MOODY'S INVESTORS SERVICE

Credit Opinion: Amlin PLC

Global Credit Research - 11 Apr 2011

United Kingdom

Ratings

Category	Moody's Rating
Rating Outlook	STA
Subordinate	Baa2 (hyb)
Amlin AG	
Rating Outlook	POS
Insurance Financial Strength	A2
Lloyd's Syndicate 2001	
Rating Outlook	STA
Insurance Financial Strength	A1

Contacts

Analyst	Phone
Dominic Simpson/London	44.20.7772.5454
David Masters/London	
Simon Harris/London	
Richard (Blake) B. Foster/London	

Key Indicators

[1]**Amlin PLC**

	2010	2009	2008	2007	2006
Total Assets (£ Mil.)	6,115	5,673	4,118	3,580	3,447
Total Equity (£ Mil.)	1,730	1,593	1,216	1,052	936
Net Income (£ Mil.)	222	455	80	353	268
Gross Premiums Written (£ Mil.)	2,173	1,544	1,034	1,045	1,114
Net Premiums Written (£ Mil.)	1,910	1,323	916	938	1,014
High Risk Assets % Invested Assets	12.4%	13.0%	10.5%	11.6%	12.2%
Reinsurance Recoverable and Goodwill % Equity	25.7%	30.4%	32.5%	25.9%	38.4%
Gross Underwriting Leverage (1 yr.)	2.8x	2.5x	2.2x	2.3x	2.7x
Return on Average Equity (1 yr.)	13.4%	32.4%	7.1%	35.5%	31.1%
Sharpe Ratio of Return on Revenue (5 yr.)	201.4%	217.8%	190.4%	215.9%	-
Adv. (Fav.) Loss Dev. % Beg. Reserves (1 yr.)	-7.8%	-13.1%	-10.6%	-10.3%	-6.3%
Financial Leverage	18.5%	19.0%	21.0%	22.0%	24.3%
Earnings Coverage (1 yr.)	9.2x	20.5x	6.4x	21.9x	14.7x

[1] Information based on IFRS financial statements

Opinion

SUMMARY RATING RATIONALE

The A1, stable outlook, insurance financial strength rating (IFSR) on Amlin's main operating entity, Lloyd's syndicate 2001, reflects the Group's good franchise, strong profitability, prudent reserving, excellent asset quality and good financial flexibility.

Furthermore, the creation of Amlin Bermuda, which was re-domiciled in Zurich in 2010 and renamed Amlin AG, (A2 IFSR, positive outlook), and the acquisition in July 2009 of Fortis Corporate Insurance- subsequently renamed Amlin Corporate Insurance (ACI) - mean the Group has become more diversified and less dependent on Lloyd's for revenue. These strengths are reflected in the affirmation of Amlin's ratings on 6 April 2011 following the announcement of material loss estimates in respect of the Q1 2011 New Zealand and Japan earthquakes.

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, particularly related to Amlin AG which is orientated towards catastrophe business. Furthermore, despite progress made to-date, Amlin continues to face some integration and underwriting challenges with regard to the relatively large ACI acquisition.

Amlin plc (Amlin) is a London headquartered, publicly traded (LSE: Amlin) holding company which underwrites specialty insurance and reinsurance through Syndicate 2001 (57%), Amlin AG (13%), and ACI (30%). Amlin's 2010 premiums were split 69% insurance, 31% reinsurance, with the majority of this business written in the US and UK.

Credit Strengths

Credit strengths for Amlin include:

-A leading London market operation and reinsurance group via Lloyd's syndicate 2001, with diversity increased via Amlin AG, and ACI

-Strong profitability reflective of the significant out-performance of syndicate 2001

-Prudent reserving

-Conservative investment policy

Credit Challenges

Credit challenges for Amlin are:

-Underwriting volatility and cyclicality inherent in a number of the Group's specialty insurance and reinsurance lines

-High exposure to natural catastrophe perils

-Some integration and underwriting challenges from the ACI acquisition

Rating Outlook

The outlook on the ratings is stable, apart from Amlin AG where the outlook is positive reflecting our belief that after around five years of trading in Bermuda, 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 very good underwriting profitability, accounts for the majority of the group's net assets, and is the legal entity 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.

What Could Change the Rating - Up

-Meaningful reduction in natural catastrophe exposure;

-Gross underwriting leverage consistently below 2.5x;

-A significantly enhanced market position;

What Could Change the Rating - Down

-Under-performance relative to peers.

-Reduction in shareholders' equity of >10% over a 12 month period due to catastrophe losses or poor operating results.

-Any combined deterioration of £75m or more on amounts reserved for the Q1 cat loss estimates announced in April 2011.

-Adjusted financial leverage meaningfully above 25%.

-Unsuccessful integration of ACI.

Notching Considerations

The four notch spread between Amlin's Baa2 subordinated debt ratings and the A1 IFSR on Syndicate 2001, which continues to be Amlin's main operating entity, is consistent with Moody's typical notching practice for European-based insurance holding companies.

