

# OUR **CONSISTENCY** DRIVES BUSINESS **CONTINUITY**



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## SUMMARY OF RESULTS FOR THE 1999 YEAR OF ACCOUNT

	Syndicate 2001 £'000	Syndicate 902 £'000	Syndicate 1141 £'000
Capacity	452,971	37,568	76,142
Published forecast at 31 December 2000 (mid-point)	(3.5)%	(4.5)%	(17.5)%
Result	(2.0)%	(5.5)%	(22.3)%

The standard syndicate results in the Underwriter's reports, and in the 'summary of results', are shown after deduction of personal expenses and stated by reference to a member's 'illustrative share of £10,000'. The figures may differ marginally to members' actual results due to differing levels of profit commission charges, and the fact that results are distributed or collected in Sterling and US dollars.

## SUMMARY OF FORECASTS FOR THE 2000 YEAR OF ACCOUNT

	Syndicate 2001 £'000	Syndicate 902 £'000	Syndicate 1141 £'000
Capacity	423,325	37,573	76,280
Open year balance before expenses	446,548	19,283	70,559
Estimated future liabilities	(455,698)	(30,003)	(90,322)
	(9,150)	(10,720)	(19,763)
Estimated movement of non-underwriting items during the third year	10,208	106	1,646
Estimated profit/(loss) before personal expenses	1,058	(10,614)	(18,117)
Estimated syndicate personal expenses	(7,409)	(658)	(1,335)
Estimated loss for the pure year	(6,351)	(11,272)	(19,452)
Forecast as a % of capacity	(1.5)%	(30.0)%	(25.5)%
Upper forecast range	1.0%	(27.5)%	(23.0)%
Lower forecast range	(4.0)%	(32.5)%	(28.0)%

### Assumptions

The forecast results for the 2000 account have been made on the following assumptions and bases:

- i the third year development and the reserving policies adopted will be in line with previous years;
- ii the result will not be materially affected by improvements or deteriorations in reinsurance to close reserves received from the 1999 account;
- iii there will be no material reinsurance failures or disputes;
- iv syndicate expenses incurred in the calendar year 2002 to be charged to the 2000 year of account will not exceed current budgets;
- v no further personal expenses will be borne by 2000 members during 2002, except for profit commission if applicable;
- vi investment yield and cash flows will not vary significantly from those on which the forecast return is based;
- vii US dollar and Canadian dollar exchange rates will not be materially different from 31 December 2001 rates of 1.46 and 2.32 respectively;
- viii there are no significant changes in regulatory or legislative policies which will affect the activities of the syndicate.

In addition, in respect of the 11 September 2001 losses, the following additional assumptions have been made:

- ix the terrorist attacks leading to the collapse of the World Trade Center towers in New York were one occurrence;
- x the Washington and Pittsburg losses were two further distinct occurrences;
- xi there will be no subrogated recoveries or financial support from third parties, including the US government or associated agencies.

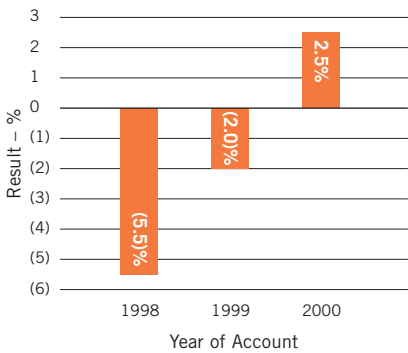
# THE UNDERLYING TREND INDICATES A **CLEAR IMPROVEMENT** IN PERFORMANCE

The final 1999 result for syndicate 2001 is ahead of the result forecast at the end of last year. The underlying trend of our forecasts for the 2000 and 2001 years of account continues to indicate a clear improvement in performance in absolute terms and relative to the market. We believe that this is due to positive action taken to ensure that business mix and structures make economic sense for the syndicate. These include:

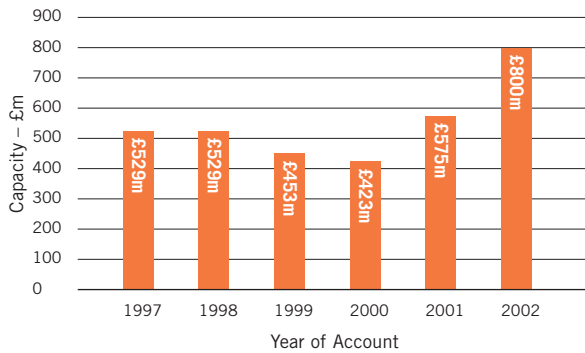
- the action taken over recent years to correct poorly performing liability classes which has improved overall performance of the business and shortened the average liability tail of the syndicate;
- our decision to grow the commercial motor operations into a hardening market. With other classes suffering the consequences of heavy competition at the bottom of the cycle, this capacity allocation has provided effective use of capital; and
- re-organisation of our business along class lines at the end of 2000 as outlined in last year's report. This has sharpened the focus by class as well as realising cost benefits, most importantly through our reinsurance purchasing.

If it were not for the impact of the 11 September 2001 terrorist atrocities on the 2000 and 2001 years of account, we would have been confidently forecasting the return of profitable underwriting for syndicate 2001. However we cannot ignore the impact of these losses. They illustrate the type of catastrophic event to which our business is exposed. The impact of the losses is dealt with in more detail in the Underwriters' reports but the response of our business has demonstrated its strengths. These include:

**SYNDICATE 2001 ACTUAL AND FORECAST RESULTS, EXCLUDING WORLD TRADE CENTER**



**SYNDICATE 2001 CAPACITY 1997 TO 2002**



- a highly professional team across all disciplines who reacted speedily and effectively to the numerous challenges that we have faced in the last quarter of the year;
- a balanced business, both in terms of geographic and class spread, which has allowed some of the cost of the loss to be more readily absorbed; and
- risk management procedures that, whilst we did not conceive such a tragic series of events happening in this manner, we have limited the extent of the loss and the other associated financial consequences. For example, we continue to believe that syndicate 2001 will be able to fund its losses from this event without a cash call before the natural closure of the relevant years of account, a strong sign of the benefits of our diversity and balance sheet strength.

This has left our business in a position to maximise the profit potential from current trading conditions. Most areas of our business witnessed improving conditions during 2001 and the magnitude of the World Trade Center losses provided further impetus to improvement in overall terms. There is now a very favourable trading environment, which provides a strong basis for profitable growth.

**1999 RESULTS AND 2000 ACCOUNT FORECASTS**

The results of the 1999 year of account and latest forecasts for the 2000 year of account for each managed syndicate are summarised on page 1.

2000 was the last trading year for syndicates 902 and 1141 and we continue to expect to close their 2000 accounts into syndicate 2001. The 1999 result and 2000 forecast for these two syndicates are disappointing. We highlighted in last year's

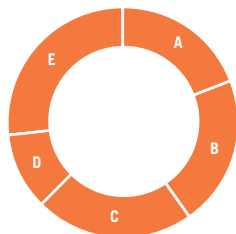
report the poorly performing nature of syndicate 1141's casualty account and loss trends in this area have been more widely recognised among other businesses over the past twelve months. The 1999 result of syndicate 902 is within the range forecast twelve months ago, helped by a release of prior year reserves. The 2000 year of account has suffered from losses, particularly in the marine hull, energy and satellite accounts, and from its involvement with World Trade Center loss contracts.

Syndicate 2001's 1999 and 2000 years were bolstered by very strong performances from its reinsurance accounts, notwithstanding an increased occurrence of catastrophes in 1999. The direct marine account achieved a profit in 1999 and is expected to achieve at least break-even in 2000, a very creditable result compared to most other marine businesses in the market. Amlin Aviation's performance has also been good, given the state of the market in 1999 and 2000, but its 2000 year of account has been impacted by the events of 11 September 2001. Amlin Insurance Services, where the focus is primarily commercial motor insurance, has returned to profit in 2000.

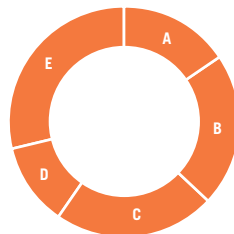
The trading performances of each managed syndicate are discussed more fully in the Underwriter's reports.

**CAPACITY AND ITS ALLOCATION**

Having reduced syndicate 2001's capacity in the soft market, we have grown the stamp in response to a hardening market and, for 2002, the stamp has been increased by 39% to £800 million.

**2001 Year of Account**

**A** Aviation £115m  
**B** Motor £127m  
**C** Non-marine £134m  
**D** Marine £65m  
**E** Reinsurance £161m

**2002 Year of Account**

**A** Aviation £124m  
**B** Motor £172m  
**C** Non-marine £181m  
**D** Marine £93m  
**E** Reinsurance £230m

To facilitate further growth we have arranged a qualifying quota share reinsurance facility with XL Re, which will enable syndicate 2001 to underwrite up to £50 million of premium income in excess of the £800 million stamp. This arrangement, which has also been secured for the 2003 year of account, should enhance the returns from syndicate 2001 as it will allow the syndicate costs to be spread over a larger premium income and provides a profit commission for the syndicate.

In the aftermath of 11 September 2001, conditions in the insurance markets developed rapidly and our single syndicate structure allowed us to react to this to meet the needs of clients and optimise the potential for recouping losses resulting from the terrorist attacks. We applied to Lloyd's for dispensation to exceed our 2001 year stamp and significantly increased the capacity allocated to Amlin Aviation so that it could actively grow its premium income with the much increased rates that applied in the major renewal season following 11 September.

Areas of planned growth in 2002 include property reinsurance, direct property, aviation and marine, particularly in the energy and war accounts.

**CHAIRMAN'S STRATEGY GROUP PROPOSALS**

Lloyd's has recently published outline proposals for reform following a year's work by the Chairman's Strategy Group. Changes are proposed to the manner in which the market is supervised, with the introduction of a franchisor-franchisee relationship, and to its capital structure.

Without reform there is a high risk of poorly managed businesses jeopardising the franchise under which successful businesses trade. The appalling performance of several syndicates, combined with business failure, places strain on the Central Fund and on the strength of Lloyd's rating. The franchise proposals should help Lloyd's identify poorly performing businesses earlier so that corrective action can be taken before too much damage has been done. Lloyd's must work hard to put in place the competencies needed to deliver a strong franchisor.

Lloyd's capital structure has been the subject of continuing debate since limited liability underwriting was first permitted in 1994. I have long held the view that Lloyd's should find a better way for private capital to support its businesses. The annual joint venture inhibits business development and restricts flexibility, both of which are essential for success in the fast changing world of today. With the diversity of constituencies operating in Lloyd's it will be extremely difficult to please all parties. The capital proposals require significant development but will only stand a prospect of success if there is a focus on fairness and a departure from extreme positions.

All the team at Amlin have worked exceptionally hard to deal with the extraordinary events on 11 September 2001 and to help position us well in the current market environment. I would like to express my thanks for this dedication.

**C E L Philipps** Chief Executive  
 22 March 2002

#### **DIRECTORS**

A M Davies	Non-executive Chairman
S C W Beale ACII	Underwriter: Coles Division
B D Carpenter	Underwriter: Amlin Insurance Services Division
R G Dampier FCII	Underwriter: Amlin Aviation Division
M C Hewett	General Manager, Coles Division
R A Hextall	Finance Director
A W Holt ACII	Underwriting Director
J le T Illingworth	Managing Director, Agency Operations
R J Lewy	Non-executive
I Macnabb	Syndicate Monitoring Director
R Mylvaganam	Non-executive
C E L Philipps	Chief Executive
I R C Shackell	Director of Audit and Compliance
A P Springett	General Manager, Harvey Bowring Division

#### **AUDITORS**

*Syndicate and Amlin plc*  
Deloitte & Touche  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR

*Amlin Underwriting Limited*  
KPMG Audit plc  
8 Salisbury Square  
London EC4V 8BB

#### **CORPORATE SOLICITORS**

Linklaters  
1 Silk Street  
London EC2Y 8HQ

Dechert  
2 Serjeants' Inn  
London EC4Y 1LT

#### **INVESTMENT MANAGERS**

Alliance Capital Limited  
Credit Agricole Asset Management (UK) Limited  
Rothschild Asset Management Limited  
Weiss Peck & Greer LLC

# THE REPORT COVERS SYNDICATES 2001, 902 AND 1141

## COMBINED SYNDICATE STATEMENT

The Managing Agent's Report covers syndicates 2001, 902 and 1141 managed by Amlin Underwriting Limited.

## INFORMATION REGARDING DIRECTORS

The current directors of Amlin Underwriting Limited are detailed on page 5. During the period from 1 January 1999 to 31 December 2001 there was considerable change in the composition of the Board of the managing agency as a result of the following:

- the merger and creation of Amlin in 1998;
- the transfer of managing agency responsibilities with effect from 31 March 2000 for syndicates 902 and 1141 from Angerstein Underwriting Limited; and
- the subsequent merger of syndicates 902 and 1141 with syndicate 2001 for the 2001 year of account.

The dates of appointment or resignation from the board are detailed above by calendar year. Details of the directors' and underwriters' participations on managed syndicates are given on page 73.

## MEMBERSHIP OF SYNDICATES

The split of membership of syndicates 2001, 902 and 1141 by class (based on the opening stamp) is summarised on pages 8 and 9.

The split of capacity between working members and other members are shown in the Syndicate Composition tables on pages 38, 54 and 70. There are no preferential terms for working members.

## MULTIPLE AND PARALLEL SYNDICATES

### *Syndicate 1250*

Consent was granted on 9 December 1998 by Lloyd's under paragraph 7 of the Multiple Syndicates Byelaw for Mr D Shipley to underwrite, with effect from 1 January 1999, for both syndicate 2001 and syndicate 1250. Syndicate 1250 was managed by Amlin Capital Management Limited which was an associated managing agent until 16 September 1999.

Mr Shipley underwrote risks on behalf of captive syndicate 1250 which were related to the business of its sole capital provider, SmithKline Beecham plc. As a captive syndicate, syndicate 1250 did not underwrite third-party risks. Syndicate 2001 did not insure SmithKline Beecham plc.

This arrangement ceased upon Mr Shipley's resignation on 19 November 1999.

### *Syndicates 2001, 902 and 1141*

Following the agreement of capital providers to the merger of syndicates 2001, 902 and 1141 and the consequent cessation of syndicates 902 and 1141, a number of multiple syndicate consents have been required for staff who are involved in the run-off of syndicates 902 and 1141 while actively underwriting for syndicate 2001. These are as follows:

- consent was granted on 27 December 2000 for Simon Beale and the underwriters of the Coles division to act concurrently on behalf of syndicates 2001 and 902 for the purposes of winding up the business of syndicate 902;
- consent was granted on 27 December 2000 for Tony Holt and the underwriters of the Harvey Bowring division to act concurrently for syndicates 2001 and 1141 for the purpose of winding up the business of syndicate 1141; and

## CHANGES IN DIRECTORS BY CALENDAR YEAR

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### Year ended 31 December 2001

I R C Shackell (appointed 23 January 2001)

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### Year ended 31 December 2000

S C W Beale (appointed 14 December 2000)

T M Bronk (appointed 20 January 2000, resigned 28 February 2001)

D J Clarke (resigned 20 January 2000)

T A Clegg (appointed 31 March 2000, resigned 15 December 2000)

A M Davies (Chairman) (appointed 31 March 2000)

M C Hewett (appointed 31 March 2000)

J E Mumford (resigned 15 December 2000)

A P Springett (appointed 14 December 2000)

R V Tolliday (resigned 14 June 2000)

C J Venturoso (resigned 31 March 2000)

A J Walker (appointed 31 March 2000, resigned 29 December 2000)

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### Year ended 31 December 1999

D J Armes (resigned 31 March 1999)

D N Harries (resigned 13 July 1999)

R A Hextall (appointed 21 December 1999)

A G P Hobrow (resigned 31 January 1999)

R J R Keeling (resigned 1 July 1999)

R J Lewy (appointed 29 January 1999)

D E S Shipley (resigned 19 November 1999)

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- consent was granted on 13 March 2001 for Keith Nichols, Bruce Hilsdon and Martin Zetter to act concurrently on behalf of syndicates 2001 and 1141 for the purpose of winding up the business of syndicate 1141.

## SERVICE COMPANIES AND OTHER SHAREHOLDINGS

The agency has received the necessary consents under paragraph 2 of the Related Parties Byelaw (No. 2 of 1986) in respect of the following wholly owned service companies and investments, each of whose results are included in the respective syndicates:

### Service Companies

- Amlin Credit Limited, which acts as a binding authority coverholder, specialising in trade credit insurance. The binding authority is led by syndicate 2001 and supported by other Lloyd's syndicates.
- Angerstein Transit Underwriting Agency Limited ('ATUAL'), which acts as a binding authority coverholder providing underwriting agency services in respect of UK cargo, goods in transit and UK dinghies. With effect from 1 January 2001 ATUAL has acted for the benefit of syndicate 2001. Prior to this it acted solely for the benefit of syndicate 902.
- Drysdale Administration & Claims Services Limited, which provides claims adjusting and administration services to syndicate 2001 and other insurers.
- Haven Knox-Johnston Limited ('Haven'), which acts as coverholder, specialising in yacht insurance. The binding authority is placed through syndicate 2001.
- HBA Limited ('HBA'), which acted as a managing general agent providing underwriting agency services in respect of commercial facultative reinsurance, commercial motor and legal liability business, primarily in the Irish Republic, on behalf of syndicate 2001 and certain other Lloyd's syndicates. HBA was sold on 2 April 2001.

- Just Law Limited, which provides legal services for the Amlin Insurance Services division of syndicate 2001.
- Serviceline (UK) Limited, which acts as an intermediary for motor and legal expenses business on behalf of syndicate 2001.

With effect from 1 January 2002 Haven merged into ATUAL, which subsequently changed its name to Amlin Marine Services Limited.

### Investments

Investments in the companies listed below are held by Amlin Underwriting Limited for the benefit of the members of syndicates. The costs are charged to the syndicate as they arise and all income or profits accruing are credited to the syndicate. The details are:

- ENAM Management Company Incorporated ('ENAM'). Since 1 January 2001 the agency has held 6.8% of the equity of ENAM on behalf of the members of syndicate 2001. Prior to this date the holding was held on behalf of and split equally between the members of syndicates 2001 and 1141. ENAM is incorporated in the US and was established to administer an insurance facility for writing specialty insurance products in the US.
- Film Finance Incorporated ('FFI'). The agency holds a 7.34% shareholding in FFI on behalf of the members of syndicate 2001. FFI, incorporated in the US, issues completion bonds for the US film industry.
- Transsiberian Reinsurance Corporation ('TRC'). The agency holds a 1.5% interest in the shares of TRC on behalf of the members of syndicate 2001.

