MOODY'S
INVESTORS SERVICE

Announcement: **Moody's Affirms Amlin ratings (Lloyd's syndicate 2001 A1 IFSR)**

Global Credit Research - 03 Sep 2010

Amlin Bermuda outlook revised to positive

London, 03 September 2010 -- Moody's Investors Service announced today that it had affirmed the ratings of Amlin plc (Baa2 subordinated), and Amlin Lloyd's syndicate 2001 (A1 IFSR) with a stable outlook. At the same time, Moody's affirmed the A2 IFSR of Amlin Bermuda Limited and revised the outlook on this rating to positive.

The rating affirmations reflect the Amlin Group's (Amlin) good franchise, strong profitability driven in recent years by syndicate 2001, prudent reserving, excellent asset quality and good financial flexibility. Offsetting these strengths are the inherent volatility and cyclicality in a number of business lines of the Group with high exposure to natural catastrophe perils, and some integration and underwriting challenges from the acquisition in 2009 of Amlin Corporate Insurance (ACI), formerly Fortis Corporate Insurance.

Amlin has a good franchise, being a leading London market (re)insurance Group via Lloyd's syndicate 2001, which continues to account for the majority of Amlin's GPW and underwriting profit. Syndicate 2001 leads over half the business it writes and benefits from the franchise of Lloyd's, one of the world's largest insurance and reinsurance players. We also note ACI's leading market positions in the Netherlands and Belgium in its lines of business which should enhance Amlin's presence in continental Europe.

Amlin's profitability has been very strong in recent times, driven by the significant out-performance of syndicate 2001, with a Group 5 year average return on equity (ROE) and combined ratio figures of 26% and 77% respectively. Performance to-date in 2010 has been much weaker than 2009, driven by significant estimated Chilean earthquake claims of around $168m, although the reported annualised ROE is solid at around 11%.

Other strengths of the Group include excellent asset quality with a relatively low level of reinsurance recoverables in relation to equity, and high risk assets in relation to invested assets of only around 10%. Also, Amlin has a strong history of reserve redundancies, particularly in syndicate 2001, and financial leverage is relatively low at around 19% with strong earnings coverage.

Off-setting these strengths are the inherent underwriting volatility and cyclicality in a number of the Group's specialty insurance and reinsurance business lines with high exposure to natural catastrophe perils. Although we view Amlin's capital adequacy as good, its gross and net catastrophe exposures are high on both an aggregate and single event PML basis. At H1 10, the potential aggregate claim from the Group's largest modelled event, a North East US windstorm, is equivalent to 27% of net tangible assets (NTA), although this figure is down from previous years -eg 42% at YE06.

Furthermore, despite progress made to-date, we also believe that Amlin continues to face some integration challenges with regard to the relatively large ACI acquisition. Also, notwithstanding good historic operating performance, ACI's business is currently trading at only a break-even underwriting level with the marine portfolio in the process of being re-underwritten. Nevertheless, Amlin has reported that the return on its ACI investment since acquisition is around 19%, the Group has existing expertise and resource in many of ACI's lines of business, and ACI has improved the Group's business and geographic diversification.

The revision of the outlook to positive from stable on Amlin Bermuda reflects our belief that after around four and half years of trading, Amlin Bermuda has become well embedded into the Amlin Group. Although still a relatively small contributor to Group GPW (16% at YE09 on a direct basis), it continues to grow, has demonstrated very good underwriting profitability, accounts for the majority of the group's net assets, and is the legal entity (to be redomiciled in Switzerland and renamed Amlin AG) from which the new Amlin Re Europe business will be launched. Furthermore, Amlin Bermuda has started to pay dividends to Amlin plc. A continuation of these strengths over the next twelve to eighteen months, successfully redomiciling to Switzerland, and a credit positive development of the European reinsurance business will likely lead to Amlin Bermuda's rating being aligned with that of syndicate 2001.

The rating agency noted the following factors could lead to Amlin's ratings being upgraded:, meaningful reduction in natural catastrophe exposure, gross underwriting leverage consistently below 2.5x, a significantly enhanced market position, and continued very strong profitability, prudent reserving, and modest financial leverage. Conversely, the following factors could put negative pressure on the ratings: under-performance relative to peers, a reduction in shareholders' equity of >10% over a 12 month period due to catastrophe losses or poor operating results, adjusted financial leverage meaningfully above 25%, and an unsuccessful integration of ACI.

The following ratings have been affirmed with a stable outlook:

Amlin plc- subordinated debt ratings Baa2

Amlin Lloyd's syndicate 2001- insurance financial strength rating of A1

The following rating has been affirmed with a positive outlook:

Amlin Bermuda Limited- insurance financial strength rating of A2

Amlin plc, which is listed on the London Stock Exchange, and which manages and capitalises Lloyd's syndicate 2001 and owns Amlin Bermuda and Amlin Corporate Insurance, reported at YE2009 gross premiums written of GBP1,544m and shareholders' equity of GBP1,593m.

Moody's last rating action on Amlin occurred on March 13, 2008, when the company's subordinated debt ratings were upgraded to Baa2, and the A1 and A2 IFSRs of Amlin Lloyd's syndicate 2001 and Amlin Bermuda were affirmed with a stable outlook.

The principal methodology used in rating Amlin was Moody's Global Rating Methodology for Reinsurers, published in July 2008 and available on www.moodys.com in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

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