better aligned and optimal purchase across the marine and aviation classes; and
- Acquiring RaetsMarine and making a small investment in Fender Marine; a Lloyd's coverholder in Norway already supported by Amlin London. The RaetsMarine team now operates within the Group control framework for underwriting.

In addition, the Practice focused on various business development initiatives.

In Amlin Europe these included strategically refocusing on the Belgian small and medium enterprise market, with an increased appetite for local business sourced through local producers and rebalancing the international commodities account underwritten in Antwerp. Amlin Europe appointed a new cargo underwriter and, at the same time, announced a small number of redundancies in the Antwerp office.

Amlin Europe and Amlin London developed an aligned construction proposition across our various markets. This leverages our underwriting and marketing capabilities in the class, particularly in the Lloyd's market.

In Singapore, we launched a P&I offering in the Singapore market through Amlin Singapore and supported by RaetsMarine.

Renewal ratings indices

Rating indices in key Group classes

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Marine hull	100	115	148	171	183	189	191	192	192	205	208	209	209	**209**
Cargo	100	108	127	**136**	135	133	131	124	118	119	116	112	112	111
Offshore energy	100	140	172	189	170	175	262	243	209	256	247	**262**	262	254
War	100	250	**288**	244	220	206	191	175	160	156	153	153	149	146
Airline hull and liabilities	100	**301**	283	235	216	201	158	122	127	141	132	124	107	96
Amlin Europe marine										100	104	104	104	**104**

Note: Figures in bold represent peak ratings.

1. Business Insurance Aug 11 2013.

Marine and Aviation continued

RaetsMarine

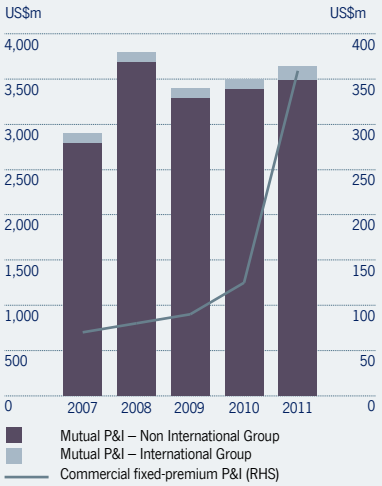
Amlin acquired RaetsMarine in March 2013, as part of the Group's strategy to grow its marine business and provide clients with a comprehensive range of marine insurance products. RaetsMarine is a specialist marine underwriting agency with a distribution network of more than 450 brokers worldwide.

RaetsMarine was founded in Rotterdam in 1993, and has a reputation for providing excellent service to the marine industry and long-term commitment to customers. The agency employs 130 staff and has offices in Rotterdam, Paris, London and Singapore.

Amlin has a long-standing relationship with RaetsMarine, having underwritten most of its business for the last ten years. The acquisition is a logical progression of this relationship, and secures strategic distribution for Amlin's growing international marine business. It will also position us strongly to benefit from growing demand in the fixed premium P&I market (see chart opposite), while enabling us to develop our international marine portfolio.

RaetsMarine operates as a separately managed service company, with most of its business underwritten by Amlin Europe.

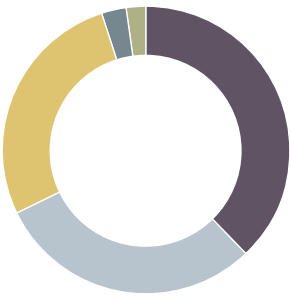
Developments in commercial and mutual P&I premiums



Source: AJ Gallagher, "Marine P&I Pre-renewal Review" (December 2012), Marine P&I Commercial Market Review 2012 and Swiss Re Economic Research & Consulting

Commercial and Domestic P&C

GWP by class



Property	38%	Captives	3%
Fleet/other motor	30%	Other	2%
Liability	27%		

Source: Amlin

Our market position

Amlin's commercial lines business is underwritten in the UK through Syndicate 2001, serving clients in the UK and Ireland, and Amlin Europe, which operates in the Netherlands, Belgium, France and Germany.

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

Each of Amlin's commercial lines businesses focuses on maintaining close relationships with key intermediaries in their respective markets and providing excellent service tailored to the needs of brokers and clients.

We also write some personal lines insurance in the UK, such as high-net-worth products for private individuals. This is sourced through specialist intermediaries such as brokers or managing general agents, or Amlin's own service companies.

In the UK, Amlin's largest commercial insurance line by premium is commercial fleet motor, in which we are recognised as a market leader. We write a wide range of commercial motor coverage, including coach, haulage, commercial vehicle, private car fleet, private/public hire, and self-drive hire.

We also underwrite property and liability business for UK corporate entities. The property account includes package products aimed at the small and medium enterprise sector, which include combined property and liability cover.

Our underwriters work closely with brokers to create niche products that meet UK commercial client needs across many business types and sectors. The underwriters' experience, technical expertise and ability to create and price non-conventional programmes provide a competitive advantage.

Amlin Europe is a leading provider of commercial property and liability insurance in the Netherlands and Belgium, where we also

underwrite commercial motor fleet insurance. In France, Amlin Europe writes a diverse portfolio of specialist, mainly property classes. Alongside its established and growing SME-focused French client portfolio, Amlin Europe has 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, and a broad range of local brokers and intermediaries.

Market commentary

In the UK, the commercial insurance trading environment continued to improve, with motor-fleet pricing strengthening further. Amlin's portfolio increased 9.8% for the year, providing a cumulative increase of 33.3% since 2010.

New business written and higher pricing on renewed business generated growth of 28% in UK fleet motor premiums to £141.5 million during the 2013 underwriting year. Commercial property and liability rates also improved, with increases of 0.8% and 5.6% respectively. Overall, rates improved 4.9% on Amlin's UK commercial portfolio in 2013.

The trading environment for Amlin Europe's non-marine operations remained competitive, with substantial capacity available in all major business lines. Overall, rates on Amlin Europe's non-marine business were flat.

Developing our strategy

The International P&C and Commercial and Domestic P&C practices currently operate as one Practice Board.

Following a review in 2013, relevant to the practice, we created service functions that aligned the oversight, underwriting and service operations of Amlin UK and Amlin London more closely.

Amlin Europe progressed further with the integration of the former Amlin France business, which now operates as a branch of Amlin Europe, as opposed to a service company. The French business continued diversifying its commercial client base.

In the Netherlands, Amlin Europe built a regional market offering aimed at increasing market share among smaller, local brokers. Amlin Europe also launched a new binder proposition in Belgium, capitalising on binder expertise in Amlin London and Amlin Europe's Netherlands business. Both propositions were well received by brokers and are expected to generate new business in 2014.

A strategic priority for Amlin Europe is to extend its franchise into other European markets to achieve sustainable profitable growth. Following detailed analysis of the target market, during 2013 we established an underwriting operation in Hamburg, Germany, which will focus on commercial SME business, and operate as a branch of Amlin Europe. The business received Dutch and German regulatory approval at the end of 2013 and we expect the business to start underwriting in the first quarter of 2014.

Renewal ratings indices

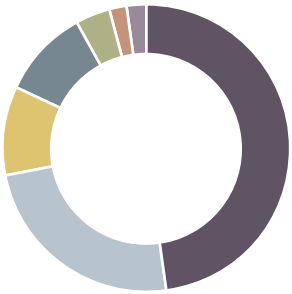
Rating indices in key Group classes

Amlin UK	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Fleet motor	100	121	136	143	141	137	135	134	137	144	148	159	175	**192**
Employers' liability	100	115	144	158	**159**	144	135	123	115	114	115	114	119	126
Professional indemnity	100	110	149	178	**181**	165	154	140	129	128	127	127	128	130
Property and commercial combined	100	100	100	**127**	126	126	117	110	109	107	106	112	113	114
Amlin Europe														
Property										**100**	97	95	95	95
Liability										**100**	95	95	95	95
Fleet motor										**100**	99	99	99	99

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

International P&C

GWP by class



Property	48%	Professional lines	4%
Casualty	24%	Special risks	2%
Auto	10%	Other	2%
Accident & Health	10%		

Source: Amlin

Our market position

Amlin London writes international property and casualty insurance lines through Syndicate 2001, focusing on four main areas: property, casualty, accident and health, and auto.

US business accounts for most of the portfolio, although business is written globally. Amlin leads over 40% of the business written.

Our property account comprises a wide range of risks, from small to very large commercial property and industrial plants, including power generation, utilities, mining, and petrochemical facilities. One of the objectives in writing the portfolio is to achieve product and territorial diversification.

Casualty lines written include medical malpractice, errors and omissions, worker's compensation, automobile liability, and directors' and officers' liability. In professional lines, Amlin provides cover for mid-size to large law firms, architects, engineers, consultants and other professions.

Our personal accident account comprises direct business written on a facultative and a delegated authority basis, and a reinsurance account, written on a proportional and an excess of loss basis.

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 within all casualty lines.

Market commentary

In 2013, loss activity in the US property market was less severe than in 2012, when Hurricane Sandy and exceptional tornado activity generated estimated insured losses for the market of US$35 billion[1]. There was no single large US catastrophe event in 2013, but there were a number of tornado and other weather-related events.

US property rates maintained a modest upward trend during the year, despite increased capacity and a relatively benign claims environment. Casualty rates improved slightly after claims inflation, contributing to an average increase in pricing for Amlin's US property and casualty portfolio of 1.7%.

The entry of Berkshire Hathaway – one of the largest global (re)insurers – into the US excess and surplus lines market was a significant development during the year. This market is one of the largest sources of US property and casualty business to Lloyd's. This development had limited market impact during 2013. However, given the substantial capital Berkshire Hathaway could commit to this new venture, the move is likely to increase competition in this segment over the longer term.

Major brokers are increasingly focusing on consolidating capacity with fewer insurers, by using placement platforms or exclusive agreements with specific carriers. This remained a feature of the London market during 2013. Amlin's lead market position ensures we have access to these opportunities and a strong negotiating position. A key benefit of some of these schemes is gaining access to the extensive market data collected by the major brokers. Amlin also has strong relationships with a wider pool of brokers, in line with our policy of diversifying distribution (see page 11).

Developing our strategy

The International P&C and Commercial and Domestic P&C practices currently operate as one Practice Board. The focus in 2013 was to develop its strategy and long-term objectives; oversee performance; set and lead the direction for the relevant business lines to achieve their goals; and ensure the underwriting teams have the right tools to deliver targeted returns.

During the year, the Practice Board undertook several projects. These included reviewing reinsurance purchase strategy, resulting in better aligned and more optimal purchases across the property and casualty classes. The Practice also focused on preparing the start-up of a new non-marine insurance operation in Germany, as a branch of Amlin Europe.

The Practice continued operating a product underwriting forum for casualty and launched one for motor business. These forums give underwriters an opportunity to compare and assess their portfolios in the context of Amlin's Group-wide underwriting of the class. In 2014, the Practice plans to create a similar property underwriting forum.

Renewal ratings indices

Rating Indices in key Group classes

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	**2013**
Property	100	125	**171**	163	143	136	165	143	133	142	141	144	153	156
Casualty	100	123	172	217	234	**239**	237	223	203	199	197	197	201	201

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

1. Swiss Re sigma No. 2/2013.

Financial management

"We aim to create good returns for shareholders by growing earnings over the long term while delivering a cross-cycle return on equity of at least 15%."

Richard Hextall
Group Finance and Operations Director

Determining our capital requirement

At 31 December 2013, available capital was £573.9 million above the assessed capital requirement (2012: £378.8 million).

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

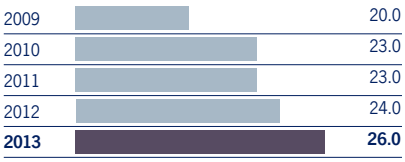
The table on page 35 shows our capital position at 31 December 2013.

Assessed capital is management's estimate of capital required for current trading purposes.

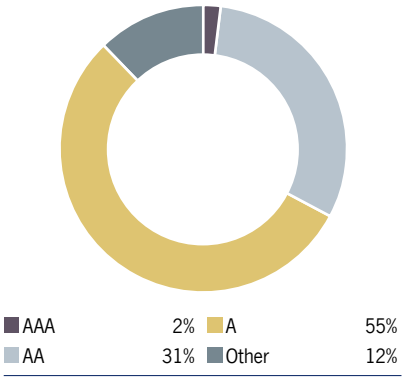
- For Syndicate 2001, the assessed capital requirement at 31 December 2013 amounted to £540.6 million (2012: £542.7 million). This capital supports the 2014 business plan approved by Lloyd's.
- We continue to believe that $1.0 billion is the minimum amount of capital required by Amlin AG to trade with 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 £1.0 billion (2012: £1.0 billion).
- For Amlin Europe N.V., assessed capital at 31 December 2013 is £209.4 million. This represents the estimated Solvency II requirement, using our internal model, plus a 35% uplift less the current reserve margin.

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

Dividend per share (p)

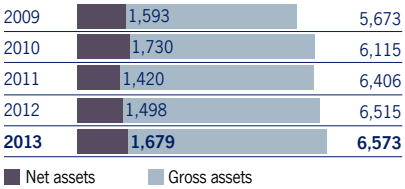


Credit quality of reinsurance debtors



Source: Amlin

Gross and Net assets (£million)



Adjusting 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, 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 2013, Amlin had £289.5 million of subordinated debt in issue (2012: £290.4 million). The debt is regulatory compliant, long-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.

The two $50 million debt tranches are expected to be repaid in November 2014 and March 2015. We will look to refinance our subordinated debt in full prior to the reset date in December 2016 for the remaining bond.

Additionally, we have a £300 million unsecured revolving credit facility available. The facility has a five year term expiring in August 2017. At 31 December 2013, an amount of £101.4 million was drawn down for working capital purposes (2012: £120.0 million). Repayment is expected in early 2014 through release of Syndicate 2001 profits from Lloyd's and an Amlin AG dividend.

Managing equity capital for shareholders

We aim to create good returns for shareholders by growing earnings over the long term while delivering a cross-cycle return on equity of at least 15%. This is intended to support growth in the dividend and net tangible assets per share. In managing our equity capital our priorities are therefore to:

- Maintain a robust level of capital in support of the risks of our business;
- Support profitable growth, particularly in periods of high margins; and
- Ensure continuity of our ability to return dividends to shareholders.

We have returned £557.3 million to our shareholders over the last five years, through a combination of dividends and share buy-backs.

With the proposed final dividend in respect of 2013 of 18.2 pence per share, giving total dividends for the year of 26.0 pence per share (2012: 24.0 per share), dividend growth for the year was 8.3%. Net tangible assets per share increased to 288.7 pence per share (2012: 259.8 pence per share).

Enhancing cash flow

At 31 December 2013, the Group's cash and investments were £4.5 billion, an increase of £137.7 million on the prior year (31 December 2012: £4.4 billion). Cash and investments are a multiple of 2.7x shareholders' equity (2012: 2.9x).

The strength and liquidity of our financial position underpins our client proposition, allowing us to respond quickly to claims in the event of a large catastrophic loss. We believe the Group can readily absorb liquidity needs 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 also 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. At 31 December 2013, Amlin AG issued LOCs amounting to $268 million.

Effective cash flow management is a key source of value to an insurer. 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 2013, outstanding premium debtors were £1,013.8 million (2012: £1,003.2 million). The accrual for reinsurance on outstanding claims was reduced at £343.1 million (2012: £478.6 million) reflecting limited major catastrophe loss activity in the year.

Effective investment management

Our investment management approach is driven by 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 financial position. 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. Our emphasis is on:

- Establishing appropriate strategic asset allocations applying both qualitative and quantitative analysis;
- Taking short-term tactical asset allocation positions around the strategic asset allocations; and
- Identifying skilled external investment managers to manage the underlying assets.

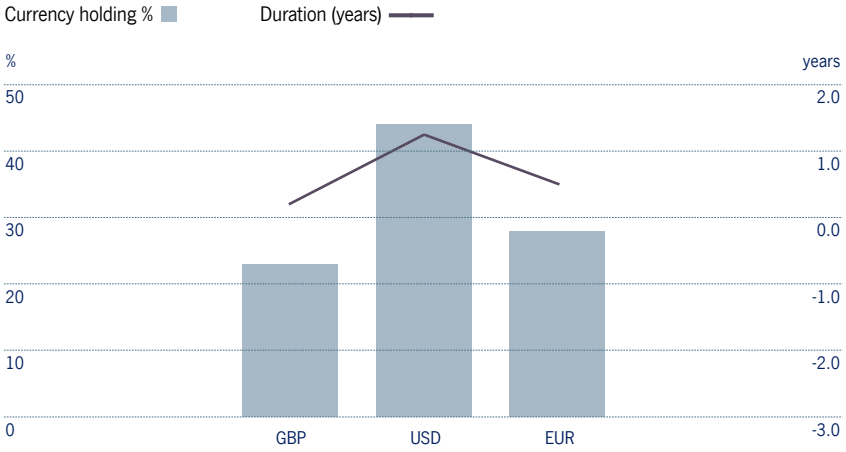
We differentiate between policyholders' funds, being premium received and used to meet future claims expenses, and capital assets, which support the underwriting business.

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

The investment horizon for capital assets is longer term allowing 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 and value at risk models. The table on page 36 analyses policy holders' and capital asset allocation.

More detailed commentary on our investment performance in 2013 is provided on pages 52 to 53. Investment risk is analysed within our risk disclosures on pages 144 to 157.

Currency and duration



Source: Amlin

Amlin capital analysis

At 31 December	2013 £m	2012 £m
Net tangible assets	**1,439.5**	1,286.3
Subordinated debt	**289.5**	290.4
Undrawn bank facilities*	**198.6**	180.0
Available capital	**1,927.6**	1,756.7
Assessed capital	**1,353.7**	1,377.9
	573.9	378.8

*Bank facilities are subject to a number of covenants.

Financial strength ratings

	Syndicate 2001	Amlin AG	Amlin Europe N.V.
AM Best	A+ (superior)	A (excellent)	Not rated
S&P	4 (stable)[1]	A (stable)	A- (stable)
Moody's	A2 (stable)	A2 (stable)	Not rated
Fitch	Not rated	A+ (stable)	A+ (stable)

1. Lloyd's Syndicate assessment.

Amlin Europe was upgraded to A+ (stable) by Fitch during 2013, recognising its core importance to the Group.

Effective currency management

Subsidiaries actively manage their asset/liability currency exposures. Profits in non-balance sheet currencies are available for sale as they crystallise.

At a Group level, we implement a policy to hedge approximately 50% of the net dollar/euro net asset exposure of the Group.

In the year to 31 December 2013, we recognised £16.5 million of losses from the currency retranslation of overseas operations (2012: loss £57.1 million) offset by £0.5 million of gains from the revaluation of associated hedge instruments (2012: gain £3.7 million) in accordance with hedge accounting rules of IAS39. Currency losses reflect the strengthening of sterling against the dollar during 2013.

Estimating outstanding claims reserves

Estimation of claims reserves is a key feature of financial management. Not only does it impact overall profitability, but it also impacts investment mix as different approaches are taken for capital and policyholders' funds. At 31 December 2013 net claims reserves totalled £2.6 billion (2012: £2.6 billion).

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 valuation 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 with consistency of reserving strength an 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 (2012: at least £160 million).

Asset allocation

	at 31 December 2013				Restated at 31 December 2012	
	Policyholders' assets £m	Capital assets £m	Total assets £m	%	Total assets £m	%
Type of asset						
Bonds	2,221.7	732.1	2,953.8	66.2	2,663.6	62.7
Other liquid investments	499.0	303.5	802.5	18.0	1,148.8	27.0
Global equities	–	522.4	522.4	11.7	283.6	6.7
Property funds	–	181.0	181.0	4.1	153.6	3.6
Total	2,720.7	1,739.0	4,459.7	100.0	4,249.6	100.0
Assets by region						
United Kingdom	130.4	205.2	335.6	12.7	379.5	13.2
US and Canada	825.5	439.9	1,265.4	47.9	1,332.1	46.1
Europe (ex UK)	522.6	228.6	751.2	28.5	749.2	26.0
Far East	106.6	128.6	235.2	8.9	386.4	13.4
Emerging markets	21.2	30.3	51.5	2.0	37.6	1.3
Total	1,606.3	1,032.6	2,638.9	100.0	2,884.8	100.0

Note: The regional table excludes bond pooled vehicles.

Source: Amlin

People management

"Our ability to attract and retain the best people will be crucial to achieving our strategic goals. During 2013, we made further progress with our Talent Management programme and continued to adapt our employment practices to the needs of an international business."

Mark Farrow
Group Human Resources Director

Unlocking our people's potential

When managing our people, we aim to align Amlin's Vision, strategic priorities, shareholder value and employee interests. Our goal is to sustain and, where necessary, raise our performance. We do this by unlocking our people's potential, motivating them appropriately and planning to address succession issues.

We want our employees to feel proud to work for Amlin and to align their long-term career development to the Group's ambitions. We achieve this by finding, retaining and developing talent; championing best practice; advising and supporting staff; and driving and rewarding exceptional performance.

Our ability to attract, develop and retain talent is important to the long term sustainability of the Group and this is reflected in Amlin's strategic objective to become "the place to work" in our markets. The high level of retention of our senior underwriters, in particular, underpins our unique underwriting culture and provides the foundation for the extension of our underwriting business model into new markets and the integration of acquisitions.

Staff turnover

2013	2012
7.0%	7.2%

Senior underwriter turnover

2013	2012
4.4%	2.5%

Talent management

We believe that the quality of our people is a key differentiator and that effective Talent Management drives superior performance, adds value and is essential to meet our growth ambitions. Our changing business environment and strategic direction are shaping Amlin's priorities. We are growing in size and complexity worldwide and continuing our strategy of selective acquisition. As a larger, more complex Group, we have a growing requirement for general management as well as specialist roles. Our talent development aims to improve capabilities, reduce succession risk, retain key people and ensure Amlin has the range of skills needed for continued success.

In 2013, we progressed significantly by implementing consistent performance management, succession planning and talent management data collection. We also launched a number of initiatives. These included selected individuals participating in two business school development programmes; a Leadership Transition Programme and a Management Acceleration Programme, both run by INSEAD at its European campus in Fontainebleau, France.

In addition to the INSEAD programme, 15 individuals attended an Authentic Leadership Programme facilitated by ASK Europe. This programme is designed for middle and senior managers with leadership responsibilities and it is constructed around a large scale business simulation supported by detailed feedback and coaching support. Whereas the INSEAD programmes have the benefit of giving participants the opportunity to learn with delegates from other industries and sectors, the ASK programme creates strong peer group learning networks across the Group. The ASK programme design includes a post-course follow-up period of 13 weeks to maximise the prospect of learning being transferred back into the workplace.

Collaborative learning

Two Group projects have provided good experiential learning opportunities for a number of employees, with the project lead being taken by two of the senior individuals identified for the talent management programme. The first of these projects, Matrix II, was established with the aim of implementing a new single intranet site across the whole Group that would be able to act as a platform for future collaboration. The project was used as a vehicle to provide on-the-job development while resolving a live business issue. The second project focused on creating an online Underwriting Community to help reinforce Amlin's underwriting standards and philosophy, while creating a brand identity and focal point amongst the Amlin underwriting businesses.

A separate Talent Management initiative included 15 individuals attending the International Community Action Learning (*iCAL*) programme in Namibia. The objective of the programme was to partner intense learning and development with charitable work that provides lasting sustainable benefits for the recipient community. The *iCAL* team worked with a primary school in northern Namibia helping to deliver practical tasks for the local primary school. The key deliverable for the team was building a catering facility for the school in just over four days, a project that stretched their learning and development in a very significant way.

Diversity

Our people are instrumental to our success: we respect and value the individuality and diversity that every employee brings to the business. We employ 1,886 people across the globe. The table opposite shows the gender split at different levels within the organisation.

As at 31 December 2013, 47% of our workforce across the Group is female. At a senior leadership level 20% of the plc board are female. However, at executive committee level and senior management level the figures are lower, 12% and 9% respectively.

Amlin's diversity statistics reflect the legacy of the Lloyd's and wider London insurance market, being historically male dominated, and consequently changing the profile of senior staff takes time. Amlin has a long-standing policy of equal opportunities in employment and this applies to the appointment and development of all staff. The Group is committed to employing people solely on their ability to do the job and we do not operate a policy of positive discrimination. Therefore, whilst the profile of newly recruited staff is more representative at a junior level, the Group has very low turnover in its senior management population and the diversity mix at this level will take longer to change.

We are committed to encouraging and supporting gender diversity throughout Amlin. The focus in 2014 on developing talent at all levels in the organisation will enable us to improve on the current situation.

The importance of diversity, equality and non-discrimination is highlighted in our Equal Opportunities Policy and underpinned by our core values which provide clear guidelines on how we behave towards each other.

Our values are professional excellence, integrity, leadership, superior performance, teamwork and focus on sustainability.

Addressing our organisation's needs

The Group has continued to implement action plans in response to feedback from the Group-wide Employee Survey carried out in 2012. These cover a range of activities but include employee engagement, internal communications, more effective management of change, improved career development opportunities and a more effective working culture. Implementation of these action plans started in November 2012 and continued throughout 2013 with regular reporting to track progress.

A number of business areas carried out shorter surveys towards the end of 2013 to measure levels of improvement. Another full employee survey will be carried out in 2014 in conjunction with Ipsos MORI.

In line with Amlin's development, we are adapting our employment practices to the needs of a larger and more diverse business. During 2013, we commenced a Group-wide remuneration review. As well as continuing to ensure the retention of key employees in all areas of the Group's operations, another objective is to enable greater employee mobility by making remuneration comparable between locations and aligning incentives with our longer term growth aims. In particular, the new structure aims to encourage and reward teamwork across operational and geographical boundaries.

Employee turnover and experience at 31 December 2013

	Turnover	Voluntary turnover[1]	Mean age of employees (years)	Mean service of employees (years)
Senior underwriters	8.0%	4.4%	45.7	9.5
Other underwriters	10.5%	8.1%	39.5	8.0
Underwriting support	9.2%	8.0%	37.1	7.1
Claims staff & support	7.9%	5.2%	40.2	8.8
Operational staff & support	11.4%	7.4%	39.3	6.0
Group	9.1%	6.9%	38.1	4.8
Total	**10.0%**	**7.0%**	**39.6**	**7.3**

1. Voluntary turnover excludes redundancy and dismissal.

Amlin employees by Division at 31 December 2013

	2013	2012	**Senior Underwriters 2013**	Senior Underwriters 2012
Amlin Group (including Group shared services)	**284**	311	**–**	1
Amlin London	**385**	315	**50**	50
Amlin UK	**474**	463	**29**	26
Amlin Singapore	**15**	15	**–**	–
Amlin Reinsurance Managers	**4**	4	**2**	2
Amlin Europe	**414**	427	**14**	12
RaetsMarine	**122**	–	**6**	–
Amlin France	**81**	76	**7**	7
Amlin Re Europe	**52**	46	**17**	17
Amlin Bermuda	**55**	50	**7**	6
Total	**1,886**	1,707	**132**	121

Note: During 2014 a senior underwriter from Amlin London will join Amlin Singapore.

Employee diversity by gender

	Male	Female	**Total**	% Male	% Female
Amlin plc Board	8	2	**10**	80%	20%
Group Management Committee[1]	7	1	**8**	88%	12%
Senior management	58	6	**64**	91%	9%
All employees	996	890	**1,886**	53%	47%

1. GMC figures exclude plc directors.

We aim to conduct our business in a sustainable manner, providing continuity through the consistent application of our values in our relationships with clients, employees, shareholders and other stakeholders.

Engaging with our employees

We recognise the importance of employee engagement. To encourage discussions and consultation between staff and managers we operate the Amlin Group Consultation Forum (GCF). Established in 2012, the GCF is a 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).

The GCF is made up of five members of the Senior Management team and employees from all areas of the Group, proportionally representing each of the different business units. In addition, there is also a Consultation Forum in the UK and there are Works Councils in the Netherlands and Belgium. We also encourage employee communication through our intranet and a regular electronic newsletter.

As noted on page 39, we also regularly seek employee feedback through surveys.

To align employee interests with those of shareholders, we encourage equity participation through a share incentive plan (SIP) and a savings-related share option plan. Senior employees participate in long term share incentive schemes and we have shareholding guidelines for senior management. At year end, Directors and staff owned 1.89% of the Company, including shares held on their behalf by trustees of our Employee Share Ownership Trust and SIP. 75% of employees held shares through the SIP (2012: 62%)

Relationship with shareholders

We strive to be open, transparent and accessible in our communications with investors and analysts so that they can make informed judgements about the Company. We value the support from a high quality register of long-term institutional investors (see table on page 106) as well as private investors, many of whom are current and former employees.

A programme of meetings with major investors, following results announcements and throughout the year, ensures that we maintain a positive dialogue with our existing investors, taking into account their views and concerns. We also receive independent feedback from investors through our joint brokers Morgan Stanley and Numis. During 2013, we had 60 one to one meetings with current and prospective investors in the UK, Continental Europe and the US. We hosted Group meetings for more than 40 investors at our London offices during the year, and also presented Amlin's investment proposition to a further 30 international investors at external conferences.

Analyst coverage of Amlin is extensive, with more than 20 equity analysts and several credit analysts producing regular research reports and commentary on the Company. We seek to maintain an open and productive dialogue with analysts to ensure they understand Amlin's business model and investment proposition. As well as formal analyst meetings following results announcements, we also engage with analysts on an individual basis and obtain specific feedback through regular formal surveys of analyst opinion conducted on a 'no names' basis by our advisers FTI Consulting.

Community

Amlin believes in supporting the communities in which it does business, the education and development of young people, and charities which are relevant for employees. In 2013, Amlin Group's charitable giving amounted to £274,438. In the UK, charitable giving is co-ordinated through a Community and Charities Panel chaired by a senior underwriter. Five main UK charity partners were supported during the year as shown opposite.

Outside the UK, community and charities budgets are managed under the direction of local boards. For example, Amlin Bermuda uses its $200,000 budget to support local youth, education and sport-based organisations. In 2013, Amlin Bermuda donated $57,500 to support educational scholarships and also donated $10,000 to the Bermuda Zoological Society to support research into coral reefs and how to protect them.

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 supports the General Insurance Association's Global Internship Programme, providing speakers for their Talent Outreach Project.

During 2013, Amlin supported 83 employees involved in community activities and charity fund-raising, with funding of up to £750 per event. Amlin's annual sponsored go-karting event raised £22,000, split between Richard House Children's Hospice and Macmillan Cancer Support, one of Amlin's Charity Partners. Additionally, as described on page 38, 15 Amlin staff members participated in the iCAL programme in Namibia.

Human rights

The Amlin Group supports and operates its business in accordance with the Universal Declaration of Human Rights (UDHR) and takes account of other internationally recognised and accepted human rights standards, including but not limited to, the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR) and the International Labour Organisation Core Conventions (ILO).

The support is expressed through our Human Rights Policy, as well as a number of other Amlin Group policies.

Environment

Amlin is directly engaged with environmental issues, particularly climate change, through our catastrophe underwriting, which includes protecting clients against weather-related events. 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 and other insurance market participants.

Amlin measures its annual carbon footprint and in December 2013 we engaged Deloitte LLP to carry out limited assurance in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000). An assurance statement and description of our in-scope operations and methodology is available on our website www.amlin.com. Amlin's carbon footprint has decreased by 10% to 3.1 CO_2 (e) per employee, despite an increase in employees in 2013.

Amlin also submits a sustainability report to the Carbon Disclosure Project. This is a global not-for-profit organisation which assesses the performance of companies against a range of criteria, and then allocates a score which is comparable across industries and companies. This score is then available to investors and the public to assess the climate awareness of a company. Amlin scored 77, comparing favourably to Amlin's previous score of 70 in 2012, an industry peer average of 64, and the FTSE 250 average of 60.

Amlin's UK Charity Partners 2013

Charity and Amlin's support

Macmillan Cancer Support
£20,000 to fund a Uro-Oncology Cancer Nurse Specialist.

UK Youth
Sponsorship of Art for Youth London Exhibition, funding of vocational training for selected young people and supporting Amlin/UK Youth Platinum Leadership Programme totalling more than £19,000.

The Outward Bound Trust
Funding of £10,000 for a residential trip for 154 students, in March 2013.

Little Haven's Hospice, Chelmsford
Local community support (Amlin UK office location).

Lloyd's Community Programme
Support of Community Action Projects alongside other Lloyd's businesses.

Summary of calculation

GH Protocol Scope	Emissions source	Total CO_2 (Tonnes) 2013	Total CO_2 (Tonnes) 2012+
1	Gas	**932.1**	846.5
1	Direct Fleet Emissions	**72.1**	45.3
2	Electricity	**2,451.5**	2,703.0
3	Water^	**8.4**	9.2
3	Waste^	**44.0**	108.2
3	Business Travel Air	**2,188.9**	2,153.4
3	Business Travel Other	**234.2**	233.0
3	Employee Commuting	**2,548.5**	2,363.0
	Total carbon footprint	**8,479.8**	8,461.5
	Employees (as of 31st December)	**1,886**	1,707
	CO_2(e) per employee	**4.5**	5.0
	Total CO_2(e) per employee excluding commuting, waste and water**	**3.1**	3.7

^ CO_2(e) equivalent.

+ Our carbon footprint has been restated for 2012 electricity in order to account for material changes to the conversion factors provided by Defra for company reporting purposes.

** These are generally included in the majority of FTSE company environmental audits but not in CO_2 footprint.

Building for the future

In 2015, Amlin's UK employees will move into new offices in Chelmsford and London. The Chelmsford building is being built specifically for Amlin, while in London Amlin will be one of the lead tenants in the Leadenhall Building, a major new development next to our existing London offices.

Both buildings are designed to attain a high rating under the Building Research Establishment's Environmental Assessment Method (BREEAM[1]), which is the world's foremost environmental assessment method and rating system for buildings, setting the standard for best practice in sustainable building design, construction and operation.[1]

Areas covered by the assessment include elements of the site and building process, such as location from a transport perspective and responsible sourcing of construction materials. For the completed structure, the assessment includes operational energy and carbon footprint, water consumption and efficiency, and waste minimisation and management. Currently the building design and construction of the Leadenhall Building has a pre-certified BREEAM Excellent Rating, while the Chelmsford building is targeting a Very Good BREEAM rating. Amlin's environmental objective is to carry these high ratings through to the design and fit out.

A key objective for these offices is to create a dynamic and collaborative environment, which will support our goal of being 'the place to work' to attract the best talent in our industry. During 2013, the project teams worked with Amlin colleagues to develop an optimal design and layout for a client focused approach. These designs include provision for shared desks and highly flexible spaces, which can be configured in different ways to optimise use of floor space and resources.

In Amlin's existing London headquarters offices, we continued to seek opportunities for increasing cost efficiency and reducing our carbon footprint. For example, in August 2013 we launched an HD quality video conferencing facility linking all of Amlin's principal office locations. This allows up to 20 parties to join a meeting and also provides for document sharing and for participants to dial in by telephone if they do not have access to video conferencing facilities. This facility is particularly useful for the cross-border cooperation demanded by the Practice Boards and other cross-discipline collaborations.

1. BREEAM has become one of the most comprehensive and widely recognised measures of a building's environmental performance. Since its launch, 200,000 buildings have been assessed and over a million registered for assessment. A BREEAM assessment uses recognised measures of performance, which are set against established benchmarks, to evaluate a building's specification, design, construction and use. The BREEAM addresses wide ranging environmental and sustainability issues and enables developers, designers and building managers to demonstrate the environmental credentials of their building.

Risk management

"During the year we applied the risk framework to support Amlin's strategic objectives through risk analysis of business development initiatives, as well as further developing our Internal Model to support business decision making. The continuing enhancement of our Enterprise Risk Management capability was recognised by Standard and Poor's with an upgrade of our ERM rating from 'Adequate' to 'Strong' in March 2013."

James Illingworth
Chief Risk Officer

Amlin's risk function plays a co-ordination role in the risk review of all of the Group's operations and helps ensure that Group management responds to the principal risks and uncertainties faced by the business.

The principal risks and uncertainties faced by the Group and their current status are set out on pages 44 to 47.

During 2013, the risk function carried out a number of specific reviews including consideration of capital market developments and convergence in the reinsurance market, increasing cyber risk exposures and the impact of regulatory change and uncertainty.

The risk framework was applied in a practical manner to support Amlin's strategic objectives through the review of the decisions to purchase RaetsMarine and the establishment of a start-up operation in Germany. In both cases, detailed risk analysis exercises were completed, to consider the capital implications through use of the Internal Model and to support management decisions. The process was valuable in challenging and validating the business plans proposed.

During 2013, the function carried out a review of the Own Risk and Solvency Assessment (ORSA) process and reporting. The ORSA was considered to be an effective means of communication, so many of the changes made were evolutionary by their nature.

An improvement plan was put in place which has delivered a number of enhancements to the reporting and analysis of key risks and solvency issues.

In 2013, the capability of the risk function in Amlin's subsidiaries was strengthened, notably in Amlin Underwriting Limited, the operating entity for Syndicate 2001, and Amlin AG.

To support the Solvency II Internal Model application process, and in recognition of the growing use of the model in influencing key decisions, the requirement to validate the Internal Model has been incorporated into the overall risk framework. Under the Solvency II regulations, the risk function is responsible for the governance and review of the Internal Model used for capital setting. During 2013, the Corporate Centre Risk function redeveloped the validation process and brought the delivery of validation reports for each entity and the Group in-house. Through effective review and challenge of the model and how it is managed, Amlin has identified a number of opportunities to enhance the effectiveness and use of its Internal Model, including:

- Improvements in data quality controls;
- Further enhancements to windstorm modelling;
- Enhancement of stress testing of model; and
- Clarifying the respective roles of local and Group Actuarial functions within model governance.

External validation will still be used where appropriate, and where additional technical expertise can add value to the construction and development of the model. For example, during 2013, we completed the adoption and validation of the new economic scenario generator (ESG) used for modelling investment market risk. In this case, because it was classified as a major change, we extended the thorough validation exercise, including external actuarial review. Amlin believes the mix of external technical analysis with internal practical review provides a robust challenge of the model and its output.

Model use

Alongside the developing capability of the Internal Model, there is continued enhancement of use of model output to support business decisions. The new ESG is being used in the investment team for the management of risk and in risk reporting against tolerances.

In 2013, the model was used to help verify business plans. This included the review of reinsurance arrangements prior to the decision to internalise an increased proportion of the programme. The impact on profitability, risk and capital for the main reinsurance programmes was analysed and this analysis showed that the planned change to structure and pricing had a beneficial impact on forecast profit without an increase in modelled capital requirements.

However, we are conscious of the dangers of model reliance taking the place of human judgement, particularly for extreme potential events which may expose modelling inadequacies. For example, the purchase of the Tramline II bond, which provides cover for a severe US or Canadian earthquake, was driven by our understanding of the volatility of our modelled exposure to such an extreme tail event, rather than as a response to the output from the model.

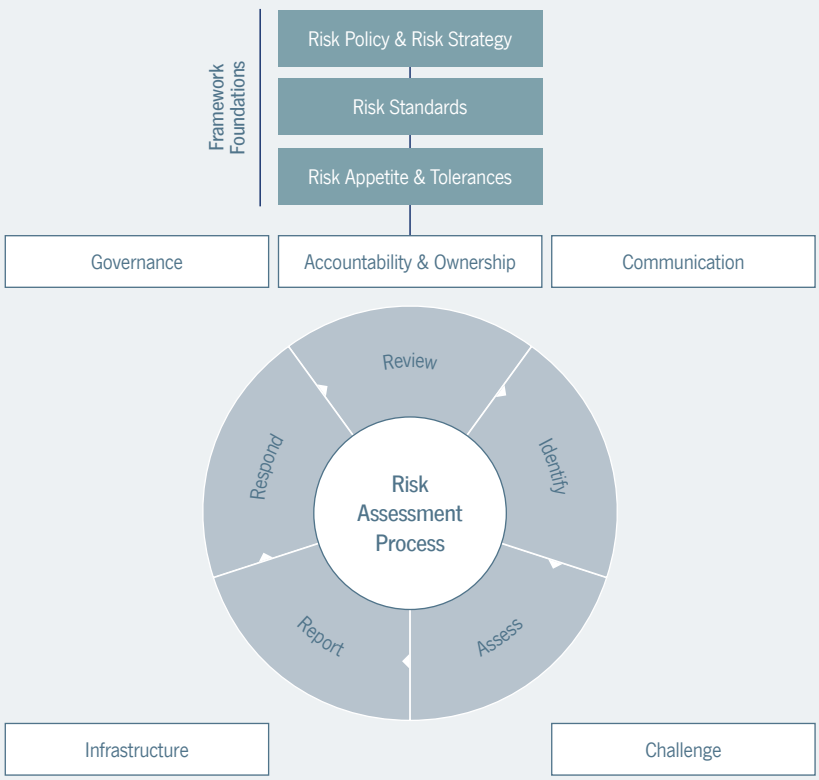
The status of our six largest catastrophe realistic disaster scenarios is shown in the table below.

The Group continues to operate within the same probable maximum loss tolerance limits of £350 million for each key zone. Compared to the position at 1 January 2013, exposure for most zones is similar, except for the internalisation of the reinsurance programme placed by Amlin Re Europe which has increased the potential loss from European windstorm events from £182 million to £266 million, and a reduction in the California earthquake scenario, due to the purchase of additional reinsurance protection via Tramline Re II.

Largest Realistic Disaster Scenarios (£million)

	1 January 2014			1 January 2013		
	Gross loss	**Net loss**	**Tolerance**	Gross loss	Net loss	Tolerance
North-East US Windstorm	**671**	**279**	**350**	622	268	350
Florida Windstorm Tampa	**676**	**273**	**350**	606	262	350
California Earthquake LA	**439**	**102**	**350**	448	161	350
European Windstorm	**747**	**266**	**350**	691	182	350
Japan Earthquake	**360**	**191**	**350**	396	182	350
New Zealand Earthquake	**322**	**175**	**350**	290	194	350

Risk management framework



Principal risks and uncertainties

The principal risks and uncertainties facing the Group are a key focus of the risk management framework and are tracked through review of the ORSA.

Principal risks	Risk factor description	Amlin's analysis of impact levels	Risk trend and measure
Enterprise-level risk	Risks associated with one or more losses from a portfolio of principal risks occurring and providing an aggregated impact on the organisation as a whole.	Amlin is exposed to a domino-type event whereby, for example, a major natural catastrophe event not only affects Amlin's insurance underwriting portfolio but also impacts stock markets, causing significant market and currency movements and a material impact to investments. The combined effect of these risk events could trigger reinsurance counterparty default events and hence a secondary impact on liquidity.	• No major change • Model output of combined simulated results shows stable picture at 31 December 2014
Strategic risk	Risks associated with the appropriateness of business strategy in the face of the external environment.	It is critically important that Amlin responds effectively to changes in the external environment which affect its business. The execution and integration of acquisitions can carry increased risk which requires sound management.	• Changing dynamics in reinsurance markets leading to increased competition • Increased consolidation of capacity by major brokers
Underwriting – Catastrophe risk	The risk of material claims arising from inherent uncertainties in the occurrence of insurance losses associated with natural or man-made catastrophic events.	Amlin has an extensive portfolio of property and marine insurance and reinsurance business that has significant exposure to weather and earthquake exposures as well as non-elemental perils such as industrial accidents.	• Catastrophe exposures have increased broadly in line with the growth in net assets during 2013 • Increased availability of outwards reinsurance at more attractive rates.
Underwriting – Attritional risk	The risks of unexpected or unbudgeted increase in cost of small or large insurance claims.	Amlin is exposed to attritional losses caused by inadequate pricing and/or unexpected claims frequency as well as systemic change in the nature of claims.	• No major change
Underwriting – Reserving risk	The risk of unexpected or unbudgeted increase in claims emanating from business written where the result has been declared.	Amlin considers it has some exposure to claims reserving risk. However, due to the short-tail nature of many of its business lines, underwriting outcomes are determined relatively quickly after a loss is notified. All classes are subject to actuarial analysis using development patterns to establish appropriate reserving provisions.	• The margin held over the actuarial best estimate of required reserves remains stable at above £160 million (December 2012: £160 million)

Mitigation strategies for each underlying risk exposure are outlined below	Executive responsibility	Link to strategic priorities	Risk disclosure link
• The risk management framework ensures that potential risk exposures are considered individually and in aggregation • Corporate Centre Risk produces an aggregated group risk profile providing an enterprise-wide view of risk exposures for the Group Executive and the Board • Stress testing of a combination of material risks is conducted to determine impact on capital • Reverse stress testing of the ultimate impact of combinations of material risks on business model viability and reputation is also performed • The Internal Model produces 100,000 simulated results and combined scenarios which are then measured to ascertain the appropriate level of capital for Amlin	Chief Risk Officer	Effective risk management which optimises return for the risks we take	
• Periodic review of key trends affecting Amlin's markets is undertaken • Emerging risks are considered and reviewed quarterly • Clear guidelines and procedures exist for the execution and integration of acquisitions. All acquisitions undergo a risk assessment process	Chief Executive	Effective risk management which optimises return for the risks we take Measured expansion of core businesses and geographic footprint	
• There is a focus on underlying homogenous risk exposure which is more easily modelled • Maintaining a geographic diversity of exposure • Maintaining pricing discipline and close monitoring of pricing • Setting and managing exposures within appropriate line size, aggregate exposure and probable maximum loss limits • Purchase of outwards reinsurance programme • Modelling and review of deterministic and stochastic loss scenarios	Group Chief Underwriting Officer	Effective risk management which optimises return for the risks we take Profit focused underwriting excellence	
• Maintaining pricing discipline and close monitoring of pricing relative to required technical price • Peer review of risks written • Monitoring and review of incurred claims trends and performance • Setting line size and underwriting authority limits • Purchase of outwards reinsurance programme	Group Chief Underwriting Officer	Effective risk management which optimises return for the risks we take Profit focused underwriting excellence	
• Quarterly reserving process involving underwriters and actuaries • Independent review of reserving process and proposed reserving levels by Group Reserving Actuary and Corporate Centre Risk function • Periodic review of adequacy of case reserving • Reserves set in excess of actuarial best estimate with the reserving margin as a percentage of carried reserves tracked as a key metric	Group Chief Underwriting Officer Group Finance & Operations Director	Effective risk management which optimises return for the risks we take	

Principal risks and uncertainties continued

Principal risks	Risk factor description	Amlin's analysis of impact levels	Risk trend and measure
Market risk – Investment market volatility	The risk arising from fluctuations in values of investments.	Amlin seeks to optimise its investment return whilst focusing on ensuring it maintains sufficient capital to meet solvency requirements and sufficient liquid funds to meet liabilities when they fall due. Exposure to market risk is therefore limited to prescribed tolerance levels for each entity.	• Improving economic growth prospects • Continued low interest rate environment. Risks associated with tapering of quantitative easing
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.	Amlin has an international business with subsidiaries operating in US dollar and euro currencies as well as significant underwriting activity conducted in US dollars, euro and Japanese yen.	• No major change
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 protection is a key aspect of how we manage underwriting risk.	• Growth in balance sheet of counterparties
Credit risk – Intermediary counterparty	The risk of loss if an insurance or treasury intermediary fails to meet credit obligations in a timely fashion.	Amlin works with insurance and reinsurance brokers as well as treasury intermediaries to manage the transfer of funds.	• Improvement in economic environment • Operational improvement in debt management in Amlin Europe
Liquidity risk – (including asset/liability matching)	The risk of insufficient financial resources being available to meet liabilities as they fall due.	The strength and liquidity of the balance sheet is fundamental to our proposition as an insurer of choice, providing us with the ability to respond quickly to claims, particularly relevant in the event of a large catastrophic loss such as a hurricane or earthquake.	• No major change
Operational risk	Risks resulting from inadequate or failed internal processes, people and systems, or from external events, including regulatory control failures.	Amlin operates a diverse business across a number of offices and jurisdictions and is expected to comply with legal, regulatory and best practice standards. The potential exists for a failure of critical business processes, people or systems resulting in an interruption to normal operations. Dependency on sophisticated stochastic models may introduce operational risk. Additionally natural or man-made disasters could impact Amlin's operating platform in one or more location.	• Separation of the FSA into the PRA and FCA has increased regulatory focus on conduct risk

Mitigation strategies for each underlying risk exposure are outlined below	Executive responsibility	Link to strategic priorities	Risk disclosure link
• Regular review of strategic and tactical asset allocations • Portfolio diversification and, in the current environment, maintaining short duration in the bond portfolio • Modelling and monitoring of investment risk against agreed 'Value at Risk' tolerances	Group Finance & Operations Director	Effective risk management which optimises return for the risks we take	
• Assets and liabilities are matched for major currencies • Approximately 50% of Amlin's US dollar and Amlin's euro net asset exposures are hedged • Foreign currency profits are sold as they are recognised	Group Finance & Operations Director	Effective risk management which optimises return for the risks we take	
• Reinsurers are screened and risk assessed • Exposure limits are set for each reinsurer based on our risk assessment • Reinsurance debtors are controlled and managed • Collateralised reinsurance is used, particularly for retrocessional reinsurance	Group Finance & Operations Director	Effective risk management which optimises return for the risks we take	
• Intermediaries are screened and risk assessed • Exposure limits are set for each broker based on our risk assessment • Debtors are controlled and managed	Group Finance & Operations Director	Effective risk management which optimises return for the risks we take	
• Liquidity needs arising from major catastrophe events are regularly stress tested • Sufficient liquidity is maintained in investment portfolios to address claims needs	Group Finance & Operations Director	Effective risk management which optimises return for the risks we take	
• The risk management framework identifies and evaluates operational risks • Policies and standards are prescribed for each business and function, including for data quality and business continuity management • Procedural controls operate including workflow management of key processes • Compliance with established policies, standards, procedures and processes is monitored • Risk events and 'near misses' are reported so lessons can be learned	Group Finance & Operations Director Group Human Resources Director	Effective risk management which optimises return for the risks we take First class client service based on a thorough understanding of their needs. Develop a culture and employment practices that make Amlin 'the place to work'	

Continuity is... an award winning claims service

Delivering exceptional service

Amlin Advance, our initiative for advancing funds to clients following major loss events, was recognised at the London Conference of the International Association of Claim Professionals 2013 as the Claims Initiative of the Year.

