



## **Interim Results**

### **4 September 2006**

*Roger Taylor – Chairman*

*Charles Philipps – Chief Executive*

*Richard Hextall – Finance Director*

*Tony Holt – Underwriting Director*



**AMLIN**



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**This presentation contains or may contain forward-looking statements. It is important to note that the Company’s actual results could differ materially from the results anticipated or projected in any such forward-looking statements, based on a number of important factors. The Company does not assume any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Past performance cannot be relied on as a guide to future performance.**



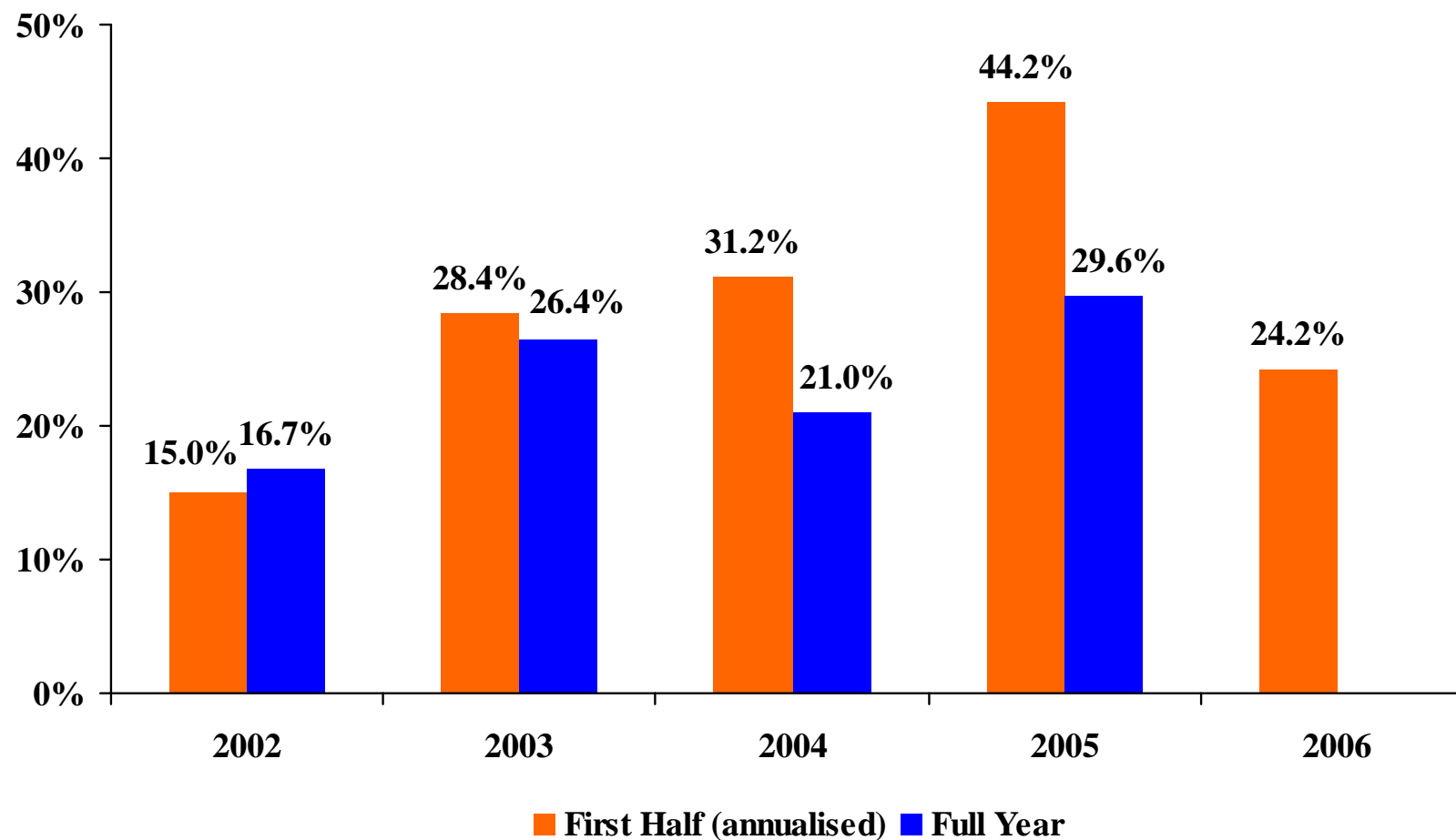
