

Announcement: Moody's affirms Amlin's ratings (A1 IFSR on Lloyd's syndicate 2001); outlook revised to negative

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London, 07 September 2011 -- Moody's Investors Service announced today that it had affirmed the ratings of Amlin plc (Baa2 subordinated), Amlin Lloyd's syndicate 2001 (A1 IFSR), and Amlin AG (A2 IFSR). The rating outlook has been revised to negative for syndicate 2001 and Amlin plc (Amlin), and revised to stable for Amlin AG. According to Moody's, the change in the outlook status was prompted by the significant net loss and fall in equity reported at H1 2011 by Amlin.

Amlin reported a large net loss for H1 2011 of GBP151 million, driven by GBP314 million of catastrophe (cat) losses via Amlin AG and syndicate 2001, underwriting losses at Amlin Corporate Insurance (ACI), and lower than expected reserve releases at Amlin UK. Meaningful non-US cat losses are possible in light of Amlin's relatively high, though reduced, risk appetite, and its large international cat account. Nevertheless, the Group's reported cat losses, which represent a very high 18.2% of YE10 equity, are outsized in relation to most of its peers, and will significantly dent Amlin's profitability metrics which historically have been excellent. Furthermore, Group shareholder's equity reduced by close to 15% at H1, driven by the net loss and a dividend payment, which reduces the amount of capital available to cushion potential shock losses for the rest of the year.

In Moody's opinion, Amlin also faces the challenge of meaningfully improving the performance of ACI which contributed a large underwriting loss of GBP43m and recorded a combined ratio of 119% at H1 2011. Whilst recognising the recent senior management appointments at ACI, the re-underwriting of parts of the book by Amlin that has led to the non-renewal in H1 of almost €60m of business, and the diversification benefits that ACI brings to Amlin, Moody's view is that it is currently too early to conclude that ACI's profitability issues are fully resolved.

The revision of the outlook on Amlin AG (formerly Amlin Bermuda) to stable from positive is driven by the negative outlook on Amlin's other ratings. Amlin AG has become well embedded into the Amlin Group, and although still a relatively small contributor to Group GPW it continues to grow, and accounts for the majority of the group's net assets. Furthermore, it is the legal entity (having been redomiciled in Switzerland and renamed Amlin AG) from which the new Amlin Re Europe business has been launched. However, Moody's does not believe that Amlin AG's stand-alone credit profile should be reflected in a higher IFSR than A2, and with a negative outlook now assigned to syndicate 2001, the outlook has been revised to stable.

The rating affirmations reflect the Group's good franchise, strong historic 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. Furthermore, Amlin continues to face integration and underwriting challenges with regard to the relatively large ACI acquisition.

Moody's noted several factors that could lead to a downgrade of syndicate 2001 and Amlin plc's ratings over the next 12 to 18 months: 1) Further meaningful deterioration in equity capital, whether from operating or investment losses or due to capital management actions 2) Adjusted financial leverage meaningfully above 25% 3) Unsuccessful integration of ACI

Conversely, the rating agency stated that a meaningful improvement in profitability at ACI and a return to excellent profitability levels for the Group with a significant recovery in equity capital, could lead to a return to a stable rating outlook.

The following ratings have been affirmed with a negative 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 stable 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 H1 2011 gross premiums written of GBP1,515m and shareholders' equity of GBP1,475m.

Moody's last rating action on Amlin occurred on April 6 2011, 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 and available on 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.

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