Over £100m

Funds settled by Amlin Advance to date

Financial performance

"In 2013 we achieved an excellent return on equity of 19.8%. This brings our ten year weighted average return on equity to 18.0%, well ahead of our cross-cycle target of at least 15.0%."

Result before tax (million)

2013	2012
£325.7	£264.2

Combined ratio

2013	2012
86%	89%

Return on equity

2013	2012
19.8%	17.4%

Ten year weighted average (ROE)

2013

18.0%

Amlin delivered a strong financial performance in 2013, with a profit before tax of £325.7 million (2012: £264.2 million) and a ROE of 19.8% (2012: 17.4%). The underwriting return was good, supported by recent growth in premium, lower catastrophe activity and increased profitability at Amlin Europe. The investment return was excellent at 3.6% (2012: 4.1%).

Amlin's performance over the longer term has been robust. Despite material catastrophe activity across recent years and difficult investment markets, the Group has recorded a weighted average ROE since 2004 of 18.0% and since 2009 of 14.3%. This compares with our cross-cycle target of 15% and exceeds our estimated cost of capital over that period of 8.5%.

Underwriting generated a combined ratio of 86% for the year, contributing a profit of £283.1 million (2012: 89% and £207.1 million). Major catastrophe activity was relatively limited, amounting to £18.5 million (2012: £152.3 million). However, there was a relatively high frequency of smaller catastrophe and large risk losses in the year, totalling £62.0 million and £76.0 million respectively (2012: £26.2 million and £3.2 million respectively). Reserve releases amounted to £133.5 million (2012: £94.2 million). However, the Group's reserve margin remained at more than £160 million above the actuarial best estimate.

Amlin London and Amlin Bermuda generated healthy underwriting profits of £113.7 million and £149.7 million respectively (2012: £63.5 million and £122.4 million respectively). The Bermuda result includes an underwriting contribution of £60.3 million generated by intercompany arrangements with other Group entities. Amlin Europe achieved a pleasing underwriting profit of £19.1 million (2012: £7.9 million), supported by improved claims performance and reserve releases. Amlin UK generated a small underwriting profit of £1.5 million (2012: £14.1 million), whilst Amlin Re Europe was impacted by flood, wind and hail losses across Europe during the year and returned an underwriting loss of £7.0 million (2012: profit of £1.5 million).

Financial performance

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Gross written premium	**2,467.4**	2,405.6	2,304.1	2,172.5	1,543.9
Net written premium	**2,107.4**	2,058.6	2,013.2	1,910.3	1,322.6
Net earned premium	**2,077.4**	1,970.5	1,927.4	1,748.1	1,317.3
Profit attributable to underwriting	**283.1**	207.1	(146.0)	185.6	355.2
Investment return	**160.4**	165.3	40.5	175.0	207.5
Other costs	**(117.8)**	(108.2)	(88.3)	(101.4)	(53.6)
Result before tax	**325.7**	264.2	(193.8)	259.2	509.1
Return on equity	**19.8%**	17.4%	(8.6)%	13.9%	37.0%

See Financial Highlights on page 3 for basis of preparation.

Underwriting performance

	2013	2012	2011	2010	2009
Claims ratio	**52%**	57%	78%	60%	43%
Expense ratio	**34%**	32%	30%	29%	30%
Combined ratio	**86%**	89%	108%	89%	73%

The investment environment continued to prove challenging, with interest rates across most of the developed world remaining low. However, with strong performance from our equity and property portfolios, the investment return was an excellent 3.6% (2012: 4.1%), giving a contribution from investments of £160.4 million (2012: £165.3 million).

Net foreign exchange losses in the statement of profit and loss amounted to £5.1 million (2012: loss £2.7 million). A net loss, after hedges, of £16.0 million relating to translation on our subsidiary net assets exposures was taken to reserves (2012: loss £53.4 million), with sterling strengthening against the US dollar during the year.

Underwriting performance

Gross written premium was £2,467.4 million, an increase of 2.6% (2012: £2,405.6 million). The average renewal rate for the Group for the period was flat with renewal retention high at 86% (2012: increase 3.7% and 84%). At constant rates of exchange, written premium for the 2013 underwriting year was up 7.8%.

As previously reported, reductions to premium estimates on binding authorities were made to 2012 premium. Notably, Amlin UK reduced estimates on binding authorities by £42.2 million. This portfolio has expanded rapidly in recent years, with significant new business, making the income estimation process inherently more difficult.

Medium term growth has been healthy, with gross written premium increasing by 13.6% across the last three years. This, together with disciplined underwriting and changes in business mix, has provided healthy momentum to earned premium. Notably, catastrophe reinsurance income (before reinstatement premium) has increased by 28.0% during this period. The majority of this income has been written at strong or near peak margins.

Outwards reinsurance expenditure was £360.0 million, representing 14.6% of gross written premium (2012: £347.0 million and 14.4%). While costs remained relatively stable, we reduced catastrophe reinsurance account event retentions, providing a better risk reward equation for 2013 than had been possible in recent years and through the Tramline II bond, increased coverage for North American earthquake risk.

Net earned premium increased by 5.4% to £2,077.4 million (2012: £1,970.5 million).

The Group claims ratio was 52% (2012: 57%). Major catastrophe activity in the year was low with large catastrophe losses totalling £18.5 million (2012: £152.3 million). The only notable large catastrophe event for Amlin in the year was the European flooding in May and June. However, there was a relatively high frequency of smaller catastrophes, and large risk losses, totalling £62.0 million and £76.0 million respectively (2012: £26.2 million and £3.2 million respectively). Claims development continued to be better than expected, with releases from reserves amounting to £133.5 million (2012: £94.2 million), supported by positive claims development in Amlin London, Amlin Bermuda and Amlin Europe. Excluding the impact of both large and smaller catastrophe losses and large risk losses, together with prior period releases, the underlying claims ratio has slightly improved at 51% (2012: 52%).

Segmental commentary

Amlin London

Amlin London once again performed strongly, delivering a combined ratio of 85% (2012: 91%).

Gross written premium increased by 6.4% to £1,134.8 million (2012: £1,066.1 million). The average renewal rate decrease was 1.0% (2012: increase 4.3%) with a retention ratio of 86% (2012: 83%). Underlying growth in income was largely attributable to the Property & Casualty business, which benefited from an average rate increase of 0.9% and the addition of £78.5 million of new business, £16.9 million of which was from the new international casualty class. In addition, Amlin Reinsurance Managers Inc. generated £6.3 million of income in its first full year of trading.

Net earned premium was £734.8 million (2012: £716.4 million).

The claims ratio was excellent at 44% (2012: 53%). Although the impact of large catastrophe losses was limited at £5.6 million (2012: £80.3 million), there was a higher frequency of smaller catastrophe and large risk losses, totalling £58.4 million to the business (2012: £19.5 million). Together, these losses added 10% to the claims ratio (2012: 15%). Reserve releases were £43.7 million, with continued positive claims development across old years, improving the combined ratio by 6% (2012: £31.3 million and 4%).

The expense ratio increased to 41% (2012: 38%), reflecting higher acquisition costs on new business and higher operating expenses.

Expenses by Division

	Amlin London		Amlin UK		Amlin Bermuda		Amlin Re Europe		Amlin Europe		Group	
%	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Acquisition costs	29%	27%	25%	27%	16%	15%	20%	16%	16%	19%	22%	21%
Underwriting expenses	11%	9%	12%	12%	4%	4%	9%	9%	22%	19%	12%	10%
Underwriting foreign exchange losses/(gains)	1%	2%	–	(1%)	1%	(1%)	1%	1%	–	1%	–	1%
Expense ratio	**41%**	38%	**37%**	38%	**21%**	18%	**30%**	26%	**38%**	39%	**34%**	32%

Amlin UK

Amlin UK delivered a combined ratio of 99% (2012: 95%). Before the whole account quota share to Amlin Bermuda the ratio was 98% (2012: 93%).

Gross written premium was £336.3 million (2012: £372.6 million). The decrease is after a £42.2 million reduction to income estimates on binding authorities, noted earlier, mostly relating to 2012 underwriting. Underlying growth on the 2013 underwriting year was 12.6%, reflecting the increase in fleet motor business.

Average rate increases for the division were 4.9% (2012: 5.0%) with a retention ratio of 85% (2012: 81%). Fleet motor rates increased by 9.8% (2012: 9.7%) and there were modest positive trends across liability classes. We expect these developments to continue.

Net earned premium amounted to £274.6 million (2012: £266.0 million), reflecting recent growth in gross written premium.

The claims ratio was disappointing at 62% (2012: 57%). Reserve releases were lower at £10.0 million, with a 4% impact to the claims ratio (2012: £21.0 million and 8%). The adjustments to prior year income estimates reduced the underwriting result by approximately £5 million.

The expense ratio was stable at 37% (2012: 38%).

Amlin Bermuda

Amlin Bermuda delivered an excellent combined ratio of 70%, benefiting from limited major catastrophe activity (2012: 74%).

Gross written premium increased to £552.0 million (2012: £544.0 million), with direct income at £354.2 million (2012: £336.6 million). Rates declined by an average of 3.0% in the period, but growth in direct business was achieved through the addition of new proportional reinsurance business of £17.6 million. The retention ratio was 83% (2012: 87%). The business franchise is strong, supported by an excellent reputation for client service and recent marketing initiatives.

Net earned premium was £506.5 million (2012: £475.7 million).

The claims ratio was 49%, with large catastrophe losses limited to £9.7 million in the year (2012: 56% and £70.5 million). Losses attributable to smaller catastrophe and large risk events totalled £38.5 million (2012: £4.1 million). Combined, these losses added 9% to the claims ratio (2012: 17%). Reserve releases contributed £22.0 million (2012: £11.3 million) to the underwriting result.

The expense ratio increased to 21% (2012: 18%), largely driven by increased acquisition costs on new proportional reinsurance business and foreign exchange. The core expense ratio (excluding acquisition costs and foreign exchange) was stable at 4%.

Amlin Re Europe

The business continues to develop steadily and has achieved further growth in its client base. Gross written premium was £210.8 million, an increase of 22.8% on the prior year (2012: £171.7 million). The average rate increase was 2.3% with a retention ratio of 90% (2012: 2.2% and 91%).

As the business begins to mature, net earned premium increased by 31.5% to £166.2 million (2012: £126.4 million).

The combined ratio was 104% (2012: 99%). The underwriting result reflects net losses of £21.2 million attributable to European flood, wind and hail losses, impacting the claims ratio by 13%. Reserve releases were £4.5 million (2012: strengthening £1.6 million).

The expense ratio was 30% (2012: 26%). This increase reflects growth in acquisition costs; the core expense ratio (excluding acquisition costs and foreign exchange) was stable at 9%. The targeted long-term expense ratio is expected to be around 20%, with a planned income base of approximately £450 million.

Amlin Europe

Amlin Europe achieved a pleasing combined ratio of 95% (2012: 98%).

Gross written premium was £454.5 million (2012: £476.2 million). Renewal rates were broadly stable for the fourth consecutive year; however, the retention ratio was very healthy at 88% (2012: 84%).

Net earned premium was £404.6 million (2012: £390.8 million).

The claims ratio improved to 57% (2012: 59%). Reserve releases were £53.3 million (2012: £32.2 million), reflecting positive development on prior year claims reserves across the portfolio. However, the reserve margin for the business increased modestly across the year.

The expense ratio was 38% (2012: 39%) and reflects the recent reduction in written income. The core expense ratio (excluding acquisition costs and foreign exchange) was 22% (2012: 19%). This is too high and is being addressed through a strategy focused on the addition of profitable income, improved reinsurance efficiency and the removal of expense inefficiencies. Together, these actions are expected to reduce the underlying expense ratio to more acceptable levels.

Investment performance

	2013			2012		
	Average Asset Allocation		Return	Average Asset Allocation		Return
	£m	%	%	£m	%	%
Bonds	3,332	74.5	1.8	2,880	69.4	5.0
Other liquid investments	572	12.8	0.1	886	21.3	0.6
Global equities	377	8.5	21.5	247	6.0	9.6
Property funds	190	4.2	9.7	138	3.3	0.2
Total	4,471	100.0	3.6	4,151	100.0	4.1

Investment performance

The Group investment return for the year was 3.6%, with average funds under management of £4.5 billion (2012: 4.1% and £4.2 billion), giving a contribution of £160.4 million to the 2013 result (2012: £165.3 million). The table on page 52 shows the breakdown of asset allocations and returns in 2013.

Our multi-asset, multi-manager investment process continued to deliver a good risk-adjusted return. With yields at such low levels, we maintained a defensive stance towards interest rate risk during the year. We continued to hold exposure to non-government bonds, which offered better relative value compared to generally expensive sovereign debt. Elsewhere, we increased our exposure to equities and property during the year, whilst remaining comfortably inside our overall risk appetite.

Although not without its challenges, 2013 was a year when markets started to make the transition from bouts of risk-on/risk-off to being more fundamentally driven. The calm that the European Central Bank had restored in European bond markets during the summer of 2012 remained, providing scope for further reductions to peripheral bond yields, helped by the Eurozone economy bottoming out. Economic growth picked up in the US and UK during the year, which was supportive for equity and property returns but not so for government bonds, as yields rose.

The insurance linked securities portfolio continues to be managed by Leadenhall Capital Partners. Amlin's investment return on its funds, which averaged £65.7 million, was £4.1 million or 6.2% (2012: £72.1 million, £4.4 million and 6.1%).

Expenses

Total expenses, including underwriting, non-underwriting, and finance costs increased to £827.2 million (2012: £753.1 million).

Underwriting expenses, excluding foreign exchange movements, totalled £690.7 million (2012: £628.3 million). These costs relate to the acquisition and administration of insurance business and claims payments. Acquisition costs accounted for £28.4 million of the increase in underwriting expenses, largely driven by growth in income and representing 18.5% of gross earned premium (2012: 18.2%). The remaining variance in underwriting expenses is driven by the inclusion of RaetsMarine and general inflationary increases. Prior to acquisition, costs associated with RaetsMarine were included within acquisition costs.

Non-underwriting expenses, excluding foreign exchange movements and finance costs, were £102.4 million (2012: £94.5 million). These expenses include employee incentives, investment management fees and corporate expenses not directly attached to underwriting businesses. Employee incentives increased by £18.6 million in line with 2013 performance, increasing annual bonuses and long-term incentive accruals. Amlin Europe's separation and integration costs were £nil (2012: £20.6 million).

Taxation

The effective rate of tax for the period is 8.3% (2012: 6.2%). 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% (2012: 21.2%). We continue to believe that Amlin AG is exempt from the UK Controlled Foreign Company regime.

Dividends

The Board proposes a final ordinary dividend of 18.2 pence per share. Taken together with the interim dividend of 7.8 pence per share, this provides total dividends of 26.0 pence per share (2012: 24.0 pence per share).

Net tangible assets

The Group's net assets increased by 12.1% to £1,678.6 million (2012: £1,497.7 million). In addition to profit through the statement of profit or loss, the key movements are:

- Dividends totalling £121.4 million (2012: £115.4 million).
- £16.5 million of losses from the currency retranslation of overseas operations (2012: loss £57.1 million) offset by £0.5 million of gains from the revaluation of associated hedge instruments (2012: gain £3.7 million) in accordance with hedge accounting rules of IAS39. Currency losses reflect the strengthening of sterling against the dollar during 2013.
- Defined benefit pension fund gain of £9.4 million (2012: loss of £9.5 million).
- Intangibles increased by £27.7 million to £239.1 million (2012: £211.4 million), primarily reflecting the acquisition of RaetsMarine offset by amortisation charges in the year.

As a result, net tangible assets have increased by 11.9% from £1,286.3 million at 31 December 2012 to £1,439.5 million at 31 December 2013.

Taxation

	2013		2012	
Profit source	Profit before tax £m	Effective tax rate %	Profit before tax £m	Effective tax rate %
UK	83.2	19.8	42.5	13.7
Bermuda	196.4	0.2	179.4	–
Continental Europe	46.1	21.9	42.3	25.3
Group	325.7	8.3	264.2	6.2

Our five divisions give Amlin diversity across markets, classes and clients, providing access to different pricing cycles and growth opportunities.

Divisional Results Highlights

Amlin London

"During 2013 we further developed our global reinsurance offering, to leverage the strength of our franchise and exploit our ability to offer combined traditional and capital markets capacity. We also continued to focus on developing new business in Asia, with further investment in underwriting resource and a growing client base."

Kevin Allchorne,
Underwriting Director, Amlin London

Amlin Bermuda

"Our results reflect limited major catastrophe activity during the year, and the quality of our portfolio. Growth in the proportional reinsurance book and a high retention ratio of 83% helped to offset the impact of weakening catastrophe reinsurance pricing."

Rob Wyatt,
CEO, Amlin Bermuda

Five year average claims ratio

Amlin London: 47%

Amlin Bermuda: 60%

2013 GWP by class

Source: Amlin

- Catastrophe reinsurance 23%
- Marine insurance 15%
- Property insurance 14%
- Casualty 7%
- Other property reinsurance 6%
- Energy 5%
- Proportional reinsurance 5%
- Aviation 4%
- Classes < 4% 21%

- Catastrophe reinsurance 54%
- Proportional reinsurance 21%
- Other property reinsurance 10%
- Other 15%

2013 highlights

- Gross written premium up 6.4% to £1,134.8 million (2012: £1,066.1 million)
- Combined ratio of 85% reflects excellent claims ratio of 44%
- Lower than average large catastrophe claims of £5.6 million (2012: £80.3 million) partially offset by higher frequency of smaller catastrophe and large risk losses at £58.4 million (2012: £19.5 million)
- Growth mainly achieved in the Property & Casualty portfolio, with an average rate increase of 0.9% and new business of £78.5 million, including further expansion of the International casualty account with new business of £16.9 million.

- Direct gross written premium increased to £354.2 million (2012: £336.3 million), despite an average rate decrease of 3.0%
- Combined ratio of 70% (2012: 74%) reflects lower major catastrophe activity, with large catastrophe claims of £9.7 million (2012: £70.5 million), and smaller catastrophe and large risk losses of £38.5 million (2012: £4.1 million)
- Underwriting profit of £149.7 million (2012: £122.4 million) includes an underwriting contribution of £60.3 million (2012: £56.6million) generated by intercompany arrangements with other Group entities.
- New business of £17.6 million added to the proportional reinsurance book.

Read more on pages 50 to 52

Amlin Re Europe

"Claims arising from catastrophe activity in Europe in 2013 gave us an opportunity to demonstrate our service proposition to clients. We achieved growth in gross written premium of nearly 23% during the year and the underlying combined ratio of the business continued to improve as more premium was earned."

Philippe Regazzoni,
CEO, Amlin Re Europe

n/a

Proportional reinsurance	23%	Liability	12%
Motor reinsurance	22%	Engineering	11%
Catastrophe reinsurance	16%	Other property reinsurance	8%
		Classes < 4%	8%

- Gross written premium increased by 22.8% to £210.8 million (2012: £171.7 million)
- Net earned premium increased by 31.5% to £166.2 million (2012: £126.4 million), reflecting the increasing maturity of the portfolio
- Average rate increase of 2.3% (2012: 2.2%) with retention ratio of 90% (2012: 91%)
- Combined ratio of 104% (2012: 99%) reflects the impact of European flood, wind and hail losses which increased the claims ratio by 13%.

Amlin UK

"The benefit of a further increase in fleet motor rates of nearly 10% during the year was offset by the reduction in income estimates on binding authorities. However the Division achieved an underlying increase in premium of 12.6% on the 2013 underwriting year."

Brian Carpenter,
Underwriting Director, Amlin UK

61%

Fleet/Other motor	41%	Employers' liability	7%
Property and commercial	31%	Public/ products liability	6%
Professional indemnity	12%	Other	3%

- Gross written premium decreased to £336.3 million from £372.6 million in 2012, mainly due to a reduction of £42.2 million in binding authority income estimates
- Increase in net earned premium to £274.6 million (2012: £266.0 million)
- Average rate increase of 4.9% (2012: 5.0%), including a further increase of 9.8% in fleet motor rates (2012: 9.7%)
- Retention ratio increased to 85% (2012: 81%)
- Combined ratio of 99% (2012: 95%) reflects an increase in the claims ratio to 62% (2012: 57%) including lower reserve releases at £10.0 million (2012: £21.0 million).

Amlin Europe

"Our 2013 result demonstrates the positive impact of recent efforts to improve performance. Amlin Europe is now well positioned to pursue selected growth opportunities in both marine and non-marine markets."

Kim Hvirgel,
CEO, Amlin Europe

68%

Marine insurance	38%	Fleet/other motor	10%
Property insurance	29%	Captives	4%
Liability	19%		

- Gross written premium decreased to £454.5 million (2012: £476.2 million)
- Net earned premium £404.6 million (2012: £390.8 million)
- Rates stable with an improved retention rate of 88% (2012: 84%)
- Combined ratio improved to 95% (2012: 98%)
- Regulatory approval received for start-up of German branch in Hamburg.

Outlook

"The strength of our franchise, diversity of our portfolio and ability to adapt to a changing environment, position Amlin well to continue to deliver good returns for shareholders."

Undoubtedly the reinsurance trading environment is becoming more challenging, but Amlin is well positioned to benefit from the changing market dynamics, due to its strong and growing franchise. Furthermore, recent growth in capital market activity in reinsurance markets is complemented by our strategic investment in Leadenhall Capital Partners.

However, Amlin is not just a catastrophe reinsurance business. The strength of our London insurance business and the diversity afforded by Amlin UK, Amlin Europe and Amlin Re Europe provides a well diversified platform from which to generate further profitable growth. We continue to review and adapt our strategy to ensure that Amlin continues to deliver on target cross-cycle returns, while remaining focused on profitable cross-cycle underwriting.

Despite the more challenging environment, particularly for catastrophe reinsurance underwriting, Amlin's January 2014 renewals exceeded plan with £1,077.4 million of gross written premium, 4.9% more than in January 2013. With the exception of catastrophe reinsurance, rates in most lines of business have to date renewed on similar terms to last year. However, renewal rates in Amlin UK's motor portfolio have continued their upward trend, with an average 10.1% recorded in January. Overall, the average rate decrease was 2.1%, compared to an average increase of 1.2% at the start of 2013.

Amlin has a strong catastrophe reinsurance franchise, founded on underwriting expertise and service capability. This, and the shape of its internationally diversified account, with a focus on regional insurers in the United States, enabled Amlin to increase January 2014 catastrophe reinsurance gross written premium by 2.0%, while recording an average rate decline of only 8.4%, less than is believed to be the case for the catastrophe reinsurance market as a whole.

The combination of Amlin's traditional reinsurance offering with that of Leadenhall Capital Partners is proving attractive to clients and resulting in preferential signings, access to business which is not available in the open market and, on some business, better pricing than in the open market.

This, coupled with the closure of the Special Purpose Syndicate 6106 sidecar, which accounted for £35.9 million of reinsurance premium in 2013, and improved retrocessional purchase, is expected to increase reinsurance account net income in 2014. Notably, retrocessional reinsurance rates are lower and more cover has become available on attractive terms.

While catastrophe reinsurance margins are lower, a number of areas are expected to contribute increased levels of profitability:

- Amlin UK's 2013 result did not reflect the consistent improvement in fleet motor pricing seen since 2010 and was affected by the reversal of overstated 2012 binding authority gross written premium. Fleet motor prices are continuing to rise and there is gradual improvement in its liability account pricing, with some improvement expected in property lines following winter storm activity;
- Amlin Europe is expected to grow modestly again in 2014 and the action being taken to address its expense ratio should start to bear fruit. Specifically, we anticipate growth in property and casualty business, with new strategies for regional markets in the Netherlands and a new binder offering in Belgium beginning to contribute;
- Amlin Re Europe, which suffered from an unusually high frequency of catastrophe losses in 2013, is continuing to grow with its underlying combined ratio improving as more premium is earned. Premium growth of 26.8% was achieved in the January renewals. Rate changes and improved mix, both product and territorial, enabled this growth to be achieved with an improved expected profit, and;
- Leadenhall Capital Partners, which has started to generate good returns, having contributed £4.4 million to profit before tax in 2013 from our 40% share and facilitation fees earned by Amlin.

In addition, outwards reinsurance spend for our insurance classes is expected to be approximately £10 million less than in 2013. With the assistance of our more sophisticated modelling, we have taken the decision to internalise a proportion of a number of programmes. Given the diversifying nature of many of our insurance classes, this has the effect of increasing mean expected profitability whilst only modestly increasing extreme tail risk.

After a few years of strong performance, valuations of risk assets, such as equities, non-government bonds and property, are no longer as compelling as they were, so future returns are likely to be more muted. Upward pressure on bond yields is expected to continue, which will also depress returns. We therefore do not expect a repeat of the 2013 overall returns this year. We continue to aim to deliver optimal risk adjusted returns by dynamic asset allocation and a flexible investment approach, such as that offered by the absolute return bond funds.

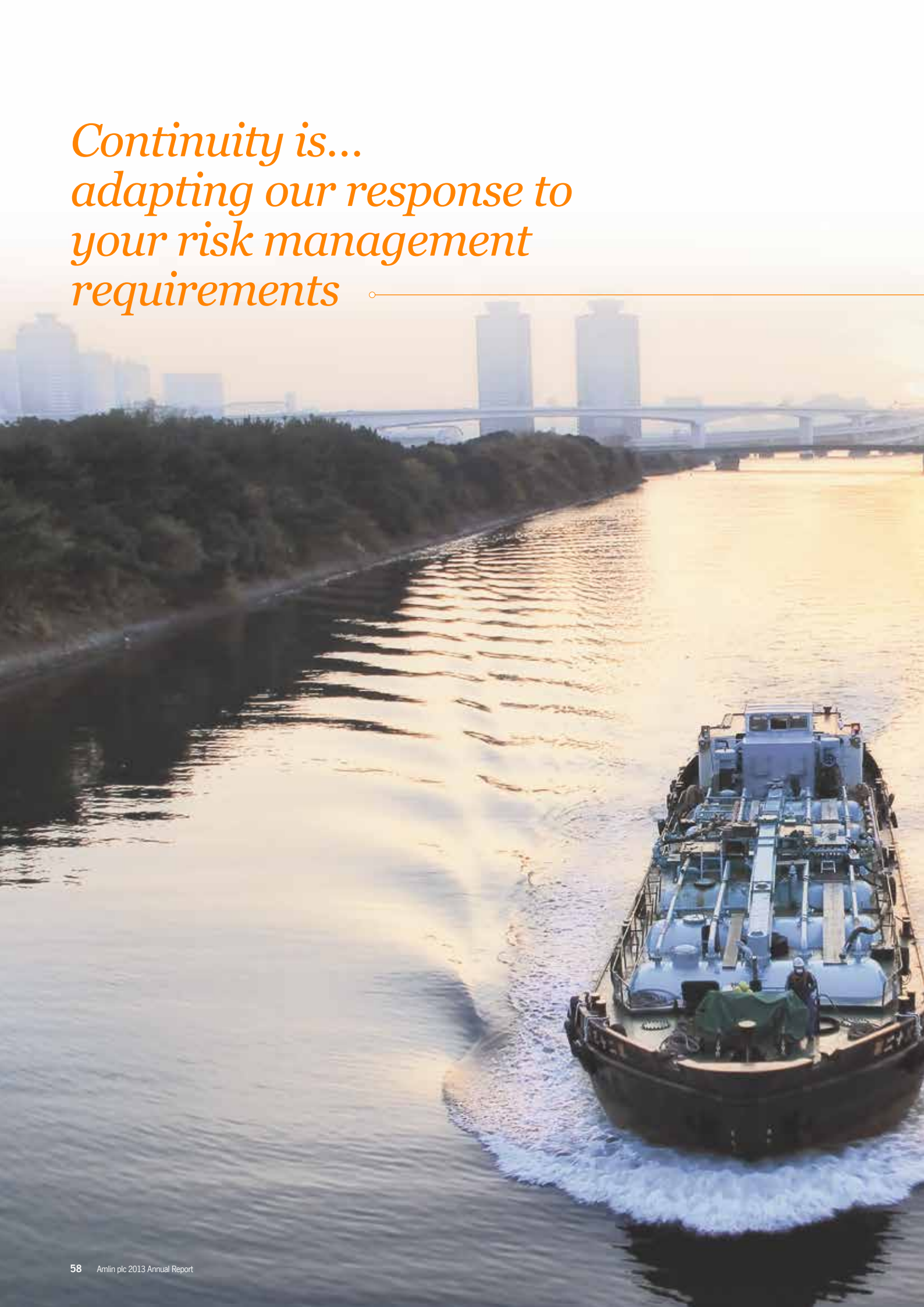
Amlin has a strong franchise in many of its markets, demonstrated by consistently high retention ratios. There is scope to further improve our market positions through more active marketing and as brokers seek to direct business to fewer, stronger carriers. While pricing in some lines is expected to continue to come under renewed downward pressure, requiring increased vigilance and continued discipline and making organic growth harder to achieve, we continue to believe Amlin is capable of delivering good returns for shareholders.

By order of the Board

Charles Philipps
Chief Executive

28 February 2014

Continuity is... adapting our response to your risk management requirements



Effective risk management

Our Enterprise Risk Management (ERM) framework is recognised by regulators and rating agencies as market leading. In 2013, our Standard and Poor's ERM rating was upgraded to

Strong

Continuity is... having integrity at the heart of our business

Directors' report

Chairman's introduction

Richard Davey, Chairman

Dear Shareholder,

On behalf of the Board, I am pleased to present our corporate governance reports for the year ended 31 December 2013. The Board plays a key role in ensuring high standards of governance and providing leadership for Amlin plc. These activities support our underlying purpose of creating shareholder value by following a robust, clear strategy.

The Board strives to comply with the principles of the UK Corporate Governance Code (the 'Code'). You can find the required regulatory and governance assurances throughout this and each Committee report, and in the compliance statement on our website at www.amlin.com.

To achieve our objectives, we have a diverse Board, comprising a balance of Executive and Non-Executive Directors with a wide range of business skills, knowledge and experience. See pages 64 to 65 for further details of our Board membership. You can also find our Board Statement of Diversity on our website.

During 2013, a number of legislative changes were introduced. Among these was the requirement for your Board to confirm whether this Annual Report provides a fair, balanced and understandable review of the year in business. We implemented a robust process, which the Audit Committee reviewed and approved, to ascertain whether we could make this statement. I am pleased to say that the Board considers this Annual Report, taken as a whole, to meet the fair, balanced and understandable requirements.

Yours sincerely,

Richard Davey
Chairman
28 February 2014

Complying with the Code

Between May and August 2013, the Remuneration Committee was not compliant with section D.2.1, regarding the number of independent Non-Executive Directors serving on the Committee. This was due to a timing difference between Nigel Buchanan's resignation on 16 May 2013 and Mrs. Jemmett-Page's appointment on 15 August 2013. During this period, the Committee was quorate and complying with its Terms of Reference.

Board of Directors

An experienced Board driving the highest standards of behaviour throughout the organisation.

Pictured, left to right:

Sir Mark Wrightson, Charles Philipps, Brian Carpenter, Richard Hextall, Sir Alan Collins, Julie Chakraverty, Richard Davey, Shonaid Jemmett-Page, Marty Feinstein and Simon Beale

Directors' credentials are on pages 64 to 65

Experienced Leadership

Simon Beale (52)
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 led 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.

Brian Carpenter (56)
Director, Amlin plc
Appointed a Director in 2000

Brian Carpenter focuses on broker relationships, the Property & Casualty practice and assisting in the delivery of the Group's underwriting objectives. 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.

Julie Chakraverty (42)
Independent Non-Executive N R RS
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. In December 2013 she was appointed as a Trustee of the Girls' Day School Trust.

Sir Alan Collins (65)
Independent Non-Executive A N RS
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. Until September 2012, Sir Alan was managing director, Olympic Legacy for United Kingdom Trade and Investment. 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 is a non-executive director of JP Morgan American Investment Trust PLC, ICICI Bank UK PLC, and Prudential Assurance Company Singapore Pte Ltd. In January 2014, he was appointed a Director to Prudential General Insurance Hong Kong Limited and Prudential Hong Kong Ltd.

Richard Davey (65)
Non-Executive Chairman N RS
Appointed a Director in 2005 and Amlin plc Chairman in 2012

Chairman of the Nomination Committee. 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 from banking in 1999. A financial services sector specialist, he advised Lloyd's of London, and then Equitas, on the Reconstruction and Renewal proposals of the early 1990s.

Marty Feinstein (65)
Independent Non-Executive A N RS
Appointed a Director in 2007

Chairman of the Risk & Solvency Committee and Senior Independent Director. Marty Feinstein is a Fellow of the National Association of Corporate Directors in the USA. 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 (45)

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. He joined Amlin from Deloitte & Touche, where he was a director specialising in the insurance and financial services sector. He 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.

Shonaid Jemmett-Page (53)

Independent Non-Executive A N R RS

Appointed a Director in 2012

Chairman of the Audit Committee. Shonaid Jemmett-Page 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; Close Brothers Group plc; and 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 a former chief operating officer for CDC Group plc, a former Senior Vice President at Unilever and a former non-executive director and chairman of the Audit Committee of Havelock Europa plc. She is the examiner of an Indian children's cancer charity based in Mumbai. She was formerly an audit partner at KPMG, specialising in financial institutions, including insurance.

Charles Philipps (55)

Chief Executive N

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 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. Charles Philipps has been appointed a non-executive director of Great Portland Estates plc with effect from 1 April 2014 and has been a trustee, unpaid, of the Outward Bound Trust since December 2010.

Sir Mark Wrightson, Bt. (63)

Independent Non-Executive N R

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.

Current Committee memberships are denoted by the following symbols:

A Audit Committee

N Nomination Committee

R Remuneration Committee

RS Risk & Solvency Committee

Directors are British citizens unless stated otherwise.

Continuity is... the confidence that comes from an outstanding track record

Superior performance

Our weighted average 10 year return on equity reflects our focus on long-term performance

18.0%

Corporate governance report
At a glance

Board and Committee reporting structure

Director attendance at Board meetings in 2013

	Meetings attended
Richard Davey	6/6
Simon Beale	6/6
Brian Carpenter[1]	5/6
Julie Chakraverty	6/6
Sir Alan Collins	6/6
Marty Feinstein	6/6
Richard Hextall	6/6
Shonaid Jemmett-Page	6/6
Charles Philipps	6/6
Sir Mark Wrightson	6/6
Former members	
Nigel Buchanan[2]	2/2

Notes:

1. Brian Carpenter did not attend the meeting in October 2013 as he was on sabbatical.
2. Nigel Buchanan retired from the Board on 16 May 2013.

Board and Board Committee attendance (%)

2013 Activities

Area	Comments
2013 strategic and operational objectives.	Strategy was discussed at each Board meeting, in addition to the annual strategy away day, to ensure the Board was fully involved in formulating the Group's strategic and operational objectives.
Talent management and succession planning.	The Board received two updates during the year. These updates covered the Group's talent management and graduate recruitment programmes, international mobility, leadership development and succession planning.
Acquisition of RaetsMarine.	The Board discussed and approved the acquisition of RaetsMarine Insurance B.V and subsequent integration into the Group.
Conduct regulation.	A review of Insurance Conduct of Business compliance and wider provisions relating to Treating Customers Fairly within Amlin UK was instigated and an action plan implemented following the results.
Amlin Europe.	A review of Amlin Europe's strategy for the development of its business, the opening of a Hamburg branch and of its programme for reducing its expense ratio over the next two years was undertaken.
Marketing strategy.	The Board reviewed the Group's marketing strategy and discussed plans to develop greater 'client intimacy' throughout the organisation.
Review of Board reporting.	The Board has worked with external advisers Board Intelligence to undertake a comprehensive review of Board reporting, ensuring clear, concise and consistent reports.
Review of Leadenhall Capital Partners LLP (Leadenhall).	The Board reviewed the influx of ILS (insurance-linked securities) capital into the market and considered how synergies could be created between Leadenhall and Amlin's traditional reinsurance businesses, mindful of potential conflicts of interest. It also reviewed the call option to purchase the remaining shares in Leadenhall in 2014, and supported management's proposals to commence negotiations in late 2013.
Implement conclusions from Board evaluation.	See the Nomination Committee report page 73.

The Board's role and responsibilities

The Board is responsible for setting the Group strategy and maintaining high corporate governance standards throughout the Group. The Board is also responsible for the overall supervision and leadership of the Company, and works with, and monitors, the executive in areas of strategy, risk and performance.

The Board has a formal Schedule of Matters Reserved for its decision. This is reviewed annually and is available on our website at www.amlin.com. It was last reviewed in May 2013. At this time, no amendments were required.

You can find details regarding the responsibilities delegated to the Board Committees on pages 73 to 105.

At the date of this report, the Board comprised the Non-Executive Chairman, five independent Non-Executive Directors, and four Executive Directors. 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 classed as independent. At the forthcoming AGM, all the Directors will offer themselves for re-election, except for Sir Alan Collins who will retire from the Board at the AGM.

The Chairman's role

The Group Chairman is responsible for leading the Board and ensuring its effectiveness. The Chairman sets the agenda; ensures the Directors receive accurate, timely and clear information; and sets the tone for Board discussions.

The Non-Executive Directors

The Non-Executive Directors are all independent and, in accordance with the Companies Act 2006 and as permitted by the Company's Articles of Association, the Board has authorised any potential conflicts of interest.

The Senior Independent Director (SID) acts as a sounding board for the Chairman and serves as an intermediary for the other Directors as necessary. He is also available to shareholders should they have concerns not resolved through other channels.

The Chief Executive's role

The Chief Executive is responsible for managing the Group and implementing the strategy, once it has been set by the Board. Additionally, the Chief Executive chairs the Group Management Committee, the Group Executive Risk Committee and the Underwriting Review Board. You can find further details regarding these committees on page 12.

The Company Secretary's role

In addition to acting as Secretary to the Board, the Company Secretary helps the Chairman ensure the Board receives accurate, timely and clear information; organises induction programmes and training for the Board; and ensures the Board follows Board procedures, including the procedure for obtaining external advice. The Company Secretary, or a member of his team, also supports each Board Committee.

Board effectiveness

Every year, we evaluate the performance of the Board, its Committees and the individual Directors. You can find further details about this in the Nomination Committee report on page 73. Additionally, we undertake an external evaluation every three years. The last external evaluation took place in 2012.

Executive Committees

Executive oversight is conducted through five principal management committees. You can find details on page 12.

Our Control Framework

Subsidiary management (including main subsidiary boards) and our Control Framework

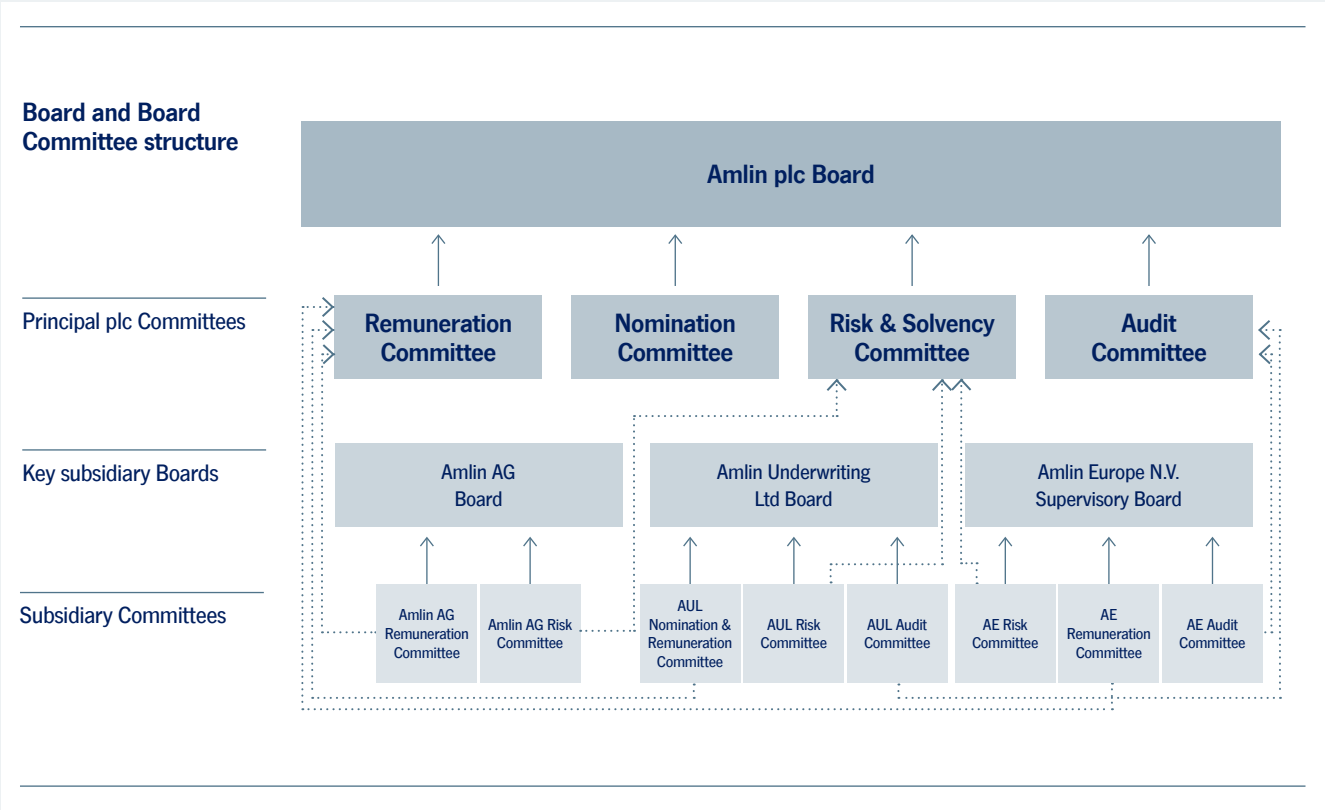
The Group's organisational and governance arrangements continue to evolve, and we implemented some changes in 2013. The relationship between the main Board, its Committees and the main subsidiary boards and their committees is set out in the diagram below.

Each regulated subsidiary has its own executive management and has clear delegation of authority, with Group Executives sitting alongside the relevant business' executive management on the boards of each entity.

During 2013, the Board reviewed the information it receives at a consolidated Group level. The Board agreed a mandate of items it wished to review over the course of 18 months and, by the end of 2013, had developed a series of reports and key performance indicators (KPIs), which will be measured throughout 2014. The Board agreed to review the mandate again during 2014. This is in light of the proposed changes to the strategy and to ensure the Board's focus reflects the ongoing development of the business.

We have established a framework of Group policies and standards, and key internal controls, and expect each business to comply with them.

Each business or functional unit has clear responsibilities for ensuring they have appropriate controls at an operational level, including those regarding financial reporting processes and risk management. The various executive governance bodies discussed earlier in this statement are key elements of the overall control environment. These bodies receive oral and written reports from Amlin's businesses and support departments.



Board internal control statement

The Board recognises its responsibility for the Group's risk management and internal control systems. It has complied with principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the significant risks facing the Group. This process has been in place from the start of 2013 to the approval date of this report, and includes risks arising from social, environmental and ethical matters, in accordance with the Turnbull Report.

Directors are aware that any internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. They know that the systems can only provide reasonable, and not absolute, assurance against material misstatement or financial loss. In the Strategic Report on strategy and principal risks on pages 16 to 17 and 44 to 47, you can find further information on how the Company has maintained a sound system of internal controls to safeguard shareholders' investment and the Company's assets.

