

**Formation of Amlin Bermuda and rights issue
to raise £215 million (net)
November 2005**



AMLIN

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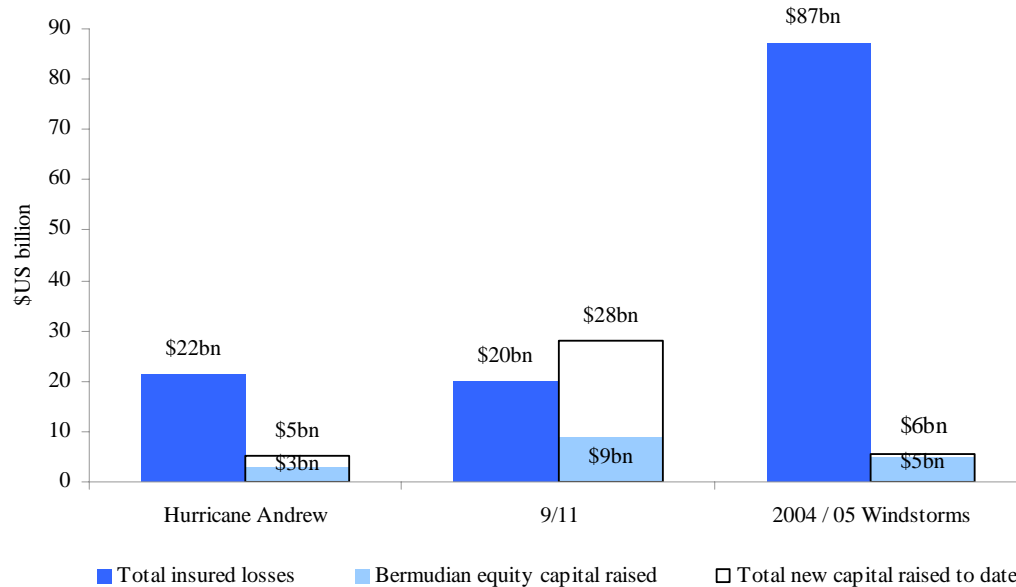
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Overview



- Acceleration and up-scaling of strategic ambition to establish a non-Lloyd's platform
- Hurricane Katrina
 - A market changing event
 - Harder market expected in a number of Amlin's major classes
- Formation of Amlin Bermuda
 - Capitalised at \$1bn
 - Focus on expanding Amlin's high quality reinsurance account during 2006 renewals
 - Plan to start trading in December 2005
- Syndicate 2001 increasing capacity by 17.6% to £1bn
- Financings underwritten
 - £215 million (net) rights issue
 - £310 million of new debt
- Plans expected to be EPS and ROE enhancing

The market opportunity



- Hurricane Andrew
 - Total loss estimated at US\$22bn
 - US\$8bn of replacement capital raised
- World Trade Centre
 - Total loss estimated at US\$20bn
 - US\$28bn raised as replacement capital in 2001 and 2002
- 2004/05 windstorm losses
 - Total loss estimated at US\$87bn
 - US\$31.5bn estimated combined cost of Charley, Ivan, Frances, Jeanne and Songda
 - US\$55.5bn estimated cost of Hurricanes Katrina and Rita
 - US\$6bn raised as replacement capital (to date)

Sources: Loss data from Morgan Stanley and RMS; capital raising data from Deutsche Bank and Benfield Group

The market opportunity (cont'd)



- Pre-Katrina, 2006 expected to remain in “good margin” territory
- Hurricane Katrina is a market changing event
 - The largest ever insured natural catastrophe loss
 - Estimated industry losses exceed US\$40 billion (estimated cost of 2004 hurricane season amounted to US\$28bn)
 - Significant proportion of the loss is expected to fall on the reinsurers
 - Unprecedented windstorm losses incurred in 2004 and 2005 resulting in a fundamental re-examination of risk exposures and pricing of catastrophe risk

