MOODY'S INVESTORS SERVICE

Rating Action: Moody's downgrades Amlin's ratings (IFSR on Lloyd's syndicate 2001 to A2); outlook stable

Global Credit Research - 18 Sep 2012

A2 IFSR on Amlin AG Affirmed

London, 18 September 2012 -- Moody's Investors Service announced today that it had downgraded the subordinated debt ratings of Amlin plc ("Amlin" or the "Group") to Baa3 from Baa2, and the insurance financial strength rating (IFSR) of Amlin Lloyd's syndicate 2001 to A2 from A1. The A2 IFSR on Amlin AG has been affirmed. The outlook for all ratings is stable.

RATINGS RATIONALE

Moody's said that the rating downgrades follow the deterioration in key financial metrics during 2011 driven by a significant reduction in equity, some potential constraints on future capital growth, and a still relatively high risk appetite. As a result, Moody's views Amlin's overall credit quality to be more appropriately positioned at A2 for insurance financial strength.

During 2011, Amlin reported a large post-tax loss of GBP150 million, driven by GBP500 million of catastrophe (cat) losses via Amlin AG and syndicate 2001, and underwriting losses at Amlin Corporate Insurance (ACI). The Group's reported cat losses, which represented a very high 29% of YE10 equity, were outsized in relation to most of its peers, and significantly dented Amlin's profitability metrics which up until 2011 had been excellent. Furthermore, Group shareholder's equity reduced by around 18%, driven by the net loss and dividend payments. As a result, Amlin's key financial metrics as measured by Moody's deteriorated at YE11.

Amlin returned to profitability at H1 12, reporting a relatively low combined ratio of 84% which, as with its peers, benefited from the relatively low major cat loss activity globally. However, growth in shareholders' equity was relatively muted at around 5%, constrained by a GBP78 million dividend payment, and apart from profitability, there has been no material change to Moody's financial metrics at H1 12. As a result, equity is a still a meaningful 14% less than the level at YE10, and Moody's sees a continuation of the Group's dividend policy and the current low investment yield environment as potential barriers to a rapid replenishment of capital at the Group. Furthermore, whilst noting the recent management changes at ACI, the re-underwriting of the Marine book in particular, and the continued embedding of Amlin's underwriting controls, Moody's believes that some underwriting challenges remain at ACI. ACI's combined ratio remained high at 102% at H1 12 albeit improved from 112% at YE11.

Moody's notes that the Group, following the 2011 cat experience, has meaningfully enhanced its retrocession protection including more cover for Amlin Bermuda and $150 million catastrophe bond. However, generally, the Group's Realistic Disaster Scenario (RDS) net losses and tolerance levels as a % of capital are not materially different to those at the beginning of 2011. Consequently, Moody's view is that Amlin's risk appetite remains relatively high.

The A2 IFSR, stable outlook, on Amlin's main operating entity, Lloyd's syndicate 2001, is supported by the Group's good franchise, good historic profitability, prudent reserving, excellent asset quality and good financial flexibility. The affirmation of the A2 IFSR on Amlin AG reflects Moody's view that after more than six years of trading Amlin AG has become well embedded into the Amlin Group and that its' IFSR should be aligned with that of the syndicate and Group. Although still a relatively small contributor to Group GPW, it continues to grow and accounts for the majority of the group's net assets, is a key operating platform for the group, and is the legal entity from which the relatively new and growing Amlin Re Europe business was launched.

Going forward, Moody's noted several factors that could place negative pressure on Amlin's ratings: 1) Adjusted financial leverage above 25% 2) average return on capital through the cycle below 8% 3) meaningful deterioration in equity capital, whether from operating or investment losses or due to capital management actions. Conversely, the rating agency stated that 1) a significant increase in equity combined with a sustained reduction in catastrophe risk exposure relative to equity capital, 2) meaningful debt deleveraging (adjusted financial leverage consistently below

15%), 3) sustained return on capital in excess of 12% could positively influence the rating.

The following ratings were downgraded and assigned a stable outlook:

Amlin plc- subordinated debt ratings to Baa3 from Baa2

Amlin Lloyd's syndicate 2001- insurance financial strength rating to A2 from A1

The following rating has been affirmed with a stable outlook:

Amlin AG- insurance financial strength rating of A2

The principal methodology used in these ratings was Moody's Global Rating Methodology for Reinsurers published in December 2011. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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 2012 gross premiums written of GBP1,815m and total equity of GBP1,490m.

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Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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