The Risk & Solvency Committee regularly reviews the effectiveness of the Group's risk-management system on the Board's behalf. The Audit Committee regularly reviews the Group's financial reports, financial reporting process, regulatory, and compliance matters. If significant control failings or weaknesses are identified, they are reported by management, the risk and compliance function or Internal Audit to the relevant Committee. The relevant Committee also receives regular reports on remediation work and discussions with other interested parties, such as regulators.

Risk management

Managed by the Group's Chief Risk Officer, our dedicated Corporate Centre Risk Function (CCRF) oversees the management of risk, ensuring each operating entity manages its risk in accordance with Group policies and allocated risk tolerances. The Group Executive Risk Committee reviews reports from the CCRF and considers appropriate executive actions. Additionally, each regulated subsidiary's board is responsible for overseeing its risk, supported by executive risk committees for each principal subsidiary.

Risk assessment

Amlin's Risk Assessment Process includes using an Enterprise Risk Management (ERM) system. The ERM system reports on every significant identified risk to achieving Group objectives, the nature and effectiveness of controls, and other management processes to manage these risks. We set risk tolerances 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 the CCRF independently challenging their assertions. The Internal Audit function regularly reviews the risks identified by risk owners and the effectiveness of their controls and operation.

The Own Risk and Solvency Assessment (ORSA) brings together key metrics on Amlin's risk and solvency performance. Amlin operates an internal model that captures the key economic and risk factors that could impact the Group's performance. The ORSA is produced quarterly and used to escalate significant risks, their potential impact on the Group's financial position, any variations from the agreed risk appetites, and the actions to manage those risks. The Group Executive Risk Committee and the Risk & Solvency Committee review the ORSA.

Internal audit and compliance

The Group's Internal Audit and Compliance departments perform our internal audits and compliance monitoring respectively. Both departments have a reporting line to the Audit Committee. Internal Audit also reports to the Chief Executive, while the Compliance Department reports to the Chief Risk Officer. The Group has established risk-based audit and compliance programmes for reviewing and evaluating the internal controls and compliance procedures used to manage risk.

Assessing our processes

The Board receives regular reports from the Audit Committee and the Risk & Solvency Committee. The reports review the Group's main processes, including matters that are the regulatory responsibility of the regulated subsidiary boards. These Committees met jointly to perform a specific assessment for this Annual Report. This assessment considers all significant aspects of internal control arising during the period covered by the report, including the work of Internal Audit. The findings are used to help the Board discharge its review responsibilities.

During 2013, the Audit Committee reviewed, *inter alia*, expert reports, commissioned by Amlin, relating to aspects of Amlin UK's compliance with the Financial Conduct Authority's (FCA) rules and principles, and the management response thereto. The reports covered compliance with specific rules and wider cultural and operational aspects. The agreed remediation plan should put Amlin UK in a good position to demonstrate that it is meeting expectations regarding the fair treatment of customers.

The Audit Committee also reviewed the Group whistleblowing process and challenged whether the Group's wider grievance process was working effectively. Further work on the Group's whistleblowing process in planned for 2014 to ensure it remains fit for purpose and effective.

Business planning

The Group has developed a formal structured business planning process for all businesses, which runs annually. Proposed plans are presented to and agreed by the Group Management Committee and relevant subsidiary boards, consolidated, and then considered and approved by the Board. Board reporting of performance against plan operates quarterly, with monthly monitoring at management level.

Reserving

Responsibility for reserving rests with the boards of regulated subsidiaries and, at Group consolidated level, the Board. The Board recognises that it is important that the processes executive management use to reach their reserving decisions are objective and robust. This role is performed in quarterly reserving meetings, which review and propose required reserving levels for each business, subsidiary and for the Group. Reserving is agreed at subsidiary board level each quarter and reviewed twice yearly as a whole by the Audit Committee. Quarterly review meetings receive actuarial assessments and risk function challenge, reviewing the consistency and prudence of the key reserving judgements.

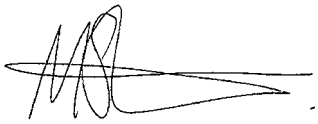
Investments

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 management of the investments. Within this framework, the Board sets an overall investment risk appetite and the subsidiary boards agree the allocation of this risk appetite. The Investment Management Executive approves the strategic asset allocations and tactical ranges with day-to-day management responsibility delegated to Group Investments or the subsidiary Designated Officers. The aim is to optimise the returns for the risk being taken by adopting a multi-asset, multi-manager approach.

Share capital

For information concerning the share capital of the Company in accordance with DTR 7.2.6, see page 106.

By order of the Board



M P D Stevens
Group Company Secretary
28 February 2014

Nomination Committee report

Richard Davey, Committee Chairman

Committee membership

	Meetings attended
Richard Davey (Chairman)	3/3
Julie Chakraverty	3/3
Sir Alan Collins	3/3
Marty Feinstein	3/3
Shonaid Jemmett-Page	3/3
Charles Philipps	3/3
Sir Mark Wrightson	3/3
Former members	
Nigel Buchanan[1]	1/1

1. Nigel Buchanan retired from the Committee on 16 May 2013.

Dear Shareholder

Within the last 24 months, the Committee has recruited two independent Non-Executive Directors, received an external evaluation of the Board and its Committees, and appointed a new Chairman. Following these events, 2013 was a year of more limited activity for the Committee.

The Board spent the latter half of 2013 reviewing the Group's strategy for the next five years. To support that strategy, the Committee devoted some of its time to determining the skills, balance and diversity of the Board. There is still much more to do in this area, which will be one of the Committee's key focus points in 2014.

The Committee will seek to appoint a further Non-Executive Director during 2014. This follows the departure of Sir Alan Collins and addresses the Board's views regarding its desired balance of skills and experience in the medium term.

Finally, as the Board continues evolving, the Committee will also focus on executive succession planning in the early part of 2014. Our work will build on the efforts of the Talent Management programme, detailed on page 38.

Yours sincerely

Richard Davey
28 February 2014

Key items in Terms of Reference:

- 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;
- Take responsibility for regularly reviewing the Board's structure; size; composition; and balance of skills, knowledge, experience and diversity based upon the annual performance evaluation; and
- Leading the process for appointments to the Board of the Company.

The Board last reviewed the Terms of Reference on 13 November 2013, which you can find on the Company's website at www.amlin.com..

Purpose and Terms of Reference

The Nomination Committee's purpose is to ensure the Board, its Committees and individuals who fill other leadership positions have the right balance of experience and qualities to deliver the strategic leadership, values, management and controls framework required for the Group's success. This purpose also includes overseeing succession planning for key executives and identifying and nominating all candidates for Board appointment for Board approval.

Activities in 2013

Recruiting Non-Executive Directors

The details of the appointment of Julie Chakraverty, who was appointed to the Board on 1 January 2013, are in the 2012 Annual Report and Accounts. The Committee used an external recruitment consultant, the Miles Partnership, to help find Ms Chakraverty.

In the latter stages of 2013, the Committee instructed Ridgeway Partners Limited to help find a further individual, who matches the skills identified to support the Group's strategy, taking into account the Board's policy on diversity.

Neither of the recruitment consultants mentioned above has any other connection with the Company.

Succession planning

In late 2012, Nigel Buchanan indicated he wished to retire as a Director of Amlin at the AGM in May 2013. Given his knowledge of Amlin and the sector, the Board of Amlin Underwriting Limited invited him to serve as its Non-Executive Chairman following his retirement from the Amlin plc Board, which he subsequently accepted. Following his indication, the Chairman and Nomination Committee reviewed who should succeed Mr Buchanan as Senior Independent Director and Audit Committee Chairman. The Board agreed the Committee's recommendation that Marty Feinstein should be appointed Senior Independent Director (SID) and Shonaid Jemmett-Page should be appointed Audit Committee Chairman. Upon their appointment both received a briefing from the Company Secretary on their roles.

In the latter stages of 2013, Brian Carpenter indicated that he intended to retire as an Executive Director during 2014. Following this indication, the Group Executive reviewed the succession plans for Mr Carpenter and identified suitable individuals within Amlin to assume his day-to-day managerial responsibilities. The Board of Amlin Underwriting Limited approved this plan.

The Board supported management's objective to develop the Group's general management capability at a senior level. This was implemented through the development of talented individuals identified to participate in the Group's Talent Management programme. More information on this can be found on page 38.

Noting the comments from the 2012 Board evaluation, the Nomination Committee concluded that it would be desirable to recruit an additional Non-Executive Director with specialist insurance experience during 2014. Recruitment of such a person is underway.

In early 2014, Sir Alan Collins indicated that he would not be seeking re-election at the Annual General Meeting in May 2014 and would stand down as a Director with effect from 22 May.

Board and Committee evaluation

Following Independent Board Evaluation's external evaluation in 2012, the Committee agreed with the Chairman's view to conduct an internal evaluation of the Board and its Committees in 2013. This was conducted through an online survey and the results of the evaluations were presented to the Board and its Committees at the February 2014 meetings. Plans to address means of improving certain aspects of the operation of the Board and its Committees have been formulated.

The Board concluded that it and the Committees were effective and had a sufficient balance of skills and experience to enable them to discharge their responsibilities appropriately. It also concluded that there was an appropriate level of challenge and discussion to enable the Board and its Committees to work effectively as a unit.

Proposals for re-election to the Board at the 2014 AGM

Having considered the results of the Board evaluation, the Committee recommended to the Board that all Non-Executive Directors should be proposed for re-election for a further year at the 2014 AGM, with the exception of Sir Alan Collins, who would not be seeking re-election.

When reviewing the Non-Executive membership of the Board, the Committee noted that the Non-Executive Directors who wished to continue their tenure, including the Chairman, demonstrate an appropriate mix of insurance and other financial sector knowledge to enable the Non-Executives collectively to fulfil their challenge and oversight roles. Mrs Jemmett-Page, as a Chartered Accountant, is considered by the Committee, the Board and the Audit Committee to have recent and relevant financial experience.

Ms Chakraverty is considered by the Committee and the Board to enhance the risk and remuneration discussions, having extensive experience in these fields during her professional career in financial services and more recently as a non-executive director. Mr Feinstein has over thirty years' industry experience in the insurance sector and uses his

2013 Activities

Area	Comments
Review future performance evaluation arrangements.	At the suggestion of the Chairman following an external evaluation in 2012, the Committee concluded that an internal review should be conducted in 2013. The review focused on addressing the comments raised in the external evaluation. A fuller internal evaluation will be conducted during 2014, with an external evaluation conducted in 2015.
Management succession planning.	The Committee reviewed the succession planning for the Chief Executive and, following an indication that he would retire, for Brian Carpenter. On the Committee's recommendation, the Board also reviewed, in conjunction with a review of the Company's Talent Management programme, succession planning for the key executives.
Board recruitment and succession planning.	The Committee considered the balance of skills on the Board, recognising the need to replace certain Directors who would reach their maximum nine-year tenure in the next two years and approved a brief for the commencement recruiting a further Non-Executive Director.

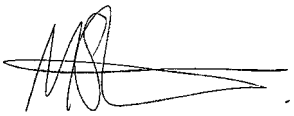
experience as a former CEO to challenge and encourage management as well as acting as a sounding board for the Chairman when required. Sir Mark Wrightson has an extensive knowledge of the financial services sector and of the remuneration arrangements of Amlin and informs the Board's debates accordingly.

After reviewing the Board's executive membership, the Committee concluded that the Executive Directors bring skills and experience to the Board that are complementary to each other and those of the Non-Executive Directors, and recommended to the Board that each Executive Director should be proposed for re-election at the 2014 AGM for a further full year.

No member of the Committee or Director participated in any decision regarding his or her own position.

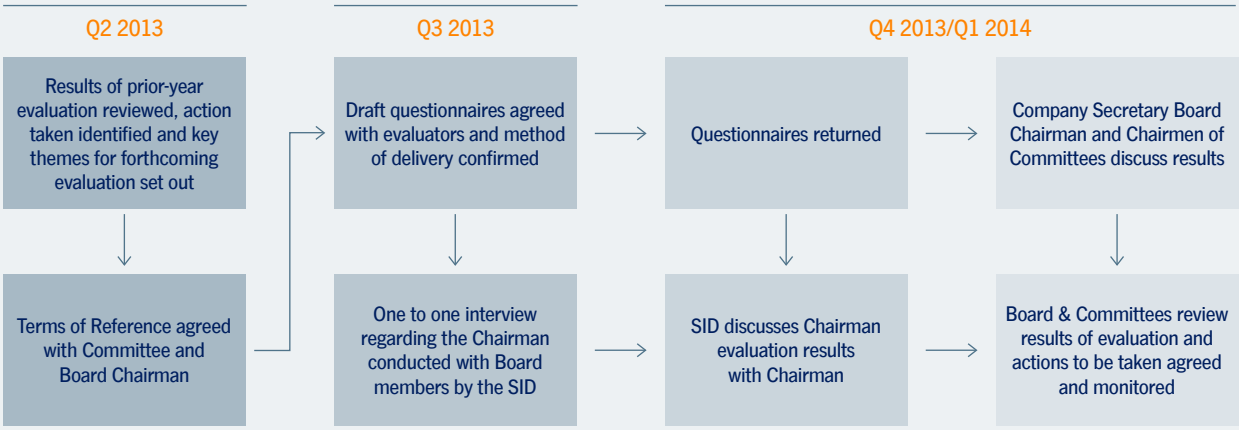
You can find biographical details of each Director on pages 64 to 65.

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



M P D Stevens
Group Company Secretary
28 February 2014

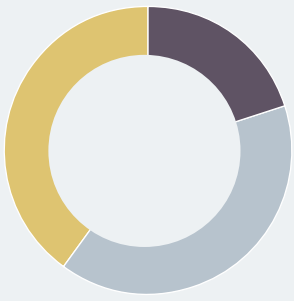
Internal Board evaluation process



Board policy on diversity

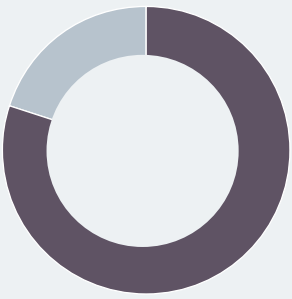
Amlin remains committed to its policy of diversity, including diverse skills, experience, nationality and gender, in its appointments to the Board and within the Executive. The diversity policy sets out the criteria for recruitment: recruiting individuals on merit and their suitability for the role, and cognisant of the skills and experience of the other Directors and senior management. In 2011, the Board agreed an aspiration that, by the end of 2015, 20% of the Board should comprise women. The Board achieved this target in May 2013.

Age diversity on Amlin plc Board of Directors



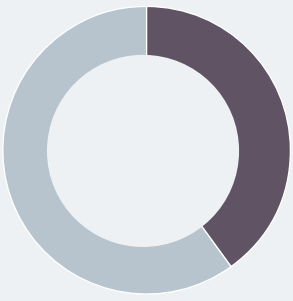
41 – 50 20% 61 – 65 40%
51 – 60 40%

Board diversity



Male 80% Female 20%

Executive/Non-Executive split



Executive 40% Non-Executive including Chairman 60%

Audit Committee report

Shonaid Jemmett-Page, Committee Chairman

Committee membership

	Meetings attended
Shonaid Jemmett-Page[1] (Chairman)	4/4
Sir Alan Collins	4/4
Marty Feinstein	4/4
Former Members[2]	
Nigel Buchanan	2/2

Notes:

1. Shonaid Jemmett-Page was appointed Chairman on 16 May 2013.
2. Nigel Buchanan retired from the Committee on 16 May 2013.

Dear Shareholder

Following the Annual General Meeting on 16 May 2013, I was delighted to take up the position of Chairman of the Audit Committee. I would like to thank Nigel Buchanan for his strong leadership of the Committee over the previous eight years. Sir Alan Collins is due to retire from the Board in May 2014 and I thank him for his guidance during his time as a Committee member.

As part of my induction to the role as Committee Chairman during 2013, I attended the Audit Committees of Amlin Europe (AE) and Amlin Underwriting Limited (AUL), and a board meeting of Amlin AG (AAG). This gave me a good insight into how each forum oversees the audit and compliance elements of their respective businesses. It also enabled me to review how each meeting operated and assess whether the relevant issues were being examined robustly at a local level. I was pleased to conclude that AUL and AAG are addressing audit issues effectively.

The AE Audit Committee progressed significantly in 2013. AE's control environment improved during the year and we will monitor this to ensure satisfactory progress continues. However, there are areas for improvement, including ensuring management completes remedial actions within the timelines agreed with Internal Audit, and ensuring the Committee engages more with the external auditors, PricewaterhouseCoopers LLP (PwC).

Last year saw legislative changes and new guidance relating to the Audit Committee's role. These include:

- Advising the Board on whether the process for the preparation of the Annual Report and Accounts ensures this document, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- Reporting on review and challenge of the significant accounting judgements made in drawing up the financial statements.
- The assessment of the external auditor's effectiveness and independence; and
- The assessment of the Internal Audit function's effectiveness.

Additionally, the Committee monitored a number of compliance matters that arose within AUL and AUK. We held discussions with executives, risk managers and compliance officers aimed to reassure the Committee that AUL and AUK were progressing appropriately in addressing these issues and that the businesses have a robust operational framework going into 2014. You can find further information regarding these matters on page 79.

The Committee reviewed the Group's cyber-security risks and responded to a survey issued by the Department of Business Innovation and Skills (BIS). The Committee also received an update on Project Nexus at each meeting. This ensured the Committee monitored potential risks arising from the project. Please see page 9 for further details on Nexus.

In the following pages, you can read more about the Committee's work in 2013 and our key focus areas for the coming year.

Yours sincerely

Shonaid Jemmett-Page
28 February 2014

Key items in Terms of Reference:

- Monitor the integrity of the Company's financial statements and any formal announcements relating to the Company's financial performance. This includes advising on the integrity of the financial statements and whether the process behind the production of the Annual Report and Accounts leads to a document that is fair, balanced and understandable;
- 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 Group Compliance function's effectiveness, and agree an effective Group Compliance programme with the Head of Group Compliance;
- Review the effectiveness of the system of internal control;
- Lead the review process and make recommendations to the Board regarding the appointment of external auditors;
- Approve the external auditors' remuneration; and
- Review the Group's whistleblowing procedures.

The Board last reviewed the Terms of Reference on 13 November 2013. You can find them on the Company's website at www.amlin.com.

2013 Activities

Area	Comments
Review the effectiveness of the Group's current internal control and compliance regimes.	The Committee reviewed the effectiveness of internal control and compliance regimes in all areas of the Group. The Committee paid particular attention to Amlin UK, ensuring it was making appropriate progress to address a number of compliance matters raised by AUL Compliance.
Review and approve the Company's interim results statements, and Annual Report and Accounts.	The Committee focused particularly on the significant areas of material accounting/financial subjectivity. These included reserving and revisions to income estimates and the consolidation of Leadenhall Capital Partners LLP (Leadenhall). (See Significant Issues on page 78 for more details.)
Recommend the appointment of auditors and approval of audit fees.	The Committee reviewed the independence of PwC as the Company's auditors and considered their fees. This included the balance between audit and non-audit fees, and the nature of non-audit services provided.
Review and approve the Internal Audit and Compliance plans for 2014.	The Committee reviewed the Internal Audit and Compliance plans for 2014, and the process behind the formulation of both plans. The Committee highlighted several areas of work it felt should be prioritised, including controls relating to the FCA's conduct rules and anti-bribery controls.
Monitor progress on the 2013 plans for Internal Audit and Compliance.	The Committee received updates at each meeting from the Head of Internal Audit and the Group Head of Compliance on the Internal Audit and Compliance plans respectively. These updates ensured the Committee was informed of Internal Audit activity over the previous quarter, and compliance matters across the Group were reported by exception. The Committee monitored progress against plan and challenged time frames as appropriate.
Effect a successful handover to a new Committee Chairman.	A full handover and induction programme was provided to the new Committee Chairman. Additionally, the Committee evaluation confirmed the successful transition to a new Chairman.

Governance

- The Committee meets at least four times a year. The February meeting is usually held with the Risk & Solvency Committee to consider the 'Statement on Internal Controls' and 'Principal Risks and Uncertainties' for the Group, which are contained within this Annual Report.
- The Chairman of the Company, Chief Executive, Group Finance & Operations Director, Chief Risk Officer, Head of Internal Audit and Head of Group Compliance usually attend all meetings.
- PwC, the Company's external auditor, is invited to every meeting.
- The Committee meets separately with PwC, the Head of Internal Audit and Head of Group Compliance without executive management being present.
- The Committee has the authority to engage its own independent external advice at the Company's expense. During 2013, no external advice was requested.

Financial reporting

The Committee's main financial reporting focus was on the integrity of the Company's Annual Report and Accounts and its Interim Management Statements. The Committee paid particular attention to the significant assumptions supporting the reported figures to ensure these were justified and that there was appropriate disclosure of the key judgements and estimates supporting these assumptions. The significant issues considered for 2013, were:

Significant issues

Area of focus	Action
Reserving risk	Insurance business is inherently uncertain and much of Amlin's business is large commercial insurance or reinsurance, claims from which can be volatile and difficult to estimate. There is a risk that the reserves carried are not sufficient to meet insurance claims liabilities reported or paid in future years on policy periods which have expired. The Group adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish prudent reserves. Therefore, the level of reserves are set at a level above the actuarial 'best estimate' position and consistency of reserving strength is an important objective. The reserve margin over actuarial best estimate is a key measure for Group management. The reserve margin has remained broadly consistent year on year both in absolute terms and as a proportion of the underlying reserves, despite prior period reserve releases of £133.5 (2012: £94.2m). This provides comfort that the reserving methodology has an element of prudence incorporated. There are also qualitative factors that provide additional comfort on reserve strength including catastrophe claims across 2011 and 2012 that are more mature, with limited development, and reduced volatility of Amlin Europe's reserves following recent re-underwriting and resolution of a number of material claims issues. The Audit Committee has reviewed and challenged key reserving judgements and accepted management's position that the reserves are appropriate.
Income estimation	Revenue recognised on policies written through third parties, such as binding authorities and lineslips, is deemed to be written in full at the inception of the contract and an estimate of likely gross written premium is made at this stage. There is a risk that the estimate and actual premium realised are materially different. Income estimates are reviewed on a quarterly basis using underwriter estimates and actuarial projections. Gross written premium for 2013 of £2,467.4m is impacted by a reduction of £42.2m to income estimates on binding authorities written by Amlin UK, mainly relating to the 2012 underwriting year. This portfolio has expanded rapidly in recent years, with material new business, making the income estimation process inherently more difficult. While income estimation processes are inherently subjective, the quality of the estimate will be influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Estimations for the majority of Amlin's business have proven to be robust over time. Estimation for Amlin UK's binders is expected to improve further as portfolio growth stabilises and new business matures. The Audit Committee has reviewed the controls operated by management in this area and the income recognition judgements made and has accepted that the outcomes in relation to the financial statements are appropriate.
Leadenhall option valuation	The Group holds a 40% interest in Leadenhall with the remainder held by management. Under the partnership agreement, there exist a number of options which allow either the Group or management to purchase the remaining shares and voting rights of Leadenhall. The options are accounted for as derivative instruments held at fair value (note 18). The valuation of these options is highly judgemental as i) no liquid market exists, ii) the partnership is relatively young and iii) the partnership is growing quickly in a rapidly developing market. Consequently, the estimation of future cash flows is highly subjective. The Audit Committee has reviewed the approach taken to the valuations of each of the options and has concluded the option exercise prices are at a level that they do not have material value at 31 December 2013. This conclusion was reached having considered a number of valuation techniques, including value in use and estimated open market fair value, incorporating both quantitative and qualitative factors.
Leadenhall consolidation	As described above, the Group has the option to acquire the remaining 60% share of the partnership and the associated voting rights that it currently does not hold. This is exercisable within one month of the delivery of the partnership's audited financial statements for the year ended 31 December 2013. Given the close proximity of the option exercise date, the Group has reassessed whether it controls Leadenhall and should consolidate Leadenhall in its 2013 financial statements. The Audit Committee has reviewed this assessment and concluded the Group does not have control of Leadenhall and should continue to account for it using the equity method, as set out in note 4. The Group's call option is considered to be out of the money and as such the Group continues to have insufficient voting rights to direct the relevant activities of Leadenhall, and the other partners continue to act independently in exercising their rights and powers under the terms of the partnership agreement.

Internal control and compliance

The Committee's role relating to internal control is set out in the Board's internal control statement (page 71) within the Corporate governance statement.

The Committee receives a report from the Head of Group Compliance at each meeting. Issues covered during 2013 included UK regulation updates, Solvency II implementation, anti-bribery and corruption measures, and entity-specific updates. The Committee also approves the annual compliance plan.

The Committee monitored the Group's compliance with the PRA (Prudential Regulation Authority), the FCA, Lloyd's and other regulatory requirements and recommendations. It also reviewed the Group's whistleblowing process and challenged whether the Group's wider grievance process was working effectively. Further work on the Group's grievance and whistleblowing process is planned for 2014. This will ensure it remains fit for purpose and effective.

During 2013, the Committee reviewed, *inter alia*, expert reports, commissioned by Amlin, relating to aspects of Amlin UK's compliance with the Financial Conduct Authority's (FCA) rules and principles, and the management response thereto. The reports covered compliance with specific rules as well as wider cultural and operational aspects. The agreed remediation plan should put Amlin UK in a good position to demonstrate that it is meeting expectations regarding the fair treatment of customers. The Committee ensured that the management response was robust, and addressed operational and organisational weaknesses in a single project, alongside the compliance issues. The Committee will continue to receive updates on remediation activities relating to these reports during 2014, and will ensure that the necessary enhancements will be deployed to other parts of the Group as appropriate.

Internal audit

The Committee reviews the work undertaken by Internal Audit at each meeting. The report from the Head of Internal Audit includes an update on the current Internal Audit plan, the findings of all internal audit reports and consequent actions agreed with management.

The Committee held two private sessions with the Head of Internal Audit during the year and was able to question the outcome of any report. Furthermore, the Committee closely monitored management's progress in addressing the actions resulting from internal audit reports.

An assessment of the effectiveness of internal audit was undertaken in the latter half of the year. It concluded that the Internal Audit function was effective, noting areas for development and areas of strength. A development plan to address the areas requiring improvement will be implemented in 2014, along with a co-ordinated plan to ensure compliance with the CIIA Guidance on Effective Internal Audit in the Financial Sector by the end of 2014.

External audit

PwC was appointed as Amlin's external auditors in 2009, following a comprehensive competitive tender process. The Committee will monitor the development of the new requirements on audit tendering from the Competition Commission and the European Union.

It is an Auditing Practices Board requirement that the external auditor rotates the audit partner for the Group every five years. The current lead audit partner will have been in place for five years in 2014 and a new lead audit partner will be appointed in line with the requirement. The Audit Committee Chairman met with the proposed new audit partner in 2013 to discuss the appointment. One of the Committee's key objectives in 2014 will be monitoring the transition from one partner to the other.

The Committee reviews the effectiveness of the external audit process and the independence of the external auditor throughout the year, and undertook and discussed a formal internal assessment during 2013. The review concluded that the external auditor is effective and independent. In accordance with section 489 of the Companies Act 2006, a resolution proposing the reappointment of PwC as Group auditor will be put to the shareholders at the 2014 AGM.

Non-audit services

We continue to monitor the use of the external auditors for non-audit services to ensure compliance with policy. The policy details the circumstances in which the auditors may be permitted to undertake non-audit work for the Group. Non-audit services may be approved in specific areas such as, but not limited to, transaction due diligence, accountancy training and providing bespoke software. Services prohibited in the policy include preparing statutory accounts, selecting accounting policies; designing and implementing internal controls or processes, and financial information systems; valuation services; tax compliance and advice on tax structures.

The authorisation limits for non-audit services allowed by the policy are:

Chief Executive or Chief Financial & Operations Officer	< £50,000
Audit Committee Chairman	£50,000 – £250,000
Audit Committee	£250,000 – £500,000 (This includes where the aggregate of all annual non-audit fees is above £500,000.)

The policy aims to ensure the independence of the external auditors is maintained and that Amlin complies with all legislation relating to non-audit services in the jurisdictions in which it operates. In 2013, legislation was introduced in the Netherlands which restricted non-audit services to Dutch public-interest entities, which we believe includes Amlin Europe N.V.. No material changes to the policy were made during the year. However, the executive and Audit Committee reviewed the procedure for appointing PwC for non-audit work and supported the proposal that all such work was robustly challenged. In addition to Amlin's policy, PwC completed its own independence procedures before commencing each piece of work.

During the year, the auditors undertook the following significant non-audit work:

Area of non-audit work

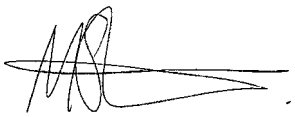
Area	Details
Project on casualty exposure monitoring.	Due to its expertise in this area, PwC was engaged to assist in developing a robust framework for monitoring and managing aggregate exposures across the Casualty classes. This will become more important as business in this area expands across the Group.
Auditing Capital Builder calculations and review.	PwC's knowledge of the Capital Builder scheme meant ensuring scheme rules were applied accurately was a natural extension of this work.
Benchmarking annual compensation in Bermuda.	PwC is a leading provider of benchmarking data in Bermuda.
Due diligence work relating to acquiring RaetsMarine B.V.	Given PwC's knowledge of the Group, it was engaged to undertake financial due diligence work for the acquisition.

You can find a detailed breakdown of fees paid to the auditor for non-audit work in note 14 to the accounts. In 2013, £261,600 was spent on non-audit and assurance services. (2012: £846,100)

Committee evaluation

A formal review of the Committee's effectiveness is conducted annually. In 2013, the Committee evaluation concluded that the Committee was effective. You can find further details of the Board and Committee evaluation process, and the outcome of the review undertaken during the year, in the Nomination Committee Report on page 73.

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



M P D Stevens
Group Company Secretary
28 February 2014

Risk & Solvency Committee report

Marty Feinstein, Committee Chairman

Committee membership

	Meetings attended
Marty Feinstein (Chairman)	5/5
Julie Chakraverty[1]	4/5
Sir Alan Collins	5/5
Richard Davey	5/5
Shonaid Jemmett-Page	5/5
Former Members[2]	
Nigel Buchanan	2/2

Note:

1. Julie Chakraverty was unable to attend the April meeting due to a commitment made before her appointment to the Committee.
2. Nigel Buchanan retired from the Committee on 16 May 2013.

Dear Shareholder

In 2013, I completed my first full year as Chairman of the Committee. I am ably assisted and supported in my role by my fellow Committee members, Sir Alan Collins, Julie Chakraverty, Richard Davey, and Shonaid Jemmett-Page. Each offers a variety of experience from their respective business backgrounds, as described in the biographical information on pages 64 to 65.

We operate in a challenging regulatory environment and the Committee's understanding of the complexities of risk and its mitigation evolves with those changes. The Committee is ably supported in this area by executive management. The Chief Risk Officer, James Illingworth, and the Chief Executive, Charles Philipps, attend every meeting.

We also call on other technical areas to present as necessary. For example, in our August meeting, we asked some of the Group's actuarial team to present on the technical pricing programme and how the Internal Model is used to help deliver risk-based technical pricing benchmarks. It is important that we retain our primary role: challenging executive management effectively and robustly on evaluating and controlling the key current and emerging risks facing the business. We put these matters at the forefront of all our discussions.

Following the announcement that the European Parliament's trilogue discussions on the Omnibus Directive had reached agreement, the future of the Solvency II directive is more certain, with a proposed adoption date of 1 January 2016. We are now working towards completing our Solvency II preparations by the end of 2015.

We first established our Solvency II preparations as part of our TOMCaT programme, which concluded in June 2012. The programme ensured we were at the forefront of adopting the Solvency II proposals and one of the first businesses to submit details of our Internal Model for regulatory review. The Financial Services Authority (FSA) and, more recently, the Prudential Regulation Authority (PRA), have reviewed our Group Internal Model. The Amlin Europe Internal Model has also been subject to review by the Dutch National Bank. Amlin has intended to achieve Model Approval for all of its underwriting subsidiaries but we will continue to review the options for use of the Standard Formula for calculation of capital requirements for any part of the Group's business if it represents the most appropriate solution. We are acting on feedback to ensure we will comply fully with Solvency II when the regulations come into force whether it be through full model approval or use of the Standard Formula.

To date, Lloyd's has pushed the London market hard on Solvency II and Amlin remains rated 'green' for full Model Approval. This means we are meeting the principles of Lloyd's tests and standards. Via the Swiss Solvency Test, the Swiss regulator, FINMA, has confirmed it has no concerns over the Amlin AG Internal Model.

Amlin has invested significantly in exposure management, catastrophe modelling capabilities, and systems for capturing investment data and measuring investment risk. We have advanced our risk management and governance capabilities. The risk management framework is now fully in place across the Group, with all insurer entities producing quarterly Own Risk and Solvency Assessment (ORSA) reports for their risk committees. Additionally, Standard and Poor's has recognised our Enterprise Risk Management (ERM) capability by upgrading our ERM rating from 'Adequate' to 'Strong'. The Risk & Solvency Committee oversees validating the model, and challenges the Group on management assumptions regarding risk. The Internal Model is now used throughout the Group, challenging business plans and reinsurance arrangements, and measuring risk against pre-defined tolerances.

The Internal Model has developed to become a key tool in assessing risk and solvency for the Group and its subsidiaries. It is therefore important that management, overseen by the Risk & Solvency Committee, operate a good framework for validating the model. Having used external actuarial review in previous years, the risk function developed an internal programme performed by experts in the business. This has led to improvements to the validation framework and some requirements for our actuarial team to develop and enhance the model.

While there has been much progress to date, regulators must clarify their interpretation of the legislation and how it will affect Amlin. There is still some additional work to do, particularly regarding the Pillar III external reporting. However, the foundations we are laying, and the effective challenge from all Group Risk Committees under this Committee's guidance, should ensure Amlin is fully prepared.

Yours sincerely

Marty Feinstein
28 February 2014

Key items in Terms of Reference:

- Lead the review of risk management, risk appetite, and regulatory capital;
- Review and make recommendations to the Board regarding the ORSA;
- Review the adequacy, effectiveness and governance of the Group's internal model; and
- Review with the Audit Committee the effectiveness of internal controls and risk-management systems, and enable recommendation to the Board for approving the internal control statement.

The Board last reviewed the Terms of Reference on 13 November 2013, which you can find on the Company's website at www.amlin.com.

2013 Activities

Area	Comments
Ensure the Committee actively used the ORSA to review and challenge the risk and solvency status of the Group and its regulated entities.	The Committee reviewed the ORSA quarterly, with a focus on areas such as: risks outside of Group tolerance, weak controls and emerging risks. Key factors impacting solvency, such as catastrophe risk and the reinsurance programme, received further attention.
Oversee and guide the Internal Model validation process and reporting, and ensure these meet regulatory expectations.	Internal Model validation reports were received, highlighting actions required to address items raised by the DNB and PRA, or through the validation review process.
Periodically review aspects of the Risk Management Framework to ensure it remains effective and fit for purpose.	The Committee reviewed the Risk Management Framework regularly through reports received from the Corporate Centre Risk function and Chief Risk Officer. The Committee also reviewed the Internal Control Statement with the Audit Committee to ensure that this adequately reflected the Risk Management Framework and the controls reported to the Committee.
Direct the nature of stress and reverse stress tests to apply to the organisation's business strategy and plans, and provide assurance that these are robust under a range of future scenarios.	The Committee considered and approved the stress-testing scenarios used throughout the Group and received a report on the outcomes. The Committee draws on its wide and varied experience to provide the human element of challenge.
Areas of concern raised by the Chief Risk Officer.	The Committee received regular reports on matters on which the Chief Risk Officer had specific concerns in addition to the reporting generated by the ORSA. These included unmodelled catastrophe risk exposures and the strategic risk posed by changing market trading conditions.
Technical pricing.	The Committee received a detailed presentation on the application of, and risk attaching to, implementing technical pricing. You can find further information on technical pricing in the underwriting report on page 22.

Governance

- The Committee meets at least five times a year. The February meeting is usually joint with the Audit Committee to consider the 'Statement on Internal Controls' and 'Principal Risks and Uncertainties' for the business, both of which are contained in the Annual Report.
- The Chief Executive, Group Finance & Operations Director, and the Chief Risk Officer are expected to attend all meetings.
- The Committee meets with the Chief Risk Officer at least once a year without executive management being present.
- The Committee has the authority to engage its own independent external advice at the Company's expense, although no external advice was requested during 2013.

Case study

Validating the Internal Model

The Risk & Solvency Committee played an important part in retaining oversight of the entire Internal Model validation process and its outcomes.

Earlier in 2013, the Committee reviewed the findings of the previous year's Independent Validation reports. The Committee noted that the independent reviewer could reaffirm that Amlin's model was fit for purpose under Solvency II for Amlin Underwriting Limited and Amlin Europe. However, a few issues were raised, relating particularly to the data quality issues surrounding catastrophe risk data and documenting the model itself. The Committee reviewed Amlin's response to these and monitored the programme for implementing remedial actions.

Further internal independent validation of the internal model took place in 2013 for the AE, AUL and AIUKL internal models (Amlin AG and Group are working progress). The completed reports were shared with relevant regulators and Amlin is working on addressing any improvement actions recommended.

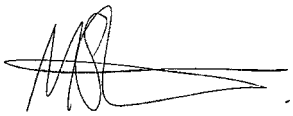
Oversight activities during 2013

The main purpose of the Risk & Solvency Committee is to effectively and robustly challenge executive management's assumptions concerning the key and emerging risks facing the business. The main oversight areas of focus are set out below.

Significant Issues

Area of Focus	Action
ORSA	The ORSA is now used to a greater extent to consider and challenge Group risk and solvency strategy. All major risks within the categories of market, underwriting, credit and operational risk are reviewed and challenged. This is particularly important in the business planning process, where levels of risk and reward are articulated and modelled output is used, for instance, to ensure understanding of the reinsurance programme's value.
Internal Model	The Committee plays an important role in challenging data quality and validating the Internal Model. Major model changes are brought to the Committee for approval. It is also important that the limitations of any model are recognised.
Risk Management Framework	The Risk Management Framework is well developed. You can find more details on pages 42 to 43. The Committee reviews it regularly to ensure it remains effective.
Key and emerging risks	The Committee undertakes more detailed analysis of key and emerging risks. During 2013, the Committee considered and challenged on a broad range of emerging and ongoing risks outside the modelling and solvency areas. The Committee reviewed the mitigation in place for IT & cyber risk, strategic risk (for example capital market developments) and conduct & reputational risk (for example sanctions policy adherence, reviewing industry practices towards counterparties and potential areas of business exposure as the geo-political environment changes in Asia and the Middle East).

By Order of the Board, on the recommendation of the Risk & Solvency Committee



M P D Stevens
Group Company Secretary
28 February 2014

Directors' remuneration report

Sir Mark Wrightson, Committee chairman

Dear Shareholder,

The Committee's key objectives continue to be to attract and retain high-calibre executives; reward performance in the context of appropriate risk management; align the interests of executives with those of shareholders; and to build and maintain a sustainable performance culture. We are, for the first time, setting out the full details of aspects of our remuneration approach that have not been formulated into a policy before. Following major shareholder consultation in early 2014, we believe these policies will not be controversial. The aim of this report is to provide relevant and transparent information about the policy and remuneration of the Executive and Non-Executive Directors.

There have been no substantial changes in the year to either the remuneration policy or the Executive Directors' remuneration. Page 95 provides a summary of remuneration paid in the year, including, as in previous years, a single figure for the remuneration of each of the Executive Directors.

The Company has started a Group-wide review of remuneration that aims to arrive at a suitable reward and remuneration structure, recognising the review of the Group's strategy in 2013. Resulting from the remuneration review and the planned consultation with leading shareholders and their representative bodies, it is likely that the new remuneration arrangements will require shareholder approval in late 2014. This is to ensure our new arrangements will be in place for the beginning of the next financial year, enabling and supporting our strategy for the following three years.

Yours sincerely

Sir Mark Wrightson
28 February 2014

Executive remuneration levels

In setting and reviewing executive remuneration levels, the Committee takes into account Amlin's remuneration strategy. This is reviewed annually to ensure its continued relevance and alignment to the Group's strategy and business plans. The remuneration strategy's three key goals are to:

- Reward our people for performance, in alignment with the Group's ambitions and creating shareholder value;
- Have first-class employment practices, contributing to Amlin being 'the place to work' for high-quality people in its sector. This requires appropriate levels and remuneration structures to attract, retain, incentivise and reward the high-calibre talent needed for the Group to succeed; and
- 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 attaining the Group's vision.

When determining executive remuneration, the Committee will take into account pay and employment conditions elsewhere in the Group and the sector.

Total CEO remuneration versus Total Shareholder Return (TSR)

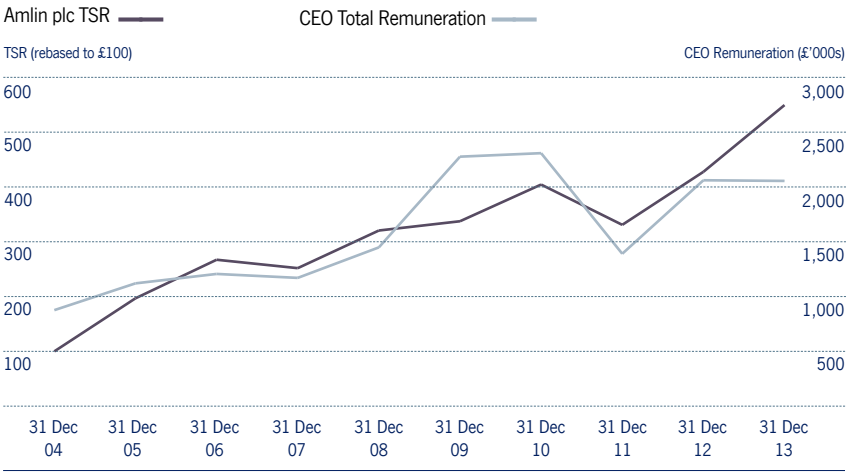
This graph shows the relationship between total CEO remuneration and the TSR of the Company for the previous ten years. It shows that CEO pay has moved broadly in line with shareholder returns throughout that period.

Remuneration Policy Report

This section of the Directors' Remuneration Report sets out on pages 86 to 92 the executive and employee remuneration policies for the Company (collectively entitled 'the Policy'). The Policy reflects the Company's practice throughout the year under review; remuneration arrangements or awards made in 2009 to 2013; and those that may vest in the period 2013 to 2017. The Policy, which is in accordance with the new Department of Business, Innovation & Skills (BIS) Regulations (Regulations), is effective from the date of the AGM on 22 May 2014.

During 2013, the Company commenced a detailed review of its executive remuneration structures. The Committee expects that a revised policy, to take effect from 1 January 2015, will be placed before shareholders in the latter stages of 2014.

10 year CEO Total Remuneration vs TSR



Source: Amlin plc

Our remuneration policy

Remuneration structure

The core structure of remuneration is broadly the same for the senior management and employees. Both constituents receive a fixed salary, with benefits appropriate for their role and the opportunity to participate in a pension, Save As You Earn (SAYE) plan and Share Incentive Plan (SIP), all subject to local variances. Most underwriting staff are eligible to participate in a profit-commission scheme while most other staff are eligible to participate in a bonus scheme calculated annually. Executive Directors and other senior employees are eligible to participate in additional long-term performance incentives.

Employee pay and employment conditions, along with wider associated undertakings, are also considered when determining Executive Director remuneration; however, employees are not consulted.

Overall remuneration levels

The remuneration strategy for senior management, including the Executive Directors, is designed with regard to the remuneration for employees across the Group as a whole. The job, market rate and personal performance (with the market rate having regard to the median for the appropriate market) determine base salaries across all categories of staff. Variable pay will be designed so that top-quartile performance is rewarded with top-quartile remuneration. When determining individuals' remuneration, the Group takes account of remuneration statistics for the non-life insurance sector in which the Group operates. Where applicable for certain roles, the Group also considers wider remuneration statistics.

In all spheres of operation, the Committee aims to continually review the practices of its competitors. The Committee also believes that, as the market and Amlin's own practices evolve, it is vital we ensure remuneration structures are aligned to strategy to continue supporting the Group's competitive advantage.

> To drive alignment to the Group's strategic plan, we adopt first-class employment practices, making Amlin 'the place to work' for high-quality people in the sector, and rewarding people for performance, whilst creating shareholder value.

Considering shareholders' views

The Remuneration Committee considers feedback received from shareholders and representative bodies, as part of its annual remuneration policy review.

The table below summarises each element of the Directors' remuneration packages, links to the Company's strategy, and how they are maintained and operated.

Remuneration Policy

Element of pay	Purpose and link to Amlin's strategy	How operated
Fixed salary	To recruit and retain executives of a high calibre.	Salary is reviewed annually with increases made in April. The Committee may consider exceptional increases in line with any change in role or for retention purposes. The Committee also takes into account pay and employment conditions elsewhere in the Company when considering increases to base salary. Current salary levels are disclosed on page 93.
Benefits	To ensure benefits are commensurate to the market the Company operates in and in line with policies applicable.	Including but not limited to: • Car (cash and/or company car); • Private medical insurance; • Permanent health insurance; • Life assurance; • Choice of benefits such as gym, private dental, etc. are part of a salary sacrifice scheme; and • In respect of a Director relocating – a relocation allowance.
Pension	To provide pension benefit commensurate to the market in which the Company operates.	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. Directors reaching lifetime or annual pension limits will receive cash payments in lieu of pension. Executive Directors who are also members of the Group's defined benefit (DB) scheme continue to accrue additional years' service under the scheme but only based on their 2006 pensionable salary (with salary increases from April 2006 onwards being pensioned through the defined contribution (DC) arrangements).
Annual Bonus and Profit Commission Plans ('Bonus')	To incentivise achieving annual targets rewarding strong financial performance and delivering annual personal objectives aimed at continuously improving the capability of the Group and its businesses.	Stretching targets are set annually for a one year performance period against performance targets which are reviewed by the Remuneration Committee. Any bonus paid to an Executive Director exceeding a predetermined percentage of salary will be deferred for a period to be specified by the Committee. Deferral can be in cash and/or in shares. Total or partial claw-back of bonus payments will 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 prove to be incorrect or are required to be re-stated.