The market opportunity (cont'd)



- **Pricing dynamics**
 - Major hardening of retrocessional reinsurance rates anticipated
 - Retrocessional reinsurers expected to become more selective or to offer less cover
 - Reinsurance rates expected to increase significantly for 1 January renewals
 - Increased reinsurance rates should impact direct insurance rates positively
 - Reversing trends in areas such as large property risk
 - Reinforcing stability in other areas
 - Closer evaluation of capital adequacy models by rating agencies
 - Adjustment of agency catastrophe risk models
 - Increased demand for insurance and reinsurance

Opportunity – leveraging our relationships



- Amlin has a high quality book of business built over many years
- Amlin has excellent relationships with the major brokers servicing Lloyd's and Bermuda
- 2006 renewals offer opportunity to leverage relationships to establish a high quality core book of business in Bermuda
 - Beneficial market conditions
 - 1st quarter renewals represent c46% of reinsurance classes
- Key brokers supportive in preliminary discussions

Why Bermuda?

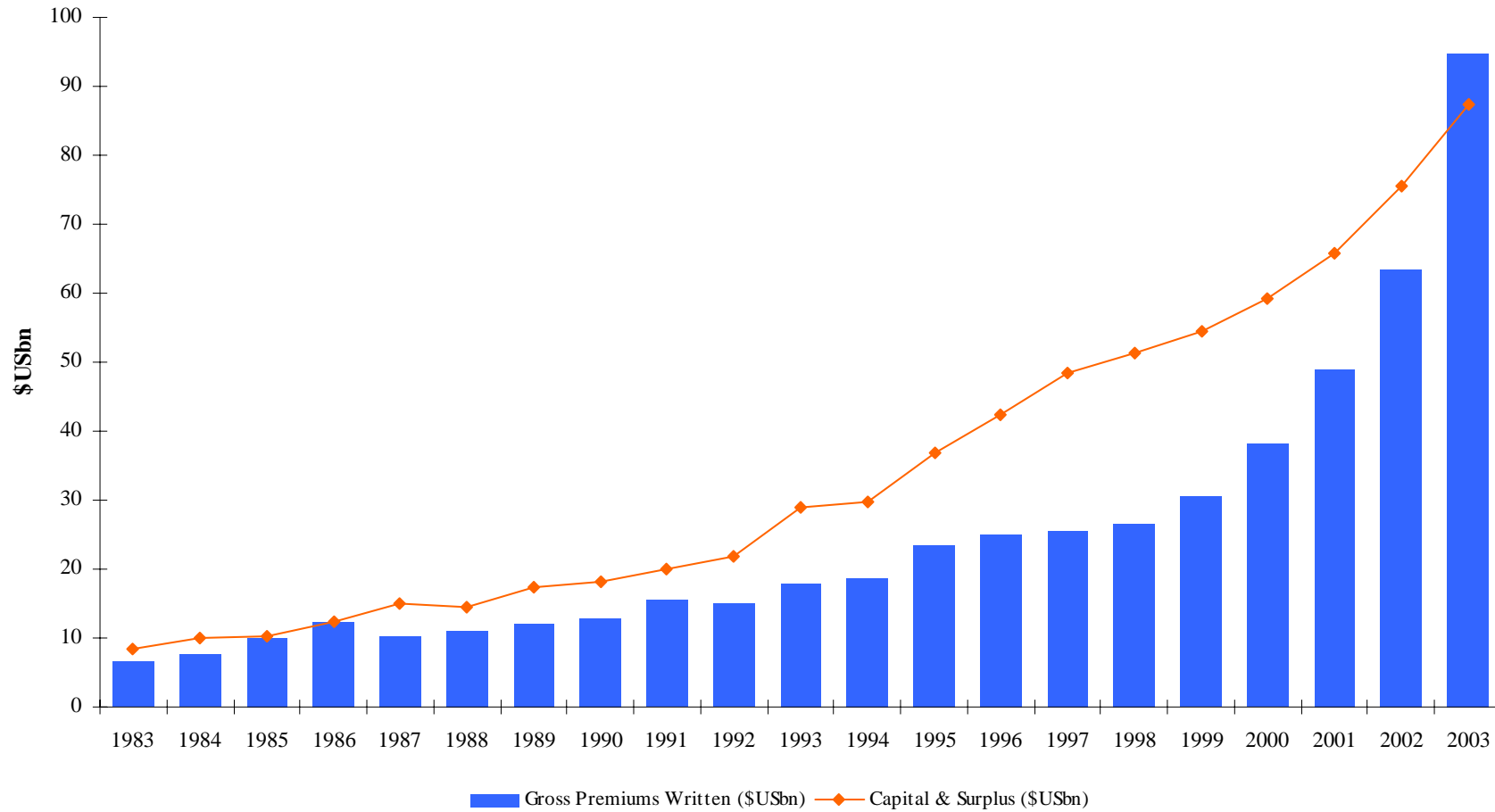


- Significant professional market
 - \$95 billion of capacity v Lloyd's capacity of \$24 billion
 - Strong growth over last decade
- Long term access to business
