STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Amlin Underwriting - Syndicate 2001

Primary Credit Analyst:
Ali Karakuyu, London (44) 20-7176-7301; ali.karakuyu@standardandpoors.com

Secondary Contact:
Dennis P Sugrue, London (44) 20-7176-7056; dennis.sugrue@standardandpoors.com

Table Of Contents

Amlin Underwriting - Syndicate 2001

Lloyd's Syndicate Assessment

Financial Strength Rating
None

4+/Stable

Standard & Poor's Ratings Services' insurer financial strength rating on Lloyd's (Lloyd's or the Market; A+/Stable) remains the primary indicator of the level of financial security that is afforded to a policyholder of any syndicate trading in the Lloyd's Market.

Lloyd's Syndicate Assessments (LSAs) evaluate, on a scale of '1' (very high dependency) to '5' (very low dependency), the extent of a given syndicate's dependence on the Lloyd's Market rating.

Rationale

Business Risk Profile

- Very strong competitive position, supported by a strong, leading franchise within Lloyd's.
- Second-largest syndicate at Lloyd's with a well-diversified book of business across several classes and geographies.
- We expect the syndicate to continue to represent a material portion of total group premium (near 50% or above) and form a key component of the group's international diversification strategy. We therefore consider it to be a core part of the Amlin Group.

Financial Risk Profile

- Strong capital and earnings reflect the stringent capital requirements imposed by Lloyd's.
- High risk position reflects material exposure to potential capital volatility arising from catastrophic losses.
- Adequate financial flexibility as financial leverage and coverage at the group level remain supportive of the current assessment.

Other Factors

- Very strong combined enterprise risk management (ERM) framework and management and governance reflect our positive view of the group's risk management culture, risk controls, and strategic risk management. This provides a notch of uplift to the assessment.

Outlook

The stable outlook reflects our view of the resilience of Amlin's competitive position within the Lloyd's market, balanced against its high risk profile. Furthermore, it reflects our expectation that the syndicate will remain a core part of the Amlin group.

Upside scenario

Upside in the LSA is currently limited by Amlin's relatively high exposure to catastrophe risk and the excess capacity in the market placing pressure on prices across most of the syndicate's business lines.

Downside scenario

We could revise the LSA down if the syndicate does not perform broadly in line with the Lloyd's market average, but do not consider this to be likely.

Base-Case Scenario

Macroeconomic Assumptions

- Government yields to increase over the next two-to-three years, but to remain below long-term historical norms until at least 2016.
- Economic growth in developed markets to improve, but remains sluggish and lags growth in developing markets.
- For detailed macroeconomic forecasts, see "Insurance Industry And Country Risk For The Global Property/Casualty Reinsurance Sector Is Intermediate," published July 18, 2014 on RatingsDirect).

Syndicate-Specific Assumptions

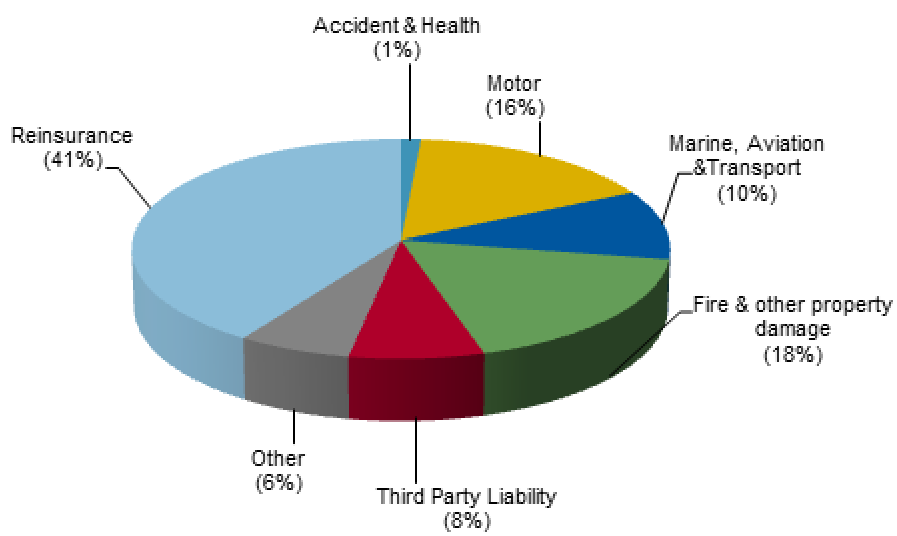
- Pricing in the main lines of business typically written at Lloyd's to decline by 0%-5%, on average, over the next two years, in the absence of any major loss event.
- Syndicate's gross premium is likely to increase by about 5% over 2015-16 in line with the rest of the group, mostly because of new business in non-catastrophe related segments.
- Profit before tax to be around £100 million in 2015-2016.
- The combined (loss and expense) ratio to remain strong at nearly 95% over 2015-17, including an average catastrophe load near 10 percentage points (pps).
- Return on revenue to be nearly 8% a year over the same period.