Maximum opportunity	Performance measures
Base salaries will be set by the Committee, taking into account the scale, scope and responsibility of the role, skills and experience of the individual, retention risk, base salary of individuals undertaking similar roles in companies of comparable size and complexity, as well as total overall remuneration levels and the weighting of the package to fixed and variable remuneration. Salary increase percentages for Executive Directors will not normally exceed those awarded on average to other Group employees and will be a maximum of 10% per annum. However, higher increases may be awarded, for example but not limited to, if there is a significant increase in responsibility, change in size or scope of a role, or size of the business, or if there is a new appointment where executives are moved towards the desired market positioning as their experience and performance in role develops.	n/a
The range of benefits provided is set by the Committee after taking into account market practice and the relevant circumstances and requirements of the executive. Due to the uncertainty and volatility surrounding the cost of insured benefits and any relocation allowance in a particular year, and in order to comply with the requirements of the Regulations, a maximum amount of 50% of salary is set for the cost of benefits.	n/a
Pensionable salary is base salary only. In relation to the DC pension scheme, the maximum employee and employer contribution allowed under the scheme is 26% of base salary. DB employer contribution rates will vary from year to year according to actuarial advice in order to deliver the agreed levels of pension. Due to the uncertainty and volatility surrounding the cost of providing DB pensions, and in order to comply with the requirements of the Regulations, an absolute maximum is set at 50% of salary.	n/a
For the Executive Directors who are not directly involved in underwriting activities, there is a 165% of base salary maximum opportunity. Bonuses to Executive Directors directly in underwriting activities are currently capped at a maximum of 600% of base salary.	The Committee will set performance targets for the Annual Bonus and Profit Commission plans at the beginning of each financial year. Vesting for threshold performance is not more than 26.1% of the maximum bonus opportunity. At least 70% of the maximum bonus opportunity for the Executive Directors will be based on financial measures. Bonuses for the Executive Directors may be determined in part by personal performance, up to a maximum of 30% of the maximum opportunity.

Remuneration Policy continued

Element of pay	Purpose and link to Amlin's strategy	How operated
All-employee share plans	Save As You Earn (SAYE) and Share Incentive Plan (SIP) offers are made under the HMRC approved plans to all applicable employees, (including Executive Directors).	SAYE: All employees in the UK, Bermuda and Singapore who meet the employment criteria are invited to participate in the savings scheme. SIP: All employees across the Group who meet the employment criteria may receive an award of free shares up to the maximum amount permitted by HMRC at the discretion of the Committee.
Long-term incentives awarded under (a) share award plans including the current Amlin PSP or the Amlin LTIP and (b) the Capital Builder Plan.	The plans are intended to help recruit, retain, motivate and reward key senior executives and reward the achievement of longer-term superior financial returns for shareholders and long-term target underwriting returns.	(a) Share award plans Awards will be granted annually and will vest on the third (LTIP)/fifth (PSP) anniversary of the date of grant, provided the performance and employment conditions have been satisfied. Performance is measured over three years (LTIP) and five years (PSP). Awards will be made in the form of nil-cost options. (b) Capital Builder Plan Relevant underwriters are rewarded for exceeding average five-year underwriting returns, which exceed return targets set for their class(es) of business on a risk-adjusted basis. Payments under the plan may be made at the Committee's discretion in cash or shares. Payments are made over the two years after the end of each five-year performance period. Initially, 70% would be paid for a five-year performance period with the balance paid in the following year. The plan operates a claw-back provision.
Non-Executive Directors	To provide an appropriate fee level to attract individuals with the necessary experience and ability to make a significant contribution to the Group's activities while reflecting the time commitment and responsibility of the role.	The Chairman is paid an annual fee which is determined and reviewed by the Committee taking into account the levels of fees paid by comparable companies for comparable services, time commitment, experience, responsibility and scope of role. The fees for Non-Executive Directors (excluding the Chairman) are determined and reviewed by the NED Fee Committee. These Non-Executive Directors are paid a basic fee and may be paid a further fee for additional services, such as committee or subsidiary board responsibility. They may also be paid additional fees (calculated on an appropriate day rate) in the event of exceptional levels of additional time being required, for instance, when responding to corporate developments. Fees are determined and reviewed taking into account the levels of fees paid by comparable companies for comparable services, time commitment, experience, responsibility and scope of role. Fees are reviewed annually. Non-Executive Directors are entitled to reimbursement of travel and other necessary expenses. Non-Executive Directors do not participate in any incentive or variable pay arrangements and do not receive any pension benefits.

Notes to the policy table: 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.

Maximum opportunity	Performance measures
SAYE: Shares to the value of the total anticipated savings and accrued interest up to a five-year savings period divided by a share price set with up to a 20% discount around the time of grant. Maximum HMRC savings available are £500 per month, which translates into a maximum value of shares of around £40,000 over a five-year period, calculated at the date of grant. SIP: £3,600 worth of shares with the value calculated at the date of grant.	SAYE: n/a SIP: The amount awarded is based on financial performance in the preceding year.
(a) Share award plans The maximum award for Executive Directors who do not participate in the Capital Builder Plan is 200% of salary (exceptionally 300% for a new senior recruit) over shares valued on grant for the LTIP and PSP schemes in total. For Executive Directors who participate in the Capital Builder Plan (see below), the maximum award is 100% of salary. (b) Capital Builder Plan The maximum award for underwriting Executive Directors is £1m in respect of each rolling five-year performance period of the Capital Builder Plan.	(a) Share award plans Awards vest based on a sliding scale of financial performance (ROE/TSR for the LTIP and ROE for the PSP) determined by the Committee before the date of award. A minority (not more than 25%) of each award will vest for achieving a threshold level of performance increasing to full vesting at a stretch level. The performance conditions selected and specific targets set for each year will be set out in the Annual Report on Remuneration. There is no provision for retesting. (b) Capital Builder Plan Awards are determined by the underwriting returns delivered by particular business classes within which an individual works or has responsibility for.
There is no prescribed maximum fee or fee increase. Total fees will not exceed the amount specified in the Company's Articles of Association of £500,000.	n/a

Remuneration awarded before the effective date

To avoid doubt, in approving this Policy, authority is given to the Company to honour any commitments entered into with current or former Directors that have been disclosed to shareholders in previous remuneration reports. Details of any payments to former Directors for qualifying services will be set out in the Annual Report on Remuneration as they arise.

All historic awards that were granted under any current or previous share schemes operated by the Company but remain outstanding (detailed on pages 100 to 101), remain eligible to vest based on their original award terms.

Discretion retained by the Committee

The Committee will operate the Company's incentive plans according to their respective rules and consistent with normal market practice, the Listing Rules, and HMRC rules where relevant, including flexibility in a number of regards. These include:

- When to make awards and payments;
- How to determine the size of an award or payment, or when and how much should vest;
- Who receives an award or payment;
- How to deal with a change of control or restructuring of the Group;
- Whether a Director is a good or bad leaver for incentive plan purposes, and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s);
- How and whether an award may be adjusted in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- What the weighting, measures and targets should be for the Bonus plan and LTIP from year to year.

The Committee also retains the discretion within the policy to adjust the targets and/or set different measures and alter weightings for the Bonus Plan and LTIP if events cause it to determine that the conditions are unable to fulfil their original intended purpose and the amended metrics are not materially less difficult to satisfy.

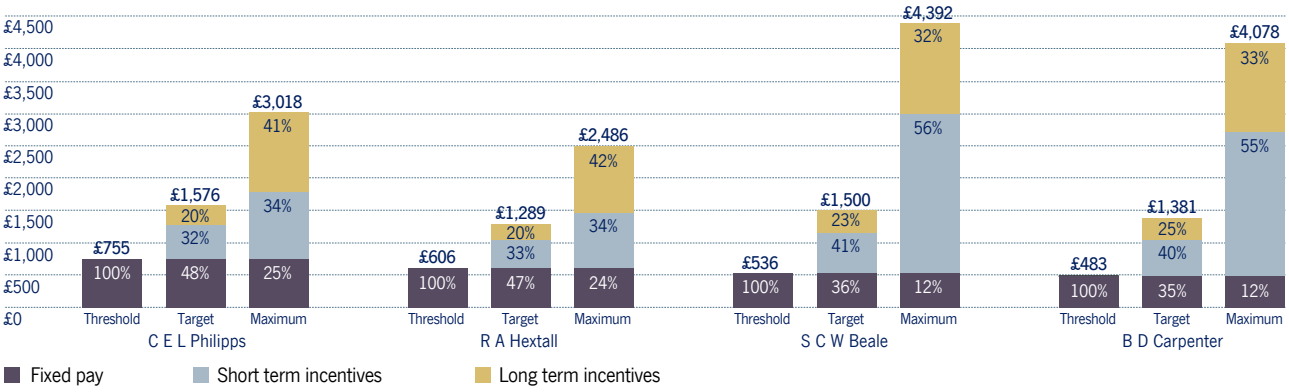
The Committee may make adjustments to take account of variations in capital and similar matters. In the event of the Company being subject to a takeover or similar event before the normal vesting date, vesting will take place to the extent that the Committee is satisfied that the performance condition 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, although the Committee retains the discretion to not pro-rate in exceptional circumstances.

Reward scenarios

The charts below illustrate how the executives' total pay opportunities vary for different performance scenarios (Threshold, Target and Maximum). These charts are illustrative. The actual value ultimately received will depend on the business performance, the actual vesting of variable pay, and share-price performance.

Reward scenarios

(Figures in bars are percentages)



Assumptions:

Fixed pay = Salary + benefits + pension.

Salary based on April 2014 levels.

Benefits = The cost of supplying those benefits as disclosed for the year ending 31 December 2013.

Pension = The cost of supplying pension benefits for the year ending 31 December 2013.

Target vesting level = Fixed pay plus 50% of maximum Group Bonus Scheme and 25% of maximum for all other incentive schemes.

Assumes policy from 2014 policy effective date.

Recruitment policy

Salaries for a new hire or an appointment to the Board will be set to reflect their skills and experience, the Company's intended pay positioning, and the market rate for the role. If it is considered appropriate to appoint a new Executive Director on a below-market salary, for example, to allow them to gain experience, their salary may be increased to a market level through a series of above-inflation increases over two to three years to reflect their development in the role as detailed in the Policy.

The prevailing maximum annual bonus and long-term incentive opportunity for the current Chief Executive will not be exceeded for any newly appointed non-underwriting Executive Director. The prevailing salary, maximum annual and long-term incentive opportunities for the current Group Underwriting Director will not be exceeded in aggregate for any newly appointed underwriting Executive Director. Existing incentive arrangements will be used where possible and guaranteed bonuses will not be offered. Benefits and pension will be in line with the Company's prevailing policy unless under very exceptional circumstances.

Current entitlements (for example, bonus and share awards), which will lapse on the executive's departure from a previous employer, may be replaced with awards that have no shorter time horizons, are subject to performance conditions (if replacing awards subject to performance conditions) and do not have a higher theoretical fair value. The Committee retains flexibility to do so on such basis as it deems appropriate in the circumstances, and to compensate new executives (if necessary on a net-of-tax basis) for any reasonable other expenses (for example, relocation costs). The Committee also retains the discretion to set a lower shareholding guideline for new Directors, or permit a longer period for it to be met relating to the minimum shareholding requirement.

Fee levels for Non-Executive Director appointments, including the Chairman of the Company, will take into account the expected time commitment, experience of the candidate, responsibility and scope of role, and the current fee structure in place at that time.

Retention Payments

Retention payments to existing directors will only be made in very exceptional circumstances and will be made in accordance with Listing Rule 9.4.1. A maximum award of 100% of salary may be made through a long-term incentive plan with a vesting period of at least three years and a further retention period of at least two years, for the net shares vested. Any retention award made would be subject to a performance condition, such performance condition to be made at the Committee's discretion.

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.

	Date of current service or employment contract
C E L Philipps	20 Feb 1997
R A Hextall	26 Nov 1999
S C W Beale	7 Nov 1994
B D Carpenter	17 Feb 1997

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.

The Company's policy is that service contracts may be terminated with 12 months' notice by either party (except in certain specific and limited recruitment situations where the Committee may exercise its discretion and where a longer notice period from the Company may be set provided that it reduces to a maximum of 12 months with a specified time limit).

Termination or loss-of-office policy

Our policy regarding termination payments is to limit severance payments on termination to pre-established contractual arrangements. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, and the rules of any incentive plans. The Committee will normally ensure that any payments made are mitigated in the event that the individual assumes a new role immediately following termination.

Payment	'Bad' leaver (e.g. voluntary resignation to join a competitor or termination for cause)	'Good' leaver (e.g. death, injury, ill health, disability) and any other circumstances agreed by the Committee
Annual Group Bonus Plan	Forfeits entire award.	Annual Group Bonus for the performance period in which the individual left would be calculated at the end of the performance period and pro-rated for the length of time served and paid once calculated. Variable pay earned but retained under the deferral rules would be paid on cessation.
Long-term incentive share awards, LTIP/PSP awards	Forfeits entire award.	Share awards are tested against the performance condition at the time of termination and pro-rated in accordance with the terms of the scheme(s). Vesting is assumed to occur in accordance with the terms of the scheme. Where the participant dies or cessation is by reasons of ill health, the performance condition may be waived. The Committee retains the discretion to not pro-rate in exceptional circumstances.
Profit Commission	Forfeits entire award.	Profit commission for the performance period is calculated at the end of the performance period and pro-rated based on the number of full months worked.
Capital Builder	Forfeits entire award except any amount paid before cessation.	Capital Builder for the performance period as determined by the Committee is paid on the First and Second Bonus dates but with the Committee having the discretion to make payment immediately on cessation, and may be pro-rated based on the period of time worked.

Furthermore, the Committee retains discretion to alter these provisions on a case-by-case basis following a review of circumstances and to ensure fairness for shareholders and participants.

The table above sets out the basis for determining payment on termination relating to variable remuneration. The Committee will use its judgement depending on the particular circumstances of a cessation to determine the treatment of executives who do not fall automatically into the categories set out above. The Committee also recognises that it may exercise its judgement where applicable, so that only certain elements of pay are determined in accordance with the good-leaver category.

Shareholding Guidelines

Under the Shareholding Guidelines, Executive Directors are expected to retain shareholdings in the Company of at least 125% of their base salaries. Shareholdings include vested and unexercised options, and are valued at the end of the relevant financial year. Base salary is as at the end of the relevant financial year end. It is expected that Executive Directors will achieve this level of holding within three years of appointment to the Board.

Members of the Group Management Committee (GMC) are expected to retain or build up shareholdings in the Company of at least 50% of their base salaries. Those members of the GMC who have not achieved their target are expected to retain 50% of a vesting of either the LTIP or PSP awards after selling sufficient shares to meet their tax obligations. The Committee reviewed the targets during the year and re-affirmed that they remain appropriate. The Committee believes that the combination of these shareholdings and the structure of performance incentives continues to ensure the interests of management and shareholders in the Company's success are closely aligned.

Non-Executive Directors

The Board aims to recruit Non-Executive Directors of a high calibre, with broad commercial, international or other relevant experience. The Board appoints Non-Executive Directors on the recommendation of the Nomination Committee. Their appointment is for an initial term of three years, subject to election by shareholders at the AGM following their appointment and annual re-election thereafter. The Non-Executive Directors' terms of engagement are set out in a letter of appointment.

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, either side may give six months' notice of termination without any entitlement to compensation.

Annual Report on Remuneration 2013

How the executive remuneration policy will be applied for 2014

Basis of calculation

To comply with changes in regulation applicable to this report, remuneration is stated on an earned rather than paid basis and the 2012 figures have been restated for comparative purpose. Where remuneration earned for a particular year is unknown until after the date of this report then an estimate has been used and will be restated as appropriate in future years. This methodology is applicable for both the Capital Builder and Profit Commission plans.

Salary

The Executive Directors' salaries were reviewed on 26 February 2014. The result is that the following salary increases will take place for 2014 with effect from 1 April 2014. This compares to the average salary increase provided to UK employees of 3%.

Executive Director	Salary as at 31 March 2014 £	**Salary effective 1 April 2014 £**	**Increase as a %**
C E L Philipps	600,000	**620,000**	**3.4**
R A Hextall	500,000	**515,000**	**3.0**
S C W Beale	395,000	**408,000**	**3.3**
B D Carpenter	360,000	**370,800**	**3.0**

Pension and other benefits

All Executive Directors will participate in the Group's Defined Contribution plan (DC) with the Company and participant making a maximum contribution of 26% of base salary in total.

Simon Beale and Brian Carpenter are also members of the Group's Defined Benefits scheme (DB). Mr Beale and Mr Carpenter will continue to accrue additional years' service under the scheme but only based on their 2006 pensionable salary (with salary increases from April 2006 onwards being pensioned through the DC arrangements).

Additional benefits will be provided in line with the policy described in the policy table above.

Annual bonus

For 2014, the maximum annual bonus opportunity for Charles Philipps and Richard Hextall is 165% of salary.

The annual bonus will be determined by:

- Group financial performance (70% of maximum); and
- Non-financial personal performance (30% of maximum).

The Group financial performance target is based on the Group's actual return on equity (ROE) compared with target returns and is set by the Committee at the start of the year. Non-financial personal performance objectives are also set at the start of the year as part of the annual performance review operating for all employees and are either agreed by the CEO or by the Chairman in the case of the CEO.

The Committee considers that the targets are commercially sensitive and will therefore disclose them only on a retrospective basis. Details of the targets and outturn against them will therefore be disclosed in the 2014 Annual Report on Remuneration, except where the Committee considers they remain commercially sensitive.

Any annual bonus paid exceeding 120% of salary will be deferred for three years from the usual payment date and may be settled in either cash or shares or a mixture of both.

Total or partial claw-back of the deferred bonus will 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 prove to be incorrect or are required to be re-stated.

Profit Commission

Simon Beale and Brian Carpenter will receive an award under the Profit Commission plan with payments capped at 600% of their respective salaries.

For Simon Beale, the Profit Commission plan comprises two award elements:

- A profit award based on Group underwriting profitability; and
- A performance award based on Group ROE and personal performance during the year.

Profit Commission for Simon Beale is calculated on a calendar performance year. Any payment exceeding 300% of salary will be deferred until the 39th month following the end of the relevant accounting year.

For Brian Carpenter, the Profit Commission plan comprises two award elements:

- A profit award based on Amlin UK's profitability; and
- A performance award based on Group ROE and personal performance during the year.

Profit Commission for Brian Carpenter is calculated over a 36th 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 made in the second year following the year of account.

The plan operates a retrospective loss clause so that a loss in any one year is offset against the profits in another year.

The Board considers that the Profit Commission plan metrics for 2014 are commercially sensitive and therefore they are not currently disclosed. However, the Committee will make as full a disclosure as possible, taking into account any continuing commercial sensitivities, in the 2015 Annual Report on Remuneration regarding the personal award and profit award for Simon Beale, and at the end of the third year following the year of account in respect of the profit award for Brian Carpenter.

Long-Term Incentive Plan (LTIP)

Awards will be made under the LTIP in 2014 to Charles Phillips, Richard Hextall, Simon Beale and Brian Carpenter of nil cost options over shares in Amlin plc with a value at the date of award of up to 100% of their respective base salaries.

Awards will normally vest on the third anniversary of the date of grant subject to continued service to that time and determination of a TSR performance condition measured over a three-year period commencing on 1 January 2014, and as set out below.

The Company's TSR compared with the comparator group index	Percentage of shares vesting
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%

The constituents of the TSR comparator group index for the 2014 awards will be:

Ace Group
Argo Group International Holdings Limited
Axa
Beazley plc
Catlin Group Limited
Chubb Corporation
Everest Re Group Limited
Fairfax Financial Holdings Limited
Hannover Ruckversicherung AG
Hiscox plc
Markel Corporation
Muenchener Ruckversicherung AG
Novae Group plc
PartnerRe Limited
RenaissanceRe Holdings Limited
Royal Sun Alliance Insurance Group plc
SCOR S.E
Swiss Re
Validus Holdings Limited
W.R. Berkley Corporation
White Mountains Insurance Group
XL Group plc.
Zurich Financial Services Limited

No award shall vest unless the Committee is satisfied that the Company's financial performance over the period has been satisfactory.

Performance Share Plan 2004 (PSP)

Charles Philipps, Richard Hextall and Simon Beale will receive awards under the PSP of nil-cost options over shares in Amlin plc with a value at the date of award of 100% of their respective base salaries.

Awards will normally vest on the fifth anniversary of the date of grant subject to continued service to that time and to a sliding scale of the Group's average annual post tax return on consolidated net tangible assets measured over five years commencing on 1 January 2014, and as set out below.

Average return on consolidated NTA per annum	Percentage of shares vesting
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%

Shareholding guidelines

As for the prior year, the shareholding guidelines for 2014 will be, for Executive Directors, 125% of their base salaries.

Non-Executive Director fees

The regular annual review of Non-Executive Director fees took place during 2013. The review involves considering a number of key factors, including market movements, time commitment and competition for high-quality Non-Executive Directors. The results of this review, which were effective from 1 July 2013, are summarised below.

	Annual fee at 30 June 2013 £	**Annual fee at 1 July 2013 £**	**Increase as a %**
J Chakraverty	67,000	**67,000**	**0**
Sir A Collins	67,000	**67,000**	**0**
R H Davey	230,000	**240,000**	**4.4**
M D Feinstein	87,000	**91,000**	**4.6**
S Jemmett-Page	75,000	**77,000**	**2.7**
Sir M Wrightson	67,000	**69,000**	**3.0**

Note: Mrs Jemmett-Page's fees increased to an annualised fee of £85,000 per annum upon joining the Remuneration Committee in August 2013.
The annual NED fees are calculated: base fee of £51,000, with £8,000 per Committee and £10,000 per Chairman position.

Payments to former Directors during 2013

Former Directors	Fees and salaries £000	Annual bonuses and/or profit commission and Capital Builder £000	Benefits in kind/ allowances £000	Total year to 31 Dec 2013 £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 2012 £000
N J C Buchanan[1]	37.1	–	–	**37.1**	99.0	–	–	**99.0**
A W Holt[2]	–	25.1	–	**25.1**	–	90.6	–	**90.6**

Note:

1. N JC Buchanan retired as a Director with effect 16 May 2013.
2. A W Holt's figures are prorated as his employment ended 31 December 2008 and was therefore only eligible for three out of five years.

Directors' remuneration received for 2012 and 2013

The table below sets out the key elements of pay relating to the Directors' annual remuneration for 2012 and 2013.

Name		Salary & Fees £000	Taxable Benefits £000	Annual Bonus[1] £000	LTIs Vesting In Year[2] £000	Pension £000	Other[3] £000	Total Remuneration £000
C E L Philipps	**2013**	**595.0**	**24.9**	**904.4**	**393.3**	**109.8**	**3.3**	**2,030.7**
	2012	576.2	24.4	810.0	536.5	106.9	1.0	2,054.9
R A Hextall	**2013**	**491.3**	**23.4**	**788.7**	**251.8**	**67.9**	**3.3**	**1,626.3**
	2012	445.6	22.6	649.4	303.6	63.1	1.0	1,485.3
S C W Beale	**2013**	**392.5**	**22.0**	**380.8**	**117.0**	**106.3**	**3.3**	**1,021.9**
	2012	358.0	20.3	838.8	290.3	101.3	1.0	1,609.6
B D Carpenter	**2013**	**357.6**	**21.5**	**148.3**	**0.0**	**90.3**	**3.3**	**621.0**
	2012	347.7	21.2	254.1	0.0	88.9	1.0	713.0
J Chakraverty[4]	**2013**	**64.8**	**–**	**–**	**–**	**–**	**–**	**64.8**
	2012	–	–	–	–	–	–	–
Sir Alan Collins	**2013**	**67.0**	**–**	**–**	**–**	**–**	**–**	**67.0**
	2012	67.0	–	–	–	–	–	67.0
R H Davey	**2013**	**233.3**	**–**	**–**	**–**	**–**	**–**	**233.3**
	2012	165.4	–	–	–	–	–	165.4
M D Feinstein	**2013**	**86.4**	**–**	**–**	**–**	**–**	**–**	**86.4**
	2012	75.0	–	–	–	–	–	75.0
S Jemmett-Page[6]	**2013**	**76.5**	**–**	**–**	**–**	**–**	**–**	**76.5**
	2012	22.3	–	–	–	–	–	22.3
Sir Mark Wrightson Bt	**2013**	**68.0**	**–**	**–**	**–**	**–**	**–**	**68.0**
	2012	67.0	–	–	–	–	–	67.0
C Bosse[5]	**2013**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2012	30.6	–	–	–	–	–	30.6
N J C Buchanan[7]	**2013**	**37.1**	**–**	**–**	**–**	**–**	**–**	**37.1**
	2012	99.0	–	–	–	–	–	99.0
R J Taylor[8]	**2013**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2012	104.2	–	–	–	–	–	104.2

Notes:

1. Amounts include deferred elements, see page 97 for payments under the Profit Commission scheme.
2. The LTI value for S C W Beale and B D Carpenter for 2012 is the sum of the five years of the 2008 award paid and accrued in 2013. For 2013, the relevant figure is the five years accrued for the 2009 award.

   The 2010 & 2011 LTIP awards lapsed.

   The 2008 PSP award vested at 82.9% of the maximum. The share price at vesting was 425.5p.

   The 2009 PSP award vested at 95.6% of the maximum. As the share price at vesting is not currently known we have used the three month average share price to 31 December 2013 of 430.61p.
3. Value of free shares awarded under the SIP that vested in the relevant financial year.
4. Julie Chakraverty joined the Company on 1 January 2013.
5. Christine Bosse stepped down from the Board on 6 July 2012.
6. Shonaid Jemmett-Page joined the Company on 1 September 2012.
7. Nigel Buchanan stepped down from the Board on 16 May 2013.
8. Roger Taylor stepped down from the Board on 17 May 2012.

Details of variable pay earned in the year

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 and personal performance.

The business performance is measured by reference to the Group's ROE compared with target returns set by the Committee at the beginning of each year. The individual's performance is 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 2013, the Executive Directors' scale was 75% for 'on-target' performance, rising to a potential maximum of 165% of base salary if the Group business and personal performance elements reached their maxima.

For Directors and those at other senior management levels, any amount of annual bonus 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 prove to be incorrect or are 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 the Committee agrees to be exceptional.

The business performance targets for the 2013 annual bonus and performance against them are set out below.

	2013 ROE targets	Vesting % of business budget maximum
Minimum payment ROE threshold	6%	22.8%
Plan ROE	15%	73%
Maximum payment ROE threshold	21%	100%
Total ROE achieved for year*	20.9%	99.8%

* The Committee adjusts the ROE to remove the effects of final dividends being included in opening shareholders' equity and of foreign exchange items relating to hedging.

Executive	Financial performance (ROE) % of max	Personal (% of max)	**Total***	£'000
C E L Phillips	69.5	21.8	**91.4%**	904.4
R A Hextall	69.5	26.1	**95.6%**	788.0

* The combined total of the business performance element (70% maximum) and the personal performance element (30% maximum).

PSP awards vesting in year

PSP awards granted on 5 March 2009 will vest on 5 March 2014, subject to continued service to that date. A performance period ending on 31 December 2013 determines the vesting of these awards, as set out below.

Average return on consolidated Net Tangible Asset (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%

Award	Vesting date	Performance period	Average return on NTA for period %	Vested %
2008	March 2013	2008-12	15.7	82.9
2009	March 2014	2009-13	18.9	95.6

LTIP awards vesting in year

LTIP awards granted on 8 March 2011 will vest on 8 March 2014, subject to continued service to that date. A performance period ending on 31 December 2013 determines the vesting of these, as set out below.

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%

Award	Vesting date	Performance period	Amlin TSR %	Index TSR %	Vested %
2010	March 2013	2010-12	23.8	75.0	0
2011	March 2014	2010-13	31.1	64.7	0

Profit Commission (PC)

The PC is a shorter-term incentive for underwriters. It consists of a cash profit share in respect of each underwriting year. Participants are from the UK and Bermudian businesses, and 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.

PC's structure comprises two elements: profit award and performance award. For Amlin London and Amlin Bermuda, the profit award is made up of a profit pool, comprising two elements: business unit award (50%) of profit pool and divisional award (50%) of profit pool. 100% of Amlin UK profit award comprises a divisional 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 objectives. PC payments are capped as a percentage of annual salary, based on job role. A retrospective loss clause is also incorporated to ensure any loss in one year is offset against profits in another year.

PC for an underwriting year is calculated over a 36-month period from the start of the underwriting year, allowing for a more informed assessment of reserves. Payments for this are paid in two tranches. The first 30% of the estimated payment is made in the second year following the year of account; and a further balancing payment of 70% of the estimated payment is made in the year following the year of account.

Employees based in Switzerland participate in a separate local scheme, which is operated on a similar basis to the UK PC scheme. The Swiss PC is based on an accounting GAAP (Generally Accepted Accounting Principles) year basis. Eligible employees in Amlin Europe participate in an annual bonus scheme. For underwriting participants, this includes a performance measure against underwriting profitability.

Simon Beale moved to a Group Underwriting role during 2012 and, reflecting his change in responsibilities, he moved from the Amlin Syndicate PC scheme, covering Amlin London and Amlin Bermuda, to a Group PC Scheme in 2013. This aligns Mr Beale's shorter-term incentive to the Group's performance rather than just divisional performance. The Group scheme is accounted for on a GAAP year basis and, unlike his historic awards, is paid in the year following the performance period rather than over a 36-month period as detailed above. Therefore in 2014 and 2015 Mr Beale will receive a deferred payment under his historic awards as well as a payment from the Group Scheme. Mr Beale will receive his final payment in respect of 2011, an interim payment in respect of 2012 and his payment for 2013 all during 2014. The 600% cap for each scheme will still apply and any award in excess of 300% will still be deferred as detailed in the Policy table.

Current underwriting Directors' PC and bonus reported for 2013

	B D Carpenter Accounted for in 2013 £000	2012 £000	**S C W Beale Accounted for in 2013 £000**	2012 £000
2013 year of account PC	**107.8**	–	**–**	–
2012 year of account PC	**–**	59.6	**–**	639.3
Personal Performance	**40.5**	194.6	**118.5**	199.5
2013 GPC	**–**	–	**262.3**	–
Total	**148.3**	254.2	**380.8**	838.8

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 the Capital Builder Plan is a significant retention and recruitment tool for 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 2013 inclusive.

Payments under the Plan may be made at the Company's discretion in either cash or shares. There is 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.

Awards were made in each of the years from 2009 to 2013 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 regarding later performance periods. Subject to that caveat, the forecast rewards based on earned premium and reserving as at 31 December 2013, 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.

	Class/division	**Total amount accrued & paid in 2012 £000**	2007 Award balance paid 2013 £000	5 years of 2008-2012 Award paid in 2013 £000	5 years of 2008-2012 Award accrued in 2013 £000	**Total amount accrued & paid in 2013 £000**	5 years of 2009-2013 Award £000	4 years of 2010-2014 Award £000	3 years of 2011-2015 Award £000	2 years of 2012-2016 Award £000	1 year of 2013-2017 Award £000	**Total for awards since 1 Jan 2009 £000**
S C W Beale	Classes	**274.5**	139.3	123.3	138.3	400.9	61.8	21.1	59.7	33.0	–	**175.6**
	Syndicate	**30.6**	12.4	8.7	20.0	41.1	45.4	–	27.2	20.0	–	**92.6**
	Totals	**305.1**	151.7	132.0	158.3	442.0	117.0	21.1	96.3	55.0	–	**268.2**
B D Carpenter	Classes	**(28.3)**	12.6	(27.1)	(34.5)	(49.0)	(94.4)	(36.9)	50.6	142.1	175.5	**236.9**
	Syndicate	**45.2**	18.3	5.8	13.3	37.4	11.3	4.2	13.6	10.0	10.0	**49.1**
	Totals	**16.9**	30.9	(21.3)	(21.2)	(11.6)	(83.1)	(32.7)	64.2	152.1	185.5	**286.0**
A W Holt	Classes	**100.8**	24.9	(8.4)	6.9	23.4	–	–	–	–	–	**–**
	Syndicate	**22.1**	7.4	1.2	2.7	11.3	–	–	–	–	–	**–**
	Totals	**122.9**	32.3	(7.2)	9.6	34.7	–	–	–	–	–	**–**

Note: 2012 paid includes 2006 and 2007 awards payments and 2007 awards accrued.

Share awards made in 2013

PSP awards

The Amlin Performance Share Plan 2004 (PSP) helps recruit, retain, motivate and reward a small number of key senior executives who are not underwriters, including relevant Executive Directors. Awards have been made each year since 2004. During 2013, awards were made to a total of 19 participants (2012: 27) over an aggregate of 675,314 shares (2012: 968,510). 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 2013, the maximum such value was awarded to the Chief Executive, the Group Finance & Operations Director and the Group Chief Underwriting Officer. 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. The amount to which PSP awards vest would depend 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, as set out on page 96.

Amlin Long Term Incentive Plan 2006 (LTIP)

The LTIP replaced grants of executive share options from 2007 onwards. Senior underwriters and senior non-underwriters, including Executive Directors, participate in the LTIP. Awards were made in 2013 to 110 participants in all parts of the Group (2012: 118), over a total of 1,721,567 shares (2012: 2,208,290).

The LTIP's primary performance condition is a relative TSR measure. The Committee sets performance conditions at the time of 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 following is the comparator group of insurers in respect of the 2013 grant:

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, Hiscox plc, Novae Group plc, Ace Group, 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.

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 exceeding 100% of annual base salary (or, exceptionally, 200% for a senior new recruit). In 2013, the maximum such value awarded was 100% of base salary to the Chief Executive, the Group Finance & Operations Director and the Group Chief Underwriting Officer. 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 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%

Summary of PSP and LTIP awards made on 5 March 2013

Executive	Plan (PSP or LTIP)	Basis of award granted	Number of shares over which award was granted	Face value of award (£'000)	% of face value that would vest at threshold performance	Performance period ends on
C E L Philipps	PSP	100% of salary	136,310	580	20% for PSP awards and 25% for LTIP awards	31 December 2017
	LTIP	100% of salary	136,310	580		31 December 2015
R A H Hextall	PSP	100% of salary	109,283	465		31 December 2017
	LTIP	100% of salary	109,283	465		31 December 2015
S C W B Beale	PSP	100% of salary	90,481	385		31 December 2017
	LTIP	100% of salary	90,481	385		31 December 2015
B D Carpenter	LTIP	75% of salary	61,727	263		31 December 2015

Note: Face value calculated using share price of 425.5p; the price given the day before the date of grant on 5 March 2013.
A nominal amount of £1 is payable on exercise of LTIP/PSP.

Shareholding targets

When the LTIP was introduced in 2006, an objective was set 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%. All the Executive Directors' shareholdings were above the target throughout 2013, mostly by a substantial margin. Of the other senior executives covered by the policy (the Group Management Committee), most have met their shareholding targets and the rest are expected to do so as incentive plans vest. The Committee reviewed the targets during the year and re-affirmed that they remain appropriate. The Committee believes that the combination of these shareholdings and the structure of performance incentives continue to ensure the interests of management and shareholders in the Company's success are closely aligned.

Director	Beneficially owned at 31 December 2013	Beneficially owned at 28 February 2014	Vested but unexercised LTIP and PSP awards	Unvested LTIP and PSP awards	LTIP and PSP awards exercised in year	Unvested awards with no performance targets	**% shareholding guideline achieved at 31 December 2013**
C E L Philipps	613,435	613,435	0	1,108,067	427,949	6,163	**469**
R A Hextall	165,721	165,721	0	823,517	137,217	2,884	**152**
S C W Beale	332,016	332,016	0	307,051	28,408	6,163	**386**
B D Carpenter	380,949	380,949	0	199,711	57,831	3,643	**486**

All-employee share plans

The Company offers HMRC-approved SAYE options; the current plan having been adopted in 2008 with a ten-year life for new grants. An annual offer was made in September 2013. 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 2013 SAYE offer was open to all applicable employees employed by the Group on 1 July 2013. Exercises are not subject to any performance condition.

Since 2007, the Company has also operated an HMRC-approved all-employee 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), based on the annual results. The quantum, between nil and the annual maximum level currently permitted by HMRC of £3,000 worth of shares per employee, is decided in light of the ROE achieved in the previous year.

In 2013, an award of £2,000 was made to eligible employees. 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 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. The options were granted 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.

Executive Directors' PSP, LTIP and share option participations

As at 31 December 2013, 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 following table.

	PSP, LTIP or specified option scheme(s)	Over new or ESOT shares[1]	Shares under option on 1 Jan 2013	Awards during the year	Lapsed during the year	Exercised during the year	Shares under option on 31 Dec 2013	Exercise price per share	Years options exercisable (if performance conditions met)	Potential profit on 31 Dec 2013[2] £000
S C W Beale	LTIP	ESOT	28,408	–	–	28,408	0	Nominal	2011-2013	0
		ESOT	52,587	–	52,587	–	0	Nominal	2013-2015	0
		ESOT	56,447	–	–	–	56,447	Nominal	2014-2016	259
		ESOT	69,642	–	–	–	69,642	Nominal	2015-2017	319.6
		ESOT	–	90,481	–	–	90,481	Nominal	2016-2018	415.2
	Total LTIP		207,084	90,481	52,587	28,408	216,570			993.8
	PSP	ESOT	–	90,481	–	–	90,481	Nominal	2018-2012	415.2
	Total PSP		–	90,481	–	–	90,481			415.2
	Sharesave	Treasury	6,163	–	–	–	6,163	247.00p	2016-2017	13.1
	Total options		6,163	0	0	0	6,163			13.1
	Totals all		**213,247**	**180,962**	**52,587**	**28,408**	**313,214**			**1,422.1**
B D Carpenter	LTIP	ESOT	57,831	–	–	57,831	0	Nominal	2011-2013	0
		ESOT	57,849	–	57,849	–	0	Nominal	2013-2015	0
		ESOT	62,092	–	–	–	62,092	Nominal	2014-2016	284.9
		ESOT	75,892	–	–	–	75,892	Nominal	2015-2017	348.3
		ESOT	–	61,727	–	–	61,727	Nominal	2016-2018	283.3
	Total LTIP		253,664	61,727	57,849	57,831	199,711			916.5
	Sharesave	Treasury	3,643	–	–	–	3,643	247.00p	2014-2015	7.7
	Total options		3,643	0	0	0	3,643			7.7
	Totals all		**257,307**	**61,727**	**57,849**	**57,831**	**203,354**			**924.2**
R A Hextall	LTIP	ESOT	93,085	–	93,085	–	0	Nominal	2013-2015	0
		ESOT	100,351	–	–	–	100,351	Nominal	2014-2016	460.5
		ESOT	125,000	–	–	–	125,000	Nominal	2015-2017	573.6
		ESOT	–	109,283	–	–	109,283	Nominal	2016-2018	501.5
	Total LTIP		318,436	109,283	93,085	0	334,634			1,535.6
	PSP	ESOT	65,903	–	–	65,903	0	Nominal	2012-2014	0
		ESOT	86,066	–	14,752	71,314	0	Nominal	2013-2015	0
		ESOT	61,164	–	–	–	61,164	Nominal	2014-2016	280.7
		ESOT	93,085	–	–	–	93,085	Nominal	2015-2017	427.2
		ESOT	100,351	–	–	–	100,351	Nominal	2016-2018	460.5
		ESOT	125,000	–	–	–	125,000	Nominal	2017-2019	573.6
		ESOT	–	109,283	–	–	109,283	Nominal	2018-2020	501.5
	Total PSP		531,569	109,283	14,752	137,217	488,883			2,243.5
	Sharesave	Treasury	2,694	–	–	2,694	0	334.00p	2013-2014	0.0
		Treasury	–	2,884	–	–	2,884	312.00p	2016-2017	4.2
	Total options		2,694	2,884	0	2,694	2,884			4.2
	Totals all		**852,699**	**221,450**	**107,837**	**139,911**	**826,401**			**3,783.3**

	PSP, LTIP or specified option scheme(s)	Over new or ESOT shares[1]	Shares under option on 1 Jan 2013	Awards during the year	Lapsed during the year	Exercised during the year	Shares under option on 31 Dec 2013	Exercise price per share	Years options exercisable (if performance conditions met)	Potential profit on 31 Dec 2013[2] £000
C E L Philipps	LTIP	ESOT	128,627	–	128,627	–	0	Nominal	2013-2015	0
		ESOT	137,481	–	–	–	137,481	Nominal	2014-2016	630.9
		ESOT	168,154	–	–	–	168,154	Nominal	2015-2017	771.7
		ESOT	–	136,310	–	–	136,310	Nominal	2016-2018	625.6
	Total LTIP		434,262	136,310	128,627	0	441,945			2,028.2
	PSP	ESOT	153,584	–	–	153,584	0	Nominal	2011-2013	0
		ESOT	148,282	–	–	148,282	0	Nominal	2012-2014	0
		ESOT	152,164	–	26,081	126,083	0	Nominal	2013-2015	0
		ESOT	95,550	–	–	–	95,550	Nominal	2014-2016	438.5
		ESOT	128,627	–	–	–	128,627	Nominal	2015-2017	590.3
		ESOT	137,481	–	–	–	137,481	Nominal	2016-2018	630.9
		ESOT	168,154	–	–	–	168,154	Nominal	2017-2019	771.7
		ESOT	–	136,310	–	–	136,310	Nominal	2018-2020	625.6
	Total PSP		983,842	136,310	26,081	427,949	666,122			3,057.0
	Exec options	Treasury	92,150	–	–	–	92,150	293.00p	2009-2016	152.9
	Sharesave	Treasury	6,163	–	–	–	6,163	247.00p	2016-2017	13.1
	Total options		98,313	0	0	0	98,313			166
	Totals all		**1,516,417**	**272,620**	**154,708**	**427,949**	**1,206,380**			**5,251.2**

Note:

1. New shares can also potentially be sourced from Treasury.
2. Calculated assuming maximum vesting of awards, using the closing share price of 458.9p from the last trading day of 2013. During the year under review, the lowest and highest mid-market trading prices of the shares in the Company were 373.4p and 458.9p respectively.
3. The share price on the day prior to the grant of the Directors' PSP and LTIP awards on 5 March 2013 was 425.5p.

Directors' options exercised during 2013

Executive	Scheme	Met by treasury or ESOT shares	Number of shares exercised	Exercise price	Date of exercise	Share price on exercise	Profit on exercise of £000
S C W Beale	LTIP 2008	ESOT	28,408	£1 Nominal	08/04/2013	416.5	118.3
B D Carpenter	LTIP 2008	ESOT	57,831	£1 Nominal	10/04/2013	415.5	240.3
R A Hextall	PSP 2007	ESOT	65,903	£1 Nominal	08/04/2013	416.5	274.5
	PSP 2008	ESOT	71,314	£1 Nominal	08/04/2013	416.5	297.0
	SAYE 2010	Treasury	2,694	334.00p	02/12/2013	440.0	2.9
C E L Philipps	PSP 2006	ESOT	153,584	£1 Nominal	08/04/2013	416.5	639.7
	PSP 2007	ESOT	148,282	£1 Nominal	08/04/2013	416.5	617.6
	PSP 2008	ESOT	126,083	£1 Nominal	08/04/2013	416.5	525.1

External appointments

To broaden the experience of Executive Directors, they can accept one external appointment as a non-executive director of another public company, provided they seek advance permission from the Board. Any external appointment must not conflict with the Director's duties and commitments to the Company. Richard Hextall received and retained a non-executive director's fee of £29,000 from the City of London Investment Trust PLC (2012: £27,000) and Simon Beale received a fee of £37,500 from the Council of Lloyd's (2012: £32,725), which was paid over to the Company. Charles Philipps will become a non-executive director of Great Portland Estates plc with effect from 1 April 2014.

Executive Directors' pensions

The current pension provision policy will continue in 2014. Pension details, as applicable for each Executive Director who served as a Director during the year (Non-Executive Directors not being eligible), are shown in the table overleaf. The total DC employer contributions for the Directors were £74,864 (2012: £81,788). 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 deducting 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

The table below sets out disclosures of relevant pension amounts in line with the new Regulations for 2013 and the corresponding figures restated for 2012.

	DB or DC	DC employer contributions 31 Dec 2013 £000	Accrued pension entitlement at 31 December 2012 £000	Accrued pension entitlement at 31 December 2013 £000	Pension input amount for 2013 £000	Accrued pension entitlement at 31 December 2011 £000	Accrued pension entitlement at 31 December 2012 £000	Payments in lieu of pension contributions 2013 £000	Pension input amount for 2012 £000
S C W Beale	DB & DC	44.9	61.1	65.8	61.4	54.7	61.1	–	63.6
B D Carpenter	DB & DC	3.7	75.3	80.4	62.6	68.1	75.3	24.0	66.1
R A Hextall	DC	26.2	–	–	–	–	–	41.7	–
C E L Philipps	DC	–	–	–	–	–	–	109.8	–

Notes:

1. As per the New Regulations, the pension input amount is shown net of inflation of 2.2% for the year and net of the directors' gross employee contributions for the year of £7,005 each.
2. As per the New Regulations, the pension input amount is shown net of inflation of 5.2% for the year and net of the directors' gross employee contributions for the year of £6,722 each.
3. The normal retirement age for both the DC and DB schemes as defined by the scheme rules is 65 years old.

Using unissued and existing shares for incentive plans

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

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 ten 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 2013	Percentage of shares then in issue utilised 31 Dec 2012
Executive 5% limit over 10 years	**3.8%**	4.1%
All schemes 10% limit over 10 years	**5.0%**	5.2%

Percentage change in Chief Executive remuneration

The table below shows the percentage change in Chief Executive's salary, benefits and annual bonus for the year under report from the previous year, and compared with those of the average for all full-time employees of the UK business.

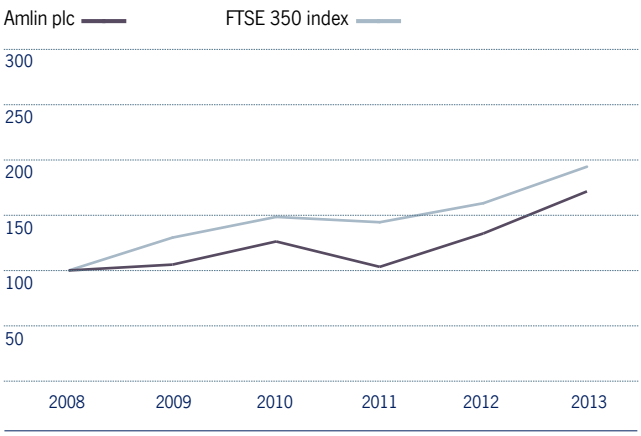
	% change from 2012 to 2013		
	Salary	Benefits	Annual bonus
Chief Executive	3.4	3.4	11.7
Average for all employees of UK business	3.9	3.6	14.9

Total Shareholder Return (TSR) performance

The graphs below illustrate the TSR 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 2013.

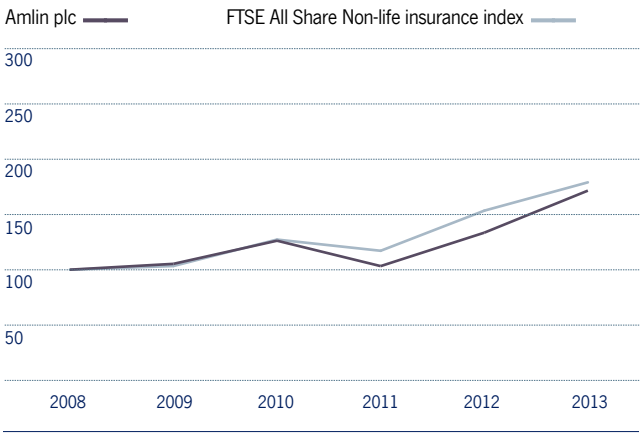
Comparisons are shown with both these indices, as the performance of Amlin's shares is affected both by the general UK stock market in companies of its size and by its insurance sector. The graphs show the values, at each year end from 2008 to 2013 inclusive, of £100 invested in the Company's shares on 31 December 2008 compared with the values of £100 invested in the relevant index on the same date.

