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

Global Credit Research - 06 Apr 2011

London, 06 April 2011 -- Moody's Investors Service announced today that it had affirmed the ratings of Amlin plc (Baa2 subordinated, stable), Amlin Lloyd's syndicate 2001 (A1 IFSR, stable), and Amlin AG (A2 IFSR, positive).

The rating affirmations follow the announcement of Amlin Group's (Amlin) loss estimates in respect of the Q1 2011 New Zealand and Japan earthquakes of GBP110m and GBP80-150m respectively. Although these losses are relatively material, and reflect the Group's inherent underwriting volatility and cyclicality in a number of specialty insurance and reinsurance business lines, the affirmations reflect the Group's good franchise, strong profitability driven in recent years by syndicate 2001, prudent reserving, excellent asset quality and good financial flexibility.

Amlin's loss estimates of GBP110m and GBP80-150m for the New Zealand and Japanese earthquakes are a meaningful 6.4% and 6.6% (mid-point) of equity respectively. Furthermore, there is currently considerable uncertainty with regard to the Japanese loss estimate, and any deterioration of its loss estimates will only be partly recoverable from reinsurers. In addition, regardless of any further catastrophe losses incurred by the Group this year, its earnings for 2011 have already been meaningfully impacted. However, the structures of the Group's reinsurance programmes mean that increased reinsurance protection will be available for future events in 2011, and we believe that the Group will benefit from any subsequent pricing increases, at least in relation to the catastrophe-impacted regions.

Moody's notes that the losses demonstrate 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.

Off-setting this, 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 also 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 24% and 79% respectively. 2010 performance, although solid, was much weaker than 2009 which benefited from minimal catastrophe losses, driven by significant natural catastrophe claims, a higher incidence of large risk losses and a more challenging trading environment. Furthermore, ACI produced an underwriting loss, with the marine portfolio in the process of being re-underwritten. As is the case for its peers, profitability will be challenged in 2011 by losses already incurred from the significant New Zealand and Japanese earthquakes.

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 around 11%. Also, Amlin has a strong history of reserve redundancies, particularly in syndicate 2001, and financial leverage remains below 20% with strong earnings coverage.

The Group has also enhanced its business and geographic diversification, through the acquisition of Amlin Corporate Insurance (ACI). We note however that, despite progress made to-date, Amlin continues to face some integration challenges with regard to the relatively large ACI acquisition. Notwithstanding good historic operating performance, ACI's business produced an underwriting loss, with the marine portfolio in the process of being re-underwritten. Nevertheless, the Group has existing expertise and resource in many of ACI's lines of business.

Moody's will monitor the extent of the Group's catastrophe losses during the rest of 2011, and any combined deterioration of GBP75m or more on amounts currently reserved or a reduction in shareholders' equity of >10% over a 12 month period due to catastrophe losses or poor operating results could negatively pressure the Group's ratings. Adjusted financial leverage meaningfully above 25%, and an unsuccessful integration of ACI could also create negative rating pressure. Conversely, 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, and a significantly enhanced market position.

The positive outlook on Amlin AG (formerly Amlin Bermuda) reflects our belief that after around five years of trading, Amlin AG has become well embedded into the Amlin Group. Although still a relatively small contributor to Group GPW (13% at YE10 on a direct basis), it continues to grow, has demonstrated good underwriting profitability, accounts for the majority of the group's net assets, and is the legal entity (having been redomiciled in Switzerland and renamed Amlin AG) from which the new Amlin Re Europe business has been launched. Furthermore, Amlin AG has been paying dividends to Amlin plc. A continuation of these strengths over the next twelve months, and a credit positive development of the European reinsurance business will likely lead to Amlin AG's rating being aligned with that of syndicate 2001.

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 AG- 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 AG and Amlin Corporate Insurance, reported at YE2010 gross premiums written of GBP2,173m and shareholders' equity of GBP1,730m.

Moody's last rating action on Amlin occurred on September 3 2010, when the Group's ratings were affirmed.

The principal methodology used in rating Amlin was Moody's Global Rating Methodology for Reinsurers, published in July 2008.

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