Syndicate Profile: Second-Largest Syndicate At Lloyd's

Syndicate 2001 remains the second-largest syndicate at Lloyd's based on gross premium of £1.5 billion in 2015, which represents 6% of the Lloyd's market. Capacity has been 100% provided by the syndicate's fully-aligned capital provider FTSE-listed Amlin PLC since 2004. We view the syndicate as a core component of the Amlin group as we expect it to contribute around 50% or more of gross premium written (GPW) in 2014 and forms a key component of the group's international diversification strategy. We attribute no additional notches beyond the stand-alone credit assessment of Syndicate 2001 as it represents a large operation from a group perspective.

The syndicate writes a diverse portfolio of predominantly short-tail lines of business through two main divisions--Amlin London and Amlin UK--and is the largest catastrophe reinsurance underwriter at Lloyd's. Amlin London underwrites predominantly reinsurance, property/casualty (P/C), and marine and aviation. Amlin UK is dominated by fleet motor business, where Amlin is a market leader. This is supplemented by U.K. commercial, financial institutions, professional indemnity, and property and commercial combined. The chart below shows the syndicate's gross premium split.

Amlin Syndicate Line Of Business, 2014



Business Risk Profile: Very Strong

Our assessment of the syndicate's very strong business risk profile is supported by the strength of its franchise at Lloyd's, its highly diversified book of business and a continued ability to outperform the market.

Insurance industry and country risk: Intermediate risk, owing to globally diverse insurance operations; limited by high product risk

The Syndicate's industry and country risk exposure is well-diversified across the global P/C reinsurance sector and several primary markets across Europe, the U.K., and the U.S. Across the markets Amlin operates in, we see country risks as low, on average. We consider that Amlin's reinsurance operations are exposed to moderate industry risks. We see the industry's (and Amlin's) exposure to property catastrophe risks as increasing volatility. We do not expect significant changes in our assessment of Amlin's industry and country risk over the next three years. For the purposes of our industry and country risk analysis, we view the syndicate's subscription business written at Lloyd's as reinsurance because we believe the risk profiles are similar.

Competitive position: Very strong; highly regarded syndicate with a successful performance track record

We view syndicate 2001's competitive position as very strong, supported by a strong market position and reputation for high quality service within the Lloyd's market. Its product range and the diversity of its book of business has historically helped manage earnings volatility and supported its track record for cross-cycle outperformance.

As the second-largest syndicate at Lloyd's in 2014, Syndicate 2001 has built a strong franchise for Amlin within Lloyd's to write 6% of the entire market. It also has a successful track record of underwriting performance which is broadly in line with the Lloyd's market. Amlin is a recognized leader within the Lloyd's market, which allows it to lead over 50% of its risks and develop a significant market share in several classes. This is reinforced by its ability to retain nearly 90% of its business. The syndicate is also one of the largest catastrophe reinsurance writers at Lloyd's. Catastrophe reinsurance accounted for 18% of the group premium in 2014.

We view the syndicate as a core part of the Amlin Group and an important part of the group's international diversification strategy. Its reputation within Lloyd's, the technical expertise and skill set of its underwriters, and its ability to leverage Lloyd's licenses remain competitive strengths for the group in retaining and sourcing new revenue sources.

Our view of competitive position is also derived from the syndicate's good diversification by lines of business and geography. Risk exposures are predominantly spread across the U.S. (42% of GPW in 2014), the U.K. (33%), and other EU (7%). We believe this has historically helped insulate cross-cycle earnings from volatility and allows Amlin the flexibility to re-allocate capacity as needed. For example despite the challenging pricing environment notably for the catastrophe related business, the syndicate's gross premium grew by 3.4% to £1.5 billion in 2014.