Amlin's subordinated debt ratings were upgraded on 13th March 2008 reflecting the improved stand-alone credit fundamentals- ie excluding any benefit from the presence of the Lloyd's Central Fund- of Lloyd's syndicate 2001, and the Group's developing Bermudian business. Policyholders of syndicate 2001 continue to benefit from the existence of Lloyd's Central Fund although, as one of the strongest syndicates in the market, the extent of support factored into the IFSR is less than before.

Recent Results and Developments

On 5 April 2011, Amlin announced net loss estimates of £15m, £110m and £80m-£150m from the Queensland floods, New Zealand Earthquake and Japanese earthquake which occurred in the first quarter of 2011.

At YE10, Amlin reported net income of £222m (YE09: £455m) and total equity of £1,730m (£1,593m). Amlin's higher, but still relatively low combined ratio, of 88% (72%) was impacted by £204m (c.12% of NPE) of estimated losses from the Chile and New Zealand earthquakes, and an underwriting loss of c.£20m from ACI which recorded a combined ratio of 104%. Reserve releases for the group remained strong at £157m (c.9% of NPE), but not as large as the £174m (c.13% of NPE) recorded in 2009.

As part of its YE10 earnings release on 2/3/10, Amlin announced that its Board has authorised up to £75m of share buy-backs over the coming year.

On 7 October 2010, Amlin announced that it had re-domiciled Amlin Bermuda Ltd to Zurich and re-named it Amlin AG. The establishment of a reinsurance operation in Switzerland is to enable access to European reinsurance business that does not typically flow into the London and Bermuda marketplaces. Amlin AG's new Zurich-based underwriting unit (trading as "Amlin Re Europe") is staffed by a core team predominantly recruited from Swiss Re. Amlin Re Europe is focusing mainly on proportional P&C reinsurance for small and mid-sized insurance companies. The existing operations of Amlin Bermuda have become a Bermuda-based branch of Amlin AG and continue to trade as Amlin Bermuda.

DETAILED RATING CONSIDERATIONS

We rate Amlin Lloyd's syndicate 2001- the main operating entity of the group- A1 for insurance financial strength. We also rate Amlin AG A2 for insurance financial strength.

Insurance Financial Strength Rating

The key factors currently influencing Amlin's ratings and outlook are:

Factor 1 - Market Position, Brand and Distribution: A

The market share of Amlin, whose business in 2010 was split around 69% insurance, 31% reinsurance, is small in the primary insurance markets in the UK, US, and Continental Europe, and in reinsurance, although its European insurance footprint has been increased by the ACI acquisition. However, we believe that Amlin has a good franchise, being a leading London market (re)insurance Group via Lloyd's syndicate 2001, which accounted for around 57% of Group GPW written in 2010. 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. Lloyd's size, together with the name and extensive licensing arrangements, attracts business and enables a syndicate like 2001 to write larger amounts of certain business lines than it might otherwise have been able to do were it to operate outside Lloyd's.

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. However, despite progress made to-date, we also believe that Amlin continues to face some integration challenges with regard to what is a relatively large acquisition in business terms- ACI represents around 30% of Group GPW. In particular, we note the proposed migration of ACI's systems to Amlin's platform, although the transition of services away from Fortis has been completed. Amlin anticipates further expenses of up to £10m will be incurred in completion of ACI's separation and integration, an amount which we do not view as material. We also note that the integration process should be aided by Amlin's expertise and resource in many of ACI's lines of business including marine.

With regard to distribution, Amlin is almost exclusively reliant on brokers with little business written directly.

Factor 2 - Product Focus and Diversification: A

Amlin's overall business and geographic diversification is viewed as good and improved by the ACI acquisition. The majority of the book is insurance business, albeit specialist in nature, complemented by a meaningful amount of reinsurance business, and overall there is a strong and deliberate orientation towards short-tail risks. Within the overall business there is a good spread of specific classes, covering non-marine, marine, aviation and motor, but no life risk, although the ACI acquisition increased the proportion of marine business significantly from 8% at YE08 to around 25%. Furthermore, with Amlin AG, which accounts for a sizeable proportion of group net assets, and the acquisition of ACI, Amlin is no longer solely reliant on Lloyd's for revenue, although syndicate 2001 is still a significant contributor to Group premiums and earnings. These positives are off-set to an extent by the underwriting volatility and cyclicality inherent in many of the Group's business lines, although ACI has increased non-catastrophe and lower volatility lines of business, helping dilute the meaningful amount of catastrophe reinsurance business the Group underwrites. As a result of these changes, catastrophe reinsurance has reduced from around 30% to below 20% of total GPW.

As the new European reinsurance business develops, Moody's will evaluate its contribution to the business, geographic, and volatility profile of the Group, although this business is expected to constitute a relatively small part of Amlin AG's overall book in the short to medium term.