## MEMBERSHIP OF SYNDICATES

Year of account	1999 £m	1999 %	2000 £m	2000 %	2001 £m	2001 %	2002 £m	2002 %
<i>Syndicate 2001</i>								
Amlin Group companies	159.3	35%	236.3	56%	400.1	70%	578.3	72%
Bespoke members	89.3	20%	64.0	15%	65.7	11%	84.4	10%
MAPA members	79.2	17%	58.2	14%	45.7	8%	70.6	9%
SLP members	12.9	3%	12.6	3%	12.4	2%	6.6	1%
Other corporate members	112.3	25%	52.2	12%	50.6	9%	60.1	8%
	453.0	100%	423.3	100%	574.5	100%	800.0	100%

- CUISA Managing General Agency Corporation ('CUISA'). Since 1 January 2001 the agency has held a 2.5% shareholding in CUISA on behalf of the members of syndicate 2001, prior to which the holding was held on behalf of the members of syndicate 1141. CUISA is a company incorporated in Canada, which provides underwriting opportunities for the syndicate.

## INVESTMENT MANAGEMENT

The managing agent and the Trustees of the Premium Trust Funds are responsible for the custody and the investment performance of syndicate trust funds. A sub-committee of the board is charged with the specific duties to:

- consider the suitability of the agency's investment policies and strategy for syndicate funds;
- monitor the allocation of assets between fund managers;
- measure the performance of the investment managers against agreed benchmarks;
- review and monitor the controls and procedures over syndicate investments; and
- report to the board on performance and compliance.

### Review of Investment Strategy

The agency invests syndicate funds in debt securities and cash. The average duration benchmark for funds is set with the intention of matching the average liability profile of the syndicate. The average liability profile for syndicate 2001 is estimated to be approximately three years.

Detailed investment guidelines are set for investment managers to allow diversification away from government debt, whilst maintaining control over the concentration of exposure to non-government debt issues.

The agency reviews the investment strategy periodically to reflect economic and business circumstances. This may involve investing syndicate funds in broader asset types than currently allowed under existing guidelines.

### Fund Management

The Agency delegates the management of funds under its control, in excess of the syndicate's immediate liquidity needs, to external fund managers. The Sterling and US dollar funds are each divided between two managers, to diversify manager risk. The Canadian dollar funds are managed by one manager. Working capital funds, to meet liquidity needs, are also placed in Sterling and US dollar money market mutual funds.

The agency's fund managers are Alliance Capital Limited and Rothschild Asset Management Limited for Sterling, appointed with effect from 1 April 2001, Weiss Peck & Greer LLC and Credit Agricole Asset Management (UK) Limited (formerly Premium Management Limited) for US dollars and Credit Agricole Asset Management (UK) Limited for Canadian dollars.

### Investment Performance

The agency measures the performance of its investment managers largely through benchmarking. Detailed reviews of activity and performance are conducted and checks are performed by the agency to confirm compliance with its guidelines.

The following comments on investment performance relate to the externally managed funds only. During the year ended 31 December 2001 the performance of our external fund managers in absolute terms was healthy, producing returns of around 6% in sterling and for large, stable US dollar funds in excess of 8%. The results are summarised in the tables on pages 10 and 11.

## MEMBERSHIP OF SYNDICATES

Year of account	1999 £m	1999 %	2000 £m	2000 %
<i>Syndicate 902</i>				
Amlin Group companies	17.1	45%	21.3	57%
Bespoke members	10.3	27%	8.6	23%
MAPA members	6.0	16%	3.7	10%
SLP members	0.6	2%	0.6	1%
Other corporate members	3.6	10%	3.4	9%
	37.6	100%	37.6	100%
<i>Syndicate 1141</i>				
Amlin Group companies	39.7	52%	53.3	70%
Bespoke members	11.5	15%	6.4	8%
MAPA members	13.8	18%	7.7	10%
SLP members	3.2	4%	2.9	4%
Other corporate members	7.9	11%	6.0	8%
	76.1	100%	76.3	100%

Syndicate 2001 sterling funds performed ahead of their benchmark. Due to concerns over the risk/reward relationship of longer bonds the sterling portfolios were left short of the longer term strategic benchmark. The agency will review this decision again during the year.

The dollar returns have proved to be more volatile during the year. This has coincided with additional volatility in syndicate cash flows, not least with the cash transfers required from 'non-regulated' funds to the US situs funds as a result of the 11 September terrorist attacks. The timing of cash flows has had an impact on returns. This has not been all bad news but it does increase the difficulty of monitoring manager performance against benchmark.

Due to increasing uncertainties over the timing of underlying cash outflows, syndicate 1141's asset duration was held short and this has proved to be beneficial to the 2001 returns. Syndicate 902 has also seen increased dollar outflows and due to the small size of its LDTF funds this adversely impacted performance. However the stability of the LATF has counter-balanced this and produced a satisfactory overall return.

### **Stock Lending**

No stock lending was undertaken by syndicates 2001, 902 or 1141 during the period under review.

## SYNDICATE BORROWINGS

Interest charges included in syndicate expenses arise on borrowed funds to meet the requirement to maintain US dollar situs fund deposits since the introduction of the 1995 US Closing Agreement and to maintain the Canadian Regulatory funding. Where there has been inter-year lending, interest has been charged on these amounts at market rates.

Both syndicates 1141 and 2001 have arranged borrowing facilities to assist in meeting US Situs funding requirements.

Syndicate 1141 has a letter of credit agreement for US\$15 million, which is secured by way of floating charge on the syndicate's assets. In addition to this letter of credit arrangement, syndicate 1141 has borrowed from syndicate 2001 during the year. The maximum facility approved by the agency during the year was for £18 million. The loan was secured by way of floating charge over syndicate 1141's assets. This charge ranks behind the letter of credit charge noted above. A variable, commercial short term borrowing rate is agreed. The current facility expires on 31 December 2002 and amounts to US\$19.5 million. At 31 December 2001, the amount outstanding was the sterling equivalent of £13.2 million.

Syndicate 1141's loan facility of US\$12 million from a European reinsurer, which was disclosed last year, was repaid on 31 October 2001.

Following the 11 September atrocities syndicate 2001 has arranged a letter of credit for US\$70.0 million. This letter of credit is secured with a fixed charge on the syndicate's sterling bond portfolio. In addition syndicate 2001 has arranged an unsecured \$17.6 million letter of credit in accordance with the terms of one of its reinsurance contracts, in order to support its US funding requirements.

## AMOUNTS DUE FROM THE MANAGING AGENT

Syndicate debtors include "amounts due from the managing agent". These amounts mostly arise in respect of syndicate expenses, which are paid centrally by the agency through a specific central account funded by the syndicates on a regular basis. For short periods there may therefore be amounts held in this central agency expense account.

## TOTAL SYNDICATE FUNDS UNDER MANAGEMENT

Syndicate 2001	£	Funds at 31 December 2001 – '000			of total	Return for year 31 December 2001		
		US\$	CAN\$	Comb£		£	US\$	CAN\$
External Fund Managers	172,085	66,746	37,582	234,001	43.2%	6.5%	9.3%	8.8%
External Fund Managers – situs funds	–	256,212	–	175,488	32.4%	–	7.7%	–
Lloyd's Managed Funds	10,751	34,424	5,981	36,906	6.8%	6.7%	6.8%	5.9%
Total Cash	15,696	109,770	9,591	95,015	17.6%	5.2%	5.5%	4.5%
<b>Total</b>	<b>198,532</b>	<b>467,152</b>	<b>53,154</b>	<b>541,410</b>	<b>100.0%</b>	<b>6.4%</b>	<b>7.7%</b>	<b>8.2%</b>
As at 31 December 2000	143,851	381,557	32,370	419,144		8.8%	7.8%	7.4%

### SYNDICATE TAX COMPUTATIONS

The Inland Revenue released the final Regulations to effect the general insurance reserves provisions of Finance Act 2000 in May 2001. The final Regulations do not differ markedly from the original proposals outlined last year.

The Regulations will be applied to Lloyd's members on an underwriting year basis, but not as part of the syndicate determination. Members will have to make the necessary adjustments themselves. The Regulations apply to members of Lloyd's who hold a participation of at least 4% in a syndicate. The Regulations require such a member to calculate a notional interest charge or deduction based on a comparison between the provision for future liabilities set up in respect of a year of account when calculating the RITC to close a year of account and the discounted value of claims paid and provisions for future liabilities made in respect of that year of account in subsequent years. The notional interest charge or deduction will be subject to taxation in future years.

The first underwriting year that will be reviewed under the new legislation will be the 1997 year of account. There will not be any additions made to 1997 year of account. However if for a member, to whom the proposals apply, the deduction for RITC premium for that year exceeds the discounted value by more than 5%, then an addition will be made in a later year in consequence.

Lloyd's published information requirements of the new regime in Market Bulletin Y2611 and the agency is currently liaising with its advisors to prepare the required information for relevant members of syndicates 2001, 902 and 1141.

Tax computations for the 1998 account for syndicates 2001, 902 and 1141 have been agreed by the Inland Revenue.

### FOREIGN CURRENCY EXPOSURE AND DISTRIBUTION

The year into which the RITC of an earlier year of account is closed is exposed to fluctuation in exchange rates during the period from 31 December to the date of the currency transaction. This foreign currency exposure is managed from 31 December to the date of eventual currency transactions, through either the sale of a currency profit or the purchase of a currency deficit.

In July 1995, the Lloyd's Dollar Trust Fund ('LDTF') was established governing from that date the US dollar funds in which syndicates traded. Prior to that all US dollar business was governed by the Lloyd's American Trust Fund Deed ('LATF'). The new arrangements included the establishment of separate 'situs' funds for US situs business over which the US regulators apply separate solvency requirements. Part of the LDTF funds are in relation to 'non-situs' business and so are subject to the UK solvency requirements only. LATF funds, over which the US regulators preside, continue to require solvency at a member level. It is only where this test shows an overall surplus that LATF US dollar profits in respect of the 1999 and prior accounts may be released to members.

Similarly, the Canadian authorities apply a solvency test as at 31 December 2001, but at a market level rather than at a member level, and the result of the Canadian dollar solvency test will not be known until April 2002.

## TOTAL SYNDICATE FUNDS UNDER MANAGEMENT

Syndicate 902	£	Funds at 31 December 2001 – '000			of total	Return for year 31 December 2001		
		US\$	CAN\$	Comb£		£	US\$	CAN\$
External Fund Managers	–	11,352	–	7,775	50.8%	–	8.5%	6.7%
External Fund Managers – situs funds	–	5,819	–	3,986	26.0%	–	6.5%	–
Lloyd's Managed Funds	273	644	25	725	4.7%	9.2%	11.4%	4.9%
Total Cash	1,347	1,265	1,424	2,827	18.5%	3.8%	3.7%	4.1%
<b>Total</b>	<b>1,620</b>	<b>19,080</b>	<b>1,449</b>	<b>15,313</b>	<b>100.0%</b>	<b>4.5%</b>	<b>7.6%</b>	<b>5.2%</b>
As at 31 December 2000	1,915	32,283	1,585	24,710		5.1%	8.0%	6.1%

Syndicate 1141	£	Funds at 31 December 2001 – '000			of total	Return for year 31 December 2001		
		US\$	CAN\$	Comb£		£	US\$	CAN\$
External Fund Managers	–	9,440	1,775	7,231	7.9%	–	8.7%	7.4%
External Fund Managers – situs funds	–	102,960	–	70,521	76.8%	–	8.2%	–
Lloyd's Managed Funds	606	13,342	2,032	10,620	11.6%	9.7%	6.6%	6.1%
Total Cash	144	3,808	1,526	3,410	3.7%	3.8%	5.2%	5.2%
<b>Total</b>	<b>750</b>	<b>129,550</b>	<b>5,333</b>	<b>91,782</b>	<b>100.0%</b>	<b>5.4%</b>	<b>8.1%</b>	<b>8.0%</b>
As at 31 December 2000	1,397	125,826	11,960	91,182		1.9%	7.6%	6.6%

To accommodate these requirements the agency will distribute any LATF US Dollar profits on the 1999 account, in US dollars, to the MSU.

The 1999 account results for a 'standard' £10,000 share are to be 'distributed' or 'collected' as follows;

	2001 £	902 £	1141 £
Sterling	(165)	50	(439)
LATF\$ @ 1.46	(33)	429	16
LDTF\$ @ 1.46	–	(1,029)	(1,806)
<b>Combined sterling</b>	<b>(198)</b>	<b>(550)</b>	<b>(2,229)</b>

Syndicate 2001's LDTF US dollar losses have been sold for Sterling thereby increasing the amount to be collected from the members in Sterling via the MSU. Syndicate 902's LDTF US dollar losses will be collected in currency via the MSU. Syndicate 1141's Sterling and US dollar cash calls, made previously, will reduce the respective amounts collected in those currencies. Collections are to be received by the syndicates before 30 June 2002. Amounts not received by that date will attract an interest charge.

Members for the 1999 account are advised that a foreign exchange risk exists until the LATF US dollars being distributed are available for, and then actually sold by, each member. Management of this potential exposure cannot continue by the agency, once distribution to the MSU of the LATF profits has taken place.

### SYNDICATE ANNUAL GENERAL MEETINGS

The Board of Amlin Underwriting Limited proposes to re-appoint Deloitte & Touche as auditors to syndicates 2001, 902 and 1141 for a period of one year with effect from 31 March 2002 and it is proposed not to hold an AGM of the syndicates in 2002.

Notice is hereby given that any member wishing to object to either of these proposals should contact the Company Secretary, Amlin Underwriting Limited, 1 Undershaft, London EC3A 8ND. If no objections have been received by 30 April 2002 the proposals will be adopted.

### FINANCIAL INFORMATION FOR AMLIN UNDERWRITING LIMITED

The table on page 12 details certain key information, which has been extracted from the accounts of Amlin Underwriting Limited.

The information does not constitute the Company's statutory accounts. Audited statutory accounts for the period ending in the calendar years shown have been delivered to the registrar. The Company's audit reports for all the financial periods have been unqualified.

### TERMS OF BUSINESS

For the 2002 year of account, the terms of trade for syndicate 2001 have been amended. Agency fees have been increased to 0.6% of managed allocated capacity from 0.5% in 2001. Profit commission remains constant at a flat 15% on the overall result of syndicate 2001.

	Audited 12 months 31.03.98 £'000	Audited 9 months 31.12.98 £'000	Audited 12 months 31.12.99 £'000	Audited 12 months 31.12.00 £'000	Unaudited 12 months 31.12.01 £'000
Gross capacity for year in which accounting period ends	528,697	528,697	452,972	537,178	574,502
Fee income	2,877	2,038	2,261	2,547	2,873
Operating expenses	1,313	2,805	1,955	2,291	3,093
Net profit commission	7,906	8,100	813	175	–
Other income net of related expenses	1,166	1,172	1,285	1,589	254
Profit before tax	10,636	8,505	2,404	2,020	33
Net assets	5,047	5,901	1,569	3,072	3,106

Prior to the 2001 year of account, members of syndicate 2001 were charged 12% profit commission on the overall result of syndicate 2001 and 3% profit related pay was charged to syndicate expenses based on divisional profits. Members of syndicates 902 and 1141 were charged 17.5% profit commission.

#### ERRORS AND OMISSIONS INSURANCE

The agency has errors and omissions insurance which expires on 31 March 2002 and negotiations with brokers are currently underway to renew the insurance.

#### REINSURANCE RÉSUMÉS

Reinsurance résumés for the syndicates, as approved by the board of the agency, are available for inspection at the office of the agency in accordance with the standard managing agent's agreement.

#### MANAGING AGENT'S OPERATIONS

With the exception of data processing functions and investment management, all of the operations of the agency for the period under review were performed in-house and none were sub-contracted. Data processing functions of the agency have been outsourced to Electronic Data Systems Limited. In addition during the year the agency has transferred its syndicates' London Market businesses onto a single underwriting system developed by ROOM Solutions Ltd. Previously syndicate 2001's London Market businesses have operated on systems developed in house and syndicates 902 and 1141 on a system developed by Insurance Technology Solutions plc.

#### LOCATION OF ACCOUNTING RECORDS

Certain accounting records are located at Amlin House, Parkway, Chelmsford, Essex CM2 0UR. The remaining accounting records are located at the underwriting 'boxes' and St Helen's, 1 Undershaft, London, EC3A 8ND.

This report was approved at a meeting of the board of directors of Amlin Underwriting Limited and signed on their behalf.

**A M Davies** Chairman  
22 March 2002

### **BASIS OF PRESENTATION**

The accounts have been prepared in accordance with the Lloyd's Syndicate Accounting Rules, except that in one instance in each underwriting account there has been a departure (without any effect on the figures concerned) from the order of presentation for syndicate personal expenses as prescribed by the rules.

### **UNDERWRITING TRANSACTIONS**

Each underwriting account is normally kept open for three years before the underwriting result is determined. This allows account to be taken of claims incurred and adjustments of premiums arising after the end of the first year. The underwriting account is normally closed by reinsurance into the following year of account at this stage.

The balances on open accounts are subject to further transactions, which may be material in amount, up to their respective dates of closure, and no provision has been made for such transactions nor for the unsettled liabilities of these accounts. Adjustments have been made for known material reinsurance recoveries in respect of paid claims on open years of account.

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the same year of account to which the relevant policy is allocated.

Reinsurance premiums paid to purchase policies, which provide excess of loss protection, are charged in most cases to the year of account in which the protection commences. During the year ended 31 December 2001 additional reinsurance protection was purchased by Amlin Aviation to cover losses occurring during the 14 months commencing 1 November 2001. This reinsurance provided back up cover to 2000 and 2001 programmes, as well as for 2002 underwriting. Therefore, a risk weighted charge has been made to the relevant years of account. Premiums for other reinsurances are charged to the same year as the risks being protected.