Table 1

Amlin Underwriting - Syndicate 2001 Competitive Position

	--Year-ended Dec. 31--				
(Mil. £)	**2014**	**2013**	**2012**	**2011**	**2010**
Gross premiums written	1,537.9	1,471.7	1,470.1	1,302.7	1,212.2
Change in Gross Premiums Written (%)	4.5	0.1	12.9	7.5	N.M.
Net premiums written	1,135.0	1,043.7	1,060.2	965.2	907.9
Change in Net Premiums Written (%)	8.7	(1.6)	9.8	6.3	N.M.
Net premiums earned	1,101.9	1,007.8	1,001.4	929.1	844.0
P/C: reinsurance utilization - premiums written (%)	26.2	29.1	27.9	25.9	25.1

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

We anticipate that the syndicate's competitive position is likely to remain strong over the next two years. We expect Amlin to withstand pricing pressure by deploying its capital in profitable lines and regions, in common with some other Lloyd's syndicates. We expect the proportion of business from the property business to fall slightly, mostly due to pricing pressure on the catastrophe-related property business. However, we forecast that the syndicate's premium is likely to increase by about 5% over 2015-2016, mostly because of new business in non-catastrophe related segments.

Financial Risk Profile: Upper Adequate

Syndicate 2001's upper adequate financial risk profile reflects its material exposure potential catastrophe losses. This is balanced against the sustained strength of its capital position and on-going support of its capacity provider, Amlin PLC.

Capital and earnings: Strong, reflecting stringent Lloyd's requirements, positive member balances, and favorable group support

We assess Syndicate 2001's capital and earnings as moderately strong based on the stringent capital planning process and robust capital requirements Lloyd's imposes on all syndicates.

The syndicate performs broadly in line with the Lloyd's market. Its five-year average combined ratio of 94% as of year-end 2014 broadly corresponds with the Lloyd's market (93%) and we expect it to continue performing in line with Lloyd's. Unlike some of its peers the syndicate benefited from a small amount (£8 million) of positive run-off gains from prior years in 2014 (2013: £52.4 million). We forecast that the syndicate will benefit from prior year reserve developments.

Investment yield in 2014 stood at 1.8% which is in line with the previous year and reflects the low interest rate environment. In view of the syndicate's conservative investment strategy, we do not expect material improvements in investment returns beyond 2% for the next two years.

We expect Syndicate 2001 to maintain strong capital and earnings through 2017. Our base-case scenario anticipates a net combined ratio of 95% for 2015-2017 (assuming average historical catastrophe loss experience). Over the same period, we expect annual return on revenue of about 8%.

Table 2

Amlin Underwriting - Syndicate 2001 Capitalization Statistics					
	--Year-ended Dec. 31--				
	2014	**2013**	**2012**	**2011**	**2010**
Members' balance	663.4	588.0	569.0	529.7	580.1
Change in members' balance (%)	12.8	3.3	7.4	(8.7)	N.M.

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Table 3

Amlin Underwriting - Syndicate 2001 Earnings Statistics					
	--Year-ended Dec. 31--				
	2014	**2013**	**2012**	**2011**	**2010**
Total revenue	1,114.6	1,027.2	1,019.7	947.7	859.7
EBIT adjusted	93.6	98.8	71.4	(30.2)	N/A
EBITDA adjusted	93.6	98.8	71.4	(30.2)	N/A
Net income (attributable to all shareholders)	119.8	129.5	94.9	(31.0)	191.0
Return on revenue (%)	8.4	9.6	7.0	(3.2)	N/A
P/C: net expense ratio (%)	38.6	40.4	39.0	37.8	37.8
P/C: net loss ratio (%)	54.9	51.3	54.7	67.9	48.7
P/C: net combined ratio (%)	93.5	91.7	93.8	105.7	86.5

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Risk position: High risk, given exposure to catastrophe risks

In our opinion, Amlin exhibits a high risk profile due to its exposure to catastrophe risk, which we believe heightens potential for capital and earnings volatility. In our opinion, Syndicate 2001 maintains a relatively high catastrophe risk appetite with significant net maximum line size for high severity classes such as aviation, marine, and property catastrophe risks. Catastrophe losses contributed 4pps to the combined ratio (2013:6pps). Although catastrophe exposure is still a material risk, we believe Amlin has, on average, exhibited less earnings volatility from catastrophe losses than most of its peers. We believe the syndicate maintains a conservative investment portfolio which is predominantly short-dated, high-quality fixed income securities (64% of invested assets in 2014) and cash. Exposure to high-risk assets, namely equities and property, remains manageable at 21%. The portfolio is diversified across asset classes and is somewhat weighted toward the financial services sectors, but no material obligor concentrations exist.

Table 4

Amlin Underwriting - Syndicate 2001 Risk Position					
	--Year-ended Dec. 31--				
	2014	**2013**	**2012**	**2011**	**2010**
Total invested assets	1,785.5	1,666.2	1,698.3	1,626.9	1,585.5
Net investment income	12.7	19.4	18.3	18.6	15.7
Net investment yield (%)	0.7	1.2	1.1	1.2	N/A
Net investment yield including realized capital gains/(losses) (%)	1.8	1.7	1.9	2.0	N/A
Portfolio composition (% of General account invested assets)					
Cash and short term investments (%)	6.5	8.6	11.5	10.9	5.6
Bonds (%)	30.0	32.8	60.2	66.9	55.9
Equity investments (%)	20.0	16.3	10.0	7.2	10.5
Other investments (%)	43.4	42.3	18.2	14.9	28.0

N.A.--Not available. N/A--Not applicable. N.M.--Not meaningful.