Factor 3 - Asset Quality: Aa

Amlin's asset quality is viewed as excellent. Amlin adopts a cautious investment strategy with close to 90% of invested assets held in highly rated fixed interest securities, cash and other cash-like asset classes, although the overall amount of MBS/ABS at around 12% of invested assets is relatively high. At YE10, high risk assets were comprised of equities, property, insurance-linked securities, and below investment grade/not rated fixed income securities at around 8%, 1%, 1% and 1% of total invested assets respectively. Amlin has also reported Amlin's fixed income portfolio at YE10 was relatively conservative with 31% government/agency/supranational, 53% pooled vehicles (32% government/agency/supranational, 36% corporate bonds, 20% MBS/ABS, 12% cash), 7% corporates, 5% MBS, 2% ABS, and 2% ILS. Around 85% of the fixed income portfolio is rated AA and higher.

Amlin's reinsurance recoverables as a % of total equity figure of around 26% at YE10 (YE09: 30%) is very low, although the level of recoverables has been relatively high in the past.

Factor 4 - Capital Adequacy: A

Amlin's capital adequacy is considered to be good. Gross underwriting leverage of 2.8x at YE10 is towards the top end of Moody's A parameter expectations, although has deteriorated from the 2.5x and 2.2x recorded at YE09 and YE08, impacted by the ACI acquisition. The ACI acquisition has also reduced Amlin's solvency margin (total equity as a % of NPW) to 91% (YE09: 120%) although the ratio is reasonably high. Less positively viewed is Amlin's high gross and net catastrophe exposures on both an aggregate and single event PML basis. As the Group's internal economic capital model becomes more established, we anticipate placing more reliance on this indicator of capital strength.

Factor 5 - Profitability: Aa

Amlin's profitability has been strong, driven by the significant out-performance of syndicate 2001, with a Group five year average return on equity (ROE) and combined ratio figures of 24% and 79% respectively. This is notwithstanding a much reduced ROE in 2008 of 7% as a result of the investment portfolio being impacted by the financial crisis together with hurricane losses of around $300m, although the combined ratio remained low at 80%. In contrast, 2006, 2007 and 2009 benefited from a much more favourable investment environment and from a lack of significant catastrophe activity which is especially relevant in light of Amlin AG, with its catastrophe business orientation, trading from 2006. 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.

Amlin's loss estimates 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.

Factor 6 - Reserve Adequacy: Aa

Amlin has a strong history of reserve redundancies, particularly in syndicate 2001, with group prior year releases for the 2006-2010 calendar years on average representing around 10% of net reserves. Furthermore, at YE10, Amlin estimated that it holds reserves on an accident year basis of at least £175m (YE09: £200m) in excess of a strict actuarial 50:50 best estimate. Moody's notes that Amlin continues to be short-tail business orientated, although believes that there is an inherent reserving challenge in light of the specialty nature of business written.

Factor 7- Financial Flexibility: A

Amlin's financial flexibility is viewed as good. Financial leverage is relatively low at around 19%, with financial debt consisting solely of subordinated issues. Earnings coverage has been very strong, averaging around 15x for the five years 2006-2010. Amlin's access to capital markets is viewed as good but not comparable to the largest European and US players.

Rating Factors

Amlin PLC

Financial Strength Rating Scorecard [1]	**Aaa**	**Aa**	**A**	**Baa**	**< Baa**	**Score**	[2]**Adjusted Score**
Business Profile						**Baa**	**A**
Market Position, Brand and Distribution (20%)						**Baa**	**A**
Relative Market Share Ratio				**X**			
Underwriting expense ratio % of net premiums written				**X**			
Product Focus and Diversification (15%)						**A**	**A**
Product Focus			**X**				
Product & Geographic Diversification			**X**				
Financial Profile						**Aa**	**A**
Asset Quality (10%)						**Aaa**	**Aa**
High Risk Assets % Invested Assets							
Reinsurance Recoverable and Goodwill % Equity	**25.7%**						
Capital Adequacy (20%)						**A**	**A**
Gross Underwriting Leverage			**2.8x**				
Gross Natural Catastrophe Exposure				**X**			
Net Natural Catastrophe Exposure			**X**				
Profitability (10%)						**Aa**	**Aa**
Return on Average Equity (5 yr Avg)	**23.9%**						
Sharpe Ratio of Return on Revenue		**201.4%**					
Reserve Adequacy (10%)						**Aaa**	**Aa**
Loss Reserve Development as % of Reserves (5 yr Avg)	**-9.6%**						
A&E Funding Ratio							
Financial Flexibility (15%)						**Aa**	**A**
Financial Leverage		**18.5%**					
Earnings Coverage (5 yr Avg)	**14.6x**						
Aggregate Profile						**A1**	**A1**

[1] Information based on IFRS financial statements [2] The Scorecard rating is an important component of the company's published rating, reflecting the stand-alone financial strength before other considerations (discussed above) are incorporated into the analysis

© 2011 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE

SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable, including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall MOODY'S have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of MOODY'S or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if MOODY'S is advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after October 1, 2010 by Moody's Japan K.K. (“MJKK”) are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. In such a case, “MIS” in the foregoing statements shall be deemed to be replaced with “MJKK”. MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody’s Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.