# Overview

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- Another strong first half performance:
  - PBT:£120.1m; CR:75%<sup>(1)</sup> ; H1 ROE: 12.1%
  - After IFRS non-monetary liability exchange rate swing of £45.5m relative to 2005
  
- Strong £36.8m contribution from Amlin Bermuda
  
- Interim dividend increased 5% to 4.2p per share
  
- Balance sheet strengthening with £230 million subordinated debt issue
  
- Net catastrophe exposures successfully repositioned
  
- Good full year return prospects and positive outlook for 2007 earnings

*(1) Combined ratio excludes impact of non-monetary foreign exchange gains and losses*

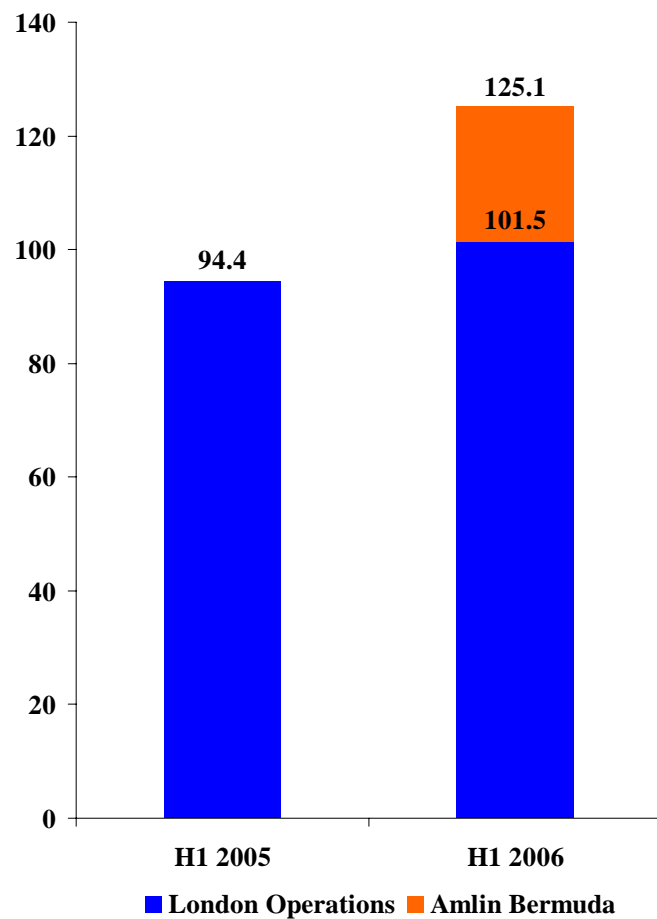
## Return on equity (annualised)



