

### Research Update:

## Amlin Bermuda Ltd. Ratings Affirmed Following Announcement Of Proposed Change Of Name And Domicile

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## Overview

- The Amlin group is planning to redomicile Bermuda-based reinsurer Amlin Bermuda Ltd. (ABL) to Switzerland, subject to regulatory approval.
- ABL will be rebranded as Amlin AG and will give the group access to the European reinsurance market.
- In our opinion, ABL will remain core to the group and we are therefore affirming the 'A' counterparty credit and financial strength ratings on ABL.

## Rating Action

On May 5, 2010, Standard & Poor's Ratings Services affirmed its 'A' counterparty credit and financial strength ratings on Bermuda-based Amlin Bermuda Ltd. (ABL), following the company's announcement that subject to all necessary regulatory approvals, ABL will be redomiciled to Switzerland, and rebranded as Amlin AG. The outlook is stable.

## Rationale

ABL is a wholly-owned subsidiary of Amlin PLC (BBB+/Stable/--; Amlin, or the group), the U.K.-based holding company which also owns Amlin Underwriters - Syndicate 2001 (Lloyd's Syndicate Assessment of 4/Stable) and Amlin Corporate Insurance N.V. (ACI; A-/Stable/--). The ratings on ABL reflect Standard & Poor's view that the proposed legal restructuring should reinforce ABL's status as a core subsidiary of Amlin, owing to the extent of its operational, strategic, and financial integration with the rest of the group, and the size of its capital base.

We anticipate that ABL will continue to represent more than half of the group's capital base after the proposed legal restructuring is complete. Under the group's current business plan, ABL is expected to contribute at least one quarter of the group's total gross written premium over the next five years.

The redomestication will provide the group with a more-efficient use of capital--ABL held \$1.58 billion in capital on Dec. 31, 2009--while continuing to provide fiscal and diversification benefits. Redomestication will mean transferring all of ABL's assets, liabilities, and capital to its successor, Amlin AG. The Bermuda operations will then operate as a newly created branch of Amlin AG, effective upon receiving all regulatory approvals. Amlin's

Bermudian operation will continue to complement the group's reinsurance business at Lloyd's (A+/Stable), and the strategy is only slightly changed from that set out at inception for that business.

In a major strategic move, Amlin is bringing in a senior underwriting team to start up a new reinsurance platform based in Zurich. Amlin AG will provide access to the European reinsurance market, which would be more difficult for the group to penetrate from London or Bermuda.

Amlin is targeting only a modest 1% share of the continental reinsurance market by 2015, and plans to use senior specialist underwriters to write small lines or risks in lines that are similar to those the group currently writes. Although we acknowledge the recent trend among cedants toward fragmenting their reinsurance purchasing, in our opinion, some execution risk is associated with this initiative. The European reinsurance market is very competitive and dominated by large established competitors. The new business will not have the benefit of a track record within the Amlin group.

## Outlook

The stable outlook on the Amlin group and its subsidiaries reflects our expectation that Amlin will continue to outperform the market through its active cycle management and strong competitive position. However, we also highlight the potential for some earnings dilution in the short term as a result of underperformance at the newly acquired ACI, as well as softening rates in many of the lines written by Amlin.

We would expect competitive position to remain strong, and for the group to continue to expand its international operating platform over time. Operating performance in 2010 is likely to continue to outperform the market, with the combined ratio coming in below 85%, return on equity above 12%, and return on revenue above 15%.

Capitalization is expected to remain at least very strong as the company considers its next strategic initiative, and the group's fixed charge coverage should remain strong in the coming year as well.

Negative movement in the group's rating is unlikely over the rating horizon unless a major event occurs. A positive rating action could follow if management is able to demonstrate continued successful integration of ACI, and more importantly, a continued progression toward returning to ACI's historically strong levels of operating performance through successful rewriting of the subsidiary's marine portfolio. However, positive movement in the rating is unlikely if pricing does not improve. We would review the rating effect of any future significant acquisitions on their own merit.

## Related Criteria And Research

- Amlin PLC, March 9, 2010
- Amlin Underwriting - Syndicate 2001, March 9, 2010
- Amlin Group Ratings Affirmed Following The Announcement Of Its Planned Acquisition Of Fortis Corporate Insurance N.V., June 3, 2009
- Amlin Bermuda Ltd., Dec. 23, 2008
- Group Methodology, April 22, 2009

## Ratings List

### Ratings Affirmed

#### Amlin Bermuda Ltd.

Counterparty Credit Rating	A/Stable/--
Financial Strength Rating	A/Stable/--

#### Amlin Corporate Insurance N.V.

Counterparty Credit Rating	A-/Stable/--
Financial Strength Rating	A-/Stable/--

#### Amlin PLC

Counterparty Credit Rating Subordinated	BBB+/Stable/-- BBB-
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#### Amlin Underwriting - Syndicate 2001

Lloyds Syndicate Assessment	4/Stable
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