 - Changes in broker models
 - Proximity to clients
- Proven environment for establishment of new underwriting vehicles
- Favourable regulatory and tax environment

Strong growth of Bermudian market



Growth of Bermuda Insurance Market ⁽¹⁾ \$USbn, 1983-2003



Note 1. Includes both life, non-life and captive insurance
Source: BMA

Aims for our Bermudian business



- **Short-term**
 - Company in place to take advantage of 1st quarter 2006 renewals
 - Aiming for \$1 bn of capital
 - Expected A- or better rating from A.M Best
 - Utilise the market conditions and our expertise and relationships to establish a high quality book of business for Amlin Bermuda
 - Enhance tax efficiency of Group
- **Longer-term**
 - Build a credible and highly professional underwriting capability in Bermuda

Business of Amlin Bermuda

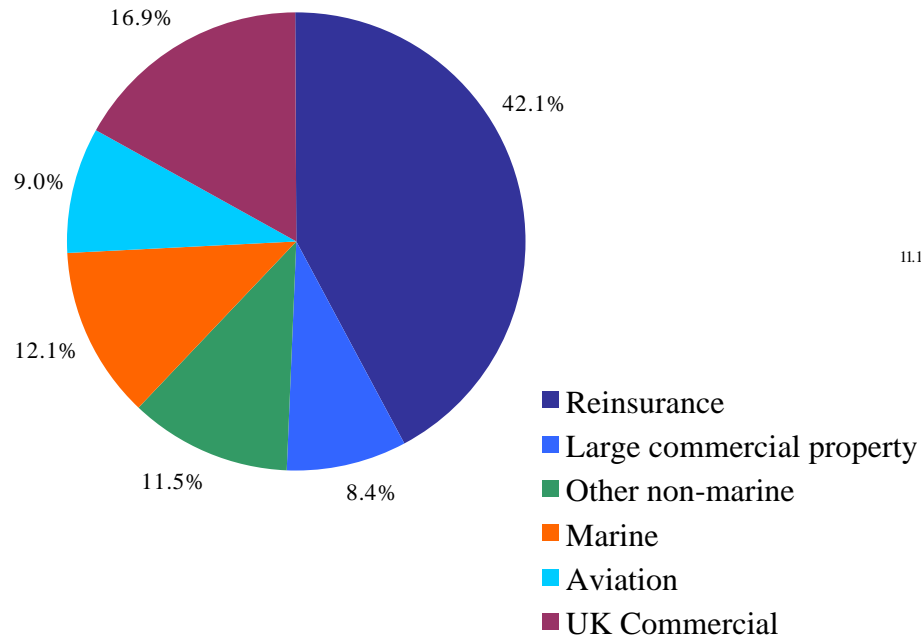


- **Focus on reinsurance**
 - Regionally balanced CAT portfolio
 - Strict limits on values insured by region
 - No reinsurance protection in 1st year
- **Amlin' non-marine combined ratios ***
 - 2002: 92%
 - 2003: 78%
 - 2004: 79%
 - H12005: 62%
- **Quota share and facultative reinsurance of Syndicate 2001**
 - Provides diversity
 - Aids security rating
 - Tax efficiency
- **Target new gross premiums to Amlin Group**
 - 2006: \$350 million
 - 2007: \$500 million

