



# Amlin plc Interim Results 2011

## Presentation to Analysts

22 August 2011

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

- Exceptional loss due to unprecedented level of H1 catastrophe losses, £314.3 million for Amlin: ROE a negative 8.8%, combined ratio of 121%
- Amlin London and Amlin Bermuda (excluding CAT losses) performing well: Amlin Re exceeding expectations: disappointing performance in Amlin UK and ACI
- Early signs of improvement in underlying performance of ACI – clearer picture expected in next 6 – 12 months
- 1.0% investment return achieved in H1 in poor environment (H1 2010: 1.7%)
- Interim dividend maintained at 7.2p per share
- Capital strength and diversity will enable profitable growth as underwriting conditions improve
- Rating environment improving – overall year to July renewal rate improvement 0.9%: 4.3% in month of July
- Strength of franchise and underwriting team remain capable of delivering excellent longer term returns

# Results

# Results summary

	H1 2011	H1 2010	Change
	£m	£m	%
Gross written premium	1,514.6	1,486.2	1.9%
Net written premium	1,314.9	1,286.8	2.2%
Net earned premium	919.3	862.5	6.6%
Underwriting contribution	(194.3)	100.1	(294.1)%
Investment contribution	45.3	78.7	(42.4)%
Other costs	(43.3)	(71.2)	39.2%
(Loss) / profit before tax	(192.3)	107.6	(278.7)%
Tax	40.8	(23.1)	276.6%
(Loss) / profit after tax	(151.5)	84.5	(279.3)%
Return on equity	(8.8)%	5.3%	(14.1)%
Earnings per share	(30.7)p	17.1p	(279.5)%
Net tangible assets per share	255.1p	295.9p	(13.8)%

# Group underwriting results

	H1 2011	H1 2010	FY 2010
	£m	£m	£m
Gross written premium	1,514.6	1,486.2	2,172.5
Net written premium	1,314.9	1,286.8	1,910.3
Net earned premium	919.3	862.5	1,748.1
Claims ratio	92%	63%	60%
Expense ratio	29%	25%	28%
Combined ratio	121%	88%	88%

# Catastrophe losses H1 2011

	Event date	Market insured loss <sup>1</sup> \$m	Amlin total est. net loss \$m	Amlin total est. net loss £m
New Zealand earthquake	Feb 2011	>10,000	305.3	189.7
Japanese earthquake/tsunami	Mar 2011	~30,000	156.4	97.1
US storms/tornadoes	Apr/May 2011	9,950	40.6	25.2
Australian floods	Dec 2010/Jan 2011	2,550	38.8 <sup>2</sup>	24.0 <sup>2</sup>

<sup>1</sup> Source for market insured losses: Munich Re, July 2011

<sup>2</sup> Estimated Australian flood losses include \$35.0 million (£21.7 million) booked at 31 December 2010 in respect of December 2010 losses.

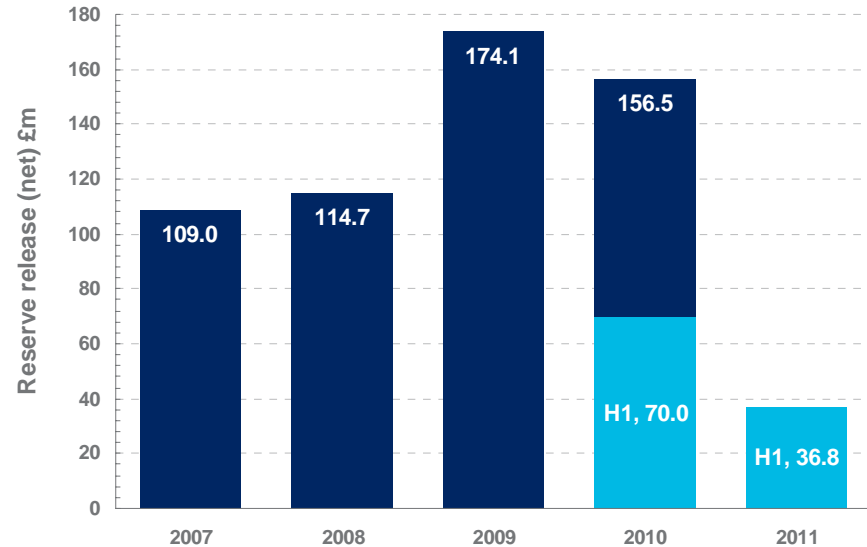
# Divisional underwriting analysis

	Group <sup>1</sup>	Amlin London	Amlin UK	Amlin France	Amlin Bermuda	Amlin Re Europe	ACI
	£m	£m	£m	£m	£m	£m	£m
Gross written premium	1,514.6	679.2	167.4	40.2	365.6	79.2	301.7
Net earned premium	919.3	325.6	106.3	18.5	227.0	19.1	221.1
Release from reserves	36.8	23.9	(3.2)	(1.8)	15.4	-	2.5
Underwriting contribution	(194.3)	(62.4)	(11.8)	0.6	(82.5)	0.4	(43.1)
Claims ratio	92%	84%	78%	66%	120%	62%	87%
Expense ratio	29%	35%	33%	31%	16%	36%	32%
Combined ratio	121%	119%	111%	97%	136%	98%	119%
H1 2010 Combined ratio	88%	86%	82%	89%	83%	-	100%