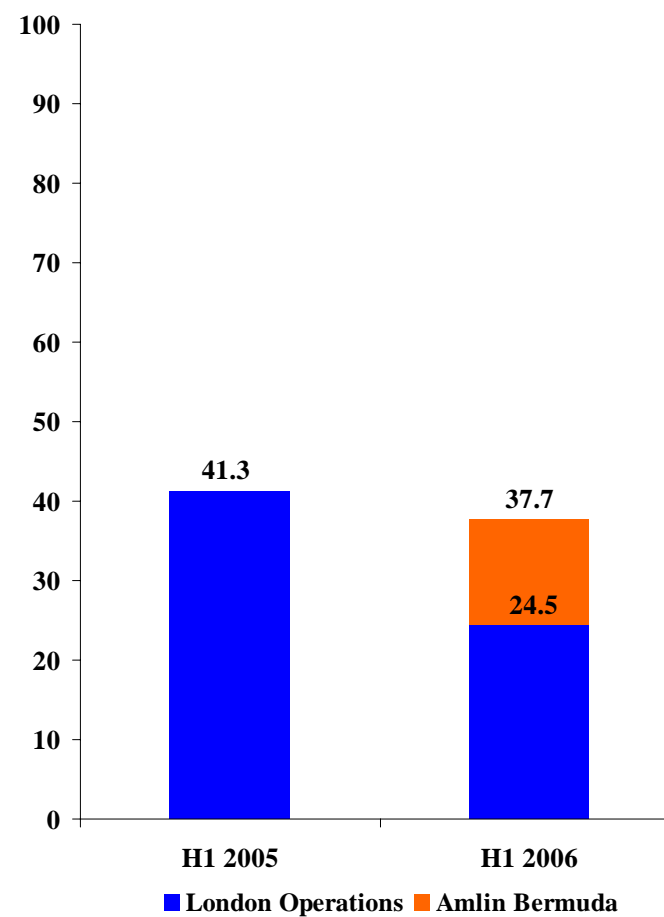
*(1) All full year and 2004 and 2005 half year have been restated for IFRS whilst 2002 and 2003 half year are based on UK GAAP*

# Contribution analysis<sup>(1)</sup>

### Underwriting contribution (£m)



### Investment contribution (£m)



*(1) Underwriting contribution excludes impact of non-monetary foreign exchange gains and losses*



## Results summary

<i>6 months ended 30 June</i>	<b>H1 2006</b> £m	<b>H1 2005</b> <sup>(2)</sup> £m	<b>Change</b> %	<b>FY 2005</b> <sup>(2)</sup> £m
Gross premiums written <sup>(1)</sup>	846.2	675.8	25	993.5
Net premiums written <sup>(1)</sup>	766.4	556.5	38	829.3
Net premiums earned <sup>(1)</sup>	481.8	395.5	22	822.1
<b>Profit before tax</b>	<b>120.1</b>	<b>138.4</b>	<b>(13)</b>	<b>186.7</b>
Tax	(25.2)	(38.4)	(34)	(46.5)
<b>Profit after tax</b>	<b>94.9</b>	<b>100.0</b>	<b>(5)</b>	<b>140.2</b>
<b>Earnings per share</b>	<b>17.9p</b>	<b>25.2p</b>	<b>(29)</b>	<b>34.3p</b>
<b>Net tangible assets per share</b>	<b>141.1p</b>	<b>118.7p</b>	<b>19</b>	<b>136.2p</b>

(1) *Gross and net premiums written and net earned premiums exclude premium received by Amlin for reinsurance to close of non-aligned members of syndicate 2001*

(2) *Restated*



## IFRS FX translation effect

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	Profit before tax		Underwriting contribution	
	H1 2006 £m	H1 2005 £m	H1 2006 £m	H1 2005 £m
As reported	120.1	138.4	101.8	116.6
IFRS translation adjustment	23.3	(22.2)	23.3	(22.2)
Underlying result	143.4	116.2	125.1	94.4

# Underwriting results

(assuming 100% syndicate ownership)



	H1 2006 <sup>(2)</sup> £m	H1 2005 <sup>(2)</sup> £m	FY 2005 <sup>(2)</sup> £m	FY 2004 £m	FY 2003 £m
Gross premiums written <sup>(1)</sup>	846.2	675.8	993.5	945.6	937.4
Net premiums written <sup>(1)</sup>	766.5	556.5	829.3	790.2	787.6
Net earned premiums <sup>(1)</sup>	481.8	395.5	822.1	722.4	701.1
Claims ratio	48%	45%	57%	50%	50%
Expense ratio	27%	29%	28%	32%	36%
<b>Combined ratio</b>	<b>75%</b>	<b>74%</b>	<b>85%</b>	<b>82%</b>	<b>86%</b>