Gross claims are defined as those claim transactions settled up to the balance sheet date, and the internal and external claims settlement expenses allocated to those transactions.

Gross claims and reinsurance recoveries (less provision for doubtful debt) are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

### **REINSURANCE TO CLOSE**

Each underwriting account is normally closed by reinsurance into the following open year of the syndicate, which takes over all existing and future liabilities of the closing account, and all previous accounts reinsured therein, in return for a premium which is determined by the underwriter and approved by the agency.

Calculation of the premium for the reinsurance to close is based on all existing and future estimated outstanding liabilities (including related claims settlement costs) and assets which include an estimate for an amount for claims incurred but not reported, net of estimated reinsurance recoveries, relating to the closing year of account, and all years of account previously reinsured into it. In the calculation or estimate of reinsurance recoveries an assessment is made of the ability of reinsurers to meet their liabilities as they fall due, and where payment is doubtful an appropriate provision is made. Ultimate claims settlements net of reinsurance are estimated having regard to previous claims experience (including the use in certain cases of statistically based projections) and case by case review of notified losses.

Although the estimate of net outstanding liabilities was considered to be fair and reasonable, on the basis of the information available at the date of determining the reinsurances to close, the ultimate liabilities will vary as a result of subsequent information and events. Adjustments to the estimates of ultimate liabilities are reflected in underwriting accounts for the years which accept the reinsurances to close.

The reinsurance to close will normally be the same amount as the provision for future liabilities in the Lloyd's solvency return for the closing year. The latter is subject to independent actuarial review and must be at least equal to the independent actuaries' best estimate.

#### **FOREIGN CURRENCIES**

The syndicates maintain three separate currency funds, namely Sterling, United States dollars and Canadian dollars. In addition syndicates 2001 & 902 maintain a separate Euro fund. Transactions, assets and liabilities in these additional currencies are translated into Sterling at the exchange rates ruling at the balance sheet date (US\$ 1.46, CAN\$ 2.32, Euro 1.63). The comparative figures are translated into sterling at the exchange rates ruling at 31 December 2000 (US\$ 1.49, CAN\$ 2.24, Euro 1.59).

Foreign currency transactions other than those mentioned above are converted into Sterling at the rate ruling at the transaction date and any differences arising are treated as an adjustment to the transaction concerned.

'Calendar year movements' shown in the underwriting accounts include exchange differences on retranslating brought forward cumulative information.

Profits and losses on United States dollars and Canadian dollars bought or sold to liquidate a closed year of account after 31 December are allocated to the year of account into which the liabilities of the closed year have been reinsured.

#### **INVESTMENTS**

Investments are stated at market value at the balance sheet date. The cost of syndicate investments held at the balance sheet date is shown in the notes to the accounts and is deemed to be the aggregate of the value of investments held at the last balance sheet date, and the cost of any new investments acquired during the year.

#### **OVERSEAS DEPOSITS**

Overseas deposits are stated at the market value ruling at the balance sheet date.

#### **INSURANCE DEBTORS AND CREDITORS**

In the normal course of business, settlement is required to be made with Lloyd's Central Accounting, the market settlement bureau, on the basis of the net balance due to or from insurance brokers in total rather than the amounts due to or from the individual parties which it represents.

The legal status of this practice of net settlement is uncertain and in the event of an insolvency it is generally abandoned. Accordingly insurance debtors and creditors, as presented, comprise respectively the totals of all the syndicate's individual outstanding debit and credit transactions before any offset. The resultant totals give no indication of future cashflows.

#### **INVESTMENT RETURN**

The investment return comprises investment income, investment gains less losses, and is net of investment expenses and charges.

Where it can be specifically identified, the investment return is allocated to a particular year of account. All other investment returns in a calendar year are apportioned to the years of account in proportion to the average funds available for investment on each year of account.

Where the syndicate has negative funds for a year of account an interest charge is levied to that year, by the other years of account. The interest charge is shown within syndicate expenses.

#### **SYNDICATE OPERATING EXPENSES**

Where expenses are incurred by the managing agent, or on behalf of the managing agent, for the administration of the managed syndicate, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on the basis of work performed, resources used and the volume of business transacted.

In accordance with the Syndicate Accounting Byelaw (No 18 of 1994), all syndicate operating expenses are allocated to the year of account for which they are incurred.

#### **TAXATION**

No provision has been made in respect of UK income tax on trading income. It is the responsibility of members' agents to deduct basic rate income tax in respect of the result for each of their underwriting members and to account for this to the Inland Revenue on behalf of the underwriting members for whom they act.

Overseas taxation comprises US Federal Income tax and Canadian Federal Income tax. The amounts charged to members are collected centrally through Lloyd's Members' Services Unit as part of the members' distribution process. The ultimate tax liability is the responsibility of each individual underwriting member.

#### **MEMBERS' AGENTS FEES ON ACCOUNT**

The managed syndicates pay to members' agents an amount on account of their fees, whilst the members continue to have the managing agent's fees charged as a syndicate personal expense. These on account members' agent fee deductions are separately identified on the balance sheet.

#### **MOTOR INSURANCE BUREAU LEVY**

Motor syndicates (and other direct UK motor underwriters) are required by statute to pay a levy to the Motor Insurance Bureau (MIB). The purpose of the MIB is to compensate third parties who have suffered a loss as a result of a motor accident with an uninsured motorist. These claims are then recovered from the UK motor market, by means of a levy which is apportioned on the basis of the amount and type of motor business written. In accordance with market practice the levy has been included as a paid claim within these accounts.

The Syndicate Accounting Byelaw (No 18 of 1994) requires the managing agent to prepare an annual report for each syndicate managed by it at 31 December each year.

As managing agent, Amlin Underwriting Limited must prepare the annual reports, personal accounts and syndicate MAPA accounts in accordance with the Lloyd's Syndicate Accounting Rules, so as to give a true and fair view of the closed year result.

In preparing the annual reports, personal accounts and syndicate MAPA accounts, Amlin Underwriting Limited is required to:

- select suitable accounting policies which are applied consistently and, where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicates affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and the reinsured members are members of the same syndicate for different years of account, be equitable between them, having regard to the nature and amount of the liabilities reinsured;

- make judgments and estimates that are reasonable and prudent;
- take into account all income and charges relating to a closed year of account in the underwriting account prepared in respect of that year of account, without regard to the date of receipt or payment; and
- follow applicable UK accounting standards, subject to any material departures disclosed and explained in the annual report.

Amlin Underwriting Limited is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicates and which enable it to ensure that the annual reports comply with the Lloyd's Syndicate Accounting Rules. Amlin Underwriting Limited is also responsible for safeguarding the assets of the syndicates and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# REPORT OF THE **INDEPENDENT AUDITORS** TO THE MEMBERS OF SYNDICATES 2001, 902 AND 1141

We have audited the annual reports of syndicates 2001, 902 and 1141 for the year ended 31 December 2001 which comprises the accounting policies, the statement of managing agent's responsibilities, the underwriting accounts, the balance sheet, the summary of results, and the related notes 1 to 16. The annual reports have been prepared under the accounting policies set out therein.

## **RESPECTIVE RESPONSIBILITIES OF THE MANAGING AGENT AND AUDITORS**

As described in the statement of managing agents' responsibilities, the managing agent is responsible for the preparation of the annual reports in accordance with the Lloyd's Syndicate Accounting Rules and applicable United Kingdom law and accounting standards.

Our responsibility is to audit the annual reports in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the annual reports give a true and fair view of the closed years of account and are properly prepared in accordance with the Lloyd's Syndicate Accounting Rules. We also report if, in our opinion, the managing agent's report or the underwriter's reports are not consistent with the annual reports, if the managing agent has not in respect of the syndicates kept proper accounting records and established such systems and procedures as are necessary to enable it to comply with the Lloyd's Syndicate Accounting Rules for disclosure of interests, service companies and consortium underwriting, or if we have not received all the information and explanations we require for our audit.

We read the introduction, the managing agent's report and the underwriter's reports for the above year and consider the implications for our report if we become aware of any apparent misstatements.

## **BASIS OF OPINION**

We conducted our audits in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the annual reports. It also includes an assessment of the significant estimates and judgements made by the underwriters and managing agent in the preparation of the annual reports and of whether the accounting policies are appropriate to each of the syndicate's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the annual reports are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the annual reports.

## **OPINION**

In our opinion the annual reports have been properly prepared in accordance with the Lloyd's Syndicate Accounting Rules and give a true and fair view of the 1999 closed year of account results.

## **Deloitte & Touche**

Chartered Accountants and Registered Auditors  
Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR  
22 March 2002

# SYNDICATE 2001

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# THE FINAL RESULT FOR SYNDICATE 2001 IS AHEAD OF THE RESULT FORECAST AT THE END OF LAST YEAR

## OVERVIEW

The final 1999 result for syndicate 2001 is ahead of the result forecast at the end of last year. As outlined in the Chief Executive's report the underlying trend of performance has been positive and the syndicate loss ratios, excluding the 11 September losses, demonstrate this clearly. The 11 September losses had a substantial financial effect on the syndicate but the marked improvement in the trading environment provides an excellent opportunity to recoup these losses quickly and we have grown the syndicate to maximise this.

## THE BUSINESS OF THE SYNDICATE

The syndicate writes a composite account through four operating divisions:

Division	Business	Underwriter
Amlin Aviation	Aviation	Rod Dampier
Amlin Insurance Services	Motor and UK Insurance	Brian Carpenter
Coles	Marine	Simon Beale
Harvey Bowring	Non-marine insurance and reinsurance	Tony Holt

The breakdown of premium income for years 1999 to 2001 is set out in Table 1 and the manner in which this business is accepted is illustrated in Table 2.

## OUTWARDS REINSURANCE ARRANGEMENTS

An analysis of reinsurance premium ceded is detailed in Table 3. From 1 January 2001, following the restructuring of the syndicate, we simplified the reinsurance protection with each division purchasing specific protection on a "per risk" basis up to the syndicate line size. Further overall umbrella protection is bought to protect against major catastrophe events in a single vertical programme.

Proportional treaties are used to supplement line size and protect certain classes. For the 2002 year, in response to a tightening market, we have further rationalised the programme in combining the direct marine and non-marine programmes. As reinsurance capacity has become more restricted, increased retentions and co-insurance have become both necessary and economically sensible.

## ILLINOIS LICENSED BUSINESS

The syndicate writes Illinois business in a number of classes and through a number of sources. However, the volumes and aggregates are not material to the syndicate. The arrangements for writing Illinois licensed business for the 1999 and previous years of account required licensed members, ie non-US external individual members to write the business and to cede a proportion to the non-licensed members. The risk was then retroceded to all the members on the syndicate so that each member received that proportion of the risk that relates to their participation on the syndicate in the normal way. Provision for such arrangements is made in the Agency Agreements Byelaw. This requirement has been abolished for business written for the 2000 and future years of account.

## UNDERWRITING PERFORMANCE

### 1999 and Prior Years of Account

For the 1999 year of account, Syndicate 2001 had a capacity of £453 million and gross premium income was £338.7 million. At Lloyd's premium income monitoring rates, utilisation was 71%.

The final 1999 result is a loss of 2.0% of stamp capacity. Whilst we are all disappointed that the syndicate has recorded a loss, the result should be viewed in the context of a poor underwriting environment and a high incidence of catastrophe loss.

**TABLE 1 ANALYSIS OF BUSINESS BY EC DIRECTIVE CATEGORIES**

	Gross £'000	1999 Account Net £'000	Gross £'000	2000 Account Net £'000	Gross £'000	2001 Account Net £'000
Direct business analysed as:						
Accident and health	11,782	13,056	8,004	7,753	2,952	2,799
Assistance	2,199	519	1,260	563	171	(45)
Credit and suretyship	5,437	5,320	5,217	3,893	2,523	2,005
Fire and other damage to property	29,394	20,516	56,639	40,351	43,403	18,171
Legal expenses	530	441	347	251	461	461
Marine, aviation and transport	44,031	36,180	46,382	37,444	35,981	25,589
Miscellaneous financial loss	2,340	2,304	1,447	1,413	672	664
Motor other	83,232	92,684	94,443	103,179	80,957	96,664
Motor (third party liability)	18,236	3,340	24,402	5,883	19,200	1,588
Third party liability	66,283	39,829	67,493	49,050	57,056	42,199
	263,464	214,189	305,634	249,780	243,376	190,095
Reinsurance acceptances	75,194	41,797	94,753	57,383	138,841	80,435
	338,658	255,986	400,387	307,163	382,217	270,530

The closed years of the syndicate have yielded a release of £9.3 million or 2.1% of capacity, underlining the consistent reserving strength of the syndicate.

As we noted earlier, the 1999 calendar year in the non-marine reinsurance market was characterised by a large number of international catastrophes, most notably the European Storms at the end of the year. Despite this, the excess of loss accounts produced an acceptable return. The performance of the non-marine account was dented by poor casualty numbers, particularly medical malpractice and auto liability. These losses obscure good profits from property binders and per risk property reinsurance.

Our marine account managed a break even result with healthy profits on the war and specie accounts being offset by losses in the hull and energy areas. This is perhaps the most creditable result of all, bearing in mind the results of our competitors and the extreme soft market that necessitated a highly defensive attitude from the marine team.

The aviation account also operated in a very difficult market and adopted a defensive stance to counter poor conditions. The performance was adversely affected by the Alaska Airline loss, but a restructured reinsurance programme has helped to protect this area of the account through the bottom of the market. A low single figure loss will also compare well with our competition.

The Amlin Insurance Services motor team was dealing with the effects of a very different claims inflation environment and a highly competitive marketplace until the latter part of the year when rates began to improve. The motor account recorded modest losses, with underwriting losses being largely generated by the private car portfolio, which has now been substantially reduced.

### **2000 Year of Account**

In response to poor market conditions capacity for the syndicate was reduced to £423 million and utilisation is currently estimated to improve to 93% of capacity.

The actions undertaken to deliver improved underwriting performance began to bear fruit for this year. At the 18 month stage, with improved incurred loss ratios over the 1999 year, we were forecasting a profit of 0 to 5% of stamp capacity. However, the net impact of the 11 September losses on the 2000 year of account is estimated at 4% of stamp capacity and has reduced the possibility of a return to profit. The majority of the aviation loss (the syndicate was a major insurer of United Airlines and a number of other interests) and a part of the property loss will fall to the 2000 year of account. A small loss of 1.5% of capacity is now forecast.

The 2000 year of account saw the green shoots of recovery in a number of areas, but for many parts of our account, we continued to adopt a defensive strategy. This was particularly true of the marine area where hull, cargo and energy conditions continued to be poor. Equally, whilst the aviation market showed some signs of improvement, they were insufficient to warrant a large expansion in business. However, excluding the 11 September losses, the aviation account benefited from a low incidence of loss and is forecast to return to around break even.

The underlying non-marine account has improved, with a markedly lower incidence of loss, helping the catastrophe accounts forecast a strong level of profit. The performance of the large scale US property account has provided the only area of disappointment in its development during the year, with a high incidence and severity of loss producing an overall deficit.

**TABLE 2 METHODS OF ACCEPTANCE**

	1999 Account	2000 Account	2001 Account
Direct and facultative	39%	45%	45%
Binding authorities	15%	14%	10%
Lineslips	10%	9%	5%
Reinsurances	36%	32%	40%
	100%	100%	100%

**TABLE 3 ANALYSIS OF REINSURANCE PREMIUMS CEDED**

	1999 Account	2000 Account	2001 Account
Lloyd's Syndicates	17%	16%	12%
Insurance Companies authorised to carry on business in the UK	29%	42%	39%
EC companies excluding those authorised in the UK	22%	17%	17%
Other	32%	25%	32%
	100%	100%	100%

A significant improvement has been witnessed in the UK motor portfolio, where strong rate increases and a more stable claims environment have produced improved loss ratios. Combining Amlin's other UK focused insurance business has allowed a more efficient UK portfolio to be managed and Amlin Insurance Services is forecast to return to a modest profit in 2000.

#### **2001 Year of Account**

Following the merger of syndicate 2001 with syndicates 902 and 1141, capacity was increased to £575 million and the syndicate was reorganised along class lines. This restructuring had a beneficial impact on the cost and efficiency of the reinsurance programme placed for the 2001 calendar year but also concentrated line size behind our leading underwriters, and presented a clearer structure for brokers and clients.

The rating environment prior to 11 September was encouraging in most areas, with the exception of a number of marine classes. A number of insolvencies and withdrawals in the insurance and reinsurance markets had been announced, reinsurers were responding to poor years by increasing rates and, with low or negative investment returns, the fundamentals for a strong correction in insurance trading conditions existed.

Following the 11 September loss, the impetus for rating improvement has gained strength. The ability to allocate additional capital to our aviation division late in the year has meant that final gross income will be close to stamp capacity. After estimated losses from these terrorist events of 13.3% of capacity for the 2001 year of account, our current view is that the syndicate will produce a small loss for this year.

The non-marine area, which bears the brunt of the World Trade Center loss, particularly in the reinsurance account, will have a disappointing result. This, however, masks the improvement to the underlying accounts which the Harvey Bowring team has worked so hard to achieve.

We expect our aviation division to record an improved result due to a dramatically increased premium base with most of the renewals being written after 11 September. These were subject to increased rating and the introduction of a per passenger terrorist surcharge.

The UK motor portfolio continues to perform well and with three years of rating improvements behind it, there is an encouraging claims ratio for the 2001 account at this stage of development.

The marine division has benefited from the change in rating for the war account, following first the Colombo airport attacks and subsequently the 11 September attacks. Rate increases for war have been over 300% since September. The energy and specie accounts have also continued to improve, although other areas of this book have been slower to respond.

#### **IMPACT OF TERRORIST ATTACKS OF 11 SEPTEMBER 2001**

The terrorist attacks of 11 September 2001 have resulted in material losses for syndicate 2001. Due to the scale of these losses and the reinsurance recoveries thereon, at this stage the estimation of the loss is highly complex. Therefore greater uncertainty exists over the loss estimates than would normally be the case. However we consider that the loss provisions made are a best estimate of the ultimate liability. The gross loss estimate by class of business and the net loss estimates are summarised in Table 5.