Total shareholder return compared with FTSE 350 at 31 December



Source: Datastream (Thomson Reuters)

Total shareholder return compared with FTSE 350 All Share Non-Life insurance index at 31 December



Source: Datastream (Thomson Reuters)

Total remuneration for the Chief Executive

The total remuneration figures for the CEO during each of the last five financial years are shown in the table below. Consistent with the calculation methodology used for the single figure for total remuneration, the total remuneration figure includes the total annual bonus based on that year's performance and PSP and LTIP Share Award performance based on the three and five year performance period ending in the relevant year. The annual bonus pay-out, PSP and LTIP performance vesting levels as a percentage of the maximum opportunity are also shown for each of these years.

	Year ending 31 December				
	2009	2010	2011	2012	**2013**
Total Remuneration (£000)	2,270	2,302	1,385	2,055	**2,031**
Annual bonus (%)	100%	61.4%	20%	85%	**92%**
Total LTIP & PSP vesting (%)	100%	86%	60%	45%	**40%**
PSP Awards Vesting	100%	100%	98%	83%	**97%**
LTIP Awards Vesting	100%	71%	0%	0%	**0%**

Relative spend on pay during the year

The table below sets out the Company's actual spend on pay for all employees and dividends for the year under review, as compared to the previous year, and the percentage change between the two years.

All figures in £m	2012	**2013**	Increase
All employee cost (including Executive Directors)[1]	178.4	**212.5**	19.1%
Distributions to shareholders (dividend payments)[2]	115.3	**121.4**	5.3%

Notes:

1. Taken from Note 12 of the Report and Accounts.
2. Taken from the Consolidated Income Statement of Changes in Equity. Full details of the increase in the dividend paid in the year are set out on page 106.

How the Remuneration Committee sets the Policy

In determining the Executive Directors' remuneration, the Committee consulted with and received recommendations from the Director of HR and the Chief Executive. The Committee also received advice from New Bridge Street, which assisted the Committee in the 2013 financial year. In setting the overall remuneration policy, the Committee made decisions in the broader context of employee remuneration throughout the Group.

The table below sets out members of the Committee who served during the year and that the Board regards as independent. Their attendance at Committee meetings was as follows:

Remuneration Committee members

Name	Number of meetings attended
Sir Mark Wrightson	9/9
Julie Chakraverty	9/9
Shonaid Jemmett-Page	2/2[1]
Nigel Buchanan	4/4[2]

Notes:

1. Shonaid Jemmett-Page was appointed a member to the Committee but attended as an observer at a meeting in August before her appointment on 15 August 2013.
2. Nigel Buchanan retired at the AGM held on 16 May 2013.

The Committee meets as often as necessary to discharge its duties, with the CEO and the Chairman being invited to attend meetings as appropriate. No member of the Committee has any personal financial interest in the Company (other than as a shareholder), any conflict of interest arising from cross-directorships, or any day-to-day involvement in running the business. No individual is present when matters relating directly to his or her own remuneration are addressed. The Committee last reviewed its Terms of Reference on 1 October 2013. The Board approved the Terms of Reference on 13 November 2013.

Matters considered by the Committee during the year

During the year, the Committee considered the following standard key matters:

- Approving the Directors' Remuneration Report for 2012;
- The annual review of all Executive Directors' and senior managers' remuneration packages, and approving any salary increases;
- Reviewing achievement of Group Bonus Scheme against profit target;
- Reviewing and approving all awards made under the PSP and LTIP, taking into account the total value of all awards made under these plans;
- Approving the vesting level for the PSP and LTIP grant of award;
- Considering the performance measures and targets to be applied to the 2013 PSP and LTIP awards;
- Reviewing director shareholding guidelines;
- Considering external market developments and best practice in remuneration;
- Reviewing Committee performance during 2012;
- Reviewing Committee terms of reference;
- Reviewing statement in respect of remuneration consultants;
- Reviewing and approving CB and PC plan payments;
- Reviewing Remuneration Policy;
- Reviewing amendment to incentive plans; and
- The annual review of the Chairman's fee.

The Committee also agreed that the Company should perform a thorough review of all remuneration, aimed at determining how it could become better aligned with the Group's future strategy. Deloitte have been appointed to assist with this review.

External advisers

The Committee's independent remuneration adviser is New Bridge Street (NBS). NBS advises the Committee on structuring and using the Group's performance-related incentives, and on remuneration policy generally. NBS also advises on remuneration of the Non-Executive Directors. NBS operates independently in the Aon plc group of companies, which has certain trading relationships with the Company's subsidiaries. NBS is a signatory to the Remuneration Consultants Group Code of Conduct and has confirmed its compliance with the Code. You can find a copy of the statement regarding the relationship with NBS on the Company's website at www.amlin.com

NBS's role of providing ongoing support and advice to the Committee over the entire remuneration year included:

- Advising on the increase in award levels under the PSP;
- Providing performance measurement relating to the PSP and LTIP;
- Updating on developments in remuneration practices;
- Supporting and advising in relation to BIS;
- Advising on increases of the Chairman and Non-Executive Directors' fee;
- Advising on increases of the Executive Directors' total remuneration;
- Supporting the reviewing of the Directors' Remuneration Report;
- Supporting the shareholder consultation process; and
- Advising on updating SIP and SAYE scheme rules.

The Committee is exclusively responsible for reviewing, selecting and appointing its advisers. The Committee reviewed its appointment of NBS during the year and confirmed its reappointment as adviser, and is satisfied that the advice received was objective and independent. During the year, the fee payable to NBS was £93,700 (2012: £96,100). This included advice on other HR matters and on the Regulations and other new legislation.

Committee plan for 2014

It is proposed that during 2014, the Committee will include the following along with its standard key matters:

- Reviewing Company-wide remuneration policy with employee input, including the potential adoption of a new share plan;
- Considering proposals to annual remuneration arrangements so that they align with future strategy;
- Ongoing training of Committee members; and
- Committee succession planning.

Shareholder and broader context

The Committee considers the external environment in which the Company operated and the guidance issued by the institutional shareholders. During the year, the Chairman of the Remuneration Committee and Amlin plc consulted investors on general and specific remuneration matters. In particular, the Committee consulted with investors regarding the Directors' Remuneration Report and the Remuneration Policy.

The AGM of Amlin plc was held on 16 May 2013. A vote was taken on a show of hands on each resolution at the meeting. The results of the proxies to approve the Directors' Remuneration Report for the year ended 31 December 2012 are set out below.

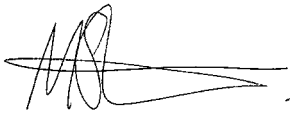
Resolution	For	For %	Against	Against%	Total Shares	Total Shares %
Approval of the Remuneration Report	398,364,531	99.6%	1,563,471	0.39%	399,929,853	99.61%

These votes include those votes giving the Chairman discretion. A 'Vote Withheld' is not a vote in law and is not counted in calculating the proportion of votes 'for' or 'against' a resolution. There were votes withheld in respect of 4,272,506 shares. At the date of the AGM, there were 504,799,359 shares in issue.

Status of report

As required by the Large and Medium-Sized Companies and Group (Accounts & Reports) (Amendment) Regulations 2013, in accordance with which this report has been prepared, the sections entitled Remuneration received for 2012 and 2013; 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.

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



M P D Stevens
Group Company Secretary

28 February 2014

Other disclosures

The Directors present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2013.

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 504,799,359 Shares in issue at the year end (2012: 502,076,006), including Shares held in treasury. No Shares were bought back into treasury during the year (2012: also nil). 716,586 Shares were transferred out of treasury during the year to service exercises of employee share options (2012: 418,721), leaving 4,252,085 Shares in treasury at the year end (2012: 4,968,671). The Group issued 2,723,353 ordinary shares on 1 March 2013 in conjunction with the purchase of RaetsMarine Insurance B.V.. The shares issued have the same rights as all other shares in issue. The fair value of the shares issued amounted to £11.6 million (424p per share).

There have been no issues of Shares or further share buy backs or transfers into treasury since the year end but a further 28,829 Shares had by 28 February 2014 been transferred from treasury to satisfy employee share options, leaving 4,223,256 Shares in treasury at that date.

The Directors have declared dividends as follows:

Ordinary shares
Interim dividend of 7.8p per share paid on 3 October 2013 to shareholders on the register of members on 6 September 2013 (2012: 7.5p)
Proposed final dividend of 18.2p per share to be paid on 29 May 2014 to shareholders on the register of members at the close of business on 22 April 2014 (2012: 16.5p)
Total ordinary dividend of 26p per share (2012 24.0p)

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 on pages 64 to 65 and details of their Committee memberships can be found in the Directors and Advisers list at the back of the report.

Directors' interests

The interests of the Directors and their related parties in the shares of the Company, all of which are beneficial except where indicated otherwise, are set out below. There have been no changes since 31 December 2013.

Directors' interests in shares

	At date of signing 2013 report	At date of signing 2012 report
S C W Beale	**332,016**	316,556
B D Carpenter	**380,949**	380,481
J Chakraverty	**8,000**	–
Sir Alan Collins	**2,927**	–
R H Davey	**10,000**	10,000
M D Feinstein	**4,000**	4,000
R A Hextall	**168,415**	165,253
S C R Jemmett-Page	**700**	–
C E L Philipps	**613,435**	612,967
Sir Mark Wrightson Bt[1]	**15,388**	15,388
Former Director[2]		
Nigel Buchanan	**11,200**	11,200

1. Includes 1,500 shares held non-beneficially as a bare trustee.
2. Nigel Buchanan retired from the Board on 16 May 2013.

In the cases of the four Executive Directors, Messrs Beale, Carpenter, Hextall and Philipps, the above holdings include beneficial interests held through the Company's Share Incentive Plan (SIP). Details of their interests in share options and long-term incentive plans are set out in the Directors' Remuneration Report 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.

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 Conduct Authority (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 31 December 2013, 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*
Invesco Limited	69,519,312	13.9
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
JP Morgan Chase & Co	19,624,490	4.0

* Based on the Shares in issue, excluding treasury shares, as at 31 December 2013 of 500,547,274.

No changes have been disclosed in the period 31 December 2013 to 28 February 2014.

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 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 and the enrolment of employees in an employee share scheme. 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 which provides both management and employees with an 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 across the Group, promotes better understanding and relationships and is a supplement to the Amlin Consultation Forum in the UK and

Amlin Europe Works Councils in the Netherlands and Belgium. Employees also have engagement through line managers and employee communication is further facilitated by intranet communication and a regular Group e-newsletter. In March 2013, the first monthly management cascade briefing pack, Core Brief, was issued as a tool for managers to use when briefing their teams about relevant Group developments.

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 (including the training, career development and promotion of disabled persons), or any other condition, unless differing treatment can be shown to be legally justifiable.

Copies of the Group's employment policies are available from the Secretary on request. Some apply to the whole Group whilst others apply to the UK with local variations outside the UK. They cover professional qualifications; family leave; flexible working; sabbaticals; staff harassment; and equal opportunities. The Group's health & 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 & Safety Committee. As Group Finance & Operations Director, Mr Hextall is responsible for the oversight of health & safety throughout the Group.

Corporate social responsibility

A corporate social responsibility report is set out on pages 40 to 41. The Chief Executive is responsible at Board level for leading and reporting to the Board on the Group's initiatives on corporate social responsibility related matters. Further information is available on the Company's website.

Political donations

The Group made no political donations during the year (2013: nil).

Annual General Meeting

The Notice of AGM, to be held at noon on Thursday 22 May 2014 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 Sir Alan Collins (2011), Mrs Jemmett-Page (2012) and Mrs 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 Strategic Report of this Annual Report (pp 4-57). 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 33 to 36. 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 he or she is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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

M P D Stevens
Group Company Secretary

28 February 2014

Statement of Directors' responsibilities

Statement of Directors' responsibilities

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and 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.

Having taken advice from the Audit Committee on the process, all the Directors consider that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

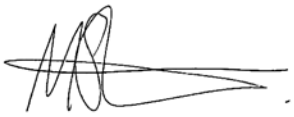
Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the section of the Annual Report entitled "Board of Directors" confirms that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group and Company; and
- The strategic report and report contained in the Annual Report include 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.

The Directors are responsible for the maintenance and integrity of the Group website www.amlin.com. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By Order of the Board



M P D Stevens
Group Company Secretary

28 February 2014

Independent auditors' report to the members of Amlin plc

Report on the Group financial statements

Our opinion

In our opinion the Group financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements, which are prepared by Amlin plc, comprise:

- the consolidated balance sheet as at 31 December 2013;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements (1 to 38), which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). 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 Annual Report to identify material inconsistencies with the audited Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we set materiality for the Group financial statements as a whole at £14 million. Our view on overall materiality was communicated to the Audit Committee.

In determining our materiality we have considered financial metrics that we believe to be relevant. We concluded that using an average of profit before tax is most relevant as this considers the variability of results due to claims experience, particularly in respect of catastrophe losses.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.7 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group is structured along five underwriting segments, being Amlin London and Amlin UK (together Syndicate 2001, whose sole member is Amlin Corporate Member Limited), Amlin Bermuda, Amlin Re Europe and Amlin Europe.

The Group financial statements are a consolidation of numerous reporting units, comprising the Group's operating and non-operating businesses and centralised functions.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, or component auditors within PwC UK and from other PwC network firms operating under our instruction.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We determined that certain components within the underwriting segments required an audit of their complete financial information, either due to their size or their risk characteristics. Specific audit procedures on certain balances and transactions were also performed in relation to other components to ensure we obtained appropriate coverage across all account balances and performed audit work to cover the areas of focus we identified and which are set out below.

The work performed on the components, together with additional procedures performed at the Group level gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 78.

Area of focus	How the scope of our audit addressed the area of focus
Estimation of outstanding claims and reinsurers' share of outstanding claims (Gross £2,897.1m, Net £2,554.0m) Outstanding claims and reinsurers' share of outstanding claims are inherently uncertain and the estimates reflect critical assumptions that are specific to the nature of the underlying insurance risk, as well as the social, legal and economic environments in which the risks are located. Management set reserves at a level that includes an element of prudence above an actuarial best estimate to take account of estimation uncertainty. These judgements and uncertainties in reserves are significant to the earnings of the Group. Allowing for reinsurance recoveries on both outstanding losses and Incurred but Not Reported claims is inherently judgemental. The recoveries are subject to an assessment of credit risk. Note 3 on Risk disclosures provide further detail of these uncertainties and the process for establishing reserves.	We understood, assessed and tested the design and operational effectiveness of the governance and controls in Amlin's reserving process. We assessed the Directors' estimates based on the methodology, assumptions and judgements made and evaluated the sensitivity of these assumptions. This work considered the consistency of reserving judgements made between periods. Our assessment considered recognised actuarial techniques and best practices and application of our industry knowledge and experience. In performing our work we considered the accuracy (with the benefit of hindsight) of the Group's previous estimates and the accuracy and completeness of underlying company data used in setting reserves. We tested the recoverability of reinsurance assets including reviewing the credit rating and payment history of specific reinsurers. We also assessed the disclosures in the financial statements which describe the specific uncertainties and judgements made by the Directors in setting reserves.
Risk of fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. The recognition of revenue for policies written through third parties, such as delegated authorities, is inherently uncertain and is dependent on data and estimates received from third parties. Note 3 on Risk disclosures provide further detail on these uncertainties and the process for establishing estimated premium income.	We assessed and tested the governance and effectiveness of controls over the monitoring, estimation and collation of revenue written through third parties and associated estimates. We tested the historic accuracy of estimates for existing arrangements and where arrangements were new we obtained supporting evidence for the estimate. We agreed any unusual or significant adjustments to revenue to the supporting evidence.
Risk of management override of internal controls ISAs (UK & Ireland) require the auditor to consider the risk of fraud in an audit of financial statements due to management override. There is an inherent risk that management might override controls that otherwise appear to be operating effectively.	We assessed the overall control environment of the Group including the review and oversight by independent management and governance functions. Our procedures include interviewing senior management and the Group's internal audit function and confirming the Group's arrangements for staff to "whistle-blow" inappropriate actions. We have tested the accounting estimates relevant to the financial statements for evidence of bias by the Directors' that may represent a material misstatement due to fraud. We evaluated the design and operating effectiveness of the controls over, and tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We also built an element of "unpredictability" into our testing.
Valuation of Leadenhall Capital Partners LLP ("LCP") options The Group holds a 40% interest in LCP with the remainder held by management. Under the partnership agreement, there exist a number of options which allow either the Group or management to purchase the remaining shares and voting rights of LCP. The valuation of the options requires judgement.	We have tested the features of the options including the contractual terms, the strike price and the estimated valuation of the underlying asset in confirming the Directors assessment that the options do not have material value.

Going Concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 107, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement the Directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Strategic Report and 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 68 to 72 in the Annual Report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate Governance Statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 108 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and to provide information necessary for members to assess the Group's performance, business model and strategy. On page 78 as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 108, 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 ISAs (UK & 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.

Other matter

We have reported separately on the parent company financial statements of Amlin plc for the year ended 31 December 2013 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

28 February 2014

Continuity is... long-term stability backed by superior financial strength

In this Section

Consolidated statement of profit or loss

For the year ended 31 December 2013

	Note	2013 £m	Restated 2012 £m
Gross earned premium	5,6	**2,440.6**	2,319.0
Reinsurance premium ceded	5,6	**(346.0)**	(332.6)
Net earned premium	5,6	**2,094.6**	1,986.4
Investment return	5,7	**143.2**	149.4
Other operating income	5	**4.3**	5.6
Total income		**2,242.1**	2,141.4
Insurance claims and claims settlement expenses	5,8	**(1,153.1)**	(1,197.3)
Insurance claims and claims settlement expenses recoverable from reinsurers	5,8	**60.0**	72.7
Net insurance claims	8	**(1,093.1)**	(1,124.6)
Expenses for the acquisition of insurance contracts	5,9	**(450.9)**	(422.5)
Other operating expenses	10	**(347.3)**	(303.0)
Total expenses		**(798.2)**	(725.5)
Results of operating activities		**350.8**	291.3
Finance costs	5,13	**(29.0)**	(27.6)
Share of profit after tax of associates	4,5	**3.9**	0.5
Profit before tax	5,14	**325.7**	264.2
Tax	15	**(27.0)**	(16.4)
Profit for the year		**298.7**	247.8
Attributable to:			
Owners of the Parent Company		**298.7**	247.8
Earnings per share attributable to owners of the Parent Company			
Basic	25	**60.0p**	50.1p
Diluted	25	**59.1p**	49.5p

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

Consolidated statement of other comprehensive income

For the year ended 31 December 2013

	Note	2013 £m	Restated 2012 £m
Profit for the year		**298.7**	247.8
Items that will not be reclassified to profit or loss			
Defined benefit pension fund gains/(losses)	32	**9.4**	(9.5)
Deferred tax relating to items that will not be reclassified	15	**(2.3)**	1.6
		7.1	(7.9)
Items that may be reclassified subsequently to profit or loss			
Foreign exchange losses on translation of foreign operations, net of designated hedges	16	**(16.0)**	(53.4)
Unrealised gains on financial assets designated as available-for-sale	18	**–**	0.5
Current tax relating to items that may be reclassified	15	**0.5**	0.3
		(15.5)	(52.6)
Other comprehensive expense for the year, net of tax		**(8.4)**	(60.5)
Total comprehensive income for the year		**290.3**	187.3
Attributable to:			
Owners of the Parent Company		**290.3**	187.3

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

Consolidated statement of changes in equity

For the year ended 31 December 2013

		Attributable to owners of the Parent Company							
For the year ended 31 December 2013	Note	**Share capital £m**	**Share premium £m**	**Other reserves £m**	**Treasury shares £m**	**Retained earnings £m**	**Total £m**	**Non-controlling interests £m**	**Total £m**
At 1 January 2013		141.2	300.4	121.6	(20.8)	954.7	**1,497.1**	0.6	**1,497.7**
Total comprehensive (expense)/income for the year		–	–	(8.4)	–	298.7	**290.3**	–	**290.3**
Employee share option schemes:									
– share-based payment reserve		–	–	(0.5)	–	–	**(0.5)**	–	**(0.5)**
– proceeds from shares issued	24	–	0.1	–	2.0	(0.9)	**1.2**	–	**1.2**
Dividends paid	27	–	–	–	–	(121.3)	**(121.3)**	(0.1)	**(121.4)**
Deferred tax relating to share option schemes	15	–	–	(0.3)	–	–	**(0.3)**	–	**(0.3)**
Issue of new shares	24	0.8	10.8	–	–	–	**11.6**	–	**11.6**
Transactions with the owners of the Group for the year		0.8	10.9	(0.8)	2.0	(122.2)	**(109.3)**	(0.1)	**(109.4)**
At 31 December 2013		142.0	311.3	112.4	(18.8)	1,131.2	**1,678.1**	0.5	**1,678.6**

		Attributable to owners of the Parent Company							
Restated **For the year ended 31 December 2012**	Note	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total £m
At 1 January 2012 – as reported		141.2	300.3	174.5	(22.5)	826.2	1,419.7	0.7	1,420.4
Impact of retrospective application	32	–	–	2.5	–	(2.5)	–	–	–
At 1 January 2012 – restated		141.2	300.3	177.0	(22.5)	823.7	1,419.7	0.7	1,420.4
Total comprehensive (expense)/income for the year		–	–	(60.5)	–	247.8	187.3	–	187.3
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)	–	–	–
Deferred 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	121.6	(20.8)	954.7	1,497.1	0.6	1,497.7

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

Consolidated statement of financial position

At 31 December 2013

Assets	Note	2013 £m	Restated 2012 £m
Cash and cash equivalents	17	**164.5**	190.6
Financial assets	18	**4,368.8**	4,205.0
Reinsurance assets			
– reinsurers' share of outstanding claims	19	**343.1**	478.6
– reinsurers' share of unearned premium	19	**45.1**	46.8
Loans and receivables, including insurance and reinsurance receivables			
– insurance and reinsurance receivables	20	**1,013.8**	1,003.2
– other loans and receivables	20	**88.4**	82.2
Deferred acquisition costs	21	**246.1**	239.3
Current income tax assets		**23.0**	12.3
Deferred tax assets	15	**6.1**	15.8
Property and equipment	22	**22.6**	20.4
Goodwill and intangible assets	23	**239.1**	211.4
Investments in associates	4	**12.5**	9.3
Total assets		**6,573.1**	6,514.9
Equity and reserves			
Share capital	24	**142.0**	141.2
Share premium		**311.3**	300.4
Other reserves	26	**112.4**	121.6
Treasury shares		**(18.8)**	(20.8)
Retained earnings		**1,131.2**	954.7
Equity attributable to owners of the Parent Company		**1,678.1**	1,497.1
Non-controlling interests		**0.5**	0.6
Total equity and reserves		**1,678.6**	1,497.7
Liabilities			
Insurance liabilities			
– outstanding claims	19	**2,897.1**	3,083.5
– unearned premium	19	**1,093.9**	1,054.8
Other payables, including insurance and reinsurance payables			
– insurance and reinsurance payables	30	**273.3**	275.0
– other payables	30	**137.5**	118.6
Financial liabilities	18	**4.7**	5.7
Current income tax liabilities		**0.1**	0.4
Borrowings	31	**391.6**	410.4
Retirement benefit obligations	32	**32.6**	40.9
Deferred tax liabilities	15	**63.7**	27.9
Total liabilities		**4,894.5**	5,017.2
Total equity, reserves and liabilities		**6,573.1**	6,514.9

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

The financial statements on pages 113 to 195 were approved by the Board of Directors and authorised for issue on 28 February 2014. 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 2013

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated from/(utilised in) operations	36	**127.9**	(74.2)
Interest received		**21.5**	37.2
Dividends received		**16.3**	11.3
Income taxes paid		**(0.1)**	(12.1)
Net cash inflows/(outflows) from operating activities		**165.6**	(37.8)
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(8.8)**	–
Deferred payment for acquired subsidiary		**(0.2)**	(0.1)
Investments in associates	4	**0.9**	(0.5)
Purchase of property and equipment		**(7.5)**	(6.5)
Purchase and development of intangible assets		**(2.3)**	(2.2)
Net cash outflows from investing activities		**(17.9)**	(9.3)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares, including treasury shares		**12.8**	0.9
Dividends paid to owners of the Parent Company	27	**(121.3)**	(115.3)
Dividends paid to non-controlling interests	27	**(0.1)**	(0.1)
Interest paid		**(24.4)**	(21.9)
Purchase of ESOT and treasury shares		**(5.5)**	–
Net (repayment)/drawdown of revolving credit facility	31	**(24.1)**	122.8
Net cash outflows from financing activities		**(162.6)**	(13.6)
Net decrease in cash and cash equivalents		**(14.9)**	(60.7)
Cash and cash equivalents at beginning of year		**190.6**	256.3
Effect of exchange rate changes on cash and cash equivalents		**(11.2)**	(5.0)
Cash and cash equivalents at end of year	17	**164.5**	190.6

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

Notes to the accounts

For the year ended 31 December 2013

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) and interpretations issued by the IFRS Interpretation Committee (IFRICs), 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 financial liabilities, share options, contingent consideration 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 2012, 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.

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 financial management, performance and position, together with factors that are likely to affect future development, are described in the Financial Performance Review of this Annual Report on page 50. 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 33. 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 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 financial statements.

Adoption of new and revised standards

(a) Standards, amendments to published standards and interpretations effective on or after 1 January 2013

The Group has adopted the following new and amended IFRSs effective as of 1 January 2013:

- IAS 19 (revised), 'Employee benefits'
- IFRS 13, 'Fair value measurement'
- IFRS 7 (amended), 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'
- IAS 1 (amended), 'Presentation of financial statements – Presentation of items of other comprehensive income'
- IAS 12 (amended), 'Income taxes – Deferred taxes – Recovery of underlying assets'
- Annual improvements to IFRSs 2009-2011 cycle

The effects of these changes are as follows:

IAS 19 (revised), 'Employee benefits'

The amendments principally affect 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 amendments have been applied retrospectively with comparative information restated accordingly. The impact of the restatement is presented in note 32.

IFRS 13, 'Fair value measurement'

IFRS 13 is a new standard which 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 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The standard has been applied prospectively in accordance with the transitional provisions. The disclosure requirements of the standard have been applied in this set of financial statements. The adoption of the standard has had no impact on the Group's or Company's measurement of assets and liabilities measured at fair value.

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

The amendments introduce new disclosure requirements intended to better compare the different offsetting of financial assets and financial liabilities under IFRS and US GAAP. The amendments require entities to disclose more information about the right of offset and related arrangements for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively and required disclosures are provided in note 18(b).

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

The amendments to IAS 1 require items of other comprehensive income to be grouped into those that will not be reclassified to profit or loss and those that may be reclassified subsequently to profit or loss when specific conditions are met. The aggregate amount of income tax relating to items of other comprehensive income is also allocated to these two categories. These amendments have been reflected in the consolidated statement of other comprehensive income, with comparative information reclassified accordingly.

IAS 12 (amended), 'Income taxes – deferred taxes: Recovery of underlying assets'

The amendments to IAS 12 relate to the measurement of deferred tax on investment properties and have had no impact on the financial statements of the Group or Company on adoption.

Annual improvements to IFRSs 2009-2011 cycle

The International Accounting Standards Board (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. Adoption of these amendments has not had a material impact on the financial statements of the Group or Company.

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

The Group has early adopted the following new and amended IFRSs in its financial statements for the year ended 31 December 2013:

IFRS 10, 'Consolidated financial statements', IFRS 11, 'Joint arrangements', IFRS 12, 'Disclosure of interests in other entities', IAS 27 (amended), 'Separate financial statements' and IAS 28 (amended), 'Investment in associates and joint ventures'

The Group early adopted the requirements of IFRS 10, IFRS 11, IFRS 12, IAS 27 (amended) and IAS 28 (amended), from 1 January 2012, details of which were provided in the 2012 Annual Report.

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

The amendments to IAS 32 clarify the requirements for offsetting financial instruments. The amendments have had no impact on the financial statements of the Group or Company.

(c) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Group

Standards, amendments to published standards and interpretations 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 originally issued in 2009, reflects the first phase of the IASB's work on the replacement of IAS 39, 'Financial instruments: Recognition and measurement', and applies to the classification of financial instruments. The standard was subsequently reissued in 2010, incorporating the requirements of accounting for financial liabilities and, carrying over from IAS 39, the requirements for derecognition of financial assets and financial liabilities. The IASB is currently considering limited modifications to the classification and measurement requirements of IFRS 9.

In November 2013, the IASB issued a new model for hedge accounting, together with the corresponding disclosures about risk management activities. The IASB is currently addressing the impairment of financial assets. IFRS 9 as originally issued had a mandatory effective date of 1 January 2013. However, during 2013 the IASB tentatively decided to defer the mandatory effective date and leave it open pending the finalisation of the impairment and classification and measurement requirements.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial instruments. The Group has determined that the effect shall be quantified in conjunction with the impairment model 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 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 and will not have an impact on the financial statements of the Group and Company on adoption.

IFRIC 21, 'Levies'

IFRIC 21 sets out the accounting for a liability to pay levies that are imposed by governments. The interpretation requires a liability to be recognised when the obligating event to pay a levy occurs, which might arise at a point in time or progressively over time. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014[1] and should be applied retrospectively. The interpretation is not expected to have a significant impact on the financial statements of the Group.

Note:
1. Subject to EU endorsement

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

IAS 36 (amended), 'Impairment of assets – Recoverable amount disclosures for non-financial assets'

The amendments remove the requirement to disclose recoverable amount when a cash generating unit contains goodwill or indefinite life intangible assets but there has been no impairment. However, the amendments will require additional information about fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after 1 January 2014 and are not expected to have a material impact on the financial statements of the Group.

IAS 39 (amended), 'Financial instruments: recognition and measurement – Novation of derivatives and continuation of hedge accounting'

The amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments are effective for annual periods beginning on or after 1 January 2014[1] and are not expected to have a material impact on the financial statements of the Group.

IAS 19 (amended), 'Employee benefits – Defined benefit plans: employee contributions'

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments are effective from 1 July 2014[1] and are not expected to have a material impact on the financial statements of the Group.

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 2013 is £2,554.0 million (2012: £2,604.9 million). In 2013, there has been a net positive development of £133.5 million (2012: £94.2 million positive) for the Group. Note 3.1 provides further details of the method the Group applies in estimating insurance contract liabilities.

Insurance contract premium

Gross written premium is recognised on insurance contracts incepting during the financial year and includes an estimate of the total premium expected to be received under each contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is deemed to be written in full at the inception of such contracts and therefore this estimate is particularly judgemental. Adjustments to estimates from previous years are included in the reported premium.

The premium estimation processes use expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Therefore, gross written premium estimates are reviewed on a quarterly basis using underwriter estimates and actuarial projections.

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 3.3. The carrying values of the Group's financial assets and financial liabilities at 31 December 2013 are £4,368.8 million (2012: £4,205.0 million) and £4.7 million (2012: £5.7 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 IT 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 2013 is £150.0 million (2012: £136.3 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 £89.1 million (2012: £75.1 million).

Tax

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,

Note:
1. Subject to EU endorsement

for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the 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 £6.1 million (2012 restated: £15.8 million), and of the deferred tax liability is £63.7 million (2012: £27.9 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 £53.0 million (2012: £39.8 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 gain of £9.4 million (2012 restated: loss of £9.5 million) has been recognised in other comprehensive income and an expense of £7.2 million (2012: £6.4 million) has been recognised in the statement of profit or loss. Note 32 provides further details on the Group's retirement benefit obligations. At 31 December 2013, the Group recognised a liability of £32.6 million (2012 restated: £40.9 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 4(b).

Significant accounting policies
Foreign currency translation
The Group and Company present their accounts in sterling since they are subject to regulation in the United Kingdom and the net assets, liabilities and income of both 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 UK, USA 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 reporting 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 statement of financial position presented are translated at the closing exchange rate at the reporting date;
- Income and expenses for each statement of profit or loss 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 financial instruments.

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 premium 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.

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

The proportion of gross written premium, gross of commission payable, attributable to periods after the reporting date is deferred as a provision for unearned premium. The change in this provision is taken to the statement of profit or loss 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 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 impaired 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 premium ceded in previous accounting periods. The proportion of reinsurance premium ceded attributable to periods after the reporting 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 reporting 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 reporting 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 profit or loss. 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 reporting 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 statement of profit or loss.

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 insurance and reinsurance receivables 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 loans and receivables 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.

Investment return

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 and interest receivable 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 statement of profit or loss each period, and its share of the movement in associates' net assets is reflected in the investments' carrying values in the statement of financial position.

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 profit or loss.

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 economic benefits. 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 recognised in line with the consumption of the benefits 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 statement of profit or loss.

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 or 2% per annum
Freehold buildings	2% to 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 profit or loss.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded in the statement of profit or loss. Repairs and renewals are charged to profit or loss 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 statement of profit or loss. 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.

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

Changes in the fair value of these 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 statement of profit or loss 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 statement of profit or loss when incurred. Changes in the fair value of investments are included in the statement of profit or loss 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 statement of profit or loss unless the derivative is designated as a hedging instrument. As defined by IAS 39, 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 statement of profit or loss 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 the statement of 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 statement of profit or loss when there is evidence that the asset is impaired. These are reversed when the triggering event that caused the impairment is reversed.

Borrowings

Borrowings are stated initially at the consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between amortised cost and the redemption value is recognised in the statement of profit or loss over the period of the borrowings. Transaction costs on borrowings are charged to profit or loss over the period of the borrowings.

Finance costs

Finance costs mainly comprise interest payable on subordinated loans and the revolving credit facility, together with commissions charged for the utilisation of letters of credit. These costs are charged to profit or loss as finance costs, as incurred. Fees paid for the arrangement of debt, the revolving credit facility 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 statement of financial position 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, 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. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss 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. Retirement benefit obligations

The Group participates in a number of pension schemes, including several defined benefit schemes and defined contribution 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.

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 profit or loss to spread the pension cost over the service lives of employees. Any re-measurements 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 statement of financial position in respect of defined benefit pension plans is the fair value of plan assets less the present value of the defined benefit obligation at the reporting date, together with adjustments 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 schemes in the Netherlands and Belgium 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 profit or loss 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 statement of profit or loss 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 reporting date.

Other operating income
Fee income received on insurance-related services is recognised as the benefits of the services are provided.

Tax
Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss 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 reporting 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 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 reporting 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 owners 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 33 of the Financial Management section.

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

2. Capital continued

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 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.

UK regulated entities

Amlin Corporate Member Limited

Amlin Corporate Member Limited, which supports Syndicate 2001, is required to hold regulatory capital in compliance with the prudential rules issued by the UK's Prudential Regulation Authority (PRA) and is also subject to Lloyd's capital requirements, including maintaining Funds at Lloyd's (FAL).

Under PRA 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 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% (1:200).

Lloyd's require the preparation of a Lloyd's Capital Return (LCR), including a statement of financial position prepared under Solvency II principles and the calculation of an ultimate Solvency Capital Requirement (uSCR). The uSCR takes account of one year of new business in full attaching to the next underwriting year and the risks over the lifetime of the liabilities ('to ultimate'). The requirements include risks for all business attaching to the next underwriting year. This is an equivalent recognition of risks and exposures at a 1:200 confidence level as required under ICAS at Lloyd's.

The final capital requirement, the Economic Capital Assessment (ECA), is then subject to a minimum of 40% (2012: 40%) of the Syndicate's agreed premium capacity limit. At 31 December 2013, the agreed ECA as a percentage of the agreed underwriting capacity for the following underwriting year was 46.4% (2012: 44.3%).

The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund, for which a variable annual levy, for 2013 of 0.5% (2012: 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 PRA. The PRA 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, 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 2013, Amlin Corporate Member Limited funded the agreed FAL requirement of £649.6 million (2012: £620.2 million) to support underwriting for the 2014 underwriting year. Net of credit for the reserve margin this equates to £540.6 million (2012: £542.7 million).

The increase of £29.4 million is largely driven by anticipated rate reductions for 2014 renewals, predominantly on catastrophe exposed accounts; and the impact of weaker sterling rates of exchange at the time of Lloyd's planning and capital-setting.

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 Insurance (UK) Limited

Amlin Insurance (UK) Limited is also required to hold minimum levels of regulatory capital in compliance with the prudential rules issued by the PRA. The MCR for Amlin Insurance (UK) Limited is currently the sterling equivalent of €3.7 million (£3.1 million). In addition to holding overall admissible capital in excess of MCR, Amlin Insurance (UK) Limited is required to pass a number of capital tests to demonstrate solvency, with rules restricting admissibility of certain types of capital.

Other regulated entities

Amlin AG

Amlin AG is supervised by the Swiss Financial Market Supervisory Authority (FINMA) as well as 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).

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 2013.

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.

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 various qualitative assessments, governance requirements and minimum solvency levels. Currently Amlin Europe N.V. provides regulatory solvency reporting to DNB, under the rules of Solvency I.

At 31 December 2013, the minimum required capital for Amlin Europe N.V. amounted to €95.8 million (2012: €105.3 million). The minimum capital requirement is calculated by applying fixed percentages to premiums and claims.

At 31 December 2013, Amlin Europe N.V. complied 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) Limited. Syndicate 2001's portfolio is underwritten by Amlin London and Amlin UK. 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 control the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed by the boards of Amlin plc and its subsidiaries. This plan is used to monitor the amount of premium income, and exposure, written in total and for each class of business. Progress against this plan is monitored during the year.

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 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.

The Group is also exposed to catastrophe losses which may impact many risks in a single event. Reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described in the section on page 136.

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 strict 50:50 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. The Group's broad risk appetite guidelines are set out on page 42. 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.

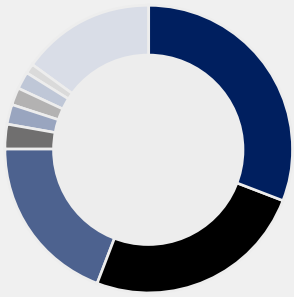
As explained on page 136, reinsurance is purchased to protect against the impact of any individual or series of severe catastrophes. However, the price and availability of such cover is variable and the amount of loss retained by the Group may therefore also increase or reduce. The Group will alter its 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, based on the country in which the risk is located, of all direct insurance and facultative reinsurance classes is shown below:

2013 Direct insurance and facultative reinsurance
Gross written premium by geography

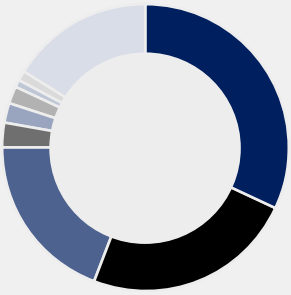


UK	31%	Oceania	2%
Europe	25%	Central & S. America	2%
North America	19%	Africa	1%
Asia	3%	Worldwide/Other	15%
Caribbean	2%		

Gross written premium is stated gross of acquistion costs and excludes adjustments in respect of prior periods.

3. Risk disclosures continued

2012 Direct insurance and facultative reinsurance
Gross written premium by geography



UK	32%	Central & S. America	2%
Europe	24%	Africa	1%
North America	19%	Caribbean	1%
Asia	3%	Worldwide/Other	16%
Oceania	2%		

Gross written premium is stated gross of acquistion costs and excludes adjustments in respect of prior periods.

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.

There may also be a risk of contingent business interruption claims.

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 (including Lloyd's where relevant), and also be approved by the Local Binding Authority Committees.

For 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.

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. An international casualty team was established in 2012 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.

In the UK and Ireland employers' liability insurance protects employers against accident or injury to employees. This is written on a losses occurring basis.

Public liability insurance in the same territories provides coverage, often written in conjunction with employers' liability, for accident or injury occurring to clients, customers or other third parties as a result of contact with the insured's personnel,

property or products. This is written on a losses occurring basis.

Professional indemnity business written in the UK 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. This portfolio is written on a claims made basis.

Through AUA Insolvency Risk Services Limited, a Financial Conduct Authority (FCA) 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. 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 comprised of 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.

3. Risk disclosures continued

There is an expectation of a large number of small claims, as average values are low in comparison to other policies 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.

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.

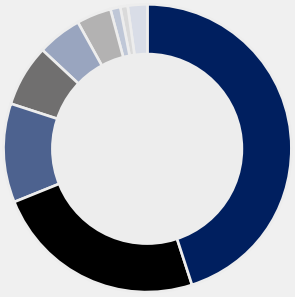
Transmission and distribution business is also written. This account is generally written without reinsurance protection.

There is a small portfolio of captive business written in Belgium where Amlin Europe acts as a fronting carrier 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, based on the country in which the risk is located, of all treaty reinsurance classes is shown below:

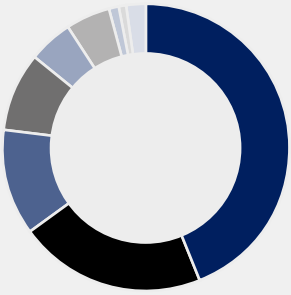
2013 Treaty reinsurance
Gross written premium by geography



North America	45%	Oceania	4%
Europe	24%	Africa	1%
UK	11%	Central & S. America	1%
Asia	7%	Worldwide/Other	2%
Caribbean	5%		

Gross written premium is stated gross of acquistion costs and excludes adjustments in respect of prior periods.

2012 Treaty reinsurance
Gross written premium by geography



North America	44%	Oceania	5%
Europe	21%	Africa	1%
UK	12%	Central & S. America	1%
Asia	9%	Worldwide/Other	2%
Caribbean	5%		

Gross written premium is stated gross of acquistion costs and excludes adjustments in respect of prior periods.

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.

Aggregate excess of loss programmes are also written providing protection in the event of multiple loss events.

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 class 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 and 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.

3. Risk disclosures continued

C. Business written and maximum risk limit by operating divisions

Direct insurance and facultative reinsurance

At 31 December 2013	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	123	–	–	23	–	–	2	–	–
Binding authorities	41	–	–	2	–	–	1	–	–
UK/Europe property/package	–	123	104	–	52	42	–	<1	3
(ii) Casualty – direct insurance									
International casualty	22	–	–	17	–	–	6	–	–
Casualty	31	–	–	3	–	–	1	–	–
Professional lines	13	–	–	7	–	–	1	–	–
Employers' liability	–	25	–	–	27	–	–	10	–
Liability	–	–	81	–	–	11	–	–	2
Public/products liability	–	23	–	–	12	–	–	4	–
Financial institutions fidelity and liability	–	7	–	–	16	–	–	2	–
Professional indemnity	–	45	–	–	16	–	–	2	–
Engineering	–	–	22	–	–	21	–	–	3
(iii) Motor – direct insurance									
US/International auto	35	–	–	1	–	–	1	–	–
UK/Europe motor	–	154	43	–	Unlimited	Unlimited	–	Unlimited	Unlimited
(iv) Personal accident – direct insurance									
Accident and health	26	–	–	3	–	–	1	–	–
(v) Marine and aviation – direct insurance and facultative reinsurance									
Hull	47	–	69	13	–	21	2	–	2
Cargo	36	–	43	20	–	21	6	–	1
Energy	57	–	–	25	–	–	4	–	–
War and terrorism	33	–	–	50	–	–	9	–	–
Specie	16	–	–	24	–	–	6	–	–
Bloodstock/livestock	24	–	–	4	–	–	1	–	–
Yacht (hull & liability)	34	–	–	5	–	–	2	–	–
Liability	39	–	–	33	–	–	7	–	–
Protection and indemnity	–	–	55	–	–	42	–	–	14
Airline (hull & liability)	20	–	–	67	–	–	23	–	–
General aviation (hull & liability)	14	–	–	40	–	–	14	–	–
Risk excess	4	–	–	57	–	–	7	–	–
Airports liability	8	–	–	57	–	–	24	–	–
Products	5	–	–	50	–	–	19	–	–
Space (liability)	–	–	–	–	–	–	–	–	–
(vi) Special risks – direct insurance									
Special risks	7	–	18	97	–	21	5	–	4
Total direct insurance and facultative reinsurance	**635**	**377**	**435**						

Note:
1. Amlin London limits are set in US dollars converted to sterling at a rate of exchange of £1=US$1.5 and Amlin Europe limits are set in euros converted to sterling at a rate of exchange of £1=€1.2. 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. Gross written premiums are converted to sterling using the year end average rates set out in note 33.

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	110	–	52	42	–	1	4
(ii) Casualty – direct insurance									
International casualty	3	–	–	17	–	–	8	–	–
Casualty	19	–	–	3	–	–	<1	–	–
Professional lines	6	–	–	7	–	–	1	–	–
Employers' liability	–	22	–	–	27	–	–	10	–
Liability	–	–	79	–	–	11	–	–	2
Public/products liability	–	24	–	–	12	–	–	4	–
Financial institutions fidelity and liability	–	7	–	–	6	6	–	2	2
Professional indemnity	–	38	–	–	16	–	–	2	–
Engineering	–	–	22	–	–	21	–	–	3
(iii) Motor – direct insurance									
US/International auto	28	–	–	1	–	–	1	–	–
UK/Europe motor	–	132	37	–	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	–	65	13	–	21	2	–	3
Cargo	31	–	59	20	–	21	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	–	–	61	–	–	42	–	–	17
Airline (hull & liability)	19	–	–	83	–	–	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	–	19	97	–	21	8	–	4
Total direct insurance and facultative reinsurance	564	363	452						

Note:
1. Amlin London limits are set in US dollars converted to sterling at a rate of exchange of £1=US$1.5 and Amlin Europe limits are set in euros converted to sterling at a rate of exchange of £1=€1.2. 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. Gross written premiums are converted to sterling using the year end average rates set out in note 33.