(1) Gross and net premiums written and net earned premiums exclude premium received by Amlin for reinsurance to close of non-aligned members of syndicate 2001

(2) Combined ratio excludes impact of non-monetary foreign exchange gains and losses



## Divisional analysis

£m	Total	Non-Marine	Marine	Aviation	UK Commercial	Amlin Bermuda
Gross premiums written	846.2	475.0	161.0	42.4	89.8	161.8
Net earned premiums	481.8	246.7	83.5	29.8	79.0	45.9
Claims ratio	48%	39%	56%	81%	62%	37%
<b>Combined ratio <sup>(1)</sup></b>	<b>75%</b>	<b>67%</b>	<b>91%</b>	<b>116%</b>	<b>86%</b>	<b>49%</b>
H1 2005 <sup>(1)</sup>	74%	69%	73%	90%	79%	n/a
FY 2005 <sup>(1)</sup>	85%	97%	66%	75%	73%	n/a

(1) Combined ratio excludes impact of non-monetary foreign exchange gains and losses



## Amlin Bermuda income

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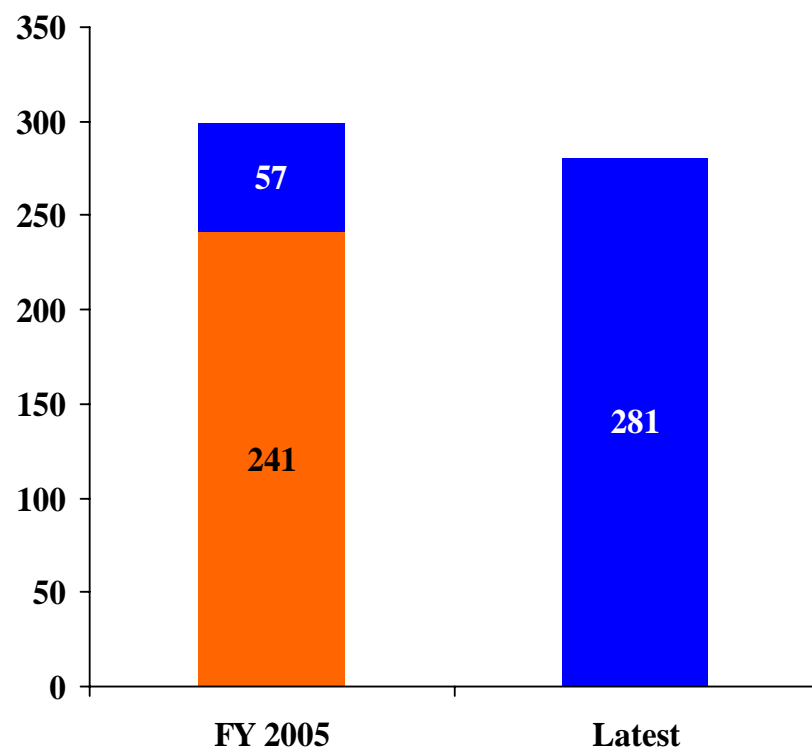
	Written	Earned
	£m	£m
Direct new business	78.1	22.9
Specific class new business cessions from S.2001	23.6	5.8
XL reinsurance of S.2001	6.9	6.9
Whole account quota share of S.2001	53.2	10.3
<b>Total</b>	<b>161.8</b>	<b>45.9</b>