**TABLE 4 ANALYSIS BY CURRENCY OF GROSS PREMIUMS**

	1999 Account	2000 Account	2001 Account
Sterling	42%	44%	41%
US dollars	57%	55%	57%
Canadian dollars	1%	1%	2%
	100%	100%	100%

The gross loss estimates emanate from the following sources:

- *Direct and facultative property contracts:* Amlin has reviewed all direct and facultative property contracts underwritten in 2000 and 2001 to determine which contracts have property exposure in the vicinity of Lower Manhattan. Policy limits of relevant contracts have been assumed in the gross loss estimate unless sufficient information has been received to indicate that an amount other than the policy limit should be assumed.

It is possible that syndicate 2001 could receive contingent business interruption claims from direct and facultative property contracts in respect of properties which are outside the Lower Manhattan or Pentagon vicinities but where the policyholder has suffered business interruption as a result of the events of 11 September. We consider the cost of such claims will not be material.

- *Property reinsurance contracts:* The main property reinsurance contracts underwritten have been reviewed and assessed for likelihood of loss. The coverage granted under relevant contracts provides reinsurance cover for insurance companies' direct and facultative property portfolios of risks. Coverage granted is typically primary reinsurance and not retrocessional. The estimates of losses arising from such contracts are based on information obtained from the brokers who placed the contracts on behalf of the insurance companies, or directly from the relevant insurance companies. Accordingly, the estimates are reliant on the completeness and accuracy of information provided by third parties. Where notified loss information is considered to be poor or unreliable, we have added a margin for prudential purposes.

- *Airline, airport operators and airport contractors' contracts:* A number of clients may have claims under their liability insurance contracts, if, and to the extent that, they are deemed to be liable for negligence which has contributed to the loss. Such clients include airlines and airport operators and security contractors. In some cases the liability of such parties appears remote. Where the potential for a claim has been identified, albeit speculative or unlikely, an estimate has been incorporated into the overall loss estimate. In the case of exposures related to the World Trade Center, anticipated losses are based on policy limits. In the case of the Washington D.C. and Pittsburgh losses, anticipated losses are based on the management's estimates of the damage caused and the number of lives lost.

The remaining loss is spread over a number of other classes, including war, specie and personal accident.

The net loss is arrived at by deducting from the gross loss the estimated reinsurance recoveries, net of reinstatement premiums. Reinsurance recoveries have been estimated by mapping the estimated losses against the reinsurance cover available. The recovery estimate is based on the amount of recovery that can be made against the relevant policies. The cost of reinsurance premiums to reinstate reinsurance cover has been calculated under the terms of applicable policies and is included within the net estimate.

Recoveries under a number of reinsurance contracts are triggered by the overall market property insured loss reaching certain levels. The property market loss assumed is US\$25 billion or greater.

**TABLE 5 IMPACT OF TERRORIST ATTACKS OF 11 SEPTEMBER 2001**

Class of business	Gross incurred US\$'000	Gross IBNR US\$'000	Total gross loss US\$'000
Direct and facultative property	76,707	17,897	94,604
Property reinsurance and risk excess of loss	211,679	59,643	271,322
Direct airline operators and other aviation risks	85,273	167,677	252,950
Reinsurance of aviation risks	6,848	23,966	30,814
Other	6,676	1,142	7,818
	387,183	270,325	657,508
Reinsurance recoveries	(333,587)	(186,736)	(520,323)
	53,596	83,589	137,185
Allocated by year of account:			
2000 year of account – gross			239,351
2000 year of account – net			25,425
2001 year of account – gross			418,157
2001 year of account – net			111,760

It is apparent from the table that there are material reinsurance recoveries due on this loss. Approximately 98% of Amlin's estimated reinsurance recoveries due are from counterparties rated A or better by Standard & Poor's. Included in the estimated reinsurance recoveries is an amount of US\$ 125 million, split US\$ 19 million and US\$ 106 million between the 2000 and 2001 years of account respectively, due from companies which authorised Fortress Re, Inc., a North Carolina, USA based managing general agent, to bind reinsurance in their names. The authority given to Fortress Re has been cancelled following the events of 11 September 2001 and it is possible that there will be disputes between Fortress Re and the insuring companies, namely the Nissan Fire and Marine Insurance Company, the Taisei Fire and Marine Insurance Company and Aioi Insurance Company. Syndicate 2001 did not accept security (other than an exposure limited to £200,000) from the Taisei Fire and Marine Insurance Company in its 2001 year of account reinsurance programme and we believe that the security of the other two companies remains sufficiently strong.

Other key assumptions made in estimating the losses from 11 September 2001 include:

- The terrorist attacks leading to the collapse of the World Trade Center towers in New York were one occurrence;
- The Washington and Pittsburgh losses were two further distinct occurrences;
- There will be no material failures of reinsurance security;
- All reinsurers will reinstate reinsurance cover in accordance with the relevant contract provision;

- There will be no material contractual disputes with any reinsurers;
- There will be no subrogation recoveries or financial support from third parties, including the US government or associated agencies; and
- War exclusions on policies do not apply and all of the occurrences were caused by terrorist action.

#### 2002 AND THE FUTURE

We believe that syndicate 2001 is extremely well placed to perform strongly over the next several years with the rating outlook strong in most areas of our business. We have increased capacity by 39% to £800 million for the 2002 year of account. This capacity has been supplemented through the arrangement of a whole account quota share reinsurance with XL Re, which allows for a further £50 million of gross premium to be written. The broad diversity of exposure has helped to weather the storm of a number of difficult trading years and the events of 11 September. We have been able to renew or secure a reinsurance programme at an acceptable cost which, whilst retentions are higher, will contain major losses.

All within the business have worked with great dedication under trying circumstances. I would like to record my gratitude for their efforts. We therefore look forward with confidence and will strive to maximise the benefits of a strong underwriting platform and a favourable trading environment.

**A W Holt** Underwriter  
22 March 2002

	Note	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
<b>Syndicate allocated capacity</b>				<b>452,971</b>	528,697
Gross premiums written (net of brokerage)		319,898	18,760	<b>338,658</b>	301,805
Outward reinsurance premiums		(76,133)	(6,538)	<b>(82,671)</b>	(87,900)
Net premiums		243,765	12,222	<b>255,987</b>	213,905
Reinsurance to close premium received from earlier years of account		286,957	2,865	<b>289,822</b>	282,454
Gross claims paid		(166,224)	(181,573)	<b>(347,797)</b>	(296,974)
Reinsurers' share		43,161	50,982	<b>94,143</b>	68,062
Net claims		(123,063)	(130,591)	<b>(253,654)</b>	(228,912)
Reinsurance premium paid to close the 1999 year of account	1	–	(290,842)	<b>(290,842)</b>	(284,871)
<b>Underwriting balance</b>	2	407,659	(406,346)	<b>1,313</b>	(17,424)
Loss on exchange		(87)	(2,509)	<b>(2,596)</b>	(165)
Syndicate operating expenses	3	(27,734)	(2,594)	<b>(30,328)</b>	(33,146)
<b>Balance on technical account</b>		379,838	(411,449)	<b>(31,611)</b>	(50,735)
Investment income	4	6,863	19,982	<b>26,845</b>	30,625
Investment expenses and charges	4	(134)	(149)	<b>(283)</b>	(477)
Investment gains less losses	4	639	3,853	<b>4,492</b>	2,018
<b>Balance on year of account before syndicate personal expenses</b>		387,206	(387,763)	<b>(557)</b>	(18,569)
Aggregate syndicate personal expenses	6	(8,381)	–	<b>(8,381)</b>	(11,993)
<b>Balance on open year of account after syndicate personal expenses</b>		378,825			
<b>Result for the closed year of account after syndicate personal expenses</b>				<b>(8,938)</b>	(30,562)

	Note	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
<b>Syndicate allocated capacity</b>				<b>423,325</b>	452,971
Gross premiums written (net of brokerage)		269,858	130,529	<b>400,387</b>	319,898
Outward reinsurance premiums		(80,621)	(12,603)	<b>(93,224)</b>	(76,133)
Net premiums		189,237	117,926	<b>307,163</b>	243,765
Reinsurance to close premium received from earlier years of account	1	–	290,842	<b>290,842</b>	286,957
Gross claims paid		(32,494)	(126,990)	<b>(159,484)</b>	(166,224)
Reinsurers' share		4,035	19,607	<b>23,642</b>	43,161
Net claims		(28,459)	(107,383)	<b>(135,842)</b>	(123,063)
<b>Underwriting balance</b>		160,778	301,385	<b>462,163</b>	407,659
Loss on exchange		(15)	(338)	<b>(353)</b>	(87)
Syndicate operating expenses	3	(19,156)	(7,357)	<b>(26,513)</b>	(27,734)
<b>Balance on technical account</b>		141,607	293,690	<b>435,297</b>	379,838
Investment income	4	2,165	7,395	<b>9,560</b>	6,863
Investment expenses and charges	4	(259)	(92)	<b>(351)</b>	(134)
Investment gains less losses	4	684	1,358	<b>2,042</b>	639
<b>Balance on open year of account before syndicate personal expenses</b>		144,197	302,351	<b>446,548</b>	387,206
Aggregate syndicate personal expenses	6	(7,409)	–	<b>(7,409)</b>	(8,381)
<b>Balance on open year of account after syndicate personal expenses</b>		136,788		<b>439,139</b>	378,825

	Note	2001 Account at 12 months £'000	2000 Account at 12 months £'000
<b>Syndicate allocated capacity</b>		<b>574,502</b>	423,325
Gross premiums written (net of brokerage)		<b>382,217</b>	269,858
Outward reinsurance premiums		<b>(111,645)</b>	(80,621)
Net premiums		<b>270,572</b>	189,237
Gross claims paid		<b>(77,052)</b>	(32,494)
Reinsurers' share		<b>107,690</b>	4,035
Net claims		<b>30,638</b>	(28,459)
<b>Underwriting balance</b>		<b>301,210</b>	160,778
Loss on exchange		<b>(176)</b>	(15)
Syndicate operating expenses	3	<b>(24,520)</b>	(19,156)
<b>Balance on technical account</b>		<b>276,514</b>	141,607
Investment income	4	<b>2,106</b>	2,165
Investment expenses and charges	4	<b>(71)</b>	(259)
Investment gains less losses	4	<b>530</b>	684
<b>Balance on open year of account before syndicate personal expenses</b>		<b>279,079</b>	144,197
Aggregate syndicate personal expenses	6	<b>(8,618)</b>	(7,409)
<b>Balance on open year of account after syndicate personal expenses</b>		<b>270,461</b>	136,788

	Note	2001 £'000	2000 £'000
<b>Assets</b>			
Financial investments	7	<b>487,571</b>	364,469
Debtors	8	<b>243,093</b>	118,465
Other assets:			
Cash at bank and in hand		<b>24,850</b>	16,189
Overseas deposits	9	<b>28,989</b>	28,268
Prepayments and accrued income		<b>6,385</b>	7,403
<b>Total assets</b>		<b>790,888</b>	534,794
<b>Liabilities</b>			
2001 (2000) open year of account balance after one year		<b>270,461</b>	136,788
Members' agent fees on account		<b>(1,369)</b>	(2,128)
		<b>269,092</b>	134,660
2000 (1999) open year of account balance after two years		<b>439,139</b>	378,825
Members' agent fees on account		<b>(1,242)</b>	(2,091)
		<b>437,897</b>	376,734
1999 (1998) account result		<b>(8,938)</b>	(30,562)
Members' agent fees on account		<b>(2,091)</b>	(2,343)
		<b>(11,029)</b>	(32,905)
Creditors	10	<b>92,895</b>	56,301
Accruals and deferred income		<b>2,033</b>	4
<b>Total liabilities</b>		<b>790,888</b>	534,794

This annual report was approved at a meeting of the board of directors of Amlin Underwriting Limited and by the underwriter on 22 March 2002.

**A W Holt** Underwriter

**A M Davies** Chairman

## 1 REINSURANCE PREMIUM TO CLOSE THE 1999 YEAR OF ACCOUNT

	1999 Pure £'000	1998 and Prior £'000	1999 Account total £'000	1998 Account total £'000
Gross notified outstanding claims	93,948	258,357	<b>352,305</b>	315,583
Reinsurance recoveries anticipated	(26,288)	(118,759)	<b>(145,047)</b>	(130,643)
Net notified outstanding claims	67,660	139,598	<b>207,258</b>	184,940
Provision for gross claims incurred but not reported	37,074	88,020	<b>125,094</b>	133,358
Reinsurance recoveries anticipated	(18,797)	(30,134)	<b>(48,931)</b>	(42,083)
Provision for net claims incurred but not reported	18,277	57,886	<b>76,163</b>	91,275
Claims handling provision	3,232	4,189	<b>7,421</b>	8,656
<b>Reinsurance premium to close the 1999 and prior years of account</b>	<b>89,169</b>	<b>201,673</b>	<b>290,842</b>	<b>284,871</b>

The 1999 account received an additional reinsurance to close premium of £2,086,482 from syndicate 173 in respect of the 1998 account of that syndicate.

## 2 UNDERWRITING BALANCE

	1999 Account £'000	1998 Account £'000
Balance attributable to business allocated to the 1999 (1998) year of account	<b>(8,007)</b>	(29,497)
Surplus on the reinsurance to close the 1998 (1997) year of account	<b>9,320</b>	12,073
	<b>1,313</b>	(17,424)

## 3 SYNDICATE OPERATING EXPENSES

	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
Staff and related costs	15,344	1,388	<b>16,732</b>	15,574
Premises costs	2,530	307	<b>2,837</b>	2,347
Office running costs	995	56	<b>1,051</b>	1,512
Computer costs	1,949	387	<b>2,336</b>	2,304
Lloyd's overseas operating expenses	786	66	<b>852</b>	1,537
Lloyd's premium levy	3,443	287	<b>3,730</b>	3,289
Lloyd's processing costs	538	102	<b>640</b>	927
Auditor's remuneration	95	43	<b>138</b>	184
Other professional fees	445	96	<b>541</b>	442
Miscellaneous	2,094	316	<b>2,410</b>	1,887
Interest charges	1,799	9	<b>1,808</b>	4,902
Gross syndicate operating expenses	30,018	3,057	<b>33,075</b>	34,905
Expense credits	(3,584)	(463)	<b>(4,047)</b>	(1,759)
Service company losses	1,300	–	<b>1,300</b>	–
	<b>27,734</b>	<b>2,594</b>	<b>30,328</b>	<b>33,146</b>

### 3 SYNDICATE OPERATING EXPENSES CONTINUED

	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
Staff and related costs	10,127	1,954	<b>12,081</b>	15,344
Premises costs	2,193	684	<b>2,877</b>	2,530
Office running costs	785	88	<b>873</b>	995
Computer costs	2,297	678	<b>2,975</b>	1,949
Lloyd's overseas operating expenses	407	732	<b>1,139</b>	786
Lloyd's premium levy	2,108	2,233	<b>4,341</b>	3,443
Lloyd's processing costs	546	285	<b>831</b>	538
Auditor's remuneration	107	25	<b>132</b>	95
Other professional fees	194	248	<b>442</b>	445
Miscellaneous	1,447	454	<b>1,901</b>	2,094
Interest charges	595	13	<b>608</b>	1,799
Gross syndicate operating expenses	20,806	7,394	<b>28,200</b>	30,018
Expense credits	(1,650)	(727)	<b>(2,377)</b>	(3,584)
Service company losses	–	690	<b>690</b>	1,300
	19,156	7,357	<b>26,513</b>	27,734
			2001 Account at 12 months £'000	2000 Account at 12 months £'000
Staff and related costs			<b>10,086</b>	10,127
Premises costs			<b>2,812</b>	2,193
Office running costs			<b>359</b>	785
Computer costs			<b>3,714</b>	2,297
Lloyd's overseas operating expenses			<b>317</b>	407
Lloyd's premium levy			<b>3,233</b>	2,108
Lloyd's processing costs			<b>1,053</b>	546
Auditor's remuneration			<b>61</b>	107
Other professional fees			<b>1,050</b>	194
Miscellaneous			<b>1,460</b>	1,447
Interest charges			<b>8</b>	595
Gross syndicate operating expenses			<b>24,153</b>	20,806
Expense credits			<b>(936)</b>	(1,650)
Service company losses			<b>1,303</b>	–
			<b>24,520</b>	19,156

During calendar year 2001 the underwriter's gross remuneration, including pension contributions charged to the syndicate, was £399,470, which includes £89,865 of profit related pay, (2000: £363,614).

Included with syndicate operating expenses for the 1999 account is £500,000 of profit related remuneration (1998 account: £250,000).

Expense credits include income from service companies as detailed in note 14. Service company losses are in respect of the operations of Amlin Credit Limited. The underlying underwriting results of the service companies are not included in the accounts of these entities. These are included in the syndicate results.

Gross syndicate operating expenses for the 1999 account, before Lloyd's premium levy, interest charges and claims handling adjustments are 5.6% less than set out in the 1999 business plan. The 1999 account has benefited from the reduction in the underlying cost base in the 2000 and 2001 calendar years. Irrecoverable VAT charges were significantly over budget, however this was offset by expense savings elsewhere.

#### 4 INVESTMENT RETURN

	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
Investment income receivable	6,685	19,308	<b>25,993</b>	28,231
Accrued income	178	674	<b>852</b>	2,394
Investment income	6,863	19,982	<b>26,845</b>	30,625
Investment gains less losses	639	3,853	<b>4,492</b>	2,018
Gross investment return	7,502	23,835	<b>31,337</b>	32,643
Less: investment expenses and charges	(134)	(149)	<b>(283)</b>	(477)
	7,368	23,686	<b>31,054</b>	32,166
	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
Investment income receivable	2,147	7,827	<b>9,974</b>	6,685
Accrued income	18	(432)	<b>(414)</b>	178
Investment income	2,165	7,395	<b>9,560</b>	6,863
Investment gains less losses	684	1,358	<b>2,042</b>	639
Gross investment return	2,849	8,753	<b>11,602</b>	7,502
Less: investment expenses and charges	(259)	(92)	<b>(351)</b>	(134)
	2,590	8,661	<b>11,251</b>	7,368
			2001 Account at 12 months £'000	2000 Account at 12 months £'000
Investment income receivable			<b>2,542</b>	2,147
Accrued income			<b>(436)</b>	18
Investment income			<b>2,106</b>	2,165
Investment gains less losses			<b>530</b>	684
Gross investment return			<b>2,636</b>	2,849
Less: investment expenses and charges			<b>(71)</b>	(259)
			<b>2,565</b>	2,590

#### 5 CALENDAR YEAR INVESTMENT YIELD

	2001 £'000	2000 £'000
Average syndicate funds available for investment	<b>477,032</b>	390,650
Aggregate gross investment return	<b>34,912</b>	31,748
Gross calendar year investment yield:		
Sterling	<b>6.4%</b>	8.8%
US dollars	<b>7.7%</b>	7.8%
Canadian dollars	<b>8.2%</b>	7.4%
<b>Combined</b>	<b>7.1%</b>	8.1%

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments and overseas deposits. The yield percentages exclude immaterial sources of income and inter year interest.