3. Risk disclosures continued

C. Business written and maximum risk limit by operating divisions

Treaty reinsurance

At 31 December 2013	Amlin London Gross written premium £m	Amlin Bermuda Gross written premium £m	Amlin Re Europe Gross written premium £m	Amlin London Max line size £m	Amlin Bermuda Max line size £m	Amlin Re Europe Max line size £m	Amlin London Average line size £m	Amlin Bermuda Average line size £m	Amlin Re Europe Average line size £m
(i) Property – reinsurance									
Catastrophe reinsurance (per programme)	270	183	33	57	50	17	4	4	3
Per risk property reinsurance (per programme)	63	35	16	23	9	17	2	2	2
Proportional reinsurance	58	73	47	5	9	17	1	1	1
Engineering	–	–	23	–	–	17	–	–	2
(ii) Casualty – reinsurance									
International casualty	–	–	–	–	–	–	–	–	–
Casualty	38	9	–	3	3	–	<1	1	–
Liability	–	–	26	–	–	17	–	–	1
(iii) Motor – reinsurance									
Motor (limited)	–	–	45	–	–	17	–	–	2
(iv) Personal accident – reinsurance									
Accident and health	9	–	–	3	–	–	1	–	–
Personal accident	–	2	2	–	7	17	–	3	1
(v) Marine and aviation – reinsurance									
Marine reinsurance (per programme)	27	4	7	76	50	17	2	4	1
Aviation reinsurance (per programme)	6	–	–	31	–	–	2	–	–
(vi) Special risks – reinsurance									
Special risks	29	35	6	38	27	17	3	3	3
Surety	–	–	2	–	–	4	–	–	1
Total treaty reinsurance	**500**	**341**	**207**						

Note:
1. Amlin London and Amlin Bermuda limits are set in US dollars converted to sterling at a rate of exchange of £1=US$1.5 and Amlin Re Europe limits are set in euros converted to sterling at a rate of exchange of £1=€1.2. 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. Gross written premiums are converted to sterling using the year end average rates set out in note 33.

At 31 December 2012	Amlin London Gross written premium £m	Amlin Bermuda Gross written premium £m	Amlin Re Europe Gross written premium £m	Amlin London Max line size £m	Amlin Bermuda Max line size £m	Amlin Re Europe Max line size £m	Amlin London Average line size £m	Amlin Bermuda Average line size £m	Amlin Re Europe Average line size £m
(i) Property – reinsurance									
Catastrophe reinsurance (per programme)	274	196	32	57	50	17	4	5	3
Per risk property reinsurance (per programme)	71	38	17	23	9	17	2	2	3
Proportional reinsurance	42	48	37	5	9	17	2	1	1
Engineering	–	–	18	–	–	17	–	–	1
(ii) Casualty – reinsurance									
International casualty	1	–	–	17	–	–	4	–	–
Casualty	36	6	–	3	3	–	1	1	–
Liability	–	–	11	–	–	17	–	–	1
(iii) Motor – reinsurance									
Motor (limited)	–	–	36	–	–	17	–	–	2
(iv) Personal accident – reinsurance									
Accident and health	–	–	–	–	–	–	–	–	–
Personal accident	–	2	2	–	7	17	–	3	1
(v) Marine and aviation – reinsurance									
Marine reinsurance (per programme)	25	2	7	76	50	17	2	9	1
Aviation reinsurance (per programme)	4	–	–	31	–	–	2	–	–
(vi) Special risks – reinsurance									
Special risks	27	42	5	38	27	17	3	3	2
Surety	–	–	1	–	–	4	–	–	1
Total treaty reinsurance	480	334	166						

Note:
1. Amlin London and Amlin Bermuda limits are set in US dollars converted to sterling at a rate of exchange of £1=US$1.5 and Amlin Re Europe limits are set in euros converted to sterling at a rate of exchange of £1=€1.2. 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. Gross written premiums are converted to sterling using the year end average rates set out in note 33.

3. Risk disclosures continued

Reinsurance and other risk mitigation arrangements

Syndicate 2001 purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks, notably for large property risks. Part of the premium ceded under such facilities is placed with Amlin Bermuda and Amlin Europe N.V. Since 2009, a separate proportional facility has protected the excess of loss reinsurance portfolio through a Special Purpose Syndicate (SPS) at Lloyd's, Syndicate 6106. The SPS was not renewed at 1 January 2014.

Syndicate 2001 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 policies which may 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.

For 2014, the Florida windstorm deductible is US$75 million for a first loss with lower deductibles applicable for second and subsequent losses. Lower deductibles apply for other territories and perils. Aggregate protection has been renewed to provide lower level cover in the event of multiple losses to the portfolio.

The excess of loss programme purchased by Amlin Bermuda provides first event cover for international losses at a similar level to the Amlin London placement. With effect from 1 January 2014, increased lower level cover and restructured vertical protection have replaced the expiring combined aggregate and catastrophe excess of loss programme.

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.

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.

In July 2013, the Group acquired coverage for US and Canadian earthquake perils of up to US$75 million from a Bermudian special purpose insurer, Tramline Re II Ltd, which in turn placed a catastrophe bond into the capital markets. This transaction provides the Group with fully collateralised protection over a four year period from 1 July 2013 and is in addition to the protection the Group purchases through the traditional reinsurance marketplace. The bond provides protection against a remote catastrophic event for the Group.

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 Underwriting Risk team are responsible for aggregating potential scenarios and at 1 January 2014, levels of exposure were below the potential maximum tolerance, one of the largest being the North-East US windstorm scenario at £279 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 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.

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 strict 50:50 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 plc (the London market bureau) and, in the case of Amlin UK service companies and 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 plc, 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 underwriting year (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.

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. 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.

During 2014, it is anticipated that the reserving process for Amlin London, Amlin UK and Amlin Bermuda will transition towards the process currently adopted in Amlin Europe and Amlin Re Europe.

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 claims. The impact on profit before tax of a 1% improvement/deterioration in the total net claims reserves would be £25.5 million gain/loss (2012: £26.0 million).

3. Risk disclosures continued

Large loss case reserves are determined through careful analysis of the individual claim, often with the advice of lawyers. 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 financial 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 financial outcomes for all material risks. The main output of the model gives a full distribution of potential profit or loss scenarios allowing the future profitability of the business to be managed on a risk adjusted basis.

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 capital amounts required to be able to absorb an extreme loss at the 1 in 200 year level (i.e. at the 0.5 percentile). This probability is the calculation benchmark required under Solvency II. However, it does not represent the level of capital required for the Group to support current and expected business levels.

Furthermore, the Group is required to carry higher levels of capital which are considered sufficient by the rating agencies and clients.

2014 forecast (unaudited)	£m
Underwriting risk	408
Reserving risk	250
Credit (reinsurance counterparty risk)	27
Investment (market risk)	28
Liquidity risk	4
Operational risk	52
Currency risk	46
Diversified result	815

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 2013.
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 2013 (US$1.66: CAN$1.76: €1.20).
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.

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 on an undiscounted basis and exclude the effect of intra Group reinsurance arrangements. Non-sterling balances have been converted using 2013 exchange rates to aid comparability.

Group (excluding Amlin Europe)

Gross basis Underwriting year	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Current ultimate gross written premium	1,058.7	1,066.6	1,214.3	1,161.1	1,137.4	1,307.5	1,402.8	1,676.6	1,855.3	**2,015.0**
Current gross earned premium	1,058.7	1,066.6	1,214.3	1,161.1	1,137.4	1,307.5	1,402.8	1,666.1	1,813.3	**1,155.6**
Estimate of cumulative claims										
at end of underwriting year	701.3	968.8	586.0	618.2	856.1	663.7	856.9	1,126.0	1,059.5	**1,104.8**
One year later	690.2	1,005.7	485.5	542.5	725.3	630.8	1,199.8	1,052.0	928.7	
Two years later	652.6	969.5	463.3	497.4	695.0	595.1	1,181.0	1,004.5		
Three years later	625.8	934.7	438.6	482.9	688.0	586.9	1,177.1			
Four years later	611.3	918.0	428.0	471.7	684.4	578.4				
Five years later	607.1	898.1	422.9	466.7	682.7					
Six years later	604.8	894.0	417.7	454.9						
Seven years later	597.2	877.2	405.4							
Eight years later	592.9	879.6								
Nine years later	592.3									
Cumulative payments	577.6	861.2	385.2	422.0	620.4	469.1	901.6	662.4	499.4	**80.8**
Estimated balance to pay	14.7	18.4	20.2	32.9	62.3	109.3	275.5	342.1	429.3	**1,024.0**

Net basis Underwriting year	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Estimate of cumulative claims										
at end of underwriting year	564.6	598.7	532.5	554.2	706.2	597.2	769.2	956.4	958.0	**1,004.5**
One year later	512.0	587.4	433.7	491.6	606.1	564.2	1,016.8	909.0	862.3	
Two years later	472.4	565.7	421.9	449.3	572.1	536.5	1,007.8	867.8		
Three years later	452.4	537.8	399.7	436.6	568.2	526.3	1,001.2			
Four years later	436.0	525.3	388.7	426.4	562.1	515.4				
Five years later	430.7	505.6	383.9	419.0	557.7					
Six years later	424.4	501.5	379.7	410.0						
Seven years later	416.9	491.2	366.5							
Eight years later	413.3	495.1								
Nine years later	392.1									
Cumulative payments	378.1	480.1	350.1	386.2	509.0	429.3	758.3	620.8	487.5	**79.2**
Estimated balance to pay	14.0	15.0	16.4	23.8	48.7	86.1	242.9	247.0	374.8	**925.3**

The Group's net aggregate reserve releases from all prior years amounted to £133.5 million (2012: £94.2 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 £198.3 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 2003 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 £53.3 million. The Amlin Europe table also excludes any net aggregate reserve releases from 2003 and prior years.

Further details on these reserve releases and other aspects of the underwriting performance are included in the Performance section on page 50.

3. Risk disclosures continued

Amlin London

Gross basis Underwriting year	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Current ultimate gross written premium	866.3	894.1	925.6	848.6	768.4	859.4	855.5	951.4	1,021.8	**1,096.8**
Current gross earned premium	866.3	894.1	925.6	848.6	768.4	859.4	855.5	951.4	1,013.2	**619.9**
Estimate of cumulative claims at end of underwriting year	574.7	853.4	440.7	447.7	591.2	432.4	513.1	625.0	577.7	**571.1**
One year later	577.6	893.5	355.2	388.2	490.3	403.3	708.1	578.6	505.9	
Two years later	547.5	865.8	333.0	350.2	449.7	357.2	678.8	537.4		
Three years later	533.7	844.5	318.8	336.8	446.1	352.2	673.9			
Four years later	523.7	827.8	310.8	329.2	443.5	342.8				
Five years later	519.5	817.5	304.6	326.3	437.6					
Six years later	515.2	810.1	300.5	323.6						
Seven years later	508.5	797.9	296.1							
Eight years later	508.0	801.1								
Nine years later	506.9									
Cumulative payments	495.5	786.2	285.2	304.3	410.6	279.7	520.4	377.3	299.7	**41.6**
Estimated balance to pay	11.4	14.9	10.9	19.3	27.0	63.1	153.5	160.1	206.2	**529.5**

Net basis Underwriting year	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Estimate of cumulative claims at end of underwriting year	453.5	494.2	395.3	390.3	455.1	372.9	433.7	486.2	500.8	**501.8**
One year later	409.7	485.7	311.7	347.8	384.7	345.9	562.9	465.1	460.2	
Two years later	378.5	467.9	298.0	313.1	341.2	306.9	537.2	426.5		
Three years later	363.9	449.1	285.3	299.3	338.6	301.6	532.6			
Four years later	351.8	436.6	274.5	293.6	333.2	293.2				
Five years later	346.5	426.5	269.1	288.8	328.7					
Six years later	341.6	421.8	265.9	285.0						
Seven years later	335.1	414.8	261.7							
Eight years later	334.3	419.4								
Nine years later	315.5									
Cumulative payments	304.9	407.4	252.0	272.0	306.6	242.3	399.3	356.5	293.2	**40.5**
Estimated balance to pay	10.6	12.0	9.7	13.0	22.1	50.9	133.3	70.0	167.0	**461.3**

Amlin UK

Gross basis

Underwriting year	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Current ultimate gross written premium	192.4	171.4	151.1	146.8	159.3	209.7	259.7	291.1	333.3	**376.8**
Current gross earned premium	192.4	171.4	151.1	146.8	159.3	209.7	259.7	291.1	314.1	**158.2**
Estimate of cumulative claims at end of underwriting year	126.6	115.4	102.9	101.4	117.9	137.1	168.1	198.9	210.4	**221.0**
One year later	112.6	111.5	106.9	103.0	124.2	151.3	177.6	192.0	195.7	
Two years later	105.1	103.4	102.5	102.4	126.7	156.7	174.4	189.3		
Three years later	92.1	89.9	95.1	104.4	126.6	155.1	178.2			
Four years later	87.6	89.9	93.1	103.5	124.7	156.6				
Five years later	87.6	80.3	94.4	101.1	128.7					
Six years later	89.6	83.6	93.6	92.3						
Seven years later	88.7	79.0	85.9							
Eight years later	84.9	78.2								
Nine years later	85.4									
Cumulative payments	82.1	74.7	76.8	79.6	95.2	116.8	123.4	119.6	96.5	**20.4**
Estimated balance to pay	3.3	3.5	9.1	12.7	33.5	39.8	54.8	69.7	99.2	**200.6**

Net basis

Underwriting year	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Estimate of cumulative claims at end of underwriting year	111.1	104.5	94.8	94.8	104.1	130.1	159.8	192.1	200.4	**213.1**
One year later	102.3	101.0	98.6	92.5	110.6	142.1	169.3	185.1	187.4	
Two years later	93.9	97.5	96.1	91.4	112.3	149.1	169.1	187.8		
Three years later	88.5	88.4	89.7	95.6	114.3	145.7	169.7			
Four years later	84.2	88.4	90.1	93.8	112.7	143.8				
Five years later	84.2	78.8	90.9	90.9	112.6					
Six years later	82.8	79.4	90.2	86.0						
Seven years later	81.8	76.1	81.4							
Eight years later	79.0	75.4								
Nine years later	76.6									
Cumulative payments	73.2	72.4	74.9	76.1	87.8	114.7	121.2	122.4	96.3	**20.1**
Estimated balance to pay	3.4	3.0	6.5	9.9	24.8	29.1	48.5	65.4	91.1	**193.0**

3. Risk disclosures continued

Amlin Bermuda

Gross basis

Underwriting year	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Current ultimate gross written premium	1.1	137.6	165.7	209.7	238.4	284.8	332.6	328.4	**339.8**
Current gross earned premium	1.1	137.6	165.7	209.7	238.4	284.8	332.5	320.9	**229.7**
Estimate of cumulative claims at end of underwriting year	–	42.4	69.1	147.0	94.2	173.6	232.5	158.0	**159.0**
One year later	0.7	23.4	51.3	110.8	76.2	311.9	211.1	118.8	
Two years later	0.3	27.8	44.8	118.6	81.2	325.9	208.8		
Three years later	0.3	24.7	41.7	115.3	79.6	323.2			
Four years later	0.3	24.1	39.0	116.2	79.0				
Five years later	0.3	23.9	39.3	116.4					
Six years later	0.3	23.6	39.0						
Seven years later	0.3	23.4							
Eight years later	0.3								
Cumulative payments	0.3	23.2	38.1	114.6	72.6	256.9	140.7	65.6	**11.4**
Estimated balance to pay	–	0.2	0.9	1.8	6.4	66.3	68.1	53.2	**147.6**

Net basis

Underwriting year	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Estimate of cumulative claims at end of underwriting year	–	42.4	69.1	147.0	94.2	173.6	210.6	158.0	**159.0**
One year later	0.7	23.4	51.3	110.8	76.2	282.4	190.1	118.8	
Two years later	0.3	27.8	44.8	118.6	80.5	299.6	186.1		
Three years later	0.3	24.7	41.7	115.3	79.0	297.1			
Four years later	0.3	24.1	39.0	116.2	78.4				
Five years later	0.3	23.9	39.3	116.4					
Six years later	0.3	23.6	39.0						
Seven years later	0.3	23.4							
Eight years later	0.3								
Cumulative payments	0.3	23.2	38.1	114.6	72.3	236.9	118.7	65.6	**11.4**
Estimated balance to pay	–	0.2	0.9	1.8	6.1	60.2	67.4	53.2	**147.6**

Amlin Re Europe

Gross basis

Underwriting year	2010 £m	2011 £m	2012 £m	**2013 £m**
Current ultimate gross written premium	2.8	101.5	171.8	**201.6**
Current gross earned premium	2.8	91.1	165.1	**147.8**
Estimate of cumulative claims at end of underwriting year	2.1	69.6	113.4	**153.7**
One year later	2.2	70.3	108.3	
Two years later	1.9	69.0		
Three years later	1.8			
Cumulative payments	0.9	24.8	37.6	**7.4**
Estimated balance to pay	0.9	44.2	70.7	**146.3**

Net basis

Underwriting year	2010 £m	2011 £m	2012 £m	**2013 £m**
Estimate of cumulative claims at end of underwriting year	2.1	67.5	98.8	**130.6**
One year later	2.2	68.7	95.9	
Two years later	1.9	67.4		
Three years later	1.8			
Cumulative payments	0.9	23.2	32.4	**7.2**
Estimated balance to pay	0.9	44.2	63.5	**123.4**

Amlin Europe

Gross basis

Accident year	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Current ultimate gross written premium	464.8	483.5	496.5	545.5	633.8	613.5	686.8	561.3	477.2	**449.1**
Current gross earned premium	455.7	483.1	492.0	525.1	615.4	642.0	598.7	592.2	478.2	**456.7**
Estimate of cumulative claims at end of accident year	233.5	257.8	293.2	325.9	524.3	428.6	438.5	444.6	300.2	**283.7**
One year later	267.8	356.6	306.9	339.3	514.9	439.4	513.0	457.2	326.8	
Two years later	248.8	342.1	307.4	363.9	506.1	439.5	470.6	422.1		
Three years later	244.0	325.8	294.5	353.2	506.8	457.0	433.8			
Four years later	235.5	317.2	291.7	342.5	488.6	447.5				
Five years later	211.2	310.1	289.6	340.6	481.9					
Six years later	209.5	308.2	287.2	337.3						
Seven years later	206.1	307.5	282.6							
Eight years later	205.7	308.2								
Nine years later	206.1									
Cumulative payments	188.7	287.4	260.6	301.4	426.5	350.0	364.7	289.7	194.1	**81.2**
Estimated balance to pay	17.4	20.8	22.0	35.9	55.4	97.5	69.1	132.4	132.7	**202.5**

Net basis

Accident year	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m	2012 £m	**2013 £m**
Estimate of cumulative claims at end of accident year	174.5	209.6	239.7	287.2	403.0	399.5	404.4	399.2	278.2	**267.7**
One year later	202.5	225.6	253.9	286.9	400.3	411.6	451.8	418.8	279.8	
Two years later	187.7	209.1	247.8	297.7	391.5	416.6	411.7	384.9		
Three years later	183.2	195.5	242.7	279.1	379.7	398.5	393.3			
Four years later	172.7	192.7	235.9	262.6	363.2	388.5				
Five years later	169.8	183.8	232.9	273.4	358.3					
Six years later	174.1	179.9	228.8	267.5						
Seven years later	169.9	181.1	229.3							
Eight years later	169.5	181.5								
Nine years later	169.6									
Cumulative payments	155.2	164.7	214.0	241.0	326.9	315.0	344.7	275.1	171.7	**77.4**
Estimated balance to pay	14.4	16.8	15.3	26.5	31.4	73.5	48.6	109.8	108.1	**190.3**

3. Risk disclosures continued

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 monitored by Group Investments using a market-recognised third-party risk model. Risk reporting is generated by Group Investments and an independent review conducted by the Corporate Centre Risk department. These reports are then circulated 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 allocation which is set according to its risk tolerance and liabilities.

The strategic asset allocations 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 of these form the basis of our asset liability duration management.

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

Investments are run on a multi-asset, multi-manager basis. Exposure to the asset classes is achieved using physical holdings of the asset class or derivative instruments and may be managed by Group Investments or by outsourced managers, on a segregated, pooled or commingled basis[2]. Manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers have discretion to manage the funds on a day-to-day basis within investment guidelines or prospectuses applicable to their funds that ensure that they comply with the investment frameworks. The managers' performance, compliance and risk are monitored on an ongoing basis.

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.

The managers as at 31 December 2013 were as follows:

Manager	Asset class
Segregated funds	
Aberdeen Asset Managers Limited	US dollar bonds
Artemis Investment Management LLP	Global equities
Barclays Bank plc	New Zealand dollar and US dollar money market deposits
Bank of Butterfield	US dollar money market deposits
CBRE Global Collective Investors (UK) Limited	Global property
Insight Investment Management (Global) Limited	Sterling and euro bonds
Lloyds Bank plc	New Zealand dollar money market deposits
Townsend Group Europe Limited	Global property
Veritas Asset Management LLP	Active global equity
Wellington Management International Limited	US dollar and Canadian dollar bonds
Pooled vehicles – liquidity funds	
BlackRock Investment Management (UK) Limited	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 Global Asset Management (France)	Euro liquidity funds
Insight Investment Management (Global) Limited	Sterling liquidity funds
JP Morgan Asset Management	Euro, Japanese yen and US dollar liquidity funds
Royal Bank of Scotland	Sterling liquidity funds
Western Asset Management Company	US dollar liquidity funds
Pooled vehicles – bonds and LIBOR plus funds	
Bluebay Asset Management LLP	Euro bonds
Goldman Sachs Asset Management International	LIBOR plus funds
H2O AM LLP	LIBOR plus funds
Insight Investment Management (Global) Limited	LIBOR plus funds
PIMCO Global Advisers (Ireland) Limited	Sterling and US dollar bonds
Wellington Management International Limited	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
Fiera Capital Corporation (formerly Union Bank of Switzerland)	Canadian dollar and US dollar liquidity funds

3. Risk disclosures continued

The funds under management with each manager are shown below:

Manager	31 December 2013 Total assets £m	31 December 2013 Total %	31 December 2012 Total assets £m	31 December 2012 Total %
Segregated funds				
Aberdeen Asset Managers Limited	**257.6**	**5.8**	248.4	5.9
Artemis Investment Management LLP	**327.3**	**7.4**	111.6	2.6
Barclays Bank plc	**22.6**	**0.5**	46.2	1.1
Bank of Butterfield	**12.0**	**0.3**	–	–
CBRE Global Collective Investors (UK) Limited	**85.0**	**1.9**	73.3	1.7
Insight Investment Management (Global) Limited	**228.8**	**5.2**	571.9	13.5
Lloyds Bank plc	**14.3**	**0.3**	15.2	0.4
Townsend Group Europe Limited	**109.7**	**2.5**	86.6	2.0
Veritas Asset Management LLP	**227.3**	**5.1**	181.1	4.3
Wellington Management International Limited	**407.4**	**9.2**	372.5	8.8
Pooled vehicles – liquidity funds				
BlackRock Investment Management (UK) Limited	**102.8**	**2.3**	217.4	5.1
Citibank	**0.4**	**–**	3.4	0.1
Goldman Sachs Asset Management International	**2.9**	**0.1**	41.2	1.0
HSBC Global Asset Management (France)	**23.9**	**0.5**	184.7	4.4
Insight Investment Management (Global) Limited	**–**	**–**	69.2	1.6
JP Morgan Asset Management	**120.0**	**2.7**	146.7	3.5
Royal Bank of Scotland	**–**	**–**	33.5	0.8
Western Asset Management Company	**0.1**	**–**	70.2	1.6
Pooled vehicles – bonds and LIBOR plus funds				
Bluebay Asset Management LLP	**330.9**	**7.6**	379.2	8.9
Goldman Sachs Asset Management International	**547.0**	**12.4**	488.8	11.5
H20 AM LLP	**455.4**	**10.3**	192.0	4.5
Insight Investment Management (Global) Limited	**71.6**	**1.6**	–	–
PIMCO Global Advisers (Ireland) Limited	**439.3**	**9.9**	379.5	9.0
Wellington Management International Limited	**369.8**	**8.4**	33.4	0.8
Pooled vehicles – insurance linked securities				
Leadenhall Capital Partners LLP	**62.2**	**1.4**	59.4	1.4
Commingled funds				
Corporation of Lloyd's Treasury Services	**140.6**	**3.2**	171.9	4.1
Fiera Capital Corporation (formerly Union Bank of Switzerland)	**60.8**	**1.4**	60.5	1.4
	4,419.7	**100.0**	4,237.8	100.0

Note: The table above excludes the Group's directly held securities of £29.4 million (2012: £9.4 million) comprising insurance linked securities £5.0 million (2012: £4.6 million), unlisted equities £6.0 million (2012: £4.0 million) and other liquid investments £18.4 million (2012: £0.8 million). The table also excludes £10.6 million (2012: £2.4 million) unrealised gains accruing to a series of foreign exchange contracts placed on behalf of the Group to hedge portfolio currency exposures.

Asset allocation

The total value of investments in the following tables is reconciled to note 18, financial assets and financial liabilities, as follows:

	2013 £m	2012 £m
Net financial investments per note 18	**4,364.1**	4,199.3
Assets/(liabilities) shown separately in the notes to the accounts:		
Accrued income	**5.9**	7.6
Net unsettled receivables/(payables) for investments sold/(purchased)	**32.0**	(15.9)
Cash funds held by financial institutions	**59.1**	59.7
Assets not analysed in the investment asset allocation tables:		
Liquid investments	**(3.2)**	(0.8)
Unlisted equities	**(0.7)**	(0.7)
Margin and collateral relating to derivative instruments	**2.5**	0.4
Total investments in asset allocation tables below	**4,459.7**	4,249.6

The asset allocation of the Group's investments is set out below.

	31 December 2013				31 December 2012			
	Underwriting assets £m	Capital assets £m	Total assets £m	Total %	Underwriting assets £m	Capital assets £m	Total assets £m	Total %
Global equities	**–**	**522.4**	**522.4**	**11.7**	–	283.6	283.6	6.7
Bonds								
Government securities	**639.1**	**25.7**	**664.8**	**14.9**	497.4	206.1	703.5	16.6
Government agencies/guaranteed bonds	**43.3**	**–**	**43.3**	**1.0**	88.9	5.9	94.8	2.2
Supranational	**2.3**	**–**	**2.3**	**0.1**	8.3	3.4	11.7	0.3
Asset backed securities – Home equity	**0.5**	**–**	**0.5**	**–**	–	0.2	0.2	–
Asset backed securities – Autos	**43.6**	**–**	**43.6**	**1.0**	21.4	3.4	24.8	0.6
Asset backed securities – Cards	**14.3**	**–**	**14.3**	**0.3**	5.3	1.3	6.6	0.2
Asset backed securities – Other	**31.8**	**–**	**31.8**	**0.7**	18.2	5.3	23.5	0.5
Mortgage backed securities – Prime	**101.1**	**–**	**101.1**	**2.3**	80.9	97.4	178.3	4.2
Corporate bonds	**226.3**	**–**	**226.3**	**5.1**	150.0	100.8	250.8	5.9
Pooled vehicles	**1,114.4**	**706.4**	**1,820.8**	**40.7**	965.9	398.9	1,364.8	32.1
Insurance linked securities	**5.0**	**–**	**5.0**	**0.1**	4.6	–	4.6	0.1
	2,221.7	**732.1**	**2,953.8**	**66.2**	1,840.9	822.7	2,663.6	62.7
Property funds	**–**	**181.0**	**181.0**	**4.1**	–	153.6	153.6	3.6
Other liquid investments								
Liquidity funds and other liquid investments	**499.0**	**303.5**	**802.5**	**18.0**	861.3	287.5	1,148.8	27.0
	2,720.7	**1,739.0**	**4,459.7**	**100.0**	2,702.2	1,547.4	4,249.6	100.0

Government agencies/guaranteed bonds at 31 December 2013 include £1.2 million of corporate bonds (2012: £11.2 million) and £nil mortgage backed securities (2012: £1.6 million).

Pooled vehicles held are represented by 23.4% government/agency bonds (2012: 16.3%), 26.0% corporate bonds (2012: 28.4%), 19.9% mortgage backed and asset backed securities (2012: 31.7%), 3.5% insurance linked securities (2012: 4.3%) and 27.2% other liquid investments (2012: 19.3%).

3. Risk disclosures continued

The industry and geographical splits were as follows:

	31 December 2013			31 December 2012		
Industry	Corporate bonds %	Global equities %	Total %	Corporate bonds %	Global equities %	Total %
Oil & gas	**7.6**	**7.8**	**7.7**	8.1	12.7	10.4
Basic materials	**1.0**	**2.7**	**2.2**	0.2	2.5	1.4
Industrials	**8.6**	**13.4**	**12.0**	6.4	9.7	8.1
Consumer goods & services	**10.4**	**22.0**	**18.4**	10.9	19.6	15.4
Healthcare	**6.9**	**18.7**	**15.1**	4.0	16.1	10.2
Government guaranteed	**0.2**	**–**	**0.1**	4.2	–	2.0
Telecommunications	**5.2**	**9.2**	**8.0**	4.6	13.0	9.0
Utilities	**5.4**	**1.1**	**2.4**	2.0	0.6	1.3
Financials	**50.5**	**12.3**	**23.9**	54.8	14.5	34.0
Technology	**4.2**	**12.8**	**10.2**	3.0	10.1	6.7
Other industries	**–**	**–**	**–**	1.8	1.2	1.5
	100.0	**100.0**	**100.0**	100.0	100.0	100.0

Note: The table above excludes government bonds but includes £1.2 million (2012: £11.2 million) of corporate bonds with government guarantees and pooled vehicles of £1,820.8 million (2012: £1,364.8 million).

	31 December 2013			Restated 31 December 2012		
Region	Bonds %	Global equities %	Total %	Bonds %	Global equities %	Total %
UK	**1.5**	**13.6**	**5.4**	7.0	15.7	8.5
US and Canada	**61.6**	**45.0**	**56.4**	53.1	40.8	50.9
Europe (excluding UK)	**27.9**	**19.3**	**25.1**	30.4	19.6	28.4
Far East	**6.8**	**17.0**	**10.0**	8.7	14.3	9.8
Emerging markets	**2.2**	**5.1**	**3.1**	0.8	9.6	2.4
	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.

The Group has an established control framework with respect to fair value measurement which ensures the valuation of financial assets and financial liabilities meets the requirements of IFRS. As part of this process, the Group reviews the valuation policies of its custodians along with the evidence provided by the custodians to support fair value measurement. The prices are also reconciled to the fund managers' records to check for reasonableness.

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. A review of stale prices was also conducted at 31 December 2013, though 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 £5.2 million gain/loss (2012: £2.8 million). Sensitivities in relation to other risks are considered in the remainder of note 3.2.

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 2013 are shown below.

	31 December 2013			31 December 2012		
	Underwriting assets £m	Capital assets £m	Total £m	Underwriting assets £m	Capital assets £m	Total £m
Less than 1 year	106.5	11.4	117.9	293.8	75.5	369.3
1-2 years	309.9	1.4	311.3	38.9	27.3	66.2
2-3 years	302.7	1.9	304.6	152.8	67.1	219.9
3-4 years	134.5	1.0	135.5	154.4	15.1	169.5
4-5 years	75.6	–	75.6	114.6	29.0	143.6
Over 5 years	178.1	10.0	188.1	120.4	209.9	330.3
	1,107.3	25.7	1,133.0	874.9	423.9	1,298.8

Note: The table above excludes pooled vehicles of £1,820.8 million (2012: £1,364.8 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 2013 were as follows:

	31 December 2013		31 December 2012	
Underwriting assets/liabilities	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Sterling	(0.3)	4.1	0.1	2.2
US dollars	0.7	2.5	0.7	2.2
Euro	0.2	3.4	1.5	3.4
Canadian dollars	1.0	4.0	1.5	3.7

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	(1.3)	(1.5)	(0.7)	(0.7)	2.0	2.0	–	(0.9)	–	(1.4)	1.0	(29)
75	(1.0)	(1.1)	(0.5)	(0.6)	1.5	1.5	–	(0.7)	–	(1.1)	0.8	(22)
50	(0.6)	(0.7)	(0.4)	(0.4)	1.0	1.0	–	(0.5)	–	(0.7)	0.5	(15)
25	(0.3)	(0.4)	(0.2)	(0.2)	0.5	0.5	–	(0.2)	–	(0.4)	0.3	(7)
– 25	0.2	0.3	0.2	0.2	(0.5)	(0.5)	(0.1)	0.2	(0.1)	0.2	(0.3)	5
– 50	0.4	0.6	0.4	0.3	(1.0)	(1.0)	(0.1)	0.3	(0.2)	0.2	(0.5)	7
– 75	0.6	0.8	0.5	0.4	(1.5)	(1.5)	(0.2)	0.3	(0.3)	0.2	(0.8)	8
– 100	0.9	1.0	0.7	0.5	(2.0)	(2.0)	(0.3)	0.4	(0.4)	0.3	(1.1)	10

Note: The table above includes pooled vehicles.

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 expected cash flows, where the present values of the cash flows serve as the weights.

3. Risk disclosures continued

Foreign exchange risk

The exposures 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 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 at the inception date of the premium. Consequently, there is exposure to currency movements between the inception date and the date premium is received. Claims incurred in non-functional currencies are recorded at the prevailing spot rate on the date of the loss event and then translated back from the functional currency at the time a claim is to be settled; therefore the Group is exposed to exchange rate risk between the date the claim is made and the date of settlement.

Revaluation risk

The Group is subject to revaluation risk as a result of the translation into the Group's sterling reporting currency of the Group entities that have a non-sterling functional currency. At 31 December 2013, the Group was exposed to net investments in foreign operations balances totalling US$1,343.8 million (2012: US$1,330.8 million) and €873.4 million (2012: €499.0 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 2013 was £16.5 million (2012: £57.1 million). This reflects the movement in the US dollar rate from 1.62 at the start of the year to 1.66 at the balance sheet date and the movement in the euro rate from 1.23 at the start of the year to 1.20 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 is taken to the consolidated statement of other comprehensive income to match the underlying movement in the valuation of the net investment in foreign operations, with the ineffective portion recognised in consolidated statement of profit or loss. At the year end, hedges were in place for US$702.0 million (2012: US$628.0 million) and €397.0 million (2012: €257.0 million). The net realised and unrealised gain from hedging recognised in consolidated statement of other comprehensive income during the year was £0.5 million (2012: £3.7 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 £98.4 million recognised in other comprehensive income. This gain would be offset by a valuation loss of £23.3 million on the designated portion of the hedging instruments. The same exchange rate deterioration would result in an additional £63.9 million exchange loss through other comprehensive income. This loss would be offset by a valuation gain of £39.1 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 £72.1 million recognised in other comprehensive income. This gain would be offset by a valuation loss of £10.3 million on the designated portion of the hedging instruments. The same exchange rate deterioration would result in an additional £73.1 million exchange loss through other comprehensive income. This loss would be offset by a valuation gain of £20.4 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.

The table below presents the Group's assets and liabilities by currency. The amounts are stated in the sterling equivalent of the local currency, in order that the amounts can be reconciled to the Group's consolidated statement of financial position. The local currency amounts have been converted into sterling using the exchange rates as disclosed in note 33.

	31 December 2013						
Currency risk	**Sterling £m**	**US$ £m**	**CAN$ £m**	**Euro £m**	**NZ$ £m**	**JPY £m**	**Total £m**
Cash and cash equivalents	31.3	60.8	0.1	61.8	9.3	1.2	164.5
Financial assets	994.4	1,740.9	84.3	1,376.5	126.1	46.6	4,368.8
Reinsurance assets	190.3	22.2	16.8	148.7	7.3	2.9	388.2
Loans and receivables and deferred acquisition costs	351.5	551.2	29.3	389.7	22.4	4.2	1,348.3
Current income tax assets	17.2	3.2	1.8	0.8	–	–	23.0
Deferred tax assets	(0.3)	0.1	–	6.3	–	–	6.1
Property and equipment	16.0	1.2	–	5.4	–	–	22.6
Goodwill and intangible assets	128.9	–	–	110.2	–	–	239.1
Investments in associates	9.3	3.2	–	–	–	–	12.5
Total assets	1,738.6	2,382.8	132.3	2,099.4	165.1	54.9	6,573.1
Insurance liabilities	685.1	1,734.9	85.1	1,316.6	143.6	25.7	3,991.0
Other payables, including insurance and reinsurance payables	6.5	255.3	14.1	134.7	0.1	0.1	410.8
Financial liabilities	0.3	2.1	–	2.3	–	–	4.7
Current income tax liabilities	(1.5)	1.5	–	0.1	–	–	0.1
Borrowings	229.2	161.7	–	0.7	–	–	391.6
Retirement benefit obligations	7.4	–	–	25.2	–	–	32.6
Deferred tax liabilities	48.9	–	–	14.8	–	–	63.7
Total liabilities	975.9	2,155.5	99.2	1,494.4	143.7	25.8	4,894.5
Net assets	762.7	227.3	33.1	605.0	21.4	29.1	1,678.6

	31 December 2012						
Restated 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	927.8	1,782.6	84.4	1,191.3	179.0	39.9	4,205.0
Reinsurance assets	173.9	163.1	10.8	163.0	13.1	1.5	525.4
Loans and receivables and deferred acquisition costs	346.8	595.7	18.1	329.1	30.4	4.6	1,324.7
Current income tax assets	3.7	5.9	1.5	1.2	–	–	12.3
Deferred tax assets	(0.4)	–	–	16.2	–	–	15.8
Property and equipment	14.4	1.7	–	4.3	–	–	20.4
Goodwill and intangible assets	131.8	–	–	79.6	–	–	211.4
Investments in associates	9.3	–	–	–	–	–	9.3
Total assets	1,632.9	2,580.3	114.9	1,862.3	255.8	68.7	6,514.9
Insurance liabilities	700.2	1,828.8	66.3	1,274.6	213.1	55.3	4,138.3
Other payables, including insurance and reinsurance payables	(6.4)	270.6	10.2	118.6	–	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	9.1	–	–	31.8	–	–	40.9
Deferred tax liabilities	18.4	–	–	9.5	–	–	27.9
Total liabilities	950.8	2,284.4	76.5	1,436.5	213.1	55.9	5,017.2
Net assets	682.1	295.9	38.4	425.8	42.7	12.8	1,497.7

3. Risk disclosures continued

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 statement of profit or loss at 31 December 2013:

	31 December 2013	
Currency	10% improvement £m	10% deterioration £m
US dollars	11.1	(9.1)
Canadian dollars	6.5	(5.3)
Euro	3.5	(2.9)
New Zealand dollars	9.3	(7.6)
Japanese yen	1.4	(1.1)
	31.8	(26.0)

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. It is not the intention to take speculative currency positions in order to make currency gains.

At 31 December 2013, 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 A 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 2013:

	Contractual cash flows (undiscounted)					
31 December 2013 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	521.9	0.5	–	–	–	522.4
Debt and other fixed income securities[5]	1,820.8	218.2	563.0	255.1	193.9	2,953.8
Property funds	181.0	–	–	–	–	181.0
Liquidity funds and other liquid investments	769.1	–	–	–	–	769.1
Derivative financial instruments, net	12.8	20.6	–	–	–	33.4
Total	3,305.6	239.3	563.0	255.1	193.9	4,459.7

	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	–	1,083.8	980.4	381.3	463.9	2,897.1
Less reinsurers' share of outstanding claims	–	(141.8)	(100.3)	(45.7)	(57.4)	(343.1)
Total	–	942.0	880.1	335.6	406.5	2,554.0
Difference in contractual cash flows	3,305.6	(702.7)	(317.1)	(80.5)	(212.6)	1,905.7

Note:
5. Debt and other fixed income securities include pooled vehicles of £1,820.8 million (2012: £1,364.8 million) which have no stated maturity.

31 December 2012 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	283.3	0.3	–	–	–	283.6
Debt and other fixed income securities	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

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	–	1,126.4	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

Liquidity, in the event of a major disaster, is tested regularly using internal cash flow forecasts and realistic disaster scenarios. Liquidity is supported by pre-arranged revolving credit facilities as detailed in note 31. If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the assets.

A breakdown of the current and non-current portions of the other non-derivative financial liabilities is available in notes 30 and 31.

Credit risk

Credit risk is the risk that the Group becomes exposed to losses 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 2013 of the exposure of the bond portfolio, liquidity funds and insurance and reinsurance receivables by credit quality[6].

31 December 2013	**Debt securities £m**	**%**	**Liquidity funds £m**	**%**	**Insurance and reinsurance receivables[7] £m**	**%**	**Reinsurers' share of outstanding claims £m**	**%**
AAA	**811.5**	**27.5**	**365.2**	**100.0**	**16.2**	**1.6**	**7.5**	**2.2**
AA	**959.5**	**32.5**	**–**	**–**	**18.2**	**1.8**	**104.5**	**30.5**
A	**955.8**	**32.4**	**–**	**–**	**82.9**	**8.2**	**188.2**	**54.8**
BBB	**152.2**	**5.1**	**–**	**–**	**0.9**	**0.1**	**1.5**	**0.4**
Other	**74.8**	**2.5**	**–**	**–**	**895.6**	**88.3**	**41.4**	**12.1**
	2,953.8	**100.0**	**365.2**	**100.0**	**1,013.8**	**100.0**	**343.1**	**100.0**

31 December 2012	Debt securities £m	%	Liquidity funds £m	%	Insurance and reinsurance receivables £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

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 insurance and reinsurance receivables includes £580.7 million (2012: £577.6 million) of premium receivable from policyholders and £314.9 million (2012: £295.5 million) of premium receivable from intermediaries that are not rated.

3. Risk disclosures continued

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 2013, 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 2013, the Group held collateral of £436.0 million (2012 restated: £459.1 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 £3.9 million (2012: £5.3 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. £0.6 million of bonds held at 31 December 2013 were subject to downgrades during the year (2012: £30.3 million).

The Group's largest non-government counterparty as at 31 December 2013, excluding liquidity funds, has an A rating and is valued at £72.3 million (2012: £56.5 million). The investment comprises cash of £57.8 million (2012: £53.4 million), corporate bonds of £8.7 million (2012: £2.3 million), asset backed securities of £0.1 million (2012: £nil), equities of £5.7 million (2012: £nil) and mortgage backed securities of £nil (2012: £0.8 million). The largest counterparty is not necessarily the same year on year.

The table below shows the credit rating of the Group's non-government bonds.

Non-government bonds 31 December 2013	**Total £m**	**AAA**	**AA**	**A**	**BBB**	**Other**
Corporate – Financials	**108.7**	**5.5%**	**28.0%**	**63.2%**	**3.3%**	**–**
Corporate – Other	**116.4**	**1.6%**	**10.5%**	**57.6%**	**28.2%**	**2.1%**
Mortgage backed securities	**103.0**	**84.7%**	**7.2%**	**2.9%**	**0.5%**	**4.7%**
Asset backed securities	**90.2**	**90.7%**	**4.4%**	**4.7%**	**–**	**0.2%**
Insurance linked securities	**5.0**	**–**	**–**	**–**	**–**	**100%**

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%

The table excludes pooled investments and £1.2 million (2012: £11.2 million) of corporate bonds with explicit government guarantees but includes £1.9 million (2012: £1.6 million) of government agency mortgage backed securities.

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 included in Level 3 are valued using adjusted net asset valuation techniques where adjustments are made to the net asset position based on management's assessment of future profitability.

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. 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 Group's property fund portfolios are valued using the most recent net asset value provided by the fund managers. The net asset values, which may be a quarter in arrears, are determined by the fund managers using proprietary cash flow models. In such cases, adjustments may be made to bring the net asset value to a more current valuation. The inputs into that valuation, such as discount rates, are primarily unobservable and, as such, these assets are classified as Level 3. 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.

Participation in investment pools

These are units held in money market 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 such as foreign exchange rate volatility. The market inputs are observable and the valuation can be validated through external sources. These are classified as Level 2. The Group's contracts with Tramline Re Ltd and Tramline Re II Ltd have been classified as derivative instruments. The valuation of these instruments is based on forecast cash flow models which contain principally unobservable market inputs, and as such are classified as Level 3.

The options relating to Leadenhall Capital Partners LLP, which allow either the Group or partnership management to purchase the remaining shares and voting rights, are also classified as Level 3. The valuation of these options is judgemental as no liquid market exists and estimation of future cash flows is highly subjective. Therefore both a forecast cash flow model and limited observable market data have been used.

3. Risk disclosures continued

	Fair value hierarchy				Fair value hierarchy			
	Level 1 £m	Level 2 £m	Level 3 £m	Total 2013 £m	Level 1 £m	Level 2 £m	Level 3 £m	Total 2012 £m
Assets								
Financial assets held for trading at fair value through profit or loss								
Shares and other variable yield securities	**516.5**	**–**	**–**	**516.5**	279.6	–	–	279.6
Debt and other fixed income securities	**2,606.9**	**526.6**	**–**	**3,133.5**	2,089.7	622.8	12.2	2,724.7
Property funds	**–**	**–**	**181.0**	**181.0**	–	–	153.6	153.6
Derivative instruments	**–**	**18.9**	**–**	**18.9**	–	6.8	–	6.8
Other financial assets at fair value through profit or loss								
Participation in investment pools	**379.2**	**–**	**–**	**379.2**	997.1	–	–	997.1
Deposits with credit institutions	**119.4**	**–**	**–**	**119.4**	42.9	–	–	42.9
Other	**0.6**	**–**	**2.0**	**2.6**	0.6	–	0.6	1.2
Available-for-sale financial assets								
Unlisted equities	**–**	**–**	**6.7**	**6.7**	–	–	4.7	4.7
Other								
Derivative instruments in designated hedge accounting relationships	**–**	**16.9**	**–**	**16.9**	–	2.0	–	2.0
Total assets	**3,622.6**	**562.4**	**189.7**	**4,374.7**	3,409.9	631.6	171.1	4,212.6
Liabilities								
Financial liabilities held for trading at fair value through profit or loss								
Derivative instruments	**–**	**(4.6)**	**(0.1)**	**(4.7)**	–	(5.0)	–	(5.0)
Other								
Derivative instruments in designated hedge accounting relationships	–	–	–	–	–	(0.7)	–	(0.7)
Total liabilities	**–**	**(4.6)**	**(0.1)**	**(4.7)**	–	(5.7)	–	(5.7)
Net financial assets	**3,622.6**	**557.8**	**189.6**	**4,370.0**	3,409.9	625.9	171.1	4,206.9
Assets shown separately in the notes to the accounts								
Accrued income				**(5.9)**				(7.6)
Net financial investments (note 18)				**4,364.1**				4,199.3

The table above excludes the Group's holdings of cash and cash equivalents of £164.5 million (2012: £190.6 million). These are measured at fair value and are categorised as Level 1.

The table also excludes the Group's borrowings which are not measured at fair value but for which fair value information is provided in note 31. These are categorised as Level 3 in the fair value hierarchy.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the relevant reporting period during which the transfers are deemed to have occurred.

There has been no transfer between the different levels during the year.