## Investment performance

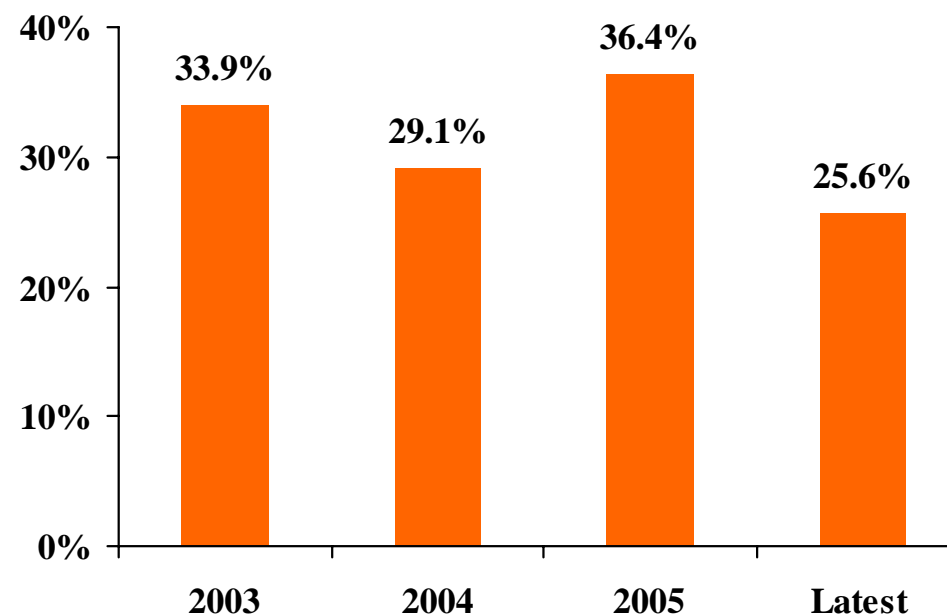
	30 June 2006		30 June 2005	
	Average Asset Allocation	Return	Average Asset Allocation	Return
	%	%	%	%
<b>Bonds</b>	<b>54.7</b>	<b>0.5</b>	<b>62.1</b>	<b>2.4</b>
<b>Equities</b>	<b>5.7</b>	<b>6.4</b>	<b>6.7</b>	<b>10.3</b>
<b>Cash</b>	<b>39.4</b>	<b>2.3</b>	<b>31.3</b>	<b>2.4</b>
<b>Property</b>	<b>0.2</b>	<b>-1.3</b>	<b>n/a</b>	<b>n/a</b>
<b>Actual return</b>		<b>1.5</b>		<b>2.93</b>
<b>Average Invested Assets</b>		<b>£2,282m</b>		<b>£1,571m</b>

# Cash and balance sheet management

Mix of debt <sup>(1)</sup> (£m)



Adjusted gearing <sup>(2)</sup>



*(1) Excludes bridge finance*

*(2) Defined as total debt (inc letters of credit) divided by total capital*



## Post Katrina underwriting realignment

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- 2006 demise of a cost effective Retro XL market
- Amlin decision to downsize gross CAT exposures and reduce reliance on Retro XL
- Objective to cut group peak net CAT exposures to £325 million or below
- Amlin Bermuda CAT appetite reduced from original plan
- London Retro XL cover reduced from \$270 million to \$116 million USA and \$52 million rest of world
- 10% quota share of London US XL account
- London reinsurance cover increased by 10% whole account quota share to Amlin Bermuda

# Post Katrina underwriting realignment (Cont'd)

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- Direct account reinsurance programmes renewed but without benefit of high level umbrella XL cover
- Peak gross exposures reduced for reinsurance and direct insurance accounts
- Peak CAT exposures reduced in two main areas: -
  - US/Caribbean windstorm
  - European windstorm
- Unexposed Bermudan balance sheet provided XL reinsurance for London during the transition phase



## Objectives achieved prior to US wind season

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- All Lloyd's disaster scenarios, which have been materially increased, within net market guidelines of 20% of capacity other than Eurostorm at 22.5%
- Group net RDS within £325m except for 2 materially increased scenarios:

Peaks	- Northeast US Wind	£330m
	- Eurostorm	£333m
- All other scenarios below £250 million
- Forecast gross written XL income up by 44% to £335 million (London and Bermuda)
- London outward reinsurance spend reduced by \$70 million
- Substantial inside profit to absorb catastrophe volatility