## 6 SYNDICATE PERSONAL EXPENSES

	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
Lloyd's subscriptions and guarantee fees	6,116	–	<b>6,116</b>	9,349
Agent's fees	2,265	–	<b>2,265</b>	2,644
	<b>8,381</b>	–	<b>8,381</b>	11,993
	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
Lloyd's subscriptions and guarantee fees	5,292	–	<b>5,292</b>	6,116
Agent's fees	2,117	–	<b>2,117</b>	2,265
	<b>7,409</b>	–	<b>7,409</b>	8,381
			2001 Account at 12 months £'000	2000 Account at 12 months £'000
Lloyd's subscriptions and guarantee fees			<b>5,745</b>	5,292
Agent's fees			<b>2,873</b>	2,117
			<b>8,618</b>	7,409

Individual members' personal expenses are charged as incurred. The amounts due from members' in respect of US and Canadian Federal Income tax have been excluded from syndicate personal expenses as these amounts have not arisen specifically from the activities of the syndicate. These amounts are shown in debtors and will be collected from members directly.

## 7 FINANCIAL INVESTMENTS

	2001 Cost £'000	2001 Market value £'000	2000 Cost £'000	2000 Market value £'000
Debt securities and other fixed income securities	<b>468,361</b>	<b>469,255</b>	304,255	308,998
Participation in investment pools	<b>9,397</b>	<b>9,397</b>	45,954	45,954
Deposits with credit institutions	<b>1,001</b>	<b>1,001</b>	3,800	3,891
Letters of credit collateral	<b>7,918</b>	<b>7,918</b>	5,626	5,626
	<b>486,677</b>	<b>487,571</b>	359,635	364,469

## 8 DEBTORS

	2001 £'000	2000 £'000
Brokers' balances:		
Lloyd's Central Accounting balance:		
Arising out of direct insurance operations	12,262	6,564
Arising out of reinsurance operations	38,536	27,457
	<b>50,798</b>	34,021
Accruals:		
Arising out of reinsurance operations	129,753	31,417
	<b>129,753</b>	31,417
Other amounts due from brokers:		
Arising out of direct insurance operations	34,808	25,105
Arising out of reinsurance operations	6,742	5,504
	<b>41,550</b>	30,609
Taxation: Income tax deducted at source	980	2,211
RITC due from other syndicates	–	2,086
Amount due from managing agent	1,138	–
Inter-syndicate loan	13,218	14,560
Overseas taxation	728	580
Other debtors	4,928	2,981
	<b>243,093</b>	118,465
Due after 12 months	<b>20</b>	602
Debtors are stated net of provisions for bad and doubtful debts:		
Arising out of direct insurance operations	–	223
Arising out of reinsurance operations	1,693	226
	<b>1,693</b>	449

The inter-syndicate loan balance of £13.218 million is due from syndicate 1141. The terms of the loan are detailed in the managing agent's report.

## 9 OVERSEAS DEPOSITS

Deposit	Country	2001 £'000	2000 £'000
Australian Joint Asset Trust Funds	Australia	476	338
Australian Trust Fund	Australia	5,637	5,396
Canadian Margin Fund	Canada	2,578	–
Japanese Statutory Deposit	Japan	387	254
South African Transitional Trust Fund	South Africa	3,441	5,229
South African Trust Fund	South Africa	782	900
Illinois Reserve	USA	5,997	4,768
Joint Asset Trust Fund	USA	7,580	8,495
Kentucky Trust Fund	USA	2,083	1,826
Additional Securities Limited Loan	Various	28	1,062
		<b>28,989</b>	28,268

## 10 CREDITORS

	2001 £'000	2000 £'000
Brokers' balances:		
Lloyd's Central Accounting balance:		
Arising out of direct insurance operations	671	322
Arising out of reinsurance operations	5,258	11,168
	<b>5,929</b>	11,490
Accruals:		
Arising out of reinsurance operations	48,174	15,072
	<b>48,174</b>	15,072
Other amounts due to brokers:		
Arising out of direct insurance operations	3,743	2,410
Arising out of reinsurance operations	30,370	24,053
	<b>34,113</b>	26,463
Amounts due to managing agent	–	64
Claims holding deposit	465	771
Other creditors	4,214	2,441
	<b>92,895</b>	56,301
Due after 12 months	–	40

## 11 BALANCE ON CLOSED YEAR OF ACCOUNT

	2001 £'000	2000 £'000
1999 (1998) year of account result before personal expenses		
Sterling Trust Fund	5,945	(27,865)
Lloyd's American Trust Fund (\$(2,130,794), 1998: \$21,147,296)	(1,460)	14,193
Lloyd's Dollar Trust Fund (\$(12,553,731), 1998: \$(10,855,342))	(8,599)	(7,285)
Canadian Dollar Trust Fund (\$8,253,396, 1998: \$5,350,058)	3,557	2,388
	<b>(557)</b>	(18,569)
Transfers to members' premium trust funds		
Members' agents fees	(2,091)	(2,343)
Other personal expenses	(8,381)	(11,993)
Total withdrawals	<b>(10,472)</b>	(14,336)
<b>1999 (1998) year of account balance</b>		
<b>after personal expenses and transfer to members' premium trust funds</b>	<b>(11,029)</b>	(32,905)

Members' agents fees represent the amounts due by members to their agents in accordance with the separate agency agreements. These amounts do not appear on the Summary of Results on page 39.

1999 (1998) result distributed in	Currency	Currency
Sterling	(9,570)	(47,097)
Lloyd's American Trust fund dollars	(2,131)	21,147
<b>Total in sterling at £1 = \$1.46 (1998: \$1.49)</b>	<b>(11,029)</b>	(32,905)

Distribution in Canadian dollars is not permitted under the Lloyd's Canadian Trust Deed.

## 12 SEGMENTAL INFORMATION

	Fire and other property damage £'000	Marine aviation and transport £'000	Motor other £'000	Motor (third party liability) £'000	Third party liability £'000	Other direct £'000	Reinsurance acceptances £'000	Total £'000
<b>2001 account at 12 months</b>								
– risks located in the UK	3,730	9,352	70,528	17,605	12,565	2,328	12,169	128,277
– risks located in other EC countries	691	3,907	1,493	7	2,693	108	4,247	13,146
– risks located in other countries	38,982	22,722	8,936	1,588	41,798	4,343	122,425	240,794
Gross premiums	43,403	35,981	80,957	19,200	57,056	6,779	138,841	382,217
Gross claims paid	(3,602)	(13,325)	(12,433)	(2,558)	(1,081)	(1,589)	(42,464)	(77,052)
Gross operating expenses	(2,784)	(2,308)	(5,194)	(1,232)	(3,660)	(435)	(8,907)	(24,520)
Reinsurance balance	12,205	(3,811)	(5,520)	(1,456)	(14,850)	493	8,984	(3,955)
Average rate of commission	18%	20%	12%	12%	17%	29%	16%	16%
<b>2000 account at 24 months</b>								
– risks located in the UK	713	452	72,296	18,018	12,863	1,095	2,187	107,624
– risks located in other EC countries	597	1,288	2,954	1,867	3,707	91	522	11,026
– risks located in other countries	55,329	44,642	19,192	4,517	50,923	15,090	92,044	281,737
Gross premiums	56,639	46,382	94,442	24,402	67,493	16,276	94,753	400,387
Gross claims paid	(35,739)	(30,627)	(47,067)	(11,294)	(4,090)	(11,177)	(19,490)	(159,484)
Gross operating expenses	(3,751)	(3,071)	(6,254)	(1,616)	(4,469)	(1,078)	(6,274)	(26,513)
Reinsurance balance	(5,609)	(1,867)	(6,188)	(1,045)	(18,051)	(903)	(35,919)	(69,582)
Average rate of commission	23%	15%	14%	15%	18%	26%	17%	17%
<b>1999 and prior at 36 months</b>								
– risks located in the UK	590	537	58,405	14,577	15,223	1,151	1,354	91,837
– risks located in other EC countries	813	1,044	2,491	1,075	3,197	58	187	8,865
– risks located in other countries	27,991	42,450	22,351	2,584	47,863	21,064	73,653	237,956
Gross premiums	29,394	44,031	83,247	18,236	66,283	22,273	75,194	338,658
Gross claims paid	(31,215)	(48,135)	(73,148)	(19,679)	(83,217)	(32,927)	(59,476)	(347,797)
Gross operating expenses	(2,632)	(3,943)	(7,455)	(1,633)	(5,936)	(1,995)	(6,734)	(30,328)
Reinsurance balance	3,092	5,770	93	195	2,222	4,982	(4,882)	11,472
Average rate of commission	25%	14%	16%	18%	18%	25%	16%	18%

Gross premiums signed have been analysed by reference to the situs of risk and EC Directive category based on risk code. Gross operating expenses have been allocated to categories in proportion to their respective gross premium incomes. The reinsurance balance comprises reinsurance recoveries received less outward reinsurance premiums paid and has been allocated to EC directive categories by reference to risk code. This balance includes reinsurance accruals but excludes any premiums paid or received as a reinsurance to close. Gross claims have also been analysed by EC directive category based on risk code.

### 13 CONSORTIUM UNDERWRITING

The table below shows the consortia that syndicate 2001 participated in for each year of account.

Consortium Name	Lead syndicate	Description	Percentage of total gross premium		
			1999	2000	2001
ASU Enterprise Consortium	53	Contingency	–	–	0.02%
Cassidy Davis Insurance Services Ltd	582	Casualty	–	–	0.01%
Gerling Sports Consortium	1206	Personal Accident	–	–	0.02%
Hiscox UK Terrorism Consortium	33	UK terrorism	–	–	0.09%
International Fire Consortium	506/2506 (1998 & 1999)				
	1173/2488 (2000)	Non-Marine Property	0.01%	0.01%	0.00%
Lloyd's Railroad Consortium	1245	Casualty	–	–	0.01%
Lloyd's Self Insured Workers Compensation Consortium	435	Casualty	–	–	0.01%
Marham Space Consortium	800	Space	0.43%	0.75%	0.89%
Marketform Limited	2468	Medical Malpractice	–	–	0.06%
SFL XL Consortium	1234	Non-Marine Property	0.02%	–	–
SRU Consortium	2001	Warranty	–	–	0.17%

Written agreement was given prior to commencement of each of the above consortia, in respect of the basis of commissions, fees and remuneration. Other than in relation to the affairs of the consortia, no other income was received by the managing agent or any underwriter employed by it, from members of the consortia.

### 14 SERVICE COMPANY TRANSACTIONS

Details of the service companies which operate within the syndicate are given in the managing agent's report. The whole share capital of these companies is held by the agency in trust for the members of the syndicate and the results of the companies are included in that of the syndicate. No fees are paid by these companies to any of the directors of Amlin Underwriting Limited.

In calendar year 2001, premium income signed through these service companies, where it represents greater than 1% of gross premium, is as follows:

	2001 Account
Serviceline (UK) Limited	1.32%
Haven Knox-Johnston Limited	1.00%

Serviceline (UK) Limited, Drysdale Administration & Claims Services Limited (DACs) and Just Law Limited provide claims handling and administration services to the syndicate and other insurers.

The nature and the amount of the sums received from these companies by the syndicate in the calendar year 2001 are as follows:

	1999 Account £'000	2000 Account £'000	2001 Account £'000
Serviceline (UK) Limited			
Premium over-rider	–	3	972
DACS			
Claims handling	21	49	20
Just Law			
Legal fees	1,089	591	86
Amlin Credit Limited			
Premium over-rider	–	474	–
Total	1,110	1,117	1,078

## 15 FINANCIAL COMMITMENTS

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The syndicate is committed to sell US\$16 million to syndicate 1141 on the 1 January 2003 at a rate of US\$1.41:£1.

## 16 DISCLOSURE OF INTERESTS

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There have been no transactions entered into by the agency on behalf of the syndicate in which it, or any of its executives, had a material interest.

	1999 Account £'000	2000 Account £'000	2001 Account £'000	2002 Account £'000
Syndicate allocated capacity	452,971	423,325	574,502	800,002
Composition	%	%	%	%
Working Names employed by the agent	0.09	0.07	0.06	0.05
Other working Names	1.96	1.58	1.04	0.85
External Names	17.68	13.60	10.35	9.66
Members' agent pooling arrangements	17.47	13.73	7.95	8.82
Corporate capital	59.96	68.05	78.45	79.79
Scottish Limited partnerships	2.84	2.97	2.15	0.83
	100.00	100.00	100.00	100.00
Number of Members	1,999	1,737	1,626	1,581
Composition	%	%	%	%
Working Names employed by the agent	0.15	0.06	0.12	0.13
Other working Names	8.30	7.48	5.29	5.82
External Names	76.70	69.72	68.58	69.38
Members' agent pooling arrangements	1.35	1.04	0.55	0.76
Corporate capital	9.40	16.58	19.00	20.49
Scottish Limited partnerships	4.10	5.12	6.46	3.42
	100.00	100.00	100.00	100.00

	1997 Account £'000	1998 Account £'000	1999 Account £'000
<b><i>Syndicate allocated capacity</i></b>	528,619	528,697	<b>452,971</b>
Aggregate net premiums	210,639	213,905	<b>255,987</b>
Results for a member with an illustrative share of £10,000:	£	£	£
Gross premiums	5,807	5,708	<b>7,476</b>
Net premiums	3,985	4,046	<b>5,651</b>
Reinsurance to close premium received	5,194	5,343	<b>6,398</b>
Net claims	(3,743)	(4,330)	<b>(5,600)</b>
Reinsurance to close premium paid	(5,032)	(5,388)	<b>(6,421)</b>
Underwriting result	404	(329)	<b>28</b>
Profit/(loss) on exchange	26	(3)	<b>(57)</b>
Syndicate operating expenses	(533)	(627)	<b>(670)</b>
Balance on technical account	(103)	(959)	<b>(699)</b>
Investment return	499	608	<b>686</b>
Result before syndicate personal expenses and profit commission	396	(351)	<b>(13)</b>
Illustrative syndicate personal expenses	(175)	(200)	<b>(185)</b>
Illustrative profit commission	(34)	–	–
<b><i>Result after syndicate personal expenses and profit commission</i></b>	<b>187</b>	<b>(551)</b>	<b>(198)</b>
	%	%	%
Capacity utilised	58.1	57.1	<b>74.8</b>
Net capacity utilised	39.9	40.5	<b>56.5</b>
Balance on technical account to gross premiums	(1.8)	(16.8)	<b>(9.3)</b>

Notes to the summary of results

- 1 The summary of results has been prepared from the audited accounts of the syndicate.
- 2 Personal expenses have been stated at the normal amount incurred by traditional names and MAPA participants writing the illustrative share.

	1997 Account £'000	1998 Account £'000	1999 Account £'000
Result	9,256	(30,562)	<b>(8,938)</b>
Composition			
Working Names employed by the agent	42	(73)	<b>(8)</b>
Other working Names	310	(859)	<b>(175)</b>
External Names	1,800	(5,183)	<b>(1,580)</b>
Members' agent pooling arrangements	4,043	(8,053)	<b>(1,562)</b>
Corporate capital	2,951	(15,456)	<b>(5,359)</b>
Scottish Limited partnerships	110	(938)	<b>(254)</b>
	9,256	(30,562)	<b>(8,938)</b>

# SYNDICATE 902

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# SYNDICATE 902

## CEASED UNDERWRITING ON 31 DECEMBER 2000

### OVERVIEW

Syndicate 902 ceased underwriting on 31 December 2000 upon its merger with syndicate 2001 and I was appointed underwriter to manage the syndicate until closure of the 2000 year of account.

Syndicate 902 will regrettably fall into loss for its final two years of trading. Since 1997, the syndicate has been able to turn gross losses into net profits through an efficient reinsurance programme and releases from closed years' reserves. However, the severity and duration of the market downturn and a much tougher reinsurance market have made this impossible to sustain, especially for a syndicate with capacity of only £37.5 million.

### THE BUSINESS OF THE SYNDICATE

This syndicate wrote a reinsurance and general marine account. The breakdown of premium income for years 1999 to 2000 is set out in Table 1 and the manner of acceptance is illustrated in Table 2.

### REINSURANCE ARRANGEMENTS

The syndicate had small proportional facilities for hull and cargo business and placed a comprehensive programme of excess of loss reinsurance. Both the 1999 and 2000 years of account were also protected by a whole account stop loss. Since 1 January 2001 the ongoing exposures of the syndicate have been protected by the programme placed for syndicate 2001. This was supplemented by lower level cover for hull business bought specifically to protect the run-off of syndicate 902.

### UNDERWRITING PERFORMANCE

#### *1999 and Prior Years of Account*

The final result of a loss of 5.5% of stamp, whilst disappointing, will bear favourable comparison with many marine syndicates. The release from 1998 and prior year reserves totaled £3.3 million or 8.73% of stamp capacity.

The pure year loss of £4.1 million was due to large losses in the excess of loss, energy and hull books. The excess of loss account was affected by the European Storms at the beginning of the year and a series of losses on the international account. The energy account has suffered from a large number of attritional claims. The hull account loss was largely caused by the fishing vessel accounts in Chile and Peru as we noted last year.

#### *2000 Year of Account*

Gross premium income is forecast at £27.3 million or 73% of stamp capacity. Regrettably, in the areas of the syndicate's expertise particularly with no specie or war account, few operations anywhere in the world will produce profits during this period.

The forecast result for the 2000 year of account is for a loss of between 27.5% and 32.5%.