The table below analyses the movements in assets and liabilities classified as Level 3 investments during 2013:

	Debt and other fixed income securities £m	**Property funds £m**	**Derivative instruments £m**	**Other £m**	**Unlisted equities £m**	**Total £m**
At 1 January 2013	**12.2**	**153.6**	**–**	**0.6**	**4.7**	**171.1**
Total net gains/(losses) recognised in investment return in profit or loss	**0.2**	**4.1**	**(17.2)**	**1.7**	**–**	**(11.2)**
Sales	**(10.7)**	**(27.2)**	**–**	**–**	**–**	**(37.9)**
Purchases	**–**	**54.4**	**–**	**–**	**2.0**	**56.4**
Settlements	**(1.5)**	**(2.6)**	**17.1**	**(0.2)**	**–**	**12.8**
Foreign exchange losses	**(0.2)**	**(1.3)**	**–**	**(0.1)**	**–**	**(1.6)**
At 31 December 2013	**–**	**181.0**	**(0.1)**	**2.0**	**6.7**	**189.6**
Total unrealised gains for the period recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting period						**1.1**

	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 unrealised losses for the period recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting period						(1.4)

The majority of the Group's investments are valued based on quoted market information or other observable market data. The Group holds 4.3% (2012: 4.1%) 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.

3. Risk disclosures continued

3.4 Retirement benefit obligations

The Group participates in a number of pension arrangements, including defined contribution schemes, defined benefit schemes and personal pension schemes.

Defined benefit schemes

The Group participates in four funded defined benefit schemes, being: the Lloyd's Superannuation Fund located in the United Kingdom, Amlin Europe schemes located in The Netherlands and Belgium and the Amlin Re Europe scheme in Switzerland.

Scheme descriptions

Lloyd's Superannuation Fund – United Kingdom

The scheme is operated as part of the Lloyd's Superannuation Fund (the Fund). The Fund is administered by an entity which is legally separate from the Group. The Board of the pension fund, the Board of Trustees, is made up by a majority of Independent Directors, an Amlin Employers' Director and an Amlin Members' Director. The Trustees are required by legislation and by its articles of association to act in the interests of the pension scheme and the plan participants. The Trustees are responsible for the investment strategy of the Fund, in accordance with the Statement of Investment Principles. The Trustees are also responsible for the appointment of custodians and actuaries for the Fund, in addition to consulting with the employers of the Fund.

Historically the Fund has catered for a number of employers in the Lloyd's market. As a consequence of market consolidation, employers closing final salary schemes and some companies failing, during 2013 Amlin became the only active employer (2012: two) in the Fund.

Previously, the Trustee operated separate notional accounts for the scheme of each contributing employer and also a section relating to former employees of employers no longer contributing to the fund (known as the Orphans' section). Following the exit of the other employer from the Fund during the year, making Amlin the sole participating employer, the Trustee has stopped notionally segregating the assets. The Company is now ultimately responsible for the assets and liabilities of the Fund, including 100% of the Orphan liabilities (2012: 93.5%). This has resulted in an increase in the defined benefit obligation by £2.9 million and an increase in the assets of the Fund by £19.0 million (net of the insurance contract noted below), which are included in the actuarial gains and losses in the consolidated statement of other comprehensive income (as per note 32).

Further to the exit of the remaining other employer, the Trustee has entered into a contract with an insurance company to secure the liabilities relating to the employer exiting the Fund and to some of the liabilities of the Orphans' section. The Fund has paid £40.6 million to the insurance company in respect of this transaction. No liability in respect of scheme members included in this insurance contract has been included in the Company's defined benefit obligation.

Amlin Europe schemes – Netherlands and Belgium

Amlin Europe N.V. operates two defined benefit pension schemes covering the majority of its employees. These plans are governed by the Amlin Europe Board in accordance with Dutch and Belgian legislation. Under these schemes, benefits are based on years of service and level of salary. Benefits also include other post-employment benefits which continue to be granted to employees after retirement. These plans are insured and are funded partly by means of employee contributions.

Amlin Re Europe scheme – Switzerland

Amlin Re Europe operates a pension scheme which meets the classification of a defined benefit scheme 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 Amlin Re Europe Board retains overall responsibility for deciding on such fundamental aspects as the level and structure of plan benefits.

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.

Risks to which the Group is exposed through its defined benefit schemes

The defined benefit schemes expose the Group to the following risks:

- Changes in bond yields – The discount rate used in calculating the present value of the defined benefit obligation is based upon the yield of high-quality debt instruments issued by blue chip companies, with maturities consistent with those of the defined benefit obligations. A decrease in bond yields is likely to increase the defined benefit obligation.
- Asset volatility – There is a risk that the return on the plan assets underperforms the yield on corporate bonds, thereby reducing the surplus or increasing the deficit.
- Inflation risk – The defined benefit obligation is linked to inflation and therefore should the inflation rate increase, there will be an increase in the plan obligation.
- Life expectancy – The present value of the defined benefit obligation is calculated based on certain mortality assumptions as stated below. An increase in the life expectancy of the plan participants will result in an increase in the defined benefit obligation.
- Risk of insurer default – For the insured schemes, if the insurer is unable to meet its obligations, or if the contract is cancelled by either party; it will fall to the Group to provide the benefits to members in accordance with the relevant scheme assets.

Significant actuarial assumptions

The significant actuarial assumptions used as at 31 December 2013 were:

	UK % pa	The Netherlands % pa	Belgium % pa	Switzerland % pa
Discount rate for pension benefits	4.4	3.7	2.5	2.3
Price inflation (CPI/RPI for UK)	2.5/3.0	2.0	2.0	1.5
Expected salary increases – general	–	2.0	2.0	2.5
Expected salary increases – merit	–	–	1.5	–
Indexation for active and formerly active employees	–	2.0	–	–

The significant actuarial assumptions used as at 31 December 2012 were:

	UK % pa	The Netherlands % pa	Belgium % pa	Switzerland % pa
Discount rate for pension benefits	4.4	3.2	2.5	1.8
Price inflation	3.0	2.0	2.0	1.5
Expected salary increases – general	–	2.0	2.0	2.5
Expected salary increases – merit	–	0-6.75	1.5	–
Indexation for active and formerly active employees	–	2.0	–	–

The mortality assumptions used in the 31 December 2013 valuation included the following life expectancies:

Life expectancy (years) at age 60 for a member currently:	UK		The Netherlands		Belgium		Switzerland	
	Male	Female	Male	Female	Male	Female	Male	Female
Aged 60	28.0	29.4	26.8	28.0	26.7	30.9	26.3	28.9
Aged 45	30.0	31.0	27.9	28.8	26.7	30.9	27.7	30.3

The mortality assumptions used in the 31 December 2012 valuation included the following life expectancies:

Life expectancy (years) at age 60 for a member currently:	UK		The Netherlands		Belgium		Switzerland	
	Male	Female	Male	Female	Male	Female	Male	Female
Aged 60	27.9	29.3	26.5	27.9	22.1	25.9	26.1	28.8
Aged 45	29.9	30.9	27.9	28.8	22.1	25.9	27.6	30.2

Significant actuarial assumptions – sensitivities

The table below shows the impact on the defined benefit obligation that a change in certain key assumptions would have:

Assumption change	£m
(Increase)/decrease in discount rate by 0.25%	(18.2)/20.5
(Decrease)/increase in inflation rate by 0.25%	(10.9)/11.3
(Decrease)/increase in salary rate by 0.5%	(0.5)/0.6
(Decrease)/increase in indexation rate by 0.5%	(6.6)/7.6
(Decrease)/increase in life expectancy by one year	(13.6)/13.5

The above sensitivities of the significant actuarial assumptions have been calculated by changing each assumption in turn whilst all remaining assumptions are held constant. The limitation of this sensitivity analysis is that in practice assumptions may be correlated and therefore are unlikely to change in isolation. There has been a change in the method used in calculating the life expectancy sensitivity to present an increase or decrease of one year to reflect a standardised approach under IAS 19 revised.

3. Risk disclosures continued

Analysis of scheme assets

The analysis of the scheme assets at the reporting date is as follows:

	31 December 2013				31 December 2012			
	Quoted £m	Unquoted £m	Total £m	Total %	Quoted £m	Unquoted £m	Total £m	Total %
Cash and cash equivalents	–	15.8	15.8	3.4	–	67.0	67.0	15.3
Equity instruments								
United Kingdom	72.8	–	72.8	15.6	41.4	–	41.4	9.5
Europe	12.2	–	12.2	2.6	13.3	–	13.3	3.0
North America	27.0	–	27.0	5.8	22.2	–	22.2	5.1
Asia	5.5	–	5.5	1.2	6.1	–	6.1	1.4
Rest of World	8.1	–	8.1	1.7	7.7	–	7.7	1.8
Bonds								
Government	97.8	–	97.8	20.9	82.3	–	82.3	18.9
Corporate	136.7	–	136.7	29.1	115.4	–	115.4	26.4
Property								
United Kingdom	28.1	–	28.1	6.0	21.6	–	21.6	4.9
Total directly managed scheme assets – United Kingdom	388.2	15.8	404.0	86.3	310.0	67.0	377.0	86.3
The Netherlands			51.7	11.1			49.1	11.3
Belgium			3.4	0.7			3.0	0.7
Switzerland			9.0	1.9			7.5	1.7
Insured scheme assets			64.1	13.7			59.6	13.7
Total scheme assets			468.1	100.0			436.6	100.0

The analysis of the scheme assets by asset class are not provided for the Amlin Re Europe and Amlin Europe defined benefit schemes as the investment decisions are at the discretion of the third parties to whom Amlin Re Europe and Amlin Europe have ceded investment risk under the insurance policies taken out to meet their obligations. These scheme assets are shown as insured scheme assets in the table above.

Asset-liability matching strategies

In accordance with the governance arrangements set out above, investment strategies are in place to maintain long-term investments which are aligned to the obligations under the defined benefit pension schemes. The Group actively monitors how the duration and expected yield of the investments match the expected cash outflows arising from the pension obligations.

In addition, for the scheme in the UK, a proportion of the Fund's assets are invested in a liability driven investment portfolio. The objective of this portfolio is to match these assets to a proportion of the Fund's liabilities.

The Group has not changed the processes used to manage its risks from prior period.

Maturity profile of the defined benefit obligations

The weighted average duration of the defined benefit obligation is as follows:

	UK	The Netherlands	Belgium	Switzerland
Weighted average duration of the defined benefit obligation (years)	17	22	12	19

The expected maturity analysis of the undiscounted pension benefits is as follows:

	UK £m	The Netherlands £m	Belgium £m	Switzerland £m
Less than a year	16.0	1.4	0.2	0.5
Between 1-2 years	16.4	1.5	0.3	0.5
Between 2-5 years	51.6	4.9	1.3	1.8
Over 5 years	1,016.0	313.2	15.7	35.8
Total as at 31 December 2013	1,100.0	321.0	17.5	38.6

Expected contributions

The effect of the defined benefit plans on the Group's future cash flows as a result of the expected contributions for the year ending 31 December 2014 is as follows:

	UK £m	The Netherlands £m	Belgium £m	Switzerland £m
Contributions from the Group	2.6	3.3	0.4	0.8
Contributions from plan participants	0.2	0.7	–	0.3
Total contributions to the schemes	**2.8**	**4.0**	**0.4**	**1.1**

Funding arrangements

Lloyd's Superannuation Fund

Contributions are paid to provide for the cost of benefit accrual. The rate of contribution agreed with the Trustee is 16% (2012: 16%) paid by the employer plus 5% (2012: 5%) member contributions, in each case of pensionable earnings, and additional contributions as agreed with the Trustee. Contributions totalled £2.8 million at 31 December 2013 (2012: £2.8 million).

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 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.

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 payments of £2.0 million to the Fund over a period of seven years. The present value of the future payments has been recognised as a liability at 31 December 2013, to the extent that the contributions will not be available after they are paid into the Fund, as the Fund's rules do not allow the Group to receive a refund of contributions in any circumstances.

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 a payment to the escrow account of £4.0 million in May 2013, bringing the total payments made to £14.0 million. The Group considers it unlikely that any one of the enforcement events defined within the agreement will occur.

The triennial valuation of the Fund as at 31 March 2013 is currently underway, and is being performed by Mr D Wilding, Fellow of the Institute of Actuaries.

Other schemes

Funding for the other schemes in operation is in accordance with related insurance arrangements and regulations described above.

4. Subsidiaries and associates

a) Acquisition of subsidiary – RaetsMarine Insurance B.V.

On 1 March 2013, the Group acquired 100% of the share capital and voting rights in RaetsMarine Insurance B.V. and its subsidiaries (RaetsMarine) for US$49.8 million (£33.1 million). RaetsMarine is a broker, specialising in protection and indemnity (P&I) and marine liability insurance.

The acquisition is a key part of the Group's strategy to grow its marine business and provide its clients with a comprehensive range of marine insurance products.

The provisional acquisition date fair value of the total consideration transferred, identifiable assets acquired and resulting goodwill is as follows:

	£m
Initial cash consideration	28.3
Deferred cash consideration	4.8
Fair value of contingent consideration	–
Total purchase consideration	**33.1**
Fair value of assets acquired (see below)	19.6
Goodwill	**13.5**

The goodwill shown above arose from the premium paid for the opportunities to exploit further growth and dislocation opportunities in the market, and the ability of the Group to leverage its existing presence in London and Singapore to attract new business to RaetsMarine. No provision for impairment of goodwill has been made at the reporting date.

The assets and liabilities as of the acquisition date were stated at their provisional fair values in the 2013 Interim Report. Further evidence of the appropriate fair values was received in the second half of 2013 and adjustments have been made, in accordance with paragraph 45 of IFRS 3, 'Business combinations', as follows:

	Provisional acquisition date fair value (2013 Interim Report) £m	Fair value adjustments £m	Revised acquisition date fair value £m
Cash and cash equivalents	19.5	–	19.5
Financial assets	0.1	–	0.1
Loans and receivables, including insurance and reinsurance receivables			
– insurance and reinsurance receivables	18.5	–	18.5
– other loans and receivables	3.8	–	3.8
Property and equipment	2.4	–	2.4
Goodwill and intangible assets	22.4	–	22.4
Total assets	**66.7**	**–**	**66.7**
Other payables, including insurance and reinsurance payables			
– insurance and reinsurance payables	28.4	–	28.4
– other payables	12.2	–	12.2
Borrowings	0.7	–	0.7
Deferred tax liabilities	5.9	(0.1)	5.8
Total liabilities	**47.2**	**(0.1)**	**47.1**
Net assets acquired	**19.5**	**0.1**	**19.6**

The corresponding adjustment is to goodwill on acquisition.

Goodwill and intangible assets of £22.4 million shown above relate to broker and customer relationships.

The gross contractual amount of insurance and reinsurance receivables is £18.7 million. The best estimate of the contractual cash flows not expected to be received as of the acquisition date is £0.2 million.

Total acquisition related costs were £0.6 million. Of these costs £0.3 million have been recognised as an expense within other operating expenses for the period ended 31 December 2013. The remainder of the acquisition related costs were incurred in prior periods.

As part of the acquisition agreement, the Group has a contractual obligation for contingent consideration relating to an earn out arrangement. The final amount is payable by 1 April 2015 and is based on RaetsMarine's hull and cargo claims ratios for the 2010, 2011 and 2012 underwriting years. The undiscounted range of outcomes of the final amount payable is US$nil (£nil) to US$15.0 million (£9.9 million). The fair value of the contingent consideration has been determined using a discounted cash flow model, with the key input being the forecast claims ratios for the relevant lines of business. At the reporting date the fair value of the contingent consideration was US$nil (£nil).

The Group also entered into a management incentive plan arrangement with the management of RaetsMarine which has been recognised separately from the acquisition. The transaction comprises an initial payment totalling US$4.0 million (£2.6 million) and a management incentive pool of up to US$12.0 million (£7.9 million), with the final amount payable based on the future net written premium growth and claims ratio performance of RaetsMarine's P&I business. In the period to 31 December 2013, £2.6 million has been recognised in other operating expenses in the consolidated statement of profit or loss, and £0.5 million has been recognised in other payables in the consolidated statement of financial position at 31 December 2013.

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 'Financial instruments: Recognition and measurement'.

ii. Leadenhall Capital Partners LLP (LCP)

The Group holds 50% of the voting rights in LCP. Owing to the Group's historical contractual commitments to LCP, as detailed below, the potential voting rights arising from an option held to acquire the share of the partnership not already held, 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.

c) Principal subsidiaries

The principal subsidiaries at 31 December 2013 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
Allied Cedar Insurance Group Limited	Intermediate holding company	England and Wales
Amlin AG	Reinsurance company	Switzerland
Amlin Bermuda Holdings Limited	Finance company	Bermuda
Amlin Corporate Member Limited	Corporate member at Lloyd's	England and Wales
Amlin Corporate Services Limited	Group service, employing and intermediate holding company	England and Wales
Amlin Europe N.V.	Insurance company	The Netherlands
Amlin France Holdings SAS	Intermediate holding company	France
Amlin France SAS	Lloyd's coverholder	France
Amlin Insurance (UK) Limited	Insurance company	England and Wales
Amlin (Overseas Holdings) Limited	Intermediate holding company	England and Wales
Amlin Plus Limited[1]	Lloyd's coverholder	England and Wales
Amlin Singapore Pte Limited	Lloyd's service company	Singapore
Amlin Underwriting Limited	Lloyd's managing agency	England and Wales
Amlin Underwriting Services Limited	Lloyd's coverholder	England and Wales
AUA Insolvency Risk Services Limited	Regulated broker	England and Wales
JR Clare Underwriting Agencies Limited	Lloyd's coverholder	England and Wales
Lead Yacht Underwriters Limited	Lloyd's coverholder	England and Wales
RaetsMarine Insurance B.V.	Broker	The Netherlands

Note:
1. 60% owned by the Group.

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.

4. Subsidiaries and associates continued

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 profit after tax from these investments during the year is as follows:

	2013 £m	2012 £m
Share of profit after tax of associates	**3.9**	0.5
Total comprehensive income	**3.9**	0.5

At 31 December 2013, the Group had an aggregate balance receivable from associates, excluding loans as detailed below, of £6.4 million (2012: £9.9 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 £0.2 million (2012: £0.3 million). The loan is repayable in three instalments, with the final instalment due on 31 December 2014. Interest on the loan is charged at 4.0% over the three-month LIBOR. Convertible loan stock of £0.7 million (2012: £0.7 million) has been issued by the associate to the Group. The conversion date is 31 December 2015. Interest on the convertible loan stock is accrued at 5.0% over five-year gilts.

The Group has a loan to Manchester Underwriting Management Limited of £2.7 million (2012: £1.0 million). The loan is repayable in full on dates between 31 December 2014 and 21 November 2018. Interest is charged at rates between 5.0% and 5.5% 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. At 31 December 2013, £2.5 million (2012: £2.5 million) was drawn on this agreement which is included within the Group's investment in associate balance. This contractual commitment expired on 31 December 2012.

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 consolidated statement of financial position.

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, underwriting Reinsurance, Property & Casualty and Marine & Aviation business, 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.

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 consolidated statement of profit or loss and for the geographic segmental splits 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 statement of profit or loss is provided in note 5(c).

Income and expenses by business segment Year ended 31 December 2013	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	189.2	271.9	237.8	25.6	18.9	–	(219.3)	**524.1**
North America	621.5	11.6	203.2	2.3	–	–	–	**838.6**
Europe	89.9	21.3	40.3	171.7	266.9	–	(1.7)	**588.4**
Worldwide	10.0	29.4	–	–	168.7	–	–	**208.1**
Other	224.2	2.1	70.7	11.2	–	–	–	**308.2**
Gross written premium	**1,134.8**	**336.3**	**552.0**	**210.8**	**454.5**	**–**	**(221.0)**	**2,467.4**
Net written premium	775.1	279.4	500.4	173.8	385.4	–	(6.7)	**2,107.4**
Gross earned premium	1,086.7	334.6	560.3	207.1	469.8	–	(217.9)	**2,440.6**
Reinsurance premium ceded	(351.9)	(60.0)	(53.8)	(40.9)	(65.2)	–	208.6	**(363.2)**
Net earned premium	**734.8**	**274.6**	**506.5**	**166.2**	**404.6**	**–**	**(9.3)**	**2,077.4**
Insurance claims and claims settlement expenses	(439.8)	(217.9)	(249.4)	(148.2)	(244.5)	–	146.7	**(1,153.1)**
Reinsurance recoveries	119.7	47.8	1.6	24.3	14.6	–	(148.0)	**60.0**
Expenses for the acquisition of insurance contracts	(215.0)	(68.9)	(83.5)	(32.8)	(64.4)	–	13.7	**(450.9)**
Underwriting expenses	(86.0)	(34.1)	(25.5)	(16.5)	(91.2)	–	3.0	**(250.3)**
Profit attributable to underwriting	**113.7**	**1.5**	**149.7**	**(7.0)**	**19.1**	**–**	**6.1**	**283.1**
Investment return	11.7	2.0	56.5	2.3	44.5	57.9	(14.5)	**160.4**
Other operating income[1]	27.0	9.1	1.0	0.1	1.3	5.9	(40.1)	**4.3**
Agency expenses[2]	(24.5)	(8.3)	–	–	(0.2)	–	33.0	**–**
Other non-underwriting expenses	(1.9)	(1.1)	(9.4)	(0.9)	(15.6)	(69.4)	1.3	**(97.0)**
Result of operating activities	**126.0**	**3.2**	**197.8**	**(5.5)**	**49.1**	**(5.6)**	**(14.2)**	**350.8**
Finance costs[3]								**(29.0)**
Share of profit after tax of associates								**3.9**
Profit before tax								**325.7**
Claims ratio	44%	62%	49%	74%	57%			**52%**
Expense ratio	41%	37%	21%	30%	38%			**34%**
Combined ratio	**85%**	**99%**	**70%**	**104%**	**95%**			**86%**

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 £197.8 million on reinsurance contracts undertaken at commercial rates (2012: £207.4 million).

Investment return in other corporate companies includes a £40.0 million gain (2012: £14.2 million gain) generated from investments in Funds at Lloyd's that support the business reported in the Amlin London, Amlin UK and Amlin Europe segments.

The table below illustrates the claims, expense and combined ratio excluding whole account quota share (WAQS) intra group reinsurance arrangements:

Excluding WAQS intra group reinsurance arrangements	Amlin London	Amlin UK	Amlin Bermuda	Amlin Re Europe	Amlin Europe	Total
Claims ratio	47%	65%	40%	74%	57%	**52%**
Expense ratio	36%	33%	28%	30%	38%	**34%**
Combined ratio	**83%**	**98%**	**68%**	**104%**	**95%**	**86%**

Restated 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	(81.0)	(29.0)	(16.7)	(12.6)	(77.4)	–	0.4	(216.3)
Profit attributable to underwriting	63.5	14.1	122.4	1.5	7.9	–	(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	88.1	21.8	180.3	1.3	44.8	(33.1)	(11.9)	291.3
Finance costs[3]								(27.6)
Share of profit after tax of associates								0.5
Profit before tax								264.2
Claims ratio	53%	57%	56%	73%	59%			57%
Expenses 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.

The table below illustrates the claims, expense and combined ratio excluding whole account quota share (WAQS) intra group reinsurance arrangements:

Excluding WAQS intra group reinsurance arrangements	Amlin London	Amlin UK	Amlin Bermuda	Amlin Re Europe	Amlin Europe	Total
Claims ratio	56%	60%	47%	73%	59%	57%
Expenses ratio	34%	33%	24%	26%	39%	32%
Combined ratio	90%	93%	71%	99%	98%	89%

5. Segmental reporting continued

c) Reconciliation between management information and the consolidated statement of profit or loss

The table below shows the reconciliation between the management information provided to the chief operating decision maker and the consolidated statement of profit or loss.

	Year ended 31 December 2013			Year ended 31 December 2012		
	Management information £m	**Reconciling items £m**	**IFRS Consolidated statement of profit or loss £m**	Management information £m	Reconciling items £m	IFRS Consolidated statement of profit or loss £m
Gross written premium	**2,467.4**	**–**	**2,467.4**	2,405.6	–	2,405.6
Net written premium	**2,107.4**	**18.2**	**2,125.6**	2,058.6	15.9	2,074.5
Gross earned premium	**2,440.6**	**–**	**2,440.6**	2,319.0	–	2,319.0
Reinsurance premium ceded	**(363.2)**	**17.2**	**(346.0)**	(348.5)	15.9	(332.6)
Net earned premium	**2,077.4**	**17.2**	**2,094.6**	1,970.5	15.9	1,986.4
Insurance claims and claims settlement expenses	**(1,153.1)**	**–**	**(1,153.1)**	(1,197.3)	–	(1,197.3)
Reinsurance recoveries	**60.0**	**–**	**60.0**	72.7	–	72.7
Expenses for the acquisition of insurance contracts	**(450.9)**	**–**	**(450.9)**	(422.5)	–	(422.5)
Underwriting expenses	**(250.3)**	**–**	**(250.3)**	(216.3)	–	(216.3)
Profit attributable to underwriting	**283.1**	**17.2**	**300.3**	207.1	15.9	223.0
Investment return	**160.4**	**(17.2)**	**143.2**	165.3	(15.9)	149.4
Other operating income	**4.3**	**–**	**4.3**	5.6	–	5.6
Other non-underwriting expenses	**(97.0)**	**–**	**(97.0)**	(86.7)	–	(86.7)
Result of operating activities	**350.8**	**–**	**350.8**	291.3	–	291.3
Finance costs	**(29.0)**	**–**	**(29.0)**	(27.6)	–	(27.6)
Share of profit after tax of associates	**3.9**	**–**	**3.9**	0.5	–	0.5
Profit before tax	**325.7**	**–**	**325.7**	264.2	–	264.2

The reconciling items disclosed in the table above relate to items of income and expense under the Group's contracts with Tramline Re Ltd and Tramline Re II Ltd. From a management information perspective, these instruments are insurance linked and therefore these balances are included within the Group's profit attributable to underwriting in the segmental information. Under IAS 39, the instruments are classified as derivatives and therefore such items of income and expense are reported through investment return in the Group's consolidated statement of profit or loss.

6. Net earned premium

	Note	**2013 £m**	2012 £m
Gross earned premium			
Gross written premium	5, 19	**2,467.4**	2,405.6
Change in unearned premium		**(26.8)**	(86.6)
		2,440.6	2,319.0
Reinsurance premium ceded			
Reinsurance premium payable	19	**(341.8)**	(331.1)
Change in reinsurers' share of unearned premium		**(4.2)**	(1.5)
		(346.0)	(332.6)
		2,094.6	1,986.4

7. Investment return

	Note	2013 £m	2012 £m
Investment income			
– dividend income		**16.3**	11.3
– interest income		**27.5**	31.1
– cash and cash equivalents interest income		**2.9**	5.6
		46.7	48.0
Net realised gains/(losses) on assets held for trading			
– equity securities		**25.6**	7.0
– debt securities[1]		**71.9**	28.4
– property funds		**3.6**	(0.1)
– derivative instruments		**(6.2)**	(6.9)
– derivative instruments relating to the Group's contracts with Tramline Re Ltd and Tramline Re II Ltd	5	**(15.7)**	(15.9)
on assets classified as other than trading			
– participation in investment pools		**2.0**	3.3
		81.2	15.8
Net unrealised gains/(losses) on assets held for trading			
– equity securities		**44.7**	11.5
– debt securities[1]		**(48.9)**	77.7
– property funds		**0.4**	(2.7)
– derivative instruments		**19.0**	(0.9)
– derivative instruments relating to the Group's contracts with Tramline Re Ltd and Tramline Re II Ltd	5	**(1.5)**	–
on assets classified as other than trading			
– other		**1.6**	–
		15.3	85.6
		143.2	149.4

Notes:

1 Included within debt securities held for trading are realised and unrealised gains of £0.2 million and £3.9 million respectively, relating to the investment in the funds managed by Leadenhall Capital Partners LLP (2012: £1.8 million gains and £2.6million gains).

8. Net insurance claims

	Note	2013 £m	2012 £m
Insurance claims and claims settlement expenses			
Current year insurance claims and claims settlement expenses	19	**1,303.6**	1,291.6
Reduced costs for prior period insurance claims	19	**(150.5)**	(94.3)
		1,153.1	1,197.3
Insurance claims and claims settlement expenses recoverable from reinsurers			
Current year insurance claims and claims settlement expenses recoverable from reinsurers	19	**(77.0)**	(72.8)
Reduced income from prior period insurance claims recoverable from reinsurers	19	**17.0**	0.1
		(60.0)	(72.7)
		1,093.1	1,124.6

9. Expenses for the acquisition of insurance contracts

	Note	2013 £m	2012 £m
Expenses for the acquisition of insurance contracts	21	**458.2**	454.8
Changes in deferred expenses for the acquisition of insurance contracts		**(7.3)**	(32.3)
		450.9	422.5

10. Other operating expenses

	Note	2013 £m	2012 £m
Expenses relating to underwriting			
Employee expenses, excluding employee incentives		**132.6**	115.3
Lloyd's expenses		**20.9**	19.3
Other administrative expenses		**86.3**	71.2
Underwriting foreign exchange losses	16	**10.5**	10.5
		250.3	216.3
Other expenses			
Employee expenses, excluding employee incentives		**18.9**	13.9
Employee incentive and related social security costs		**53.4**	34.8
Asset management fees		**14.0**	6.4
Other administrative expenses		**16.1**	18.8
Amlin Europe N.V. disentanglement and integration costs		**–**	20.6
Non-underwriting foreign exchange gains	16	**(5.4)**	(7.8)
		97.0	86.7
		347.3	303.0

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:

	2013 £m	2012 £m
Remuneration of Executive Directors	**3.6**	3.0
Remuneration of Non-Executive Directors	**0.6**	0.6
Amounts (excluding equity settled share options and awards) receivable under long-term incentive schemes	**2.5**	1.1
	6.7	4.7
Pension contributions	**0.1**	0.1
	6.8	4.8

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 a stakeholder defined contribution scheme for two (2012: two) Executive Directors and to a stakeholder defined contribution scheme for one (2012: two) other Executive Director.

12. Employee benefit expenses

The average number of persons employed by the Group, including individuals on fixed term contracts and Directors, were:

	2013	2012
Underwriting divisions		
Underwriting, claims and reinsurance	**924**	787
Administration and support	**665**	595
Corporate Centre functions		
Operations	**214**	188
Finance	**44**	43
Internal audit and compliance	**15**	15
	1,862	1,628

	2013	2012
By location		
UK	**1,123**	1,038
Continental Europe	**654**	530
Bermuda	**51**	46
Singapore	**30**	13
US	**4**	1
	1,862	1,628

The aggregate payroll costs incurred by Group companies are analysed as follows:

	Note	2013 £m	2012 £m
Wages and salaries		**122.5**	111.8
Employee incentive and related social security costs		**53.4**	34.8
Equity settled share options and awards granted to Directors and employees	28	**5.1**	4.4
Social security costs		**16.5**	14.4
Pension costs – defined contribution schemes	32	**7.8**	6.6
Pension costs – defined benefit schemes	32	**7.2**	6.4
		212.5	178.4

13. Finance costs

	2013 £m	2012 £m
Letter of credit commission	**1.8**	1.1
Revolving credit facility	**3.2**	1.8
Subordinated debt interest	**19.5**	20.2
Other similar charges	**4.5**	4.5
	29.0	27.6

14. Profit before tax

Profit before tax is stated after charging the following amounts:

	Note	2013 £m	2012 £m
Depreciation	22	**7.4**	6.2
Amortisation	23	**11.2**	7.3
Operating lease expenditure	35	**9.6**	9.7
Foreign exchange losses	16	**5.1**	2.7

Fees paid to the Group's auditors in respect of the financial year are set out below:

	2013 £'000	2012 £'000
Audit		
Audit of the Group's and Company's annual financial statements	**151.6**	161.3
Audit of subsidiaries	**966.7**	1,106.1
	1,118.3	1,267.4
Assurance services		
Audit-related assurance services	**286.9**	308.6
Other assurance services	**19.3**	23.3
	306.2	331.9
Services relating to taxation		
Tax advisory services	**40.0**	84.7
	40.0	84.7
Other non-audit services		
Internal audit services	**–**	20.0
Services related to corporate finance transactions	**–**	100.3
Other services[1]	**202.3**	617.8
	202.3	738.1
Total fees	**1,666.8**	2,422.1

Note:

1. Other services include £nil in 2013 (2012: £562,000) 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 76.

15. Tax

	2013 £m	Restated 2012 £m
Current tax – current year		
Corporate income tax	**(13.7)**	23.3
Foreign tax	**2.8**	6.4
Double tax relief	**–**	(3.8)
	(10.9)	25.9
Current tax – adjustments in respect of previous years		
Corporate income tax	**0.1**	(7.2)
Deferred tax – current year		
Origination and reversal of temporary differences	**41.5**	(1.3)
Deferred tax – adjustments in respect of previous years		
Movements for the year	**1.9**	1.5
Impact of change in UK tax rate	**(5.6)**	(2.5)
	(3.7)	(1.0)
Income tax expense	**27.0**	16.4

In addition to the above, tax of £1.8 million (2012 restated: £1.9 million credit) has been charged directly to other comprehensive income as follows:

	2013 £m	Restated 2012 £m
Deferred tax on defined benefit pension fund actuarial gains/(losses)	**2.3**	(1.6)
Income tax on items that will not be reclassified to profit or loss	**2.3**	(1.6)
Current tax on foreign exchange losses on translation of foreign operations, net of designated hedges	**(0.5)**	(1.0)
Current tax charged on other items within other comprehensive income	**–**	0.7
Income tax on items that may be reclassified subsequently to profit or loss	**(0.5)**	(0.3)
Taxes charged/(credited) to other comprehensive income	**1.8**	(1.9)

In addition to the above, tax of £0.3 million (2012: £0.1 million credited) has been charged directly to other reserves as follows:

	2013 £m	2012 £m
Deferred tax relating to employee share option schemes	**0.3**	(0.1)
Taxes charged/(credited) to other reserves	**0.3**	(0.1)

Reconciliation of tax expense

The UK standard rate of corporation tax is 23.25% (2012: 24.5%), whereas the tax charged for the year ended 31 December 2013 as a percentage of profit (2012: profit) before tax is 8.3% (2012 restated: 6.2%). The reasons for this difference are explained below:

	2013 £m	2013 %	Restated 2012 £m	Restated 2012 %
Profit before tax	**325.7**		264.2	
Taxation on profit on ordinary activities at the standard rate of corporation tax in the UK	**75.7**	**23.3**	64.8	24.5
Non-deductible or non-taxable items	**(2.9)**	**(0.9)**	0.1	–
Tax rate differences on foreign subsidiaries	**(45.0)**	**(13.8)**	(42.9)	(16.2)
Adjustments in respect of previous years	**2.0**	**0.6**	(5.7)	(2.1)
Irrecoverable foreign tax	**2.8**	**0.8**	2.6	0.9
UK deferred tax rate change	**(5.6)**	**(1.7)**	(2.5)	(0.9)
Income tax expense	**27.0**	**8.3**	16.4	6.2

15. Tax continued

Deferred tax

The deferred tax asset is attributable to temporary differences arising on the following:

2012 Restated	Provisions for losses £m	Other provisions £m	Pension provisions £m	Other temporary differences £m	Total £m
At 1 January 2012	38.4	5.1	8.0	(24.6)	26.9
Movements in the year	(10.2)	(3.6)	0.3	(7.9)	(21.4)
Amounts netted off against deferred tax liabilities	–	–	–	10.3	10.3
At 31 December 2012	**28.2**	**1.5**	**8.3**	**(22.2)**	**15.8**
Movements in the year	**(12.9)**	**0.8**	**(4.2)**	**15.6**	**(0.7)**
Amounts netted off against deferred tax liabilities	**–**	**–**	**–**	**(9.0)**	**(9.0)**
At 31 December 2013	**15.3**	**2.3**	**4.1**	**(15.6)**	**6.1**

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 temporary differences £m	Total £m
At 1 January 2012	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**
Movements in the year	**27.3**	**(2.5)**	**(0.3)**	**9.8**	**(1.6)**	**32.7**
Opening balances recognised on acquisition of subsidiaries	**–**	**–**	**–**	**(5.6)**	**(0.2)**	**(5.8)**
Amounts netted off against deferred tax assets	**–**	**–**	**–**	**–**	**9.0**	**9.0**
Other movements	**–**	**–**	**–**	**0.1**	**(0.2)**	**(0.1)**
At 31 December 2013	**20.1**	**10.7**	**6.5**	**14.0**	**12.4**	**63.7**

A deferred tax liability of £37.4 million (2012 restated: £21.0 million) is expected to crystallise more than 12 months after the consolidated statement of financial position date.

UK tax rate

Recent UK budgets have announced changes in the main rate of UK corporation tax. The current rate of 23.0% was enacted on 3 July 2012 and applies from 1 April 2013. Further rate reductions have been announced, with the most recent being announced in the March 2013 budget, which will ultimately reduce the main rate to 20.0% applying from 1 April 2015.

Underwriting profits

Underwriting profits and losses are recognised in the consolidated statement of profit or loss 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 liability (before netting off) has been recognised on the underwriting result for this accounting period of £27.3 million (2012: £17.7 million asset).

The Group is subject to US tax on US underwriting profits. No provision has been made in respect of such tax arising in 2013 (2012: £nil) as any net provision is likely to be immaterial.

Controlled Foreign Companies legislation

Amlin AG operates in Switzerland as Amlin Re Europe, with the Bermudian business operating as a branch. The Group's tax provision for 2013 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% (2012: nil%). The combined rate of Swiss cantonal and federal taxes, applicable to profits arising from the Swiss operation only, is 21.2% (2012: 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 – 20.0% (2012: 23.0%);
- The Netherlands – 25.0% (2012: 25.0%);
- Bermuda – nil% (2012: nil%); and
- Switzerland – 21.2% (2012: 21.2%).

The UK tax rate applied for deferred tax purposes (20.0%) was substantively enacted on 2 July 2013.

16. Net foreign exchange losses

The Group recognised net foreign exchange losses of £5.1 million (2012: £2.7 million) in the consolidated statement of profit or loss during the year.

The Group writes business in many currencies and although a large proportion of the Group's consolidated statement of financial position 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 in note 1).

Included within the Group's foreign exchange losses in the consolidated statement of profit or loss are:

	2013 £m	2012 £m
Underwriting exchange losses	**(10.5)**	(10.5)
Non-underwriting exchange gains	**5.4**	7.8
Total net foreign exchange losses	**(5.1)**	(2.7)

In addition, the following exchange movements have been charged directly to other comprehensive income:

	2013 £m	2012 £m
Gains/(losses) on translation of foreign operations:		
– Amlin Bermuda	**(17.0)**	(51.6)
– RaetsMarine Insurance B.V.	**(0.8)**	–
– Amlin France SAS	**(0.1)**	0.1
– Amlin Europe N.V.	**2.1**	3.3
– Amlin Re Europe	**0.1**	0.2
– Solo Absolute Bonds & Currency Fund	**(1.0)**	(7.2)
	(16.7)	(55.2)
Gains on financial instruments that hedge investments in foreign operations	**0.5**	3.7
Gains/(losses) on translation of intangibles arising from investments in foreign operations	**0.2**	(1.9)
Foreign exchange losses on translation of foreign operations, net of designated hedges	**(16.0)**	(53.4)

17. Cash and cash equivalents

	2013 £m	2012 £m
Cash and cash in hand	**125.8**	153.3
Short-term deposits	**38.7**	37.3
	164.5	190.6

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

a) Net financial investments

	At valuation 2013 £m	At valuation 2012 £m	At cost 2013 £m	At cost 2012 £m
Assets				
Financial assets held for trading at fair value through profit or loss				
Shares and other variable yield securities	**515.9**	279.3	**452.4**	259.7
Debt and other fixed income securities	**3,128.2**	2,717.4	**3,069.6**	2,797.6
Property funds	**181.0**	153.6	**185.7**	158.8
Derivative instruments	**18.9**	6.8	**0.6**	–
Other financial assets at fair value through profit or loss				
Participation in investment pools	**379.2**	997.1	**379.2**	997.1
Deposits with credit institutions	**119.4**	42.9	**119.4**	42.9
Other	**2.6**	1.2	**1.1**	1.2
Available-for-sale financial assets				
Unlisted equities	**6.7**	4.7	**6.7**	4.7
Other				
Derivative instruments in designated hedge accounting relationships	**16.9**	2.0	**–**	–
Total financial assets	**4,368.8**	4,205.0	**4,214.7**	4,262.0
Liabilities				
Financial liabilities held for trading at fair value through profit or loss				
Derivative instruments	**(4.7)**	(5.0)	**(0.6)**	–
Other				
Derivative instruments in designated hedge accounting relationships	**–**	(0.7)	**–**	–
Total financial liabilities	**(4.7)**	(5.7)	**(0.6)**	–
Net financial assets	**4,364.1**	4,199.3	**4,214.1**	4,262.0

Debt and other fixed income securities include pooled funds, investing in bonds and other fixed income securities. The valuation of these funds is £1,820.8 million (2012: £1,364.8 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:

	2013 £m	2012 £m
At 1 January	**4,199.3**	3,972.9
Foreign exchange losses	**(28.9)**	(109.6)
Net purchases	**92.1**	234.1
Net realised gains on assets held for trading or other than trading	**81.2**	15.8
Net unrealised gains on assets held for trading or other than trading	**15.3**	85.6
Net unrealised gains on assets designated as available-for-sale	**–**	0.5
Acquisition through business combination	**0.1**	–
Net realised and unrealised gains on derivative instruments in designated hedge accounting relationships	**5.0**	–
At 31 December	**4,364.1**	4,199.3

b) Offsetting financial assets and financial liabilities

The Group's derivative transactions with respect to over-the-counter options and currency forwards are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. Transactions under such agreements meet the criteria for offsetting in the Group's consolidated statement of financial position. The Group also receives and pledges collateral in the form of cash in respect of the derivative transactions. The fair value of the Group's options and currency forwards are not offset by such collaterals as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties.

The Group's listed futures are transacted under Global Principal Clearing agreements and are not subject to offsetting in the statement of financial position. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and the liabilities simultaneously.

The disclosure provided in the tables below include derivatives that are set off in the Group's statement of financial position.

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

				Related amounts not set off in the statement of financial position		
31 December 2013	**Gross amounts of recognised financial assets £m**	**Gross amounts of recognised financial liabilities set off in the statement of financial position £m**	**Net amounts of financial assets presented in the statement of financial position £m**	**Financial instruments £m**	**Cash collateral received £m**	**Net amount £m**
Derivative instruments held for trading	**1,040.5**	**(1,021.6)**	**18.9**	**(0.2)**	**(3.7)**	**15.0**
Derivative instruments in designated hedge accounting relationships	**95.7**	**(78.8)**	**16.9**	**–**	**(16.2)**	**0.7**
	1,136.2	**(1,100.4)**	**35.8**	**(0.2)**	**(19.9)**	**15.7**

				Related amounts not set off in the statement of financial position		
31 December 2012	Gross amounts of recognised financial assets £m	Gross amounts of recognised financial liabilities set off in the statement of financial position £m	Net amounts of financial assets presented in the statement of financial position £m	Financial instruments £m	Cash collateral received £m	Net amount £m
Derivative instruments held for trading	539.2	(532.4)	6.8	(0.1)	(0.7)	6.0
Derivative instruments in designated hedge accounting relationships	3.3	(1.3)	2.0	–	(1.2)	0.8
	542.5	(533.7)	8.8	(0.1)	(1.9)	6.8

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

				Related amounts not set off in the statement of financial position		
31 December 2013	**Gross amounts of recognised financial liabilities £m**	**Gross amounts of recognised financial assets set off in the statement of financial position £m**	**Net amounts of financial liabilities presented in the statement of financial position £m**	**Financial instruments £m**	**Cash collateral pledged £m**	**Net amount £m**
Derivative instruments held for trading	**1,026.3**	**(1,021.6)**	**4.7**	**(0.2)**	**(2.4)**	**2.1**
Derivative instruments in designated hedge accounting relationships	**78.8**	**(78.8)**	**–**	**–**	**–**	**–**
	1,105.1	**(1,100.4)**	**4.7**	**(0.2)**	**(2.4)**	**2.1**

				Related amounts not set off in the statement of financial position		
31 December 2012	Gross amounts of recognised financial liabilities £m	Gross amounts of recognised financial assets set off in the statement of financial position £m	Net amounts of financial liabilities presented in the statement of financial position £m	Financial instruments £m	Cash collateral pledged £m	Net amount £m
Derivative instruments held for trading	537.4	(532.4)	5.0	(0.1)	(1.5)	3.4
Derivative instruments in designated hedge accounting relationships	2.0	(1.3)	0.7	–	(1.0)	(0.3)
	539.4	(533.7)	5.7	(0.1)	(2.5)	3.1

19. Insurance liabilities and reinsurance assets

Outstanding claims	Note	2013 Insurance liabilities £m	2013 Reinsurers' share £m	2013 Net liabilities £m	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m
At 1 January		3,083.5	478.6	2,604.9	3,273.6	617.0	2,656.6
Claims incurred during the current year	8	1,303.6	77.0	1,226.6	1,291.6	72.8	1,218.8
Movements arising from prior year claims	8	(150.5)	(17.0)	(133.5)	(94.3)	(0.1)	(94.2)
Claims paid during the year		(1,330.2)	(183.5)	(1,146.7)	(1,295.6)	(195.5)	(1,100.1)
Accretion of fair value adjustment		4.7	0.8	3.9	4.7	0.8	3.9
Other movements		–	0.5	(0.5)	–	(1.9)	1.9
Exchange adjustments		(14.0)	(13.3)	(0.7)	(96.5)	(14.5)	(82.0)
At 31 December		**2,897.1**	**343.1**	**2,554.0**	3,083.5	478.6	2,604.9

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 consolidated statement of profit or loss over the period the claims are settled. This net charge was £3.9 million in 2013 (2012: £3.9 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	2013 Insurance liabilities £m	2013 Reinsurers' share £m	2013 Net liabilities £m	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m
Notified outstanding claims	2,125.6	291.0	1,834.6	2,200.6	394.2	1,806.4
Claims incurred but not reported	771.5	52.1	719.4	882.9	84.4	798.5
	2,897.1	343.1	2,554.0	3,083.5	478.6	2,604.9

The current and non-current portions for outstanding claims are expected to be as follows:

Outstanding claims	2013 Insurance liabilities £m	2013 Reinsurers' share £m	2013 Net liabilities £m	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m
Current portion	1,082.5	141.5	941.0	1,126.4	190.3	936.1
Non-current portion	1,814.6	201.6	1,613.0	1,957.1	288.3	1,668.8
	2,897.1	343.1	2,554.0	3,083.5	478.6	2,604.9

Unearned premium	Note	2013 Insurance liabilities £m	2013 Reinsurers' share £m	2013 Net liabilities £m	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m
At 1 January		1,054.8	46.8	1,008.0	998.0	50.4	947.6
Premium written during the year	6	2,467.4	341.8	2,125.6	2,405.6	331.1	2,074.5
Premium earned during the year	6	(2,440.6)	(346.0)	(2,094.6)	(2,319.0)	(332.6)	(1,986.4)
Exchange adjustments		12.3	2.5	9.8	(29.8)	(2.1)	(27.7)
At 31 December		1,093.9	45.1	1,048.8	1,054.8	46.8	1,008.0

The current and non-current portions for unearned premium are expected to be as follows:

Unearned premium	2013 Insurance liabilities £m	2013 Reinsurers' share £m	2013 Net liabilities £m	2012 Insurance liabilities £m	2012 Reinsurers' share £m	2012 Net liabilities £m
Current portion	976.6	27.7	948.9	926.1	28.6	897.5
Non-current portion	117.3	17.4	99.9	128.7	18.2	110.5
	1,093.9	45.1	1,048.8	1,054.8	46.8	1,008.0

The total reinsurers' share of outstanding claims and unearned premium is set out in the table below:

	2013 £m	2012 £m
Reinsurers' share of insurance liabilities	404.1	541.6
Less provision for impairment of receivables from reinsurers	(15.9)	(16.2)
Reinsurance assets	388.2	525.4

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 2013 there were £nil million (2012: £1.2 million) reinsurance assets greater than three months overdue. The Group holds collateral of £64.6 million (2012 restated: £102.5 million) in relation to reinsurers' share of outstanding claims. Details are included in note 29.

