

## Lloyd's Syndicate 2001

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## MOODY'S INVESTORS SERVICE ASSIGNS AMLIN SYNDICATE 2001 A1 INSURANCE FINANCIAL STRENGTH RATING

Moody's Investors Service has assigned its A1 (Good) insurance financial strength rating to Amlin syndicate 2001, the underwriting vehicle of Amlin Plc (Amlin), the listed Lloyd's of London insurance Group.

The A1 rating reflects the leading position of the syndicate within its core business areas, the well-diversified nature of the book of business, and the good management and underwriting skills at Amlin. The rating also reflects the historical performance of the syndicate and the expectation that it will continue to outperform the market. The rating also considers the structural and operational benefits resulting from the syndicate's affiliation with Lloyd's.

Syndicate 2001 is the underwriting vehicle through which Amlin and other members of Lloyd's write a diversified book of specialty lines, embracing both insurance and reinsurance risks, spanning across the Aviation, Marine, Non-Marine and Motor sectors. Amlin currently provides 70% of the 2001 capacity for syndicate 2001 with the aim of full alignment of capital and management. Although more volatile than other lines, these classes of business can also produce far better returns than commodity lines, and even though they have been affected by price competition in recent years and, in some cases, by catastrophe related losses, syndicate 2001 has reported above average results.

Although syndicate 2001 has recorded a loss for 1998 and is forecasting another loss for 1999, the extent of the losses is relatively limited. Furthermore, despite being adversely impacted by discontinued and re-underwritten books of business, the performance of the syndicate, since its inception in 1997, has been above average, achieved through technical expertise and a broadly diversified book of business. Underwriting profit at Lloyd's is essential given that the syndicates do not enjoy the subsidies common to insurers and reinsurers, such as investment income and investment gains achieved on retained reserves and shareholders' equity. Although the returns for syndicate 2001 have recently declined, they still compare favourably with those of mainstream insurers, who have been reporting worsening underwriting losses. With the occurrence of positive restructuring such as the syndicate now operating on a divisional as opposed to a sub-syndicate basis, and with the current, senior management team seen to be focused, Moody's expects that syndicate 2001 will operate more efficiently and profitably in future years.

These strengths are tempered by the still competitive environment in which the syndicate operates, the potential volatility of its lines and the declining returns that have led to losses, albeit relatively small. Furthermore, the recent period for the syndicate has been one of transition and to an extent upheaval following senior management and structural changes and the success of the "reconstructed" operation has yet to fully demonstrate itself. The rating also reflects the material element of third party capital supporting the syndicate provided by Names whose funds are exposed to the results of other syndicates.

Syndicate 2001 is one of the largest syndicates in the Lloyd's of London market, with capacity of £575 million for 2001 and estimated gross premium written of approximately £525 million. Amlin Underwriting Limited is based in London, England.

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