

**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 cyclicity 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 cyclicity 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.moody's.com](http://www.moody's.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.

London  
Simon Harris  
MD - Financial Institutions  
Financial Institutions Group  
Moody's Investors Service Ltd.  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

London  
Dominic Simpson  
VP - Senior Credit Officer  
Financial Institutions Group  
Moody's Investors Service Ltd.  
JOURNALISTS: 44 20 7772 5456  
SUBSCRIBERS: 44 20 7772 5454

Moody's Investors Service Ltd.  
One Canada Square  
Canary Wharf  
London E14 5FA  
United Kingdom



© 2010 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

**CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.**

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody's.com](http://www.moody's.com) under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.