# Continuing good profit potential in marine and non-marine



## Rating indices for major classes (based on renewals)

Class	2000	2001	2002	2003	2004	2005	2006
US catastrophe reinsurance	100	115	146	150	143	144	195
Non US catastrophe reinsurance	100	120	157	162	146	131	139
Risk XL	100	122	190	192	171	145	163
US large property insurance	100	125	180	166	143	136	176
Airline hull and liabilities	100	296	278	234	215	191	163
Marine hull	100	115	148	171	183	188	190
Employers' liability	100	115	144	158	159	144	136
Energy	100	140	172	189	170	176	282
Professional indemnity	100	110	149	178	180	164	146
US casualty	100	123	172	215	232	237	235
War	100	250	288	244	220	206	195
Fleet motor	100	121	136	142	140	136	136

- H1 8.6% renewal rate improvement on entire portfolio
- Retention ratio: 79%



## **Strong outlook for non-marine**

- US CAT XL pricing accelerated in 2<sup>nd</sup> Quarter
- Surge in USA property insurance rates following a delayed reaction in first quarter
- International CAT XL showing only modest improvement due to European charge for market share and non correlating exposures
- Non CAT exposed business including casualty subject to flat rates/small reductions
- Overall significant profit potential



## Continued good margin potential in marine

- Offshore energy pricing strong especially in the Gulf of Mexico
- Bloodstock and war accounts softening
- Hull, cargo, specie, yachts and liability accounts flat/improving modestly
- Underlying profitability strong



# Airline and UK commercial under pressure

## **Aviation**

- Products and airport liability account rate rises
- Airline hull and liabilities weak due to a continuation of a low loss frequency
- Amlin underweight at this point in cycle

## **UK Commercial**

- Weak conditions persist for motor, property and liability rates
- Competition showing early signs of distress and the need to improve pricing
- Still a profit margin in Amlin portfolio



## Outlook good for 2006 full year

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- 2006 earned premium expected to be skewed more to H2 than in prior years
  - Start-up of Amlin Bermuda
  - Pattern of written income with material price increases
  
- Record net unearned premium reserve of £779 million, up 19% on reserve at 30.06.05
  
- Windstorm season current but exposures successfully repositioned
  
- Strong and consistently applied reserving
  
- Stronger overall rates feeding through to results
  - 8.6% renewal rate increase to end July
  - New business concentrated in areas with biggest rate increase
  
- Investment outlook stronger for 2H 2006



## Outlook for 2007

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- Continued favourable trading conditions:
  - CAT exposed risks should remain well priced
  - Likely softening of rates elsewhere – but a slide in rates unlikely
  - Strong profit potential in marine and non-marine
  - Possible turn in UK commercial motor
  
- Growth of Amlin Bermuda
  
- Diversity benefit through allocation of capital to stronger lines
  
- Continued growth in investment portfolio
  
- Reserving strength



## Amlin Bermuda

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- Solid platform for future expansion
- Business written is diverse and of high quality
- Sound team and infrastructure
  - Team now up to 13 people
  - Expansion of underwriting capability
  - Move to own office in September
  - Systems/controls bedding down well
- Business plan for 2007 will be affected by:
  - Balance sheet
  - Risk appetite



## “Global reference point for quality”

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- Gracechurch broker survey (350 interviews)
  - No 1 for top of mind awareness
  - No 1= for preferred usage
  - High recognition for world class underwriting expertise, high quality wordings and speed of policy issuance
  - No 1 for perceived financial strength
  
- Change leadership to increase efficiency and improve service
  - G6
  - “Peer to peer” electronic data transfer
  - Claims service strategy



## Summary

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- Strong H1 performance
  - Improvement in London underwriting contribution
  - Solid start for Amlin Bermuda
  - Annualised ROE of 24.2%
  
- Successful repositioning of catastrophe risks
  
- Outlook good for 2006 FY and 2007
  
- Balance sheet materially strengthened



# Q & A