The Group has recognised a £nil total net impairment loss (2012: £nil) on reinsurance assets and insurance and reinsurance receivables.

20. Loans and receivables, including insurance and reinsurance receivables

	2013 £m	2012 £m
Receivables arising from insurance and reinsurance contracts	1,033.1	1,021.6
Less provision for impairment of receivables from contract holders and agents	(19.3)	(18.4)
Insurance and reinsurance receivables	1,013.8	1,003.2
Other receivables	63.8	56.4
Prepayments and other accrued income	24.6	25.8
Other loans and receivables	88.4	82.2
	1,102.2	1,085.4

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. Other receivables comprise principally of amounts receivable from investment managers for financial investments sold, input VAT and other sundry receivables.

The current and non-current portions are expected to be as follows:

	2013 £m	2012 £m
Current portion	1,065.4	1,037.2
Non-current portion	36.8	48.2
	1,102.2	1,085.4

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 2013, insurance and reinsurance receivables at a nominal value of £51.2 million (2012: £16.8 million) were greater than three months overdue and provided for on the basis of credit rating to the value of £10.8 million (2012: £9.0 million).

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

20. Loans and receivables, including insurance and reinsurance receivables continued

The ageing analysis of insurance and reinsurance receivables overdue, before impairment provision, is as follows:

	2013 £m	2012 £m
3 to 6 months	**20.3**	6.2
6 to 9 months	**14.5**	3.7
Greater than 9 months	**16.4**	6.9
	51.2	16.8

The Netherlands and Belgium business of Amlin Europe N.V. did not produce an ageing report for insurance receivables in 2012 due to the interaction of local market practice and the office's internal systems. For comparative purposes, the 2013 values relating to The Netherlands and Belgium business of Amlin Europe N.V. are £13.1 million for 3 to 6 months, £7.9 million for 6 to 9 months and £10.4 million for greater than 9 months.

Movements on the Group's provision for impairment of receivables from contract holders and agents are as follows:

	2013 £m	2012 £m
At 1 January	**18.4**	20.0
Increase in the provision	**2.8**	6.2
Utilised provision	**(0.7)**	(3.5)
Release of unused provision	**(1.3)**	(3.7)
Foreign exchange movements	**0.1**	(0.6)
At 31 December	**19.3**	18.4

21. Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:

	Note	2013 £m	2012 £m
At 1 January		**239.3**	207.7
Expense deferred	9	**458.2**	454.8
Amortisation	9	**(450.9)**	(422.5)
Other movements		**(0.5)**	(0.7)
At 31 December		**246.1**	239.3

The current and non-current portions are expected to be as follows:

	2013 £m	2012 £m
Current portion	**220.0**	209.9
Non-current portion	**26.1**	29.4
	246.1	239.3

22. Property and equipment

	Note	Freehold land and buildings £m	Leasehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improvements £m	Total £m
Cost							
At 1 January 2013		7.2	–	0.1	40.8	14.9	63.0
Additions		1.5	2.2	0.3	2.6	0.7	7.3
Acquisition through business combination		–	–	0.6	0.4	1.4	2.4
Disposals		–	–	(0.1)	(0.2)	–	(0.3)
Foreign exchange losses		–	–	(0.1)	–	(0.2)	(0.3)
At 31 December 2013		**8.7**	**2.2**	**0.8**	**43.6**	**16.8**	**72.1**
Accumulated depreciation							
At 1 January 2013		0.4	–	–	33.1	9.1	42.6
Charge for the year	14	0.1	–	0.2	4.8	2.3	7.4
Disposals		–	–	(0.1)	(0.2)	–	(0.3)
Foreign exchange gains		–	–	–	(0.1)	(0.1)	(0.2)
At 31 December 2013		**0.5**	**–**	**0.1**	**37.6**	**11.3**	**49.5**
Net book value							
At 31 December 2013		**8.2**	**2.2**	**0.7**	**6.0**	**5.5**	**22.6**
At 1 January 2013		6.8	–	0.1	7.7	5.8	20.4

	Note	Freehold land and buildings £m	Leasehold 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	14	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

23. Goodwill and intangible assets

	Note	Goodwill £m	Syndicate participations £m	Broker and customer relationships £m	Computer software £m	Other intangibles £m	Total £m
Cost							
At 1 January 2013		75.5	63.2	49.4	44.2	2.9	235.2
Additions		–	–	–	2.2	0.3	2.5
Acquisition through business combination	4	13.5	–	22.4	–	–	35.9
Foreign exchange gains/(losses)		0.5	–	(0.1)	0.3	–	0.7
At 31 December 2013		**89.5**	**63.2**	**71.7**	**46.7**	**3.2**	**274.3**
Accumulated amortisation							
At 1 January 2013		0.4	–	18.6	2.6	2.2	23.8
Charge for the year	14	–	–	5.4	5.3	0.5	11.2
Foreign exchange losses		–	–	0.2	–	–	0.2
At 31 December 2013		**0.4**	**–**	**24.2**	**7.9**	**2.7**	**35.2**
Net book value							
At 31 December 2013		**89.1**	**63.2**	**47.5**	**38.8**	**0.5**	**239.1**
At 1 January 2013		75.1	63.2	30.8	41.6	0.7	211.4

	Note	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	14	–	–	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

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 RaetsMarine Insurance B.V., the net book value being £9.0 million (2012: £10.0 million), £18.2 million (2012: £19.4 million) and £20.3 million (2012: £nil) respectively. These intangibles are being amortised over a period of 13, 15 and 15 years respectively, and their remaining amortisation life is 10, 11 and 14 years respectively.

The broker and customer relationship intangible asset in relation to Amlin France Holdings SAS became fully amortised during the period (2012 net book value: £1.4 million).

Computer software represents the costs that the Group has incurred on internally developed software and predominantly relates to a new platform for Amlin Europe N.V. This IT platform is being amortised over 10 years.

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:

	2013				2012			
	Amlin London[1] £m	Amlin UK £m	Amlin Europe[2] £m	Total £m	Amlin London £m	Amlin UK £m	Amlin Europe £m	Total £m
Goodwill	**18.8**	**4.8**	**65.5**	**89.1**	18.8	4.8	51.5	75.1
Syndicate participations	**55.2**	**8.0**	**–**	**63.2**	53.6	9.6	–	63.2
	74.0	**12.8**	**65.5**	**152.3**	72.4	14.4	51.5	138.3

Note:

1. 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 (2012: £11.5 million).
2. The Amlin Europe goodwill balance comprises the goodwill from two CGUs. The largest individual balance is the goodwill from the acquisition of Amlin Europe N.V. totalling £28.5 million (2012: £28.0 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, 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% (2012: 2.5%) has been assumed for all CGUs, based on historical growth rates and management's estimates of future growth; and
- A risk adjusted pre-tax discount rate of 8.5% (2012: 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

	2013 Number	2013 £m	2012 Number	2012 £m
Allotted, called up and fully paid ordinary shares				
At 1 January issued ordinary shares of 28.125p each	**502,076,006**	**141.2**	502,076,006	141.2
Ordinary shares of 28.125 pence each issued in the period	**2,723,353**	**0.8**	–	–
At 31 December issued ordinary shares of 28.125p each	**504,799,359**	**142.0**	502,076,006	141.2

The Company transferred 716,586 shares out of treasury during the year at a cost of £1.8 million (2012: 418,721 shares at a cost of £1.1 million). The shares have been transferred to meet exercises of employee share options, leaving 4,252,085 shares in treasury at 31 December 2013 (2012: 4,968,671 shares). This number does not include shares held by the trustee of the Group's Employee Share Ownership Trust as disclosed in note 28.

The Group issued 2,723,353 ordinary shares on 1 March 2013 in conjunction with the purchase of RaetsMarine Insurance B.V. The shares issued have the same rights as all other shares in issue. The fair value of the shares issued amounted to £11.6 million (£4.24 per share).

25. Earnings and net assets per share

Basic and diluted earnings per share are as follows:

	2013	Restated 2012
Profit attributable to owners of the Parent Company	**£298.7m**	£247.8m
Weighted average number of shares in issue	**498.1m**	494.8m
Dilutive shares	**7.1m**	6.0m
Adjusted average number of shares in issue	**505.2m**	500.8m
Basic earnings per share	**60.0p**	50.1p
Diluted earnings per share	**59.1p**	49.5p

Net assets and tangible net assets per share are as follows:

	Note	2013	Restated 2012
Net assets		**£1,678.6m**	£1,497.7m
Adjustments for goodwill and intangible assets	23	**(£239.1m)**	(£211.4m)
Tangible net assets		**£1,439.5m**	£1,286.3m
Number of shares in issue at end of the year		**504.8m**	502.1m
Adjustment for ESOT and treasury shares		**(6.2m)**	(7.0m)
Basic number of shares after ESOT and treasury shares adjustment		**498.6m**	495.1m
Basic net assets per share		**336.7p**	302.5p
Basic tangible net assets per share		**288.7p**	259.8p

26. Other reserves

All items of other comprehensive income in 2013 and 2012 are charged to 'Other reserves'. Other reserves are as follows:

	2013 £m	Restated 2012 £m
Capital redemption reserve	**123.1**	123.1
Defined benefit pension reserve	**(40.1)**	(48.9)
Foreign operations translation reserve	**(9.6)**	6.9
Employee share option reserve	**9.3**	9.8
Hedge accounting reserve	**(43.0)**	(43.5)
Merger reserve	**87.7**	87.7
Other	**(44.5)**	(44.7)
Tax relating to components of other reserves	**29.5**	31.2
	112.4	121.6

The 'Other' in the above table includes goodwill on pre-1999 acquisitions written off of £45.7 million (2012: £45.7 million).

27. Dividends

The amounts recognised as distributions to equity holders are as follows:

Group	2013 £m	2012 £m
Final dividend for the year ended:		
– 31 December 2012 of 16.5 pence per ordinary share	**82.4**	–
– 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
Interim dividend for the year ended:		
– 31 December 2013 of 7.8 pence per ordinary share	**38.9**	–
– 31 December 2012 of Amlin Plus Limited to non-controlling interests	**0.1**	–
– 31 December 2012 of 7.5 pence per ordinary share	**–**	37.1
	121.4	115.4

The final ordinary dividend of 18.2 pence per ordinary share for 2013, amounting to £90.7 million, payable in cash, was agreed by the Board on 28 February 2014, subject to shareholder approval at the AGM on 22 May 2014, and has not been included as a liability as at 31 December 2013.

28. Long-term employee incentive schemes

During the year ended 31 December 2013, the Group operated a number of long-term employee incentive schemes. The total cost recognised in the consolidated statement of profit or loss for these schemes is shown below:

	Note	2013 £m	2012 £m
Equity settled schemes	12	**5.1**	4.4
Capital Builder Plan		**2.6**	3.1
Total expense arising from long-term employee incentive schemes		**7.7**	7.5

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 2013	Weighted average exercise price per share (pence)	Number of shares 2012	Weighted average exercise price per share (pence)
Outstanding at 1 January	**2,676,348**	**266**	2,672,806	258
Granted during the year	**506,531**	**312**	431,700	311
Exercised during the year	**(490,876)**	**247**	(320,733)	263
Forfeited during the year	**(117,069)**	**289**	(107,425)	270
Total shares outstanding at 31 December	**2,574,934**	**277**	2,676,348	266
Total shares exercisable at 31 December	**610,953**	**267**	828,189	251

The weighted average share price at the date of exercise for share options exercised during the year was 430 pence (2012: 363 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 2013	Weighted average remaining contractual life (years)	Number of outstanding shares under option 2012	Weighted average remaining contractual life (years)
£0.76 – £1.11	**–**	**–**	10,647	0.33
£1.12 – £1.62	**120,500**	**1.23**	248,753	1.85
£1.63 – £2.46	**23,145**	**0.42**	165,146	1.42
£2.47 – £2.93	**1,423,031**	**2.28**	1,579,962	3.28
£2.94 – £3.34	**1,008,258**	**3.51**	671,840	3.48

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 2013, 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 2013	Vesting period	Number of shares under conditional award 2012	Vesting period
LTIP grants	**5,121,807**	**2014 to 2016**	4,857,704	2011 to 2015
PSP grants	**2,736,126**	**2013 to 2018**	3,183,555	2011 to 2017
SIP grants	**1,630,581**	**2010 to 2016**	1,545,266	2010 to 2014
Amlin Special	**271,248**	**2014 to 2016**	209,961	2013 to 2015

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 2013.

iv) Options from the ESOT

The trustee of the ESOT held 1,962,534 ordinary shares as at 31 December 2013 (2012: 2,023,644 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 2013, was 458.9 pence per share (2012: 379.0 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 2013, the weighted average fair values of options and awards granted during the year were 60.57 pence per option and 157.51 pence per award respectively (2012: 58.14 pence and 131.94 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:

	2013	2012
Weighted average share price on grant (pence)	**377.10**	361.83
Weighted average exercise price (pence)	**282.61**	281.79
Expected volatility	**30.00%**	30.00%
Expected life (years)	**3.00 – 5.25**	3.00 – 5.25
Risk free rate of return	**1.00% – 4.50%**	1.00% – 5.00%
Expected dividend yield	**5.00% – 7.00%**	4.50% – 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 financial statements 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 2013 is £4.8 million (2012: £4.1 million) and is recorded in other payables.

29. Restricted funds held/placed by the Group

At 31 December 2013, 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 £3,100.5 million (2012: £3,086.9 million), matched by gross liabilities of £2,557.0 million (2012: £2,656.0 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, £15.4 million (2012: £16.0 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 2013, £173.1 million (2012: £176.5 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 2013, Syndicate 2001 recognised £0.7 million (2012: £0.8 million) of cash drawn down from LOC facilities as a liability on the consolidated statement of financial position. 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 2013, included in other receivables and other payables are £4.7 million (2012: £5.8 million) margins and collaterals pledged and £16.4 million (2012: £2.0 million) margins and collaterals held respectively in relation to listed futures margins and over-the-counter options.

Collaterals received under reverse repurchase agreements

Collateral assets received under reverse repurchase agreements amounted to £26.6 million (2012: £nil). These collateral assets have been included in other receivables in note 20.

Reinsurance collateral received

Collateral of £259.8 million (2012: £241.8 million) is held in third party trust funds to guarantee Syndicate 2001 against reinsurance counterparties. Furthermore, collateral of £137.6 million (2012: £184.5 million) and £38.6 million (2012: £32.8 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 2013, £3.5 million (2012: £25.6 million) of the funds placed in trust by counterparties of Amlin Bermuda related to specific reinsurance assets.

Insurance collateral placed

Syndicate 2001 holds £374.6 million (2012: £342.9 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 £20.9 million (2012: £22.1 million) of bank guarantees in place to cover insurance counterparties.

Funds withheld as premium/claim deposits

At 31 December 2013, the Group had net funds of £46.3 million (2012: £29.1 million) placed as claim deposits and net £nil (2012: £3.7 million) premium deposits placed with/receivable from external brokers. Amlin Re Europe and Amlin Bermuda have placed a further £16.3 million (2012: £4.4 million) and £2.1 million (2012: £nil) respectively into pledge accounts to collateralise against losses due to reinsurance cedants.

Funds in escrow

At 31 December 2013, the Group holds £14.1 million (2012: £10.0 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 3.4.

30. Other payables, including insurance and reinsurance payables

	2013 £m	2012 £m
Insurance and reinsurance payables	**273.3**	275.0
Trade payables	**36.2**	39.3
Accrued expenses and other liabilities	**92.7**	71.6
Social security and other tax payables	**8.6**	7.7
Other payables	**137.5**	118.6
	410.8	393.6

The current and non-current portions are expected to be as follows:

	2013 £m	2012 £m
Current portion	**338.2**	307.6
Non-current portion	**72.6**	86.0
	410.8	393.6

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

	2013 £m	2012 £m
Subordinated debt	**289.5**	290.4
Revolving credit facility	**101.4**	120.0
Other	**0.7**	–
	391.6	410.4

The current and non-current portions are expected to be as follows:

	2013 £m	2012 £m
Current portion	**101.6**	–
Non-current portion	**290.0**	410.4
	391.6	410.4

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 £326.0 million (2012: £352.0 million) and £98.3 million (2012: £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 1.9% (2012: 0.9%).

The Company and certain of its subsidiaries have a debt facility with its banks which is available until August 2017 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 2013, the revolving credit facility was drawn down by £101.4 million (2012: £120.0 million).

Amlin AG has a LOC facility with Lloyds Bank plc and the Royal Bank of Scotland plc as lead arrangers of US$280.0 million (2012: US$280.0 million). The facility is secured by a registered charge over a portfolio of assets managed by Aberdeen Asset Management Inc with State Street Bank and Trust Company as custodian. Three further LOCs are arranged – Barclays Bank plc: US$nil million (2012: US$20.0 million) and NZ$30.0 million (2012: NZ$30.0 million) and Lloyds Bank plc: NZ$11.5 million (2012: NZ$28.5 million) and AU$16.2 million (2012: AU$nil); and are secured by time deposits. As at 31 December 2013, US$268.0 million of LOC were issued (2012: US$244.4 million). The total value of restricted assets as at 31 December 2013 was US$286.8 million (2012: US$286.8 million).

Amlin Europe N.V. has 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 2013, €25.1 million of guarantees were issued (2012: €27.3 million); €4.3 million (2012: €4.3 million) from the guarantee facility and €20.8 million (2012: €23.0 million) from the guarantee/standby LOC. There are no restricted assets to secure the facility.

32. Retirement benefit obligations

a) Adoption of IAS 19 (revised) Employee benefits

As stated in note 1, the Group has adopted the accounting and disclosure requirements of IAS 19 (revised). In accordance with this standard, the change in accounting policy was applied retrospectively and the comparative financial information has been restated accordingly. The amount of the restatement for each financial statement line item affected by the retrospective application of IAS 19 (revised) for the year ended 31 December 2012 is provided below:

Consolidated statement of profit or loss	As reported 12 months 2012 £m	IAS 19 (revised)	Restated 12 months 2012 £m
Profit before tax	264.2	–	264.2
Tax	(16.5)	0.1	(16.4)
Profit for the year	247.7	0.1	247.8
Attributable to:			
Owners of the Parent Company	247.7	0.1	247.8
Earnings per share from continuing operations attributable to owners of the Parent Company			
Basic	50.0p	0.1p	50.1p
Diluted	49.4p	0.1p	49.5p

Consolidated statement of other comprehensive income	As reported 12 months 2012 £m	IAS 19 (revised)	Restated 12 months 2012 £m
Profit for the year	247.7	0.1	247.8
Items that will not be reclassified to profit or loss			
Defined benefit pension fund losses	(17.5)	8.0	(9.5)
Income tax relating to items not reclassified	3.4	(1.8)	1.6
	(14.1)	6.2	(7.9)
Other comprehensive expense for the year, net of tax	(66.7)	6.2	(60.5)
Total comprehensive income for the year	181.0	6.3	187.3
Attributable to:			
Owners of the Parent Company	181.0	6.3	187.3

Consolidated statement of financial position	As reported 31 December 2012 £m	IAS 19 (revised)	Restated 31 December 2012 £m
Deferred tax assets	17.5	(1.7)	15.8
Total assets	6,516.6	(1.7)	6,514.9
Other reserves	112.9	8.7	121.6
Retained earnings	957.1	(2.4)	954.7
Equity attributable to owners of the Parent Company	1,490.8	6.3	1,497.1
Total equity and reserves	1,491.4	6.3	1,497.7
Retirement benefit obligations	48.9	(8.0)	40.9
Total liabilities	5,025.2	(8.0)	5,017.2
Total equity, reserves and liabilities	6,516.6	(1.7)	6,514.9

Consequential amendments have also been made to the notes to the financial statements. The impact of retrospective application on each component of equity is shown in the consolidated statement of changes in equity, as required by IAS 1.

Opening statement of financial position as at 1 January 2012

The Group has not presented a statement of financial position for the beginning of the earliest comparative period as the impact is not material.

b) Defined benefit schemes

The Group participates in a number of defined benefit schemes, details of which are provided in note 3.4.

Amount recognised in the consolidated statement of financial position in respect of the Group's defined benefit schemes is as follows:

	2013 £m	Restated 2012 £m
Present value of defined benefit obligation	**(470.3)**	(454.4)
Fair value of scheme assets	**468.1**	436.6
Deficit in schemes	**(2.2)**	(17.8)
Restriction to defined benefit asset due to asset ceiling	**(30.4)**	(23.1)
Net defined benefit liability	**(32.6)**	(40.9)

The movement in the net defined benefit liability is as follows:

	Present value of obligation £m	Fair value of scheme assets £m	Deficit in schemes £m	Effect of asset ceiling £m	Net defined benefit liability £m
At 1 January 2013 (restated)	(454.4)	436.6	**(17.8)**	(23.1)	**(40.9)**
Interest (expense)/income	(18.4)	18.2	**(0.2)**	(1.0)	**(1.2)**
Current service cost	(6.0)	–	**(6.0)**	–	**(6.0)**
Past service cost	1.6	–	**1.6**	–	**1.6**
Administration expenses	–	(1.6)	**(1.6)**	–	**(1.6)**
(Charged)/credited to consolidated statement of profit or loss	**(22.8)**	**16.6**	**(6.2)**	**(1.0)**	**(7.2)**
Re-measurements:					
Actuarial gains and losses arising from :					
– changes in demographic assumptions	0.9	–	**0.9**	–	**0.9**
– changes in financial assumptions	(4.6)	(2.4)	**(7.0)**	–	**(7.0)**
– other actuarial gains	(2.9)	19.0	**16.1**	–	**16.1**
Return on plan assets, excluding amounts included in interest (expense)/income	–	5.7	**5.7**	–	**5.7**
Changes in asset ceiling, excluding amounts included in interest (expense)/income	–	–	**–**	(6.3)	**(6.3)**
(Charged)/credited to consolidated statement of other comprehensive income	**(6.6)**	**22.3**	**15.7**	**(6.3)**	**9.4**
Exchange differences	(2.2)	1.2	**(1.0)**	–	**(1.0)**
Participant contributions	(1.2)	1.2	**–**	–	**–**
Benefits paid	16.9	(16.9)	**–**	–	**–**
Employer contributions	–	7.1	**7.1**	–	**7.1**
At 31 December 2013	**(470.3)**	**468.1**	**(2.2)**	**(30.4)**	**(32.6)**

A plan amendment has resulted in a reduction in past service costs of £1.6 million (2012: £nil) due to the increase in the retirement age in the Netherlands effective from 1 January 2014.

Other actuarial gains relate to the impact of the exit of the remaining other employer from the Lloyd's Superannuation Fund in the UK. Further details on this transaction are provided in note 3.4.

32. Retirement benefit obligations continued

Restated	Present value of obligation £m	Fair value of scheme assets £m	Deficit in Schemes £m	Effect of asset ceiling £m	Net defined benefit liability £m
At 1 January 2012	(417.9)	421.3	3.4	(34.2)	(30.8)
Interest (expense)/income	(18.9)	19.5	0.6	(1.6)	(1.0)
Current service cost	(4.1)	–	(4.1)	–	(4.1)
Administration expenses	–	(1.3)	(1.3)	–	(1.3)
(Charged)/credited to consolidated statement of profit or loss	(23.0)	18.2	(4.8)	(1.6)	(6.4)
Re-measurements:					
Actuarial gains and losses arising from :					
– changes in demographic assumptions	5.6	–	5.6	–	5.6
– changes in financial assumptions	(35.4)	9.2	(26.2)	–	(26.2)
Return on plan assets, excluding amounts included in interest (expense)/income	–	(1.6)	(1.6)	–	(1.6)
Changes in asset ceiling, excluding amounts included in interest (expense)/income	–	–	–	12.7	12.7
(Charged)/credited to consolidated statement of other comprehensive income	(29.8)	7.6	(22.2)	12.7	(9.5)
Exchange differences	1.6	(1.1)	0.5	–	0.5
Participant contributions	(1.1)	1.1	–	–	–
Benefits paid	15.8	(15.8)	–	–	–
Employer contributions	–	5.3	5.3	–	5.3
At 31 December 2012	(454.4)	436.6	(17.8)	(23.1)	(40.9)

Restriction to defined benefit asset due to asset ceiling

On 30 June 2011, the Group agreed a schedule of contributions with the Trustee of the Lloyd's Superannuation Fund. The schedule requires seven separate payments of £2.0 million to the Fund over a period of seven years. The Fund's rules do not allow the Group to receive a refund of contributions in any circumstances. Therefore, the present value of the future payments has been recognised as a liability at 31 December 2013, to the extent that the contributions will not be available after they are paid into the Fund. A restriction to the defined benefit asset has therefore been recognised.

c) The stakeholder defined contribution schemes

The defined contribution schemes operated by the Group are stakeholder arrangements. The total contributions to the schemes for the year ended 31 December 2013 are £7.8 million (2012: £6.6 million).

d) Other arrangements

In addition to the defined benefit schemes and defined contribution schemes, the Group has 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 2013 (2012: £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	
	2013	2012	**2013**	2012
US dollar	**1.56**	1.59	**1.66**	1.62
Canadian dollar	**1.61**	1.58	**1.76**	1.61
Euro	**1.18**	1.23	**1.20**	1.23
New Zealand dollar	**1.91**	1.96	**2.01**	1.97
Japanese yen	**152.80**	126.55	**174.36**	140.78

34. Contingent liabilities

Aside from the escrow account entered into with the Trustee of the Lloyd's Superannuation Fund defined benefit pension scheme, as described in note 3.4, and the contingent consideration relating to the acquisition of RaetsMarine Insurance B.V. and subsidiaries, as described in note 4, the Group has no material contingent liabilities at 31 December 2013 (2012: £nil).

35. Commitments

a) Capital commitments

In addition to the commitments made to RaetsMarine Insurance B.V. and to Leadenhall Capital Partners LLP as described in note 4, the Group also made commitments to subscribe to property funds at 31 December 2013 of £41.5 million (2012: £19.2 million) and has made a contractual commitment for the construction of the Amlin UK head office (Victoria Road, Chelmsford) at 31 December 2013 of £13.5 million.

b) Operating lease commitments

The Group leases various offices under operating lease agreements. The Group is required to give notice for the termination of these agreements. The lease expenditure charged to the consolidated statement of profit or loss during the year is £9.6 million (2012: £9.7 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:

	2013 £m	2012 £m
No later than 1 year	**9.5**	8.2
Later than 1 year and no later than 5 years	**26.6**	25.2
Later than 5 years[1]	**103.4**	2.3
	139.5	35.7

Note:
1. As disclosed in the interim 2013 Financial Statements, the Group has signed an agreement to lease 95,000 square feet at The Leadenhall Building currently under construction at 122 Leadenhall Street, London EC3. The date of commencement of the lease is currently expected to be mid-2014.

c) Other commitments

RaetsMarine Insurance B.V. ('RMI'), which was acquired by Amlin in 2013, remains a guarantor for the liabilities of certain formerly related companies under a credit facility issued by the F. van Lanschot Bank. Amlin has demanded that the seller procure the release of RMI from this obligation as required under the terms of the RMI Share Purchase Agreement, but the seller has not yet complied. RMI's potential financial exposure under this cross-guarantee agreement can vary but should not exceed €6.0 million. Amlin has withheld US$7.5 million due to the sellers pending resolution of this issue.

36. Cash flows from operations

	Note	2013 £m	2012 £m
Profit before tax		**325.7**	264.2
Adjustments:			
Depreciation charge	14	**7.4**	6.2
Amortisation charge	14	**11.2**	7.3
Finance costs	13	**29.0**	27.6
Interest income	7	**(30.4)**	(36.7)
Dividend income	7	**(16.3)**	(11.3)
Gains on investments realised and unrealised	7	**(96.5)**	(101.4)
Other non-cash movements		**1.5**	4.5
Movement in operating assets and liabilities:			
Net (purchases)/sales of financial investments	18	**(92.1)**	(234.1)
Foreign exchange losses on investments	18	**28.9**	109.6
Increase in loans and receivables		**(0.4)**	(45.3)
Decrease in insurance and reinsurance contract assets		**120.7**	72.2
Decrease in insurance contract liabilities		**(152.9)**	(77.1)
Decrease in other payables		**(2.9)**	(8.8)
Increase in retirement benefit obligations		**1.1**	0.6
Foreign exchange gains on long-term borrowings		**(0.3)**	(1.9)
Foreign exchange gains on other non-operating assets and liabilities		**(5.8)**	(49.8)
Cash generated from/(utilised in) operations		**127.9**	(74.2)

The Group includes 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 £92.1 million from net purchases/sales of financial investments was utilised in operations during the year (2012: £234.1 million from net purchases).

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 £11.5 million (2012: £13.8 million) of premium under the binding authority agreement, of which £3.7 million (2012: £5.6 million) was produced by Lycett, Browne-Swinburne and Douglas Limited earning brokerage commission of £0.5 million (2012: £0.8 million) on this business. At 31 December 2013, Syndicate 2001 had a receivable of £1.9 million (2012: £2.4 million) from Amlin Plus and Lycett, Browne-Swinburne and Douglas Limited had a payable of £0.5 million (2012: £0.9 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 2013 underwriting year of account Special Purpose Syndicate (S6106), managed by Amlin Underwriting Limited, wrote a 10.0% (2012: 10.0%) quota share contract of the excess of loss reinsurance account of Syndicate 2001. The transactions provide external members' capital to support 2013 underwriting, enabling Syndicate 2001 to take advantage of opportunities in peak zones in the US, Japan and Europe. All transactions with S6106 are undertaken on an arm's length basis. The quota share contract has not been renewed for the 2014 underwriting year of account.

iv) Transactions with Funds managed by Leadenhall Capital Partners LLP

At 31 December 2013, funds managed by Leadenhall Capital Partners LLP held US$5.0 million and US$1.8 million in the catastrophe bonds issued by Tramline Re Ltd and Tramline Re II Ltd respectively. Details of the Group's transaction with Tramline Re Ltd and Tramline Re II Ltd can be found in Note 3.

Syndicate 2001 and Amlin Re Europe participate in fronting arrangements whereby they write inwards reinsurance contracts which are 100% reinsured by Horseshoe Re Limited on behalf of its segregated accounts. Funds managed by Leadenhall Capital Partners, an associate of the Group, has invested within these segregated accounts. During the year Syndicate 2001 and Amlin Re Europe wrote £15.1 million of gross premium and received £0.6 million of commission through this arrangement. At 31 December 2013, £5.5 million was receivable from Horseshoe Re, of which £0.2 million was reinsurance receivables on paid and outstanding claims, £6.0 million was reinsurers' share of insurance liabilities and £0.7 million was reinsurance payables.

b) Compensation of key management personnel

Key management personnel are those Amlin 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 seven Non-Executive Directors (2012: twelve and six respectively). During the year, Mr Buchanan ceased in his role as Non-Executive Director. Compensation during the year to key management personnel is analysed below:

	2013 £m	2012 £m
Short-term employee benefits	**8.9**	8.5
Long-term employee benefits	**4.1**	1.9
Post-employment benefits	**0.5**	0.4
Equity-settled share-based payments	**1.5**	1.2
Cash-settled share-based payments	**0.4**	0.4
	15.4	12.4

c) Transactions with Directors

Certain Directors of the Company are also directors of other companies, as described in the Directors' biographical details on page 64 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 Aberdeen Asset Managers Limited (of which Ms Chakraverty is a Non-Executive Director). 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. Events after the reporting period

No significant events have been identified between the date of the consolidated statement of financial position and the date on which the financial statements were authorised.

Independent auditors' report

To the members of Amlin plc

Report on the Parent Company financial statements

Our opinion

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2013 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and 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.

This opinion is to be read in the context of what we say below in the remainder of this report.

What we have audited

The Parent Company financial statements, which are prepared by Amlin plc, comprise:

- the Parent Company statement of financial position as at 31 December 2013;
- the Parent Company statement of changes in equity and statement of cash flows for the year then ended; and
- the notes to the Parent Company financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). 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 Annual Report to identify material inconsistencies with the audited Parent Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Parent Company financial statements are prepared is consistent with the Parent Company financial statements.
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Parent Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Parent Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 108, 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 ISAs (UK & 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.

Other matter

We have reported separately on the group financial statements of Amlin plc for the year ended 31 December 2013 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
28 February 2014

Parent company statement of financial position

At 31 December 2013

Assets	Note	2013 £m	2012 £m
Cash and cash equivalents	42	**14.1**	10.2
Financial assets	43	**21.6**	18.0
Loans and receivables	44	**2.9**	4.6
Amounts due from subsidiaries	44	**446.1**	412.4
Current income tax asset		**7.3**	29.2
Deferred tax asset		**3.2**	2.9
Investments in subsidiaries	45	**1,265.6**	1,243.9
Property and equipment	46	**3.6**	3.7
Total assets		**1,764.4**	1,724.9
Equity			
Share capital	24	**142.0**	141.2
Share premium		**311.3**	300.4
Other reserves		**132.7**	132.8
Treasury shares		**(18.8)**	(20.8)
Retained earnings		**634.0**	488.4
Total equity and reserves		**1,201.2**	1,042.0
Liabilities			
Financial liabilities	43	**0.3**	0.7
Other payables	47	**12.1**	3.3
Amounts due to subsidiaries	47	**159.9**	268.5
Borrowings	48	**390.9**	410.4
Total liabilities		**563.2**	682.9
Total equity, reserves and liabilities		**1,764.4**	1,724.9

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

The financial statements on pages 198 to 205 were approved by the Board of Directors and authorised for issue on 28 February 2014. 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 2013

For the year ended 31 December 2013	Note	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
Balance at 1 January 2013		141.2	300.4	132.8	(20.8)	488.4	**1,042.0**
Profit and total other comprehensive income for the year		–	–	–	–	267.8	**267.8**
Employee share option schemes:							
– share-based payment reserve		–	–	1.5	–	–	**1.5**
– proceeds from shares issued	24	–	0.1	–	2.0	(0.9)	**1.2**
Net purchase of employee share ownership trust		–	–	(1.6)	–	–	**(1.6)**
Dividends paid	49	–	–	–	–	(121.3)	**(121.3)**
Issue of new shares	24	0.8	10.8	–	–	–	**11.6**
Transactions with the owners of the Company for the year		0.8	10.9	(0.1)	2.0	(122.2)	**(108.6)**
At 31 December 2013		142.0	311.3	132.7	(18.8)	634.0	**1,201.2**

For the year ended 31 December 2012	Note	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 other 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	24	–	0.1	–	1.1	(0.3)	0.9
Dividends paid	49	–	–	–	–	(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

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

Parent company statement of cash flows

For the year ended 31 December 2013

	Note	2013 £m	2012 £m
Cash flows from operating activities			
Cash (utilised in)/generated from operations	51	**(104.2)**	30.0
Interest received		**0.1**	–
Dividend received		**284.3**	0.1
Income tax received/(paid)		**0.7**	(11.9)
Net cash inflows from operating activities		**180.9**	18.2
Cash flows from investing activities			
Investment in subsidiary		**(16.5)**	(0.1)
Deferred payment for acquired subsidiary		**(0.1)**	(0.1)
Net cash outflows from investing activities		**(16.6)**	(0.2)
Cash flows from financing activities			
Net proceeds from issue of ordinary shares, including treasury shares		**12.8**	0.9
Dividends paid to owners of the Parent Company	49	**(121.3)**	(115.3)
Interest paid		**(22.5)**	(21.2)
Net (repayment)/drawdown of revolving credit facility		**(24.1)**	122.8
Purchase of ESOT and treasury shares		**(5.5)**	–
Net cash outflows used in financing activities		**(160.6)**	(12.8)
Net increase in cash and cash equivalents		**3.7**	5.2
Cash and cash equivalents at beginning of year		**10.2**	5.0
Effect of exchange rate changes on cash and cash equivalents		**0.2**	–
Cash and cash equivalents at end of year	42	**14.1**	10.2

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 statement of financial position of the Company has also been prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations issued by the IFRS Interpretations Committee (IFRICs), as adopted for use in the European Union (EU). In accordance with the exemption permitted under section 408 of the Companies Act 2006, the statement of profit or loss and statement of other comprehensive income of the Company are not presented as part of these financial statements. The profit after taxation for the year of the Company was £267.8 million (2012: £1.2 million). The financial statements have been prepared on the historical cost basis except for financial assets and liabilities, share options and cash and cash equivalents, which are measured at their fair value.

The accounting policies that are used in preparation of these statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of the Group as set out in those financial statements.

The additional accounting policies that are specific to the separate financial statements of the Company are set out below.

Investment in subsidiaries

Other financial investments in Group undertakings are stated at cost and are reviewed for impairment when events, or changes in circumstances, indicate the carrying value may be impaired.

Dividend income

Dividend income from investments in subsidiaries is recognised when the right to receive payment is established.

40. Employees and Directors

All Amlin employees within the UK are employed by the Group service company, Amlin Corporate Services Limited. Overseas employees are employed by the relevant foreign entities. Therefore, the persons employed by the Company are nil (2012: nil).

The details of the Company's Directors' remuneration are in note 11 to the Group accounts.

41. Audit fees

	2013 £'000	2012 £'000
Audit		
Audit of the Group's and Company's annual financial statements	**151.6**	161.3
Total fees	**151.6**	161.3

42. Cash and cash equivalents

	2013 £m	2012 £m
Cash and cash in hand	**14.1**	10.2

The cash and cash in hand balance includes £14.1 million (2012: £10.0 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 2013 £m	At valuation 2012 £m	At cost 2013 £m	At cost 2012 £m
Assets				
Financial assets held for trading at fair value through profit or loss				
Derivative instruments	**9.7**	2.0	**–**	–
Other financial assets at fair value through profit or loss				
Participation in investment pools	**11.9**	12.0	**11.9**	12.0
Available-for-sale financial assets				
Unlisted equities	**–**	4.0	**–**	4.0
Total financial assets	**21.6**	18.0	**11.9**	16.0
Liabilities				
Financial liabilities held for trading at fair value through profit or loss				
Derivative instruments	**(0.3)**	(0.7)	**–**	–
Total financial liabilities	**(0.3)**	(0.7)	**–**	–
Net financial assets	**21.3**	17.3	**11.9**	16.0

44. Loans and other receivables

	2013 £m	2012 £m
Loans and receivables	**2.9**	4.6
Amounts due from subsidiaries	**446.1**	412.4
	449.0	417.0

	2013 £m	Restated 2012 £m
Current portion	**38.4**	31.5
Non-current portion	**410.6**	385.5
	449.0	417.0

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

45. Investments in subsidiaries

	2013 £m	2012 £m
At 1 January	**1,243.9**	964.6
Additions during the year	**21.7**	279.3
At 31 December	**1,265.6**	1,243.9

During the year the Company invested £16.5 million in Amlin (Overseas Holdings) Limited for the purchase of RaetsMarine Insurance B.V. The Company increased investments in the following subsidiaries during the year by a total of £5.1 million (2012: £4.4 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.
- Amlin Reinsurance Managers Inc; and
- RaetsMarine Insurance B.V.

For further details of investments in principal subsidiaries refer to note 4.

46. Property and equipment

	Freehold land and buildings 2013 £m	Freehold land and buildings 2012 £m
Cost		
At 1 January and 31 December	**4.1**	4.1
Accumulated depreciation		
At 1 January	**0.4**	0.4
Charge for the year	**0.1**	–
At 31 December	**0.5**	0.4
Net book value		
At 31 December	**3.6**	3.7

47. Other payables

	2013 £m	2012 £m
Trade payables and accrued expenses	**12.1**	3.3
Amounts due to subsidiaries	**159.9**	268.5
	172.0	271.8

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

	2013 £m	2012 £m
Subordinated debt	**289.5**	290.4
Revolving credit facility	**101.4**	120.0
	390.9	410.4

The current and non-current portions are expected to be as follows:

	2013 £m	2012 £m
Current portion	**101.4**	–
Non-current portion	**289.5**	410.4
	390.9	410.4

For details of the Company's borrowings refer to note 31.

49. Dividends

The amounts recognised as distributions to equity holders are as follows:

	2013 £m	2012 £m
Final dividend for the year ended:		
– 31 December 2012 of 16.5 pence per ordinary share	**82.4**	–
– 31 December 2011 of 15.8 pence per ordinary share	**–**	78.2
Interim dividend for the year ended:		
– 31 December 2013 of 7.8 pence per ordinary share	**38.9**	–
– 31 December 2012 of 7.5 pence per ordinary share	**–**	37.1
	121.3	115.3

A final ordinary dividend of 18.2 pence per ordinary share for 2013, amounting to £90.7 million, payable in cash, was agreed by the Board on 28 February 2014, subject to shareholder approval at the AGM on 22 May 2014, and has not been included as a liability as at 31 December 2013.

50. Commitments

Operating lease commitments

The future aggregate minimum lease payments under the non-cancellable portion of the Parent Company's operating leases are as follows:

	2013 £m	2012 £m
No later than 1 year	**–**	–
Later than 1 year and no later than 5 years	**4.6**	–
Later than 5 years[1]	**102.6**	–
	107.2	–

Note:
1. As disclosed in the interim 2013 Financial Statements, the Group has signed an agreement to lease 95,000 square feet of The Leadenhall Building currently under construction at 122 Leadenhall Street, London EC3. The date of commencement of the lease is currently expected to be mid-2014.

51. Cash flows from operations

	2013 £m	2012 £m
Profit/(loss) before tax	**262.6**	(7.3)
Adjustments:		
Depreciation charge	**0.1**	–
Finance costs	**23.1**	22.0
Dividend income	**(291.9)**	(30.4)
(Gains)/losses on investments realised and unrealised	**(10.5)**	0.4
Foreign exchange gains on revaluation	**(0.5)**	(5.4)
Other non-cash movements	**0.8**	0.6
Movement in operating assets and liabilities:		
Net sales/(purchases) of financial investments	**11.0**	11.8
Decrease/(increase) in loans and receivables	**1.6**	(3.5)
Increase in amounts due from subsidiaries	**1.1**	35.8
(Decrease)/increase in amounts due to subsidiaries	**(109.7)**	5.5
Increase in other payables	**8.1**	0.5
Cash (utilised in)/generated from operations	**(104.2)**	30.0

52. Related party transactions

Purchases of goods and services

The Company has purchased goods and services at cost from fellow Group company Amlin Corporate Services Limited to the value of £26.5 million (2012: £25.1 million).

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.

	2013 £m	2012 £m
Balances outstanding at the year end:		
– Syndicate 2001	(1.2)	3.5
– Amlin Investments Limited	(149.0)	(149.7)
– St Margaret's Insurance Services Limited	1.3	1.3
– Amlin Corporate Services Limited	138.7	142.6
– Amlin Corporate Member Limited	9.5	(14.2)
– AUT Holdings Limited and AUT (1 – 10) Limited companies	(4.5)	(4.5)
– Delian (A – L) Limited companies	1.0	1.0
– Crowe Livestock Underwriting Limited	0.1	–
– Amlin (Overseas Holdings) Limited	288.4	258.7
– Amlin Underwriting Services Limited	–	0.5
– Amlin Insurance (UK) Limited	2.0	1.9
– Amlin France SAS	0.3	0.3
– AUA Insolvency Risk Services Limited	0.2	0.2
– Amlin AG	(0.4)	(98.1)
– Amlin Europe N.V.	(0.2)	0.4
	286.2	143.9

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.

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:

	2013 £m	2012 £m
Loan issued to associate	0.2	0.3
Loan stock issued by associate	0.7	0.7
	0.9	1.0

53. 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.

54. Contingent liabilities

The Company has no material contingent liabilities at 31 December 2013 (2012: £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

2014	
22 April	Record date for proposed final dividend
22 May	Annual General Meeting
29 May	Payment of final dividend, subject to shareholder approval
18 August	Expected date of announcement of interim results and interim dividend for the six months ending 30 June 2014
October	Expected payment of interim dividend
2015	
Feb/Mar	Announcement of 2014 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. Alternatively you can register your communication preference online at www.investorcentre.co.uk.

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, in The Financial Times, in The 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 each 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 be traded on any stock exchange, its value was calculated by reference to its redemption value of 22.4p on the first redemption date of 14 January 2008, with a discount applied to take account of the minimum period prior to redemption. Accordingly, shareholders subject to UK taxation of capital gains may apportion the allowable expenditure in relation to their holdings of ordinary shares of 25p each prior to 17 December 2007 as follows:

- Holdings of new ordinary shares of 28.125p each: 92.333%
- Holdings of B Shares: 7.667%

Shareholder enquiries

Amlin's website is at www.amlin.com. Please call our Shareholder Enquiry Line on 020 7746 1111. For enquiries concerning share registration, call our Registrar, Computershare Investor Services PLC on 0870 703 6165.

Recent dividend payments to shareholders

Dividend and other payments on Amlin ordinary shares from 1 January 2008 to date have been as follows:

	Record date	Payment date	Amount per share
Return of capital*	14 Dec 2007	17 Jan 2008	22.4p*
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
2012 final	12 April 2013	23 May 2013	16.5p
2013 interim	6 Sept 2013	3 Oct 2013	7.8p

* 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 2013 are set out in the Directors' Report on page 106.

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.

ILS
Insurance linked securities are financial instruments linked to insurance loss events.

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 employed (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 insurer's 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
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Simon Beale
Nigel Buchanan (retired 16 May 2013)*
Brian Carpenter
Julie Chakraverty (appointed 1 January 2013)*
Sir Alan Collins*
Marty Feinstein+*
Richard Hextall (Group Finance & Operations Director)
Shonaid Jemmett-Page*
Charles Philipps (Chief Executive)
Sir Mark Wrightson Bt*

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Sir Alan Collins
Marty Feinstein

Remuneration Committee
Sir Mark Wrightson (Chairman)
Julie Chakraverty
Shonaid Jemmett-Page

Risk & Solvency Committee
Marty Feinstein (Chairman)
Julie Chakraverty
Sir Alan Collins
Richard Davey
Shonaid Jemmett-Page

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