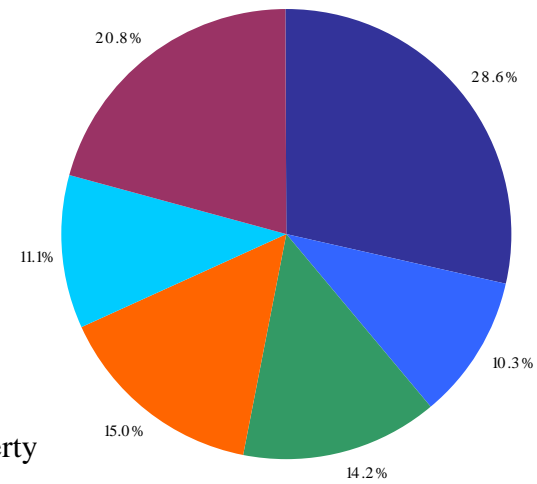
Business of Amlin Bermuda



Enlarged Amlin Group Pro forma 2006 GPI split



Syndicate 2001 2005 GPI split



Planning and operations

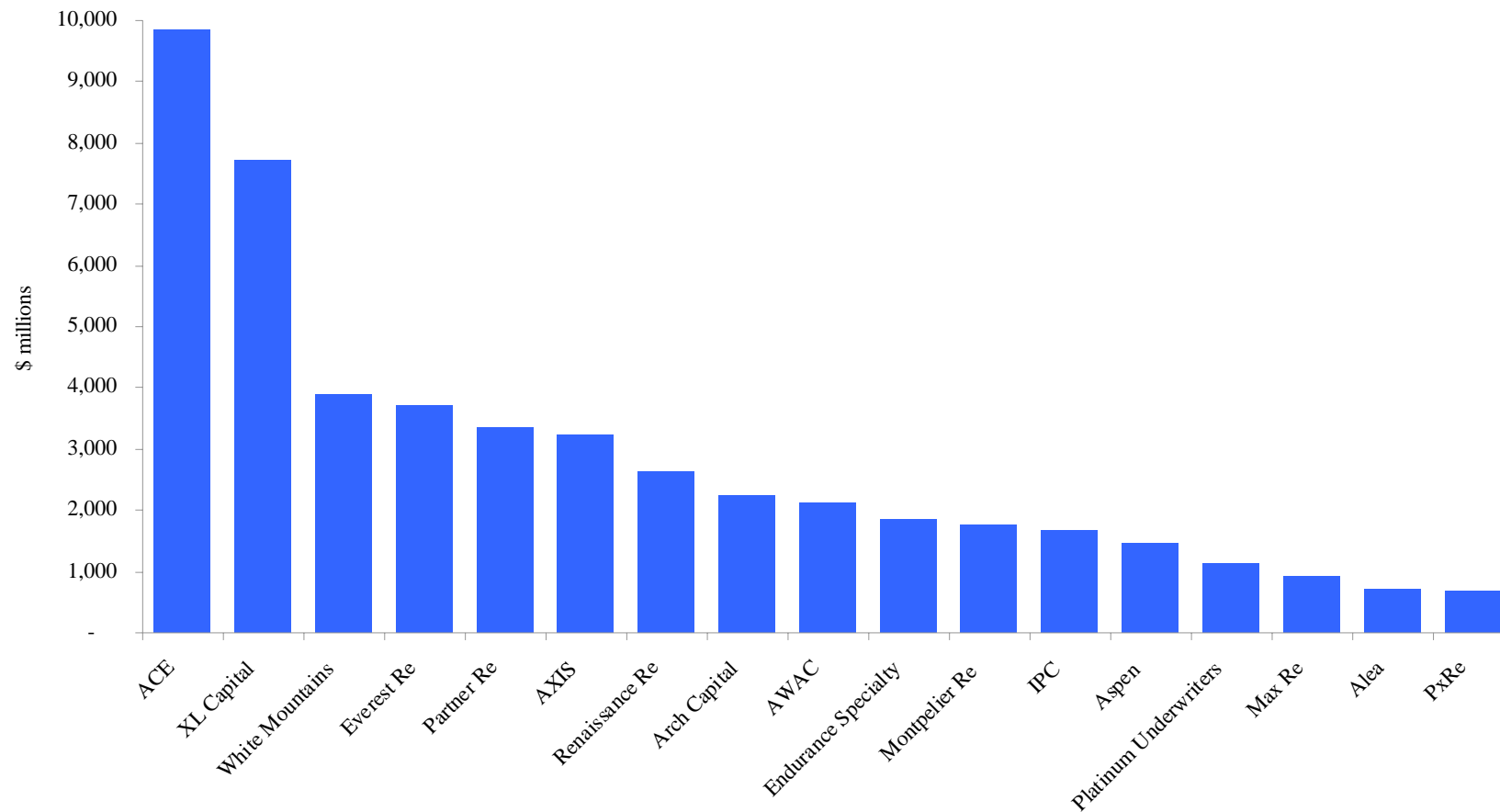


- **Staffing**
 - Minimal staff required in Bermuda initially
 - Transfer of existing Amlin employees
 - Build-up of team during 2006 in Bermuda
 - Outsourcing of administration in start-up phase
- **Bermuda Monetary Authority**
 - Licence application expected approved, subject to capitalisation
- **Rating agency discussions**
 - Rating process underway with A.M Best
 - Target A- or better rating by mid December 2005
- **Marketing and trading**
 - Marketing from early November
 - Leveraging of existing relationships through London underwriting team
 - Trading from early December

Capitalisation of Amlin Bermuda



Capitalisation of leading Bermudian Insurance Companies



*Note: Defined as 31st December 2004 Net Assets
Source: Company Report & Accounts*

Capitalisation of Amlin Bermuda



	\$m ⁽¹⁾	£m ⁽²⁾
• Equity issue	381	215
• New medium term debt	159	90
• Bridging finance	301	170
• Existing resources	159	90
	<u>1000</u>	<u>565</u>

(1) Assumed \$/£1.77 exchange rate

(2) Assumed issue proceeds net of expenses

Dividend policy and buy-back



- Current dividend policy remains appropriate
 - Higher of 8p and 30% of earnings for 2005 and 2006
- Amlin will not proceed with previously announced £25 million share buy-back
- Commitment to active capital management unchanged

Benefits to Amlin



- EPS and ROE accretive, subject to material abnormal loss experience
- Broadens access to markets and helps address risks associated with potential changes in distribution landscape
- Reduces risks/costs associated with 100% in Lloyd's
 - Lloyd's security rating
 - Equitas
 - Costs and mutuality risks
- Reduces Group tax charge as % of PBT

Summary



- We have reassessed the outlook following Hurricane Katrina and are accelerating our strategic planning to establish a non-Lloyd's platform
- We intend to set-up Amlin Bermuda in time to participate in underwriting 1 January 2006 renewals
- We intend to leverage our expertise and relationships to establish Amlin Bermuda with a high quality account
- Our plans are expected to be EPS and ROE enhancing, subject to material abnormal loss activity
- Amlin has delivered superior returns over the last three years
- The rights issue proposal is intended to help capitalise Amlin Bermuda at around \$1 billion