The excess of loss account was affected by a number of claims on the foreign book and there were a series of small to medium sized energy losses. The hull account produced another poor result from the fishing vessel account, even without the renewal of the Chilean business. In addition, the syndicate suffered a series of products failure losses under the Marham Space consortium.

**TABLE 1 ANALYSIS OF BUSINESS BY EC DIRECTIVE CATEGORIES**

	Gross £'000	1999 Account Net £'000	Gross £'000	2000 Account Net £'000
Direct business analysed as:				
Assistance	28	24	20	17
Credit and suretyship	1,113	1,013	1,103	915
Fire and other damage to property	-	-	7	7
Legal expenses	15,413	11,246	16,639	12,988
Marine, aviation and transport	9	9	7	7
Miscellaneous financial loss	207	207	135	131
Motor (third party liability)	3,070	2,239	3,240	2,702
	19,840	14,738	21,151	16,767
Reinsurance acceptances	4,604	548	4,030	(98)
	24,444	15,286	25,181	16,669

The forecast gross loss ratios for 2000 are in line with 1999 but as the reinsurance market hardened in 2000 and 2001, a less efficient reinsurance programme was available to the syndicate.

**Impact of Terrorist Attacks of 11 September 2001**

The syndicate has one major contract in the 2000 year of account, which requires a \$7.6 million gross reserve for the World Trade Center loss. The total net WTC loss is forecast as £2.0 million or 3.7% of stamp.

**CONCLUSION**

The final result for the 1999 year of account and the forecast for 2000 are extremely disappointing. However, I am confident that, barring any dramatic change to circumstances or material uncertainty, the syndicate will close into syndicate 2001 as planned at 31 December 2002.

**Simon Beale** Underwriter  
22 March 2002

**TABLE 2 METHODS OF ACCEPTANCE**

	1999 Account	2000 Account
Direct and facultative	80%	82%
Binding authorities	19%	17%
Reinsurances	1%	1%
	100%	100%

**TABLE 3 ANALYSIS OF REINSURANCE PREMIUMS CEDED**

	1999 Account	2000 Account
Lloyd's Syndicates	21%	25%
Insurance Companies authorised to carry on business in the UK	67%	64%
EC companies excluding those authorised in the UK	6%	7%
Other	6%	4%
	100%	100%

**TABLE 4 ANALYSIS BY CURRENCY OF GROSS PREMIUMS**

	1999 Account	2000 Account
Sterling	30%	27%
US dollars	69%	72%
Canadian dollars	1%	1%
	100%	100%

	Note	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
<b>Syndicate allocated capacity</b>				<b>37,568</b>	37,605
Gross premiums written (net of brokerage)		21,598	2,846	<b>24,444</b>	19,270
Outward reinsurance premiums		(7,652)	(1,507)	<b>(9,159)</b>	(6,925)
Net premiums		13,946	1,339	<b>15,285</b>	12,345
Reinsurance to close premium received from earlier years of account		19,875	326	<b>20,201</b>	22,316
Gross claims paid		(17,258)	(14,241)	<b>(31,499)</b>	(21,054)
Reinsurers' share		7,588	4,573	<b>12,161</b>	7,453
Net claims		(9,670)	(9,668)	<b>(19,338)</b>	(13,601)
Reinsurance premium paid to close the 1999 year of account	1	–	(16,989)	<b>(16,989)</b>	(19,875)
<b>Underwriting balance</b>	2	24,151	(24,992)	<b>(841)</b>	1,185
Profit/(loss) on exchange		(1)	43	<b>42</b>	76
Syndicate operating expenses	3	(1,669)	(217)	<b>(1,886)</b>	(1,467)
<b>Balance on technical account</b>		22,481	(25,166)	<b>(2,685)</b>	(206)
Investment income	4	144	935	<b>1,079</b>	1,539
Investment expenses and charges	4	(4)	(9)	<b>(13)</b>	(12)
Investment gains less losses	4	(29)	276	<b>247</b>	448
<b>Balance on year of account before syndicate personal expenses</b>		22,592	(23,964)	<b>(1,372)</b>	1,769
Aggregate syndicate personal expenses	6	(695)	–	<b>(695)</b>	(1,015)
<b>Balance on open year of account after syndicate personal expenses</b>		21,897			
<b>Result for the closed year of account after syndicate personal expenses</b>				<b>(2,067)</b>	754

	Note	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
<b>Syndicate allocated capacity</b>				<b>37,573</b>	37,568
Gross premiums written (net of brokerage)		14,975	10,206	<b>25,181</b>	21,598
Outward reinsurance premiums		(5,797)	(2,715)	<b>(8,512)</b>	(7,652)
Net premiums		9,178	7,491	<b>16,669</b>	13,946
Reinsurance to close premium received from earlier years of account	1	–	16,989	<b>16,989</b>	19,875
Gross claims paid		(3,516)	(11,582)	<b>(15,098)</b>	(17,258)
Reinsurers' share		414	1,921	<b>2,335</b>	7,588
Net claims		(3,102)	(9,661)	<b>(12,763)</b>	(9,670)
<b>Underwriting balance</b>		6,076	14,819	<b>20,895</b>	24,151
Profit/(loss) on exchange		(1)	32	<b>31</b>	(1)
Syndicate operating expenses	3	(1,282)	(585)	<b>(1,867)</b>	(1,669)
<b>Balance on technical account</b>		4,793	14,266	<b>19,059</b>	22,481
Investment income	4	78	136	<b>214</b>	144
Investment expenses and charges	4	(23)	(3)	<b>(26)</b>	(4)
Investment gains less losses	4	32	4	<b>36</b>	(29)
<b>Balance on open year of account before syndicate personal expenses</b>		4,880	14,403	<b>19,283</b>	22,592
Aggregate syndicate personal expenses	6	(658)	–	<b>(658)</b>	(695)
<b>Balance on open year of account after syndicate personal expenses</b>		4,222		<b>18,625</b>	21,897

	Note	2001 £'000	2000 £'000
<b>Assets</b>			
Financial investments	7	12,041	18,473
Debtors	8	4,894	6,207
Other assets:			
Cash at bank and in hand		2,549	4,446
Overseas deposits	9	722	1,035
Prepayments and accrued income		131	347
<b>Total assets</b>		<b>20,337</b>	<b>30,508</b>
<b>Liabilities</b>			
2000 open year of account balance after one year		–	4,222
Members' agent fees on account		–	(190)
		–	4,032
2000 (1999) open year of account balance after two years		18,625	21,897
Members' agent fees on account		(110)	(189)
		18,515	21,708
1999 (1998) account result		(2,067)	754
Members' agent fees on account		(188)	(133)
		(2,255)	621
Creditors	10	4,077	4,146
Accruals and deferred income		–	1
<b>Total liabilities</b>		<b>20,337</b>	<b>30,508</b>

This annual report was approved at a meeting of the board of directors of Amlin Underwriting Limited and by the underwriter on 22 March 2002.

**S C W Beale** Underwriter

**A M Davies** Chairman

## 1 REINSURANCE PREMIUM TO CLOSE THE 1999 YEAR OF ACCOUNT

	1999 Pure £'000	1998 and prior £'000	1999 Account total £'000	1998 Account total £'000
Gross notified outstanding claims	6,575	15,767	<b>22,342</b>	16,837
Reinsurance recoveries anticipated	(4,624)	(8,125)	<b>(12,749)</b>	(7,905)
Net notified outstanding claims	1,951	7,642	<b>9,593</b>	8,932
Provision for gross claims incurred but not reported	2,682	6,037	<b>8,719</b>	11,951
Reinsurance recoveries anticipated	(716)	(1,036)	<b>(1,752)</b>	(1,610)
Provision for net claims incurred but not reported	1,966	5,001	<b>6,967</b>	10,341
Claims handling provision	96	333	<b>429</b>	602
<b>Reinsurance premium to close the 1999 and prior years of account</b>	<b>4,013</b>	<b>12,976</b>	<b>16,989</b>	<b>19,875</b>

## 2 UNDERWRITING BALANCE

	1999 Account £'000	1998 Account £'000
Balance attributable to business allocated to the 1999 (1998) year of account	<b>(4,120)</b>	(1,455)
Surplus on the reinsurance to close the 1998 (1997) year of account	<b>3,279</b>	2,640
	<b>(841)</b>	1,185

## 3 SYNDICATE OPERATING EXPENSES

	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
Staff and related costs	838	25	<b>863</b>	693
Premises costs	130	27	<b>157</b>	98
Office running costs	22	8	<b>30</b>	12
Computer costs	106	30	<b>136</b>	120
Lloyd's overseas operating expenses	49	12	<b>61</b>	38
Lloyd's premium levy	235	39	<b>274</b>	191
Lloyd's processing costs	105	42	<b>147</b>	147
Auditor's remuneration	6	1	<b>7</b>	17
Other professional fees	51	30	<b>81</b>	52
Miscellaneous	86	3	<b>89</b>	96
Interest charges	41	–	<b>41</b>	3
	<b>1,669</b>	<b>217</b>	<b>1,886</b>	<b>1,467</b>

### 3 SYNDICATE OPERATING EXPENSES CONTINUED

	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
Staff and related costs	713	70	<b>783</b>	838
Premises costs	159	77	<b>236</b>	130
Office running costs	21	16	<b>37</b>	22
Computer costs	47	61	<b>108</b>	106
Lloyd's overseas operating expenses	9	54	<b>63</b>	49
Lloyd's premium levy	134	137	<b>271</b>	235
Lloyd's processing costs	89	77	<b>166</b>	105
Auditor's remuneration	9	1	<b>10</b>	6
Other professional fees	12	41	<b>53</b>	51
Miscellaneous	89	8	<b>97</b>	86
Interest charges	-	43	<b>43</b>	41
	1,282	585	<b>1,867</b>	1,669

During calendar year 2001 the underwriter's gross remuneration, including pension contributions charged to the syndicate was £3,983 (2000: £244,564).

Gross syndicate operating expenses for the 1999 account, before Lloyd's premium levy, interest charges and claims handling adjustments are 15.9% greater than set out in the 1999 business plan. The principal variances relate to staff and related costs and premises costs.

### 4 INVESTMENT RETURN

	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
Investment income receivable	151	1,055	<b>1,206</b>	1,490
Accrued income	(7)	(120)	<b>(127)</b>	49
Investment income	144	935	<b>1,079</b>	1,539
Investment gains less losses	(29)	276	<b>247</b>	448
Gross investment return	115	1,211	<b>1,326</b>	1,987
Less: investment expenses and charges	(4)	(9)	<b>(13)</b>	(12)
	111	1,202	<b>1,313</b>	1,975
	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
Investment income receivable	90	171	<b>261</b>	151
Accrued income	(12)	(35)	<b>(47)</b>	(7)
Investment income	78	136	<b>214</b>	144
Investment gains less losses	32	4	<b>36</b>	(29)
Gross investment return	110	140	<b>250</b>	115
Less: investment expenses and charges	(23)	(3)	<b>(26)</b>	(4)
	87	137	<b>224</b>	111

## 5 CALENDAR YEAR INVESTMENT YIELD

	2001 £'000	2000 £'000
Average syndicate funds available for investment	<b>18,378</b>	25,786
Aggregate gross investment return	<b>1,339</b>	2,001
Gross calendar year investment yield:		
Sterling	<b>4.5%</b>	5.1%
US dollars	<b>7.6%</b>	8.0%
Canadian dollars	<b>5.2%</b>	6.1%
<b>Combined</b>	<b>7.3%</b>	7.8%

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments and overseas deposits. The yield percentages exclude immaterial sources of income.

## 6 SYNDICATE PERSONAL EXPENSES

	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
Lloyd's subscriptions and guarantee fees	507	–	<b>507</b>	652
Agent's fees	188	–	<b>188</b>	188
Profit commission	–	–	–	175
	<b>695</b>	–	<b>695</b>	1,015
	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
Lloyd's subscriptions and guarantee fees	470	–	<b>470</b>	507
Agent's fees	188	–	<b>188</b>	188
	<b>658</b>	–	<b>658</b>	695

Individual members' personal expenses are charged as incurred. The amounts from members' in respect of US and Canadian Federal Income tax have been excluded from syndicate personal expenses as these amounts have not arisen specifically from the activities of the syndicate. These amounts are shown in debtors and will be collected from members directly.

## 7 FINANCIAL INVESTMENTS

	2001 Cost £'000	2001 Market value £'000	2000 Cost £'000	2000 Market value £'000
Debt securities and other fixed income securities	<b>11,737</b>	<b>11,761</b>	17,426	17,826
Participation in investment pools	<b>278</b>	<b>278</b>	630	630
Letters of credit collateral	<b>2</b>	<b>2</b>	17	17
	<b>12,017</b>	<b>12,041</b>	18,073	18,473

## 8 DEBTORS

	2001 £'000	2000 £'000
Brokers' balances:		
Lloyd's Central Accounting balance:		
Arising out of direct insurance operations	18	427
Arising out of reinsurance operations	10	554
	<b>28</b>	<b>981</b>
Accruals:		
Arising out of reinsurance operations	3,578	4,697
	<b>3,578</b>	<b>4,697</b>
Other amounts due from brokers:		
Arising out of direct insurance operations	421	85
Arising out of reinsurance operations	145	96
	<b>566</b>	<b>181</b>
Taxation: Income tax deducted at source	199	53
Due from managing agent	185	–
Due from names	3	–
Overseas taxation	8	–
Other debtors	327	295
	<b>4,894</b>	<b>6,207</b>
Due after 12 months	–	53
Debtors are stated net of provisions for bad and doubtful debts:		
Arising out of reinsurance operations	506	–

## 9 OVERSEAS DEPOSITS

Deposit	Country	2001 £'000	2000 £'000
Australian Trust Fund	Australia	92	43
Canadian Margin Fund	Canada	11	–
South African Transitional Trust Fund	South Africa	8	30
South African Trust Fund	South Africa	118	86
Illinois Reserve	USA	25	29
Joint Asset Trust Fund	USA	252	490
Kentucky Trust Fund	USA	162	166
Additional Securities Limited Loan	Various	54	191
		<b>722</b>	<b>1,035</b>

## 10 CREDITORS

	2001 £'000	2000 £'000
Brokers' balances:		
Lloyd's Central Accounting balance:		
Arising out of direct insurance operations	–	35
Arising out of reinsurance operations	7	410
	<b>7</b>	<b>445</b>
Accruals:		
Arising out of reinsurance operations	<b>3,780</b>	2,467
	<b>3,780</b>	<b>2,467</b>
Other amounts due to brokers:		
Arising out of direct insurance operations	1	8
Arising out of reinsurance operations	<b>286</b>	97
	<b>287</b>	<b>105</b>
Due to managing agent	–	856
Agency profit commission payable	–	175
Other creditors	<b>3</b>	98
	<b>4,077</b>	<b>4,146</b>

All creditors are payable within 12 months.

## 11 BALANCE ON CLOSED YEAR OF ACCOUNT

	2001 £'000	2000 £'000
1999 (1998) year of account result before personal expenses		
Sterling Trust Fund	<b>152</b>	(546)
Lloyd's American Trust Fund (\$2,352,007, 1998: \$5,896,880)	<b>1,610</b>	3,958
Lloyd's Dollar Trust Fund (\$5,461,337, 1998: \$(3,382,108))	<b>(3,740)</b>	(2,270)
Canadian Dollar Trust Fund (\$1,406,313, 1998: \$1,404,579)	<b>606</b>	627
	<b>(1,372)</b>	<b>1,769</b>
Transfers to members' premium trust funds		
Members' agents fees	<b>(188)</b>	(133)
Other personal expenses	<b>(695)</b>	(1,015)
Total withdrawals	<b>(883)</b>	(1,148)
<b>1999 (1998) year of account balance after personal expenses and transfer to members' premium trust funds</b>	<b>(2,255)</b>	621

Members' agents fees represent the amounts due by members to their agents in accordance with the separate agency agreements. These amounts do not appear on the Summary of Results on page 55.

Other personal expenses include £nil (1998: £174,918) in respect of profit commission due to the managing agent on the result of the 1999 account.

## 11 BALANCE ON CLOSED YEAR OF ACCOUNT CONTINUED

1999 (1998) result distributed in	Currency	Currency
Sterling	–	(892)
Lloyd's American Trust fund dollars	<b>2,352</b>	5,636
Lloyd's Dollar Trust fund dollars	<b>(5,644)</b>	(3,382)
<b>Total in sterling at £1 = \$1.46 (1998: \$1.49)</b>	<b>(2,255)</b>	621

Distribution in Canadian dollars is not permitted under the Lloyd's Canadian Trust Deed.

## 12 SEGMENTAL INFORMATION

	Fire and other property damage £'000	Marine aviation and transport £'000	Third party liability £'000	Other direct £'000	Reinsurance acceptances £'000	Total £'000
<b>2000 account at 24 months</b>						
– risks located in the UK	49	2,977	67	12	1,665	4,770
– risks located in other EC countries	266	1,091	69	73	128	1,627
– risks located in other countries	788	12,571	3,104	83	2,238	18,784
Gross premiums	1,103	16,639	3,240	168	4,031	25,181
Gross claims paid	(771)	(11,422)	(373)	(37)	(2,495)	(15,098)
Gross operating expenses	(82)	(1,234)	(240)	(12)	(299)	(1,867)
Reinsurance balance	(178)	(2,570)	(475)	(8)	(2,946)	(6,177)
Average rate of commission	26%	24%	21%	25%	12%	22%
<b>1999 account at 36 months</b>						
– risks located in the UK	97	1,528	101	6	1,364	3,096
– risks located in other EC countries	404	1,699	407	202	306	3,018
– risks located in other countries	611	12,186	2,562	37	2,934	18,330
Gross premiums	1,112	15,413	3,070	245	4,604	24,444
Gross claims paid	(1,703)	(21,617)	(1,252)	(335)	(6,592)	(31,499)
Gross operating expenses	(86)	(1,189)	(237)	(19)	(355)	(1,886)
Reinsurance balance	209	4,101	(285)	(26)	(997)	3,002
Average rate of commission	26%	23%	18%	29%	13%	21%

Gross premiums signed have been analysed by reference to the situs of risk and EC Directive category based on risk code. Gross operating expenses have been allocated to categories in proportion to their respective gross premium incomes. The reinsurance balance comprises reinsurance recoveries received less outward reinsurance premiums paid and has been allocated to EC directive categories by reference to risk code. This balance includes reinsurance accruals but excludes any premiums paid or received as a reinsurance to close. Gross claims have also been analysed by EC directive category based on risk code.