Financial flexibility: Adequate, supported by Amlin Group

Financial flexibility is viewed as adequate. Amlin group's financial leverage and coverage levels support the current assessment. We expect this to continue through to 2017.

Amlin group has a demonstrated ability to utilize various sources of additional capital as the need arises. Its successful issuance of insurance-linked securitization (ILS) is an indication of its ability to access alternative capital. The groupwide reinsurance program and the undrawn bank facility of £300 million should provide greater financial flexibility if capital needs arise. Also, as a FTSE-listed company, Amlin has good and proven access to capital markets.

Other Assessments

We regard Amlin's combined enterprise risk management (ERM) and management and governance practices as very strong. We reflect the benefit of these by assessing its SACP at one notch higher than the anchor of '4'.

Enterprise risk management: Very strong driven by the Amlin group

Our assessment of the syndicate's strong ERM is based on our positive view of the risk management culture, risk controls, risk models, and strategic risk management of the group, including the syndicate. Our assessment is further enhanced by the existence of strong controls for catastrophe risk. The decisions regarding the level of catastrophe risk appetite are taken within clear tolerance limits. The risk models used throughout the group are well embedded locally and are actively used for strategic decision making. We anticipate that the syndicate's ERM capabilities are consistent with those of the group and believe that this will enable it to continue to optimize capital allocation and earnings and enhance its risk-return profile.

Management and governance: Satisfactory; with access to management expertise and defined risk tolerances across the group

Syndicate 2001's management and governance is satisfactory, in our opinion. We believe the syndicate has a good track record of strategic planning, wide depth and breadth of expertise within the management ranks, and relatively conservative and sophisticated financial management. The increasing global scale and complexity of Amlin's underwriting platforms has, in our view, benefitted from the robustness of its operating controls and thorough strategic planning process, which has allowed the syndicate to leverage on the expertise and skills across the wider Amlin group. During the last quarter of 2014, the Amlin group has undertaken a global re-organisation whereby the business is split into three strategic business units: reinsurance, property and casualty, and marine and aviation. This is with a view to offering full expertise across each unit. If managed well, we believe this is likely to bring operational benefits.

We do not observe any governance deficiencies in our assessment.

Accounting Considerations

Amlin Syndicate reports financial results under U.K. generally accepted accounting practices. The annual accounts are audited by PricewaterhouseCoopers.

The key elements of the syndicate accounts include technical and nontechnical profit and loss accounts, a balance sheet, statement of cash flows, an auditor's report, and a managing agent's report and accompanying notes. We include the personal expenses payable to the managing agency of (2014: £33.8 million) in our expense ratio calculation.

Assessment Score Snapshot

Table 5

Assessment Score Snapshot		
	To	**From**
Lloyd's Syndicate Assessment	4+/Stable	4+/Stable
Anchor	4	4
Business Risk Profile	Very Strong	Very Strong
IICRA	Intermediate Risk	Intermediate Risk
Competitive Position	Very Strong	Extremely Strong
Financial Risk Profile	Upper Adequate	Upper Adequate
Capital and Earnings	Strong	Strong
Risk Position	High Risk	High Risk
Financial Flexibility	Adequate	Adequate
Modifiers	+1	+1
ERM and Management	Very Strong	Very Strong
Enterprise Risk Management	Very Strong	Very Strong
Management and Governance	Satisfactory	Satisfactory
Holistic Analysis	0	0
Support	0	0
Group Support	0	0
Government Support	0	0

IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria And Research

Related Criteria

- Lloyd's Syndicate Assessment Methodology, Oct. 31, 2013
- Insurers: Rating Methodology, May 7, 2013
- Enterprise Risk Management, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related research

- Amlin Group, June 25, 2015
- Insurance Industry And Country Risk For The Global Property/Casualty Reinsurance Sector Is Intermediate, July 18, 2014

Ratings Detail (As Of June 25, 2015)	
Amlin Underwriting - Syndicate 2001	
Holding Company	Amlin PLC
Domicile	United Kingdom

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and

Ratings Detail (As Of June 25, 2015) (cont.)

debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:
Insurance Ratings Europe; InsuranceInteractive_Europe@standardandpoors.com