

## **Fitch Affirms Amlin's IFS Rating at 'A+'; Outlook Stable**

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Fitch Ratings-London-08 August 2014: Fitch Ratings has affirmed Amlin AG's and Amlin Europe's Insurer Financial Strength (IFS) ratings at 'A+' and Amlin plc's Long-term Issuer Default Rating (IDR) at 'A-'. The Outlook is Stable. Fitch has also affirmed Amlin plc's subordinated notes at 'BBB-'.

### **KEY RATING DRIVERS**

Amlin's ratings reflect the group's strong London market position, strong technical profitability and expectations of a continually supportive level of risk adjusted-capitalisation.

The ratings are supported by Amlin's strong underwriting performance, which Fitch expects will be maintained. In 2013, Amlin's technical performance was robust reflected in a Fitch-calculated combined ratio of 85.2% (2012: 87.4%). The strong performance partly reflects the absence of major catastrophe activity but also past rate increases achieved in some of Amlin's core lines and improvements in Amlin Europe's underwriting performance.

In 2013, Amlin's risk-adjusted capitalisation was commensurate with its ratings. Fitch expects Amlin's capitalisation to remain strong and increase over the next two years, supported by retained earnings.

Amlin's five-year average reserve releases to prior year equity ratio is 9.2%, which Fitch considers strong for the ratings. We believe Amlin's approach to reserving is prudent, as illustrated by the consistent level of surplus released from previous underwriting years. Despite these releases, group reserves remained at about GBP160m above actuarial best estimate at end-2013, unchanged from the previous year.

With GBP2.5bn of gross written premiums in 2013, Amlin is one of the largest London market players. Fitch views its significant presence in the Lloyd's market as a positive. It also allows Amlin to use Lloyd's global license network and financial strength when writing business through its syndicates. Amlin Syndicate 2001 benefits from a strong track record and good reputation among brokers. As a result, Amlin leads a large amount of business it underwrites through this platform.

### **RATING SENSITIVITIES**

A downgrade could be triggered by a prolonged decline in capitalisation as reflected in for example the increase of the ratio of net written premiums to equity to 1.5x (2013: 1.3x). A combined ratio consistently above 97% (2013: 85.2%) or return on equity consistently below 10% (2013: 18.8%) could also lead to a downgrade.

Fitch considers an upgrade of Amlin's ratings unlikely given the group's market position and size/scale, which is not expected to change materially in the medium term.

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Additional information is available on [www.fitchratings.com](http://www.fitchratings.com).

Applicable criteria, 'Insurance Rating Methodology' dated 13 November 2013, are available on [www.fitchratings.com](http://www.fitchratings.com)