## 13 CONSORTIUM UNDERWRITING

The table below shows the consortium that syndicate 902 is part of for each year of account.

Consortium Name	Syndicate	Description	Percentage of total gross premium	
			1999	2000
Marham Space Consortium	800	Space	8.38%	11.91%

Written agreement was given prior to commencement of the above consortium, in respect of the basis of commission, fees and remuneration. Other than in relation to the affairs of the consortium, no other income was received by the managing agent or any underwriter employed by it, from members of the consortium.

#### 14 SERVICE COMPANY TRANSACTIONS

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Details of the service companies are given in the managing agent's report. Angerstein Transit Underwriting Agency Limited is financed by way of a loan from the syndicate and interest is payable by the service company on the balance of this loan. No profits have yet been made by this service company. Directors of the managing agency receive no remuneration from the service company. The company's purpose is to provide the syndicate with opportunities to underwrite Cargo risks and other risks not normally offered to the Lloyd's market.

In calendar year 2001 the premium income signed through the service company where it represents greater than 1% of gross premium is as follows:

	2000 Account
Angerstein Transit Underwriting Agency Limited	3.85%

#### 15 FINANCIAL COMMITMENTS

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The syndicate is committed to sell US\$4 million to syndicate 1141 on the 1 January 2003 at a rate of US\$1.41:£1.

#### 16 DISCLOSURE OF INTERESTS

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There have been no transactions entered into by the agency on behalf of the syndicate in which it, or any of its executives, had a material interest.

	1999 Account £'000	2000 Account £'000
Syndicate allocated capacity	37,568	37,573
Composition	%	%
Other working Names	1.10	1.07
External Names	26.28	21.75
Members' agent pooling arrangements	15.82	9.87
Corporate capital	55.20	65.71
Scottish limited partnerships	1.60	1.60
	100.00	100.00
Number of Members	481	415
Composition	%	%
Other working Names	4.16	4.34
External Names	83.38	79.03
Members' agent pooling arrangements	2.28	1.93
Corporate capital	5.61	9.16
Scottish limited partnerships	4.57	5.54
	100.00	100.00

	1993 Account £'000	1994 Account £'000	1995 Account £'000	1996 Account £'000	1997 Account £'000	1998 Account £'000	1999 Account £'000
<b>Syndicate allocated capacity</b>	24,045	38,266	37,748	37,751	37,583	37,605	<b>37,568</b>
Aggregate net premiums	20,289	19,781	18,071	15,531	20,819	12,345	<b>15,285</b>
Results for a member with an illustrative share of £10,000:							
	£	£	£	£	£	£	£
Gross premiums	10,522	6,377	6,231	5,294	7,033	5,124	<b>6,507</b>
Net premiums	8,438	5,169	4,787	4,134	5,539	3,283	<b>4,069</b>
Reinsurance to close premium received	7,465	1,579	3,334	4,063	4,576	5,934	<b>5,377</b>
Net claims	(4,606)	(2,110)	(2,588)	(2,510)	(3,083)	(3,617)	<b>(5,148)</b>
Reinsurance to close premium paid	(8,089)	(3,193)	(4,065)	(4,464)	(5,574)	(5,285)	<b>(4,522)</b>
Underwriting result	3,208	1,445	1,468	1,223	1,458	315	<b>(224)</b>
Profit/(loss) on exchange	(7)	30	22	(2)	30	20	<b>11</b>
Syndicate operating expenses	(462)	(323)	(420)	(312)	(455)	(390)	<b>(502)</b>
Balance on technical account	2,739	1,152	1,070	909	1,033	(55)	<b>(715)</b>
Investment return	931	404	507	512	584	525	<b>350</b>
Result before syndicate personal expenses and profit commission	3,670	1,556	1,577	1,421	1,617	470	<b>(365)</b>
Illustrative syndicate personal expenses	(325)	(344)	(343)	(160)	(175)	(200)	<b>(185)</b>
Illustrative profit commission	(449)	(157)	(189)	(189)	(216)	(46)	<b>-</b>
<b>Result after syndicate personal expenses and profit commission</b>	<b>2,896</b>	<b>1,055</b>	<b>1,045</b>	<b>1,072</b>	<b>1,226</b>	<b>224</b>	<b>(550)</b>
	%	%	%	%	%	%	%
Capacity utilised	105.2	63.8	62.3	52.9	70.3	51.2	<b>65.1</b>
Net capacity utilised	84.4	51.7	47.9	41.3	55.4	32.8	<b>40.7</b>
Balance on technical account to gross premiums	26.0	18.1	17.2	17.2	14.7	(1.1)	<b>(11.0)</b>

Notes to the summary of results

- 1 The summary of results has been prepared from the audited accounts of the syndicate.
- 2 Personal expenses have been stated at the normal amount incurred by traditional names and MAPA participants writing the illustrative share.

	1997 Account £'000	1998 Account £'000	1999 Account £'000
Result	4,487	754	<b>(2,067)</b>
Composition			
Working Names employed by the agent	10	2	-
Other working Names	77	17	<b>(22)</b>
External Names	1,418	209	<b>(450)</b>
Members' agent pooling arrangements	1,780	173	<b>(204)</b>
Corporate capital	1,177	345	<b>(1,358)</b>
Scottish Limited partnerships	25	8	<b>(33)</b>
	4,487	754	<b>(2,067)</b>

# SYNDICATE 1141

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# SYNDICATE 1141

## CEASED UNDERWRITING ON 31 DECEMBER 2000

### OVERVIEW

Syndicate 1141 ceased underwriting on 31 December 2000 upon its merger with Syndicate 2001 and I was appointed underwriter to manage the syndicate until closure of the 2000 year of account.

The business underwritten by this Syndicate was predominantly US property and casualty and its fortunes have followed the prevailing conditions of that market. From 1997 onwards, there was a very marked deterioration in the trading environment in the US, particularly for casualty and small property business, and the results are disappointing.

### BUSINESS WRITTEN

The breakdown of premium income for the 1999 and 2000 years of account is set out in Table 1 and the manner of acceptance is illustrated in Table 2. The Syndicate was a leading writer of US casualty and surplus lines business, much of it written through lineslips, covers and treaties.

### REINSURANCE ARRANGEMENTS

Syndicate 1141 had a complex arrangement of proportional and excess of loss reinsurance and from 1997 onwards, a whole account stop loss was purchased. Since 1 January 2001, the ongoing exposures have been protected by the programme placed for Syndicate 2001, except for some specific run-off protection.

### UNDERWRITING PERFORMANCE

#### *1999 and Prior Years of Account*

The adequacy of reserves for casualty business has been a major concern for US insurers over a number of quarters. The reassessment of reserves for syndicate 1141 that we

reported last year resulted in a significant strengthening of reserves for most casualty lines written since 1995. Over the last year we have witnessed a similar strengthening of reserves across operations with a similar mix of business. During 2001 development has been more in line with our expectations and we are pleased to report a small release of £1.3m from prior years in closing the 1999 account.

The 1999 pure year saw an expansion of the US delegated authority account, particularly for small property business. This expansion was due to a number of new facilities being written but also due to an increased flow of business under existing facilities. However this business has performed poorly and the reinsurance programme placed, whilst having a low attachment point, did not afford protection for the number of small attritional losses.

Results for most lines of business written by the syndicate were poor. However, adverse development in the casualty, auto liability and delegated authority accounts, together with the catastrophe book which was affected by the European Storms, have been the main causes of loss.

The final result is a loss of 22.3% of which 94% has already been called from capital providers.

#### *2000 Year of Account*

In my report last year, I expressed the view that the 2000 year of account showed some signs of improvement over the previous two years. I regret to say that, whilst this improvement has materialised from a gross loss ratio standpoint, the reinsurance programme has been less effective and premium income is higher. Due to poor cash flow the expected investment return is also now below that originally forecast.

**TABLE 1 ANALYSIS OF BUSINESS BY EC DIRECTIVE CATEGORIES**

	Gross £'000	1999 Account Net £'000	Gross £'000	2000 Account Net £'000
Direct business analysed as:				
Accident and health	8,073	6,558	5,073	4,109
Assistance	1,289	555	1,000	371
Credit and suretyship	617	615	605	602
Fire and other damage to property	15,777	11,918	16,643	10,434
Legal expenses	419	419	545	545
Marine, aviation and transport	786	567	688	589
Miscellaneous financial loss	1,254	1,126	1,750	1,458
Motor other	12,383	10,780	11,460	10,728
Motor (third party liability)	2,756	2,016	3,419	3,321
Third party liability	21,897	18,861	20,029	17,700
	65,251	53,415	61,212	49,857
Reinsurance acceptances	17,588	6,017	21,100	7,300
	82,839	59,432	82,312	57,157

The reasons for the underwriting loss are very similar to those which caused the 1999 year deficit with the exception of the catastrophe account which will produce a favourable result. The casualty and auto liability accounts are again poor and the short tail binder book now appears worse than the 1999 account. The loss position is exacerbated by the increased premium income under the delegated authority book. At monitoring rates, total premium income for the year is forecast to reach £83 million which is, as previously reported, above stamp capacity. A number of actions were taken to restrict and contain premium income written under facilities, but market dynamics resulted in higher delegated authority income.

The impact of the terrorist atrocities in the United States is relatively small, at \$0.3 million, emanating mainly from the accident and health account.

We are presently forecasting a loss of 25.5% of stamp capacity, of which 23% has already been called. I am confident, however, that barring any dramatic change to circumstances or material uncertainty, we will bring about full reinsurance to close into syndicate 2001 as at 31 December 2002.

**A W Holt** Underwriter  
22 March 2002

**TABLE 2 METHODS OF ACCEPTANCE**

	1999 Account	2000 Account
Direct and facultative	1%	1%
Binding authorities	42%	36%
Lineslips	3%	5%
Reinsurances	54%	58%
	100%	100%

**TABLE 3 ANALYSIS OF REINSURANCE PREMIUMS CEDED**

	1999 Account	2000 Account
Lloyd's Syndicates	5%	11%
Insurance Companies authorised to carry on business in the UK	32%	27%
EC companies excluding those authorised in the UK	10%	8%
Other	53%	54%
	100%	100%

**TABLE 4 ANALYSIS BY CURRENCY OF GROSS PREMIUMS**

	1999 Account	2000 Account
Sterling	11%	13%
US dollars	83%	84%
Canadian dollars	6%	3%
	100%	100%

	Note	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
<b>Syndicate allocated capacity</b>				<b>76,142</b>	76,202
Gross premiums written (net of brokerage)		70,688	12,151	<b>82,839</b>	64,537
Outward reinsurance premiums		(20,972)	(2,435)	<b>(23,407)</b>	(17,210)
Net premiums		49,716	9,716	<b>59,432</b>	47,327
Reinsurance to close premium received from earlier years of account		46,619	984	<b>47,603</b>	29,713
Gross claims paid		(44,536)	(48,857)	<b>(93,393)</b>	(69,455)
Reinsurers' share		14,854	9,186	<b>24,040</b>	20,797
Net claims		(29,682)	(39,671)	<b>(69,353)</b>	(48,658)
Reinsurance premium paid to close the 1999 year of account	1	–	(53,363)	<b>(53,363)</b>	(46,619)
<b>Underwriting balance</b>	2	66,653	(82,334)	<b>(15,681)</b>	(18,237)
Profit/(loss) on exchange		(139)	(1,456)	<b>(1,595)</b>	238
Syndicate operating expenses	3	(4,557)	(2,050)	<b>(6,607)</b>	(5,411)
<b>Balance on technical account</b>		61,957	(85,840)	<b>(23,883)</b>	(23,410)
Investment income	4	1,731	4,873	<b>6,604</b>	4,079
Investment expenses and charges	4	(13)	(58)	<b>(71)</b>	(32)
Investment gains less losses	4	501	1,288	<b>1,789</b>	617
<b>Balance on year of account before syndicate personal expenses</b>		64,176	(79,737)	<b>(15,561)</b>	(18,746)
Aggregate syndicate personal expenses	6	(1,407)	–	<b>(1,407)</b>	(1,710)
<b>Balance on open year of account after syndicate personal expenses</b>		62,769			
<b>Result for the closed year of account after syndicate personal expenses</b>				<b>(16,968)</b>	(20,456)

Note	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
<b>Syndicate allocated capacity</b>			<b>76,280</b>	76,142
Gross premiums written (net of brokerage)	45,587	36,725	<b>82,312</b>	70,688
Outward reinsurance premiums	(18,327)	(6,828)	<b>(25,155)</b>	(20,972)
Net premiums	27,260	29,897	<b>57,157</b>	49,716
Reinsurance to close premium received from earlier years of account	1	–	<b>53,363</b>	46,619
Gross claims paid	(8,856)	(34,662)	<b>(43,518)</b>	(44,536)
Reinsurers' share	1,201	4,531	<b>5,732</b>	14,854
Net claims	(7,655)	(30,131)	<b>(37,786)</b>	(29,682)
<b>Underwriting balance</b>	19,605	53,129	<b>72,734</b>	66,653
Loss on exchange	(188)	(104)	<b>(292)</b>	(139)
Syndicate operating expenses	3	(1,383)	<b>(5,015)</b>	(4,557)
<b>Balance on technical account</b>	15,785	51,642	<b>67,427</b>	61,957
Investment income	4	318	<b>1,869</b>	1,731
Investment expenses and charges	4	(49)	<b>(52)</b>	(13)
Investment gains less losses	4	130	<b>1,315</b>	501
<b>Balance on open year of account before syndicate personal expenses</b>	16,184	54,375	<b>70,559</b>	64,176
Aggregate syndicate personal expenses	6	(1,334)	<b>(1,334)</b>	(1,407)
<b>Balance on open year of account after syndicate personal expenses</b>	14,850		<b>69,225</b>	62,769

	Note	2001 £'000	2000 £'000
<b>Assets</b>			
Financial investments	7	<b>83,447</b>	80,644
Debtors	8	<b>14,612</b>	19,781
Other assets:			
Cash at bank and in hand		<b>3,165</b>	1,793
Overseas deposits	9	<b>9,480</b>	7,952
Prepayments and accrued income		<b>837</b>	853
<b>Total assets</b>		<b>111,541</b>	111,023
<b>Liabilities</b>			
2000 open year of account balance after one year		–	14,850
Members' agent fees on account		–	(355)
		–	14,495
2000 (1999) open year of account balance after two years		<b>69,225</b>	62,769
Cash call		<b>4,545</b>	–
Members' agent fees on account		<b>(155)</b>	(374)
		<b>73,615</b>	62,395
1999 (1998) account result		<b>(16,968)</b>	(20,456)
Cash call		<b>16,327</b>	–
Members' agent fees on account		<b>(373)</b>	(306)
		<b>(1,014)</b>	(20,762)
Creditors	10	<b>38,940</b>	54,675
Accruals and deferred income		–	220
<b>Total liabilities</b>		<b>111,541</b>	111,023

This annual report was approved at a meeting of the board of directors of Amlin Underwriting Limited and by the underwriter on 22 March 2002.

**A W Holt** Underwriter

**A M Davies** Chairman

## 1 REINSURANCE PREMIUM TO CLOSE THE 1999 YEAR OF ACCOUNT

	1999 Pure £'000	1998 and prior £'000	1999 Account total £'000	1998 Account total £'000
Gross notified outstanding claims	21,137	38,880	<b>60,017</b>	47,445
Reinsurance recoveries anticipated	(9,737)	(22,719)	<b>(32,456)</b>	(22,706)
Net notified outstanding claims	11,400	16,161	<b>27,561</b>	24,739
Provision for gross claims incurred but not reported	18,178	16,869	<b>35,047</b>	27,130
Reinsurance recoveries anticipated	(4,678)	(5,305)	<b>(9,983)</b>	(6,197)
Provision for net claims incurred but not reported	13,500	11,564	<b>25,064</b>	20,933
Claims handling provision	650	88	<b>738</b>	947
<b>Reinsurance premium to close the 1999 and prior years of account</b>	<b>25,550</b>	<b>27,813</b>	<b>53,363</b>	<b>46,619</b>

## 2 UNDERWRITING BALANCE

	1999 Account £'000	1998 Account £'000
Balance attributable to business allocated to the 1999 (1998) year of account	<b>(16,956)</b>	(11,014)
Surplus on the reinsurance to close the 1998 (1997) account	<b>1,275</b>	(7,223)
	<b>(15,681)</b>	(18,237)

## 3 SYNDICATE OPERATING EXPENSES

	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
Staff and related costs	1,864	53	<b>1,917</b>	1,463
Premises costs	241	17	<b>258</b>	182
Office running costs	45	8	<b>53</b>	28
Computer costs	285	109	<b>394</b>	272
Lloyd's overseas operating expenses	260	82	<b>342</b>	331
Lloyd's premium levy	743	132	<b>875</b>	682
Lloyd's processing costs	265	158	<b>423</b>	292
Auditor's remuneration	7	21	<b>28</b>	17
Other professional fees	56	92	<b>148</b>	89
Miscellaneous	169	4	<b>173</b>	380
Interest charges	667	1,380	<b>2,047</b>	1,684
Gross syndicate operating expenses	4,602	2,056	<b>6,658</b>	5,420
Expense credits	(45)	(6)	<b>(51)</b>	(9)
	<b>4,557</b>	<b>2,050</b>	<b>6,607</b>	<b>5,411</b>

### 3 SYNDICATE OPERATING EXPENSES CONTINUED

	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
Staff and related costs	2,085	112	<b>2,197</b>	1,864
Premises costs	439	34	<b>473</b>	241
Office running costs	58	8	<b>66</b>	45
Computer costs	82	139	<b>221</b>	285
Lloyd's overseas operating expenses	56	250	<b>306</b>	260
Lloyd's premium levy	403	493	<b>896</b>	743
Lloyd's processing costs	184	207	<b>391</b>	265
Auditor's remuneration	22	7	<b>29</b>	7
Other professional fees	40	64	<b>104</b>	56
Miscellaneous	223	(2)	<b>221</b>	169
Interest charges	64	112	<b>176</b>	667
Gross syndicate operating expenses	3,656	1,424	<b>5,080</b>	4,602
Expense credits	(24)	(41)	<b>(65)</b>	(45)
	3,632	1,383	<b>5,015</b>	4,557

During calendar year 2001 the underwriter's gross remuneration, including pension contributions charged to the syndicate was £34,400 (2000: £332,267).

