

FITCH PUBLISHES AMLIN'S IFS RATING AT 'A+'; OUTLOOK STABLE

Fitch Ratings-London-01 June 2012: Fitch Ratings has published Amlin AG's (AGG) Insurer Financial Strength (IFS) rating of 'A+'. Fitch has also published Amlin plc's Long-term Issuer Default Rating (IDR) rating of 'A-'. Amlin plc's subordinated notes are published at 'BBB-'. The Outlooks for AGG's IFS and Amlin plc's IDR ratings are Stable. Amlin Corporate Insurance N.V.'s (ACI) IFS rating is affirmed at 'A', and the Outlook remains Positive.

The strength of Amlin's capitalisation, as assessed by Fitch on a risk-adjusted basis, underpins the group's ratings. Capitalisation based on this measure is expected to return to being commensurate with the current rating level at end-2012, following a reduction in shareholders' funds at end-2011. The agency views the key short-term risk for Amlin's capital position as the industry's common risk of a level of catastrophic loss in excess of the historical norm, in 2012.

The re-insurance industry incurred an unprecedented level of insured natural catastrophe losses in 2011, which led Amlin to report a combined ratio of 108% (2010: 89%), including 27 percentage points of catastrophe losses. While 2011 results fell short of Fitch's expectations, Amlin's cross-cycle performance metrics remain commensurate with the published rating level. The agency also anticipates that a recovery of earnings through 2012 will restore performance metrics to historical levels. This expectation is reflected in the Stable Outlook.

Fitch considers that the consistent level of cross-cycle profitability achieved by Amlin in recent years is the result of a combination of its strong franchise, underwriting discipline, prudently administered investment strategy and solid management. The agency considers that Amlin is potentially better placed than some peers, to weather a protracted period of low investment returns, noting that the insurer has historically used this source of income to supplement, rather than drive profitability.

The Positive Outlook on ACI's IFS rating indicates that Fitch would consider upgrading ACI if the integration process in the Amlin Group is successfully finalised and if the company were able to restore profitability and sustain a combined ratio below 100%. The ability for Amlin to successfully execute its strategic plan to develop and diversify its business by geography and insurance class is viewed as an evolving rating factor. While all operating companies are considered to be core, the scale of the ACI acquisition in relation to Amlin's existing business highlights the importance of achieving its successful integration, as well as the potential cost if this is not achieved. Fitch views Amlin's current senior management team as being the key factor in determining the outcome of this venture.

Fitch considers that an upgrade of Amlin's ratings is unlikely in the near term. The continued expansion and development of Amlin's operating profile, resulting in the successful entry into, and gains of meaningful share of new markets, while maintaining leading positions within existing markets, is viewed as the most likely trigger. Fitch's measure of risk-adjusted capitalisation and the insurer's earnings profile would also need to be commensurate with the higher rating.

A downgrade may be triggered by a prolonged weakening of Fitch's measure of risk-adjusted capitalisation, although any downgrade would consider the insurer's ability to raise fresh capital in the event that it was required, following a further significant loss. A combined ratio consistently above 103% or fixed charge coverage consistently below 5x could also lead to negative rating pressure.

Amlin is a specialist international non-life underwriting group focusing on a range of commercial and reinsurance business classes, with 2011 gross written premiums (GWP) totaling GBP2.3bn (2010: GBP2.2bn). The group is organised as a small number of underwriting businesses: Syndicate

2001 represents Amlin's Lloyd's operation, writing more than 30 re-insurance classes through four main business units; Amlin AG contains Amlin Bermuda, an international reinsurer and Amlin Re Europe, established in 2010 to write non-life treaty reinsurance in Continental Europe; Amlin Corporate Insurance (ACI), writing marine, commercial property and liability insurance in the Benelux region. Amlin plc is the ultimate UK-domiciled holding company of Amlin Group.

The rating actions are as follows:

Amlin AG: IFS published at 'A+'; Outlook Stable
Amlin Corporate Insurance N.V.: IFS affirmed at 'A'; Outlook Positive
Amlin plc: Long-term IDR published at 'A-'; Outlook Stable
Amlin plc subordinated debt published at 'BBB-'

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The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.

Applicable criteria, 'Insurance Rating Methodology' dated 22 September 2011, are available on www.fitchratings.com

Applicable Criteria and Related Research:

Insurance Rating Methodology

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=651018

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