Gross syndicate operating expenses for the 1999 account, before Lloyd's premium levy, interest charges and claims handling adjustments are 1.9% less than set out in the 1999 business plan. The principal variances relate to staff and related costs and computer costs, which have been partially offset by a positive variance on Lloyd's costs.

### 4 INVESTMENT RETURN

	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
Investment income receivable	1,742	4,853	<b>6,595</b>	4,158
Accrued income	(11)	20	<b>9</b>	(79)
Investment income	1,731	4,873	<b>6,604</b>	4,079
Investment gains less losses	501	1,288	<b>1,789</b>	617
Gross investment return	2,232	6,161	<b>8,393</b>	4,696
Less: investment expenses and charges	(13)	(58)	<b>(71)</b>	(32)
	2,219	6,103	<b>8,322</b>	4,664
	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
Investment income receivable	330	1,524	<b>1,854</b>	1,742
Accrued income	(12)	27	<b>15</b>	(11)
Investment income	318	1,551	<b>1,869</b>	1,731
Investment gains less losses	130	1,185	<b>1,315</b>	501
Gross investment return	448	2,736	<b>3,184</b>	2,232
Less: investment expenses and charges	(49)	(3)	<b>(52)</b>	(13)
	399	2,733	<b>3,132</b>	2,219

## 5 CALENDAR YEAR INVESTMENT YIELD

	2001 £'000	2000 £'000
Average syndicate funds available for investment	<b>110,956</b>	83,660
Aggregate gross investment return	<b>8,836</b>	6,194
Gross calendar year investment yield:		
Sterling	<b>5.4%</b>	1.9%
US dollars	<b>8.1%</b>	7.6%
Canadian dollars	<b>8.0%</b>	6.6%
<b>Combined</b>	<b>8.0%</b>	7.4%

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments and overseas deposits. The yield percentages exclude immaterial sources of income.

## 6 SYNDICATE PERSONAL EXPENSES

	1999 Account at 24 months £'000	Change in calendar year £'000	1999 Account at 36 months £'000	1998 Account at 36 months £'000
Lloyd's subscriptions and guarantee fees	1,028	–	<b>1,028</b>	1,332
Agent's fees	379	–	<b>379</b>	378
	1,407	–	<b>1,407</b>	1,710
	2000 Account at 12 months £'000	Change in calendar year £'000	2000 Account at 24 months £'000	1999 Account at 24 months £'000
Lloyd's subscriptions and guarantee fees	954	–	<b>954</b>	1,028
Agent's fees	380	–	<b>380</b>	379
	1,334	–	<b>1,334</b>	1,407

Individual members' personal expenses are charged as incurred. The amounts from members' in respect of US and Canadian Federal Income tax have been excluded from syndicate personal expenses as these amounts have not arisen specifically from the activities of the syndicate. These amounts are shown in debtors and will be collected from members directly.

## 7 FINANCIAL INVESTMENTS

	2001 Cost £'000	2001 Market value £'000	2000 Cost £'000	2000 Market value £'000
Debt securities and other fixed income securities	<b>81,297</b>	<b>82,061</b>	73,352	74,638
Participation in investment pools	<b>245</b>	<b>245</b>	4,513	4,513
Letters of credit collateral	<b>1,141</b>	<b>1,141</b>	1,493	1,493
	<b>82,683</b>	<b>83,447</b>	79,358	80,644

## 8 DEBTORS

	2001 £'000	2000 £'000
Brokers' balances:		
Lloyd's Central Accounting balance:		
Arising out of direct insurance operations	54	655
Arising out of reinsurance operations	58	3,416
	112	4,071
Accruals:		
Arising out of reinsurance operations	12,527	13,763
	12,527	13,763
Other amounts due from brokers:		
Arising out of direct insurance operations	214	187
Arising out of reinsurance operations	310	376
	524	563
Taxation: Income tax deducted at source	19	3
Overseas taxation	401	382
Due from members'	206	–
Other debtors	823	999
	14,612	19,781
Due after 12 months	–	20
Debtors are stated net of provisions for bad and doubtful debts:		
Arising out of reinsurance operations	(1,024)	–

## 9 OVERSEAS DEPOSITS

Deposit	Country	2001 £'000	2000 £'000
Australian Joint Asset Trust Funds	Australia	37	24
Australian Trust Fund	Australia	444	428
Canadian Margin Fund	Canada	876	–
South African Transitional Trust Fund	South Africa	14	44
South African Trust Fund	South Africa	45	112
Illinois Reserve	USA	2,993	2,843
Joint Asset Trust Fund	USA	4,441	3,337
Kentucky Trust Fund	USA	564	1,110
Additional Securities Limited Loan	Various	66	54
		9,480	7,952

## 10 CREDITORS

	2001 £'000	2000 £'000
Brokers' balances:		
Lloyd's Central Accounting balance:		
Arising out of direct insurance operations	1	19
Arising out of reinsurance operations	11	705
	<b>12</b>	<b>724</b>
Accruals:		
Arising out of reinsurance operations	<b>23,040</b>	27,600
	<b>23,040</b>	<b>27,600</b>
Other amounts due to brokers:		
Arising out of direct insurance operations	70	37
Arising out of reinsurance operations	939	557
	<b>1,009</b>	<b>594</b>
Due to managing agent	932	2,929
Inter-syndicate loan	13,218	14,560
External loan facility	–	8,054
Other creditors	729	214
	<b>38,940</b>	<b>54,675</b>
Due after 12 months	–	8,715

The inter-syndicate loan balance is due to syndicate 2001. The terms of the loan are detailed in the managing agent's report.

## 11 BALANCE ON CLOSED YEAR OF ACCOUNT

	2001 £'000	2000 £'000
1999 (1998) year of account result before personal expenses		
Sterling Trust Fund	137	9,808
Lloyd's American Trust Fund (\$173,036, 1998: \$707,634)	119	475
Lloyd's Dollar Trust Fund (\$(26,614,729), 1998: \$(43,596,056))	(18,229)	(29,259)
Canadian Dollar Trust Fund (\$5,598,446, 1998: \$514,158)	2,413	230
	<b>(15,560)</b>	<b>(18,746)</b>
Transfers to members' premium trust funds		
Members' agents fees	(374)	(306)
Other personal expenses	(1,407)	(1,710)
Total withdrawals	<b>(1,781)</b>	<b>(2,016)</b>
<b>1999 (1998) year of account balance</b>		
<b>after personal expenses and transfer to members' premium trust funds</b>	<b>(17,341)</b>	<b>(20,762)</b>

Members' agents fees represent the amounts due by members to their agents in accordance with the separate agency agreements. These amounts do not appear on the Summary of Results on page 71.

## 11 BALANCE ON CLOSED YEAR OF ACCOUNT CONTINUED

This has been calculated in accordance with the terms of agency agreements for respective members.

	Currency	Currency
1999 cash call previously requested		
Sterling	<b>(3,716)</b>	–
Lloyd's Dollar Trust fund dollars	<b>(18,412)</b>	–
<b>Total in sterling at £1 = \$1.46</b>	<b>(16,327)</b>	–
1999 (1998) balance of result distributed/collected in		
Sterling	–	(17,908)
Lloyd's American Trust fund dollars	<b>173</b>	708
Lloyd's Dollar Trust fund dollars	<b>(1,655)</b>	(4,962)
<b>Total in sterling at £1 = \$1.46 (1998: \$1.49)</b>	<b>(1,014)</b>	(20,762)

Distribution in Canadian dollars is not permitted under the Lloyd's Canadian Trust Deed.

The cash call represents 21% of capacity for the 1999 year of account.

## 12 SEGMENTAL INFORMATION

	Fire and other property damage £'000	Motor other £'000	Third party liability £'000	Other direct £'000	Reinsurance acceptances £'000	Total £'000
<b>2000 account at 24 months</b>						
– risks located in the UK	1,182	–	726	1,235	1,703	4,846
– risks located in other EC countries	9	–	–	83	670	762
– risks located in other countries	15,451	11,460	19,303	11,763	18,727	76,704
Gross premiums	16,642	11,460	20,029	13,081	21,100	82,312
Gross claims paid	(12,495)	(1,732)	(2,174)	(18,919)	(8,198)	(43,518)
Gross operating expenses	(1,014)	(698)	(1,220)	(797)	(1,286)	(5,015)
Reinsurance balance	(4,538)	(239)	(2,137)	(743)	(11,766)	(19,423)
Average rate of commission	31%	30%	27%	28%	18%	26%
<b>1999 account at 36 months</b>						
– risks located in the UK	420	–	464	330	1,177	2,391
– risks located in other EC countries	153	63	75	144	553	988
– risks located in other countries	15,204	12,319	21,357	14,722	15,858	79,460
Gross premiums	15,777	12,382	21,896	15,196	17,588	82,839
Gross claims paid	(18,409)	(12,380)	(23,435)	(18,455)	(20,714)	(93,393)
Gross operating expenses	(1,258)	(988)	(1,746)	(1,212)	(1,403)	(6,607)
Reinsurance balance	569	(255)	654	(878)	543	633
Average rate of commission	31%	29%	24%	25%	19%	26%

Gross premiums signed have been analysed by reference to the situs of risk and EC Directive category based on risk code. Gross operating expenses have been allocated to categories in proportion to their respective gross premium incomes. The reinsurance balance comprises reinsurance recoveries received less outward reinsurance premiums paid and has been allocated to EC directive categories by reference to risk code. This balance includes reinsurance accruals but excludes any premiums paid or received as a reinsurance to close. Gross claims have also been analysed by EC directive category based on risk code.

### 13 CONSORTIUM UNDERWRITING

The table below shows the consortia that syndicate 1141 is part of for each year of account.

Consortium Name	Leader	Description	Percentage of total gross premium	
			1999	2000
ASU Enterprise Consortium-Tyche	318	Contingency	0.14%	0.17%
B&W Gold Consortium (Risk Code PD)	1096	Property	0.46%	2.06%
B&W Gold Consortium (Risk Code UA)	1096	General Liability	0.66%	1.66%
B&W Gold Consortium (Risk Code MG)	1096	Motor	0.03%	0.19%
Central and Eastern European Reinsurance Services Ltd	991	Property, Casualty and Marine	0.78%	1.07%
Eliot War Consortium	53	Aviation, Hull, War	0.22%	0.19%
ASU Enterprise Consortium	318	Contingency	1.01%	1.55%
LDG Reinsurance Worldwide Ltd	79	Personal Accident	1.60%	–
Lloyd's Self-Insured Workers Compensation Consortium	435	Workers' Compensation	0.06%	0.73%
Lloyd's Railroad Protective Consortium	314	Railroad Protective Liability	0.03%	0.06%
SFL Consortium	234	Property	0.06%	–
SRU Consortium	529	Extended Warranty	2.28%	1.49%
Cassidy Davis Insurance Services Ltd	582	Casualty	–	0.07%
Marketform Limited	2468	Medical Malpractice	–	0.66%

Written agreement was given prior to commencement of each of the above consortia, in respect of the basis of commissions, fees and remuneration. Other than in relation to the affairs of the consortia, no other income was received by the managing agent or any underwriter employed by it, from members of the consortia.

### 14 SERVICE COMPANY TRANSACTIONS

Details of the service companies are given in the managing agent's report. The whole share capital of these companies is held by the agency in trust for the members of the syndicate and the results of the companies are included in that of the syndicate. No fees are paid by these companies to any directors of Amlin Underwriting Limited.

In calendar year 2001 the premium income signed through the service company where it represents greater than 1% of gross premium is as follows:

	2000 Account
ENAM Underwriting Franchises Inc	2.80%

### 15 FINANCIAL COMMITMENTS

The syndicate is committed to purchase US\$16 million and US\$4 million from syndicates 2001 and 902 respectively on the 1 January 2003 at a rate of US\$1.41:£1.

### 16 DISCLOSURE OF INTERESTS

There have been no transactions entered into by the agency on behalf of the syndicate in which it, or any of its executives, had a material interest.

	1999 Account £'000	2000 Account £'000
Syndicate allocated capacity	76,142	76,280
Composition	%	%
Working Names employed by the agent	0.46	0.46
Other working Names	1.22	0.80
External Names	13.44	7.01
Members' agent pooling arrangements	18.17	10.11
Corporate capital	62.49	77.81
Scottish Limited partnerships	4.22	3.81
	100.00	100.00
Number of Members	717	382
Composition	%	%
Working Names employed by the agent	0.28	0.52
Other working Names	6.14	7.07
External Names	74.05	59.95
Members' agent pooling arrangements	2.65	2.09
Corporate capital	10.74	21.47
Scottish Limited partnerships	6.14	8.90
	100.00	100.00

	1993 Account £'000	1994 Account £'000	1995 Account £'000	1996 Account £'000	1997 Account £'000	1998 Account £'000	1999 Account £'000
<b>Syndicate allocated capacity</b>	25,275	62,697	75,059	76,057	76,203	76,202	<b>76,142</b>
Aggregate net premiums	20,645	26,036	35,763	32,894	38,666	47,327	<b>59,432</b>
Results for a member with an illustrative share of £10,000:	£	£	£	£	£	£	£
Gross premiums	10,692	5,357	6,161	6,053	7,072	8,469	<b>10,880</b>
Net premiums	8,168	4,153	4,765	4,325	5,074	6,211	<b>7,805</b>
Reinsurance to close premium received	5,966	1,187	1,920	2,723	3,591	3,899	<b>6,252</b>
Net claims	(5,537)	(2,237)	(3,199)	(3,312)	(4,673)	(6,385)	<b>(9,108)</b>
Reinsurance to close premium paid	(7,487)	(2,234)	(2,789)	(3,492)	(3,653)	(6,118)	<b>(7,008)</b>
Underwriting result	1,110	869	697	244	339	(2,393)	<b>(2,059)</b>
Profit/(loss) on exchange	(5)	(22)	24	(3)	22	31	<b>(209)</b>
Syndicate operating expenses	(615)	(318)	(257)	(226)	(463)	(710)	<b>(868)</b>
Balance on technical account	490	529	464	15	(102)	(3,072)	<b>(3,136)</b>
Investment return	900	296	358	448	384	612	<b>1,092</b>
Result before syndicate personal expenses and profit commission	1,390	825	822	463	282	(2,460)	<b>(2,044)</b>
Illustrative syndicate personal expenses	(353)	(343)	(343)	(160)	(175)	(200)	<b>(185)</b>
Illustrative profit commission	(165)	(64)	(64)	(45)	(16)	–	–
<b>Result after syndicate personal expenses and profit commission</b>	<b>872</b>	<b>418</b>	<b>415</b>	<b>258</b>	<b>91</b>	<b>(2,660)</b>	<b>(2,229)</b>
	%	%	%	%	%	%	%
Capacity utilised	106.9	53.6	61.6	60.5	70.7	84.7	<b>108.8</b>
Net capacity utilised	81.7	41.5	47.7	43.3	50.7	62.1	<b>78.1</b>
Balance on technical account to gross premiums	4.6	9.9	7.5	0.2	(1.4)	(36.3)	<b>(28.8)</b>

Notes to the summary of results

- 1 The summary of results has been prepared from the audited accounts of the syndicate.
- 2 Personal expenses have been stated at the normal amount incurred by traditional names and MAPA participants writing the illustrative share.

	1997 Account £'000	1998 Account £'000	1999 Account £'000
Result	411	(20,456)	<b>(16,968)</b>
Composition			
Working Names employed by the agent	2	(170)	<b>(78)</b>
Other working Names	8	(399)	<b>(136)</b>
External Names	63	(2,917)	<b>(1,189)</b>
Members' agent pooling arrangements	208	(6,969)	<b>(1,715)</b>
Corporate capital	129	(9,324)	<b>(13,204)</b>
Scottish Limited partnerships	1	(677)	<b>(646)</b>
	411	(20,456)	<b>(16,968)</b>

## EXECUTIVE PARTICIPATIONS IN SYNDICATES 2001, 902 AND 1141: 1999 TO 2002 YEARS OF ACCOUNT

		1999 £'000	2000 £'000	2001 £'000	2002 £'000
B D Carpenter	2001	327	305	240	291
A M Davies	2001	111	107	173	241
D N Harries	2001	69*	–	–	–
R J Keeling	2001	245*	–	–	–
I Macnabb	2001	171*	160*	221*	283*
D E S Shipley	2001	85*	68*	–	–
A M Davies	1141	50	50	–	–
R J Keeling	1141	23*	–	–	–
J E Mumford	1141	300	300	–	–

There were no executive participations in syndicate 902 during the period under review.

\*participation via SLP

D J Armes, S C W Beale, T M Bronk, D J Clarke, T A Clegg, R G Dampier, M C Hewett, R A Hextall, A G P Hobrow, A W Holt, J le T Illingworth, R J Lewy, R Mylvaganam, C E L Philipps, I R C Shackell, A P Springett, R V Tolliday, C J Ventiroso and A J Walker were not underwriting members of Lloyd's during the period under review.

The above includes spouses' participations.

## DIRECTORSHIPS IN INSURANCE ENTITIES AT 31 DECEMBER 2001

All executives' insurance directorships are within the Amlin Group companies, other than as follows:

Name of company/partnership	Nature of business	Ultimate parent company
C E L Philipps Lloyd's Japan Inc.	Insurance agent	The Corporation of Lloyd's

## CURRENT DIRECTORS: SHAREHOLDINGS AT 31 DECEMBER 2001 IN AMLIN PLC

	Ordinary	Options
A M Davies	174,470	–
S C W Beale	71,836	321,370
B D Carpenter*	345,693	593,761
R G Dampier	–	333,515
M C Hewett	269,843	448,496
R A Hextall*	12,125	329,497
A W Holt*	1,995,741	680,001
J le T Illingworth*	34,198	605,678
R J Lewy	–	–
I Macnabb	595,302	194,551
R Mylvaganam*	2,043	–
C E L Philipps*	77,962	791,903
I R C Shackell	–	181,264
A P Springett	22,690	230,813

The above includes spouses' shareholdings.

\*Indicates directors who are also directors of Amlin plc and/or an affiliated corporate member of Lloyd's.









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