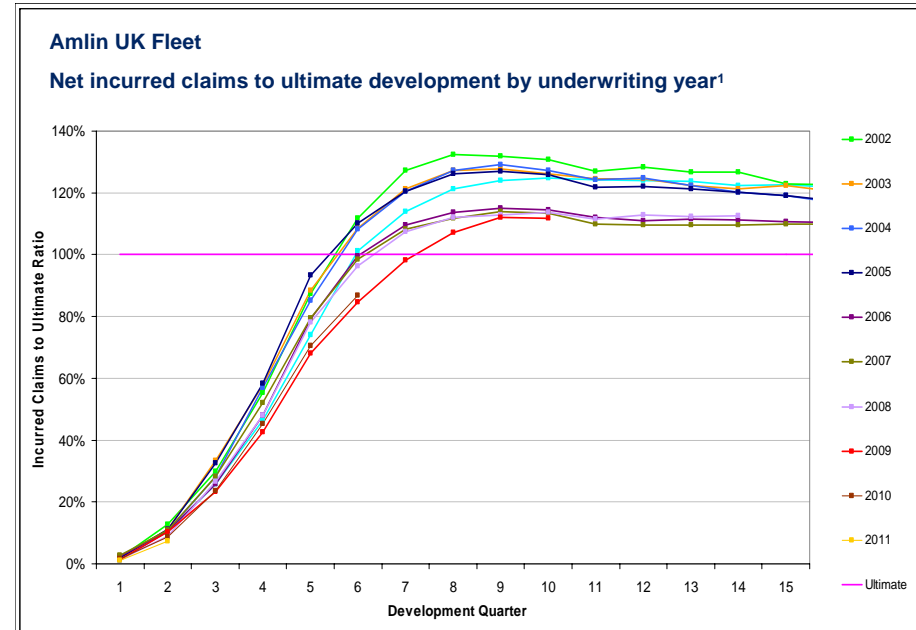
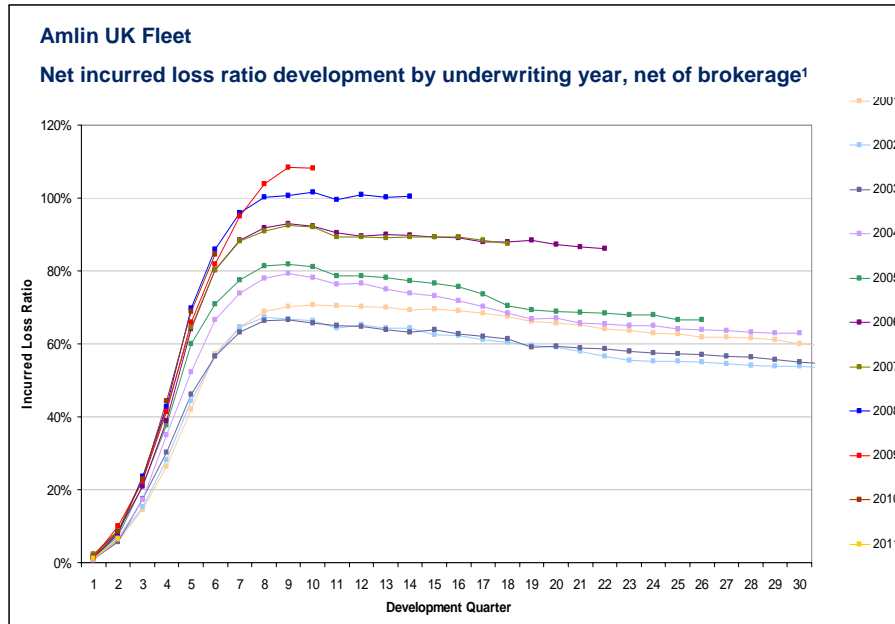
<sup>1</sup> Group totals include consolidation adjustments

# Reserving

- Consistent approach
- Expectations for future reserve releases
- On an accident year basis, Group reserves are at least £170m in excess of an actuarial best estimate (YE 2010: at least £175 million)
- Further reserve releases are subject to normal claims development



# Amlin UK reserving: fleet motor



<sup>1</sup> Before whole account quota share to Amlin Bermuda

# Investment performance

	H1 2011			H1 2010		
	Average asset allocation	Allocation	Return	Average asset allocation	Allocation	Return
	£m	%	%	£m	%	%
Bonds	2,947.8	69.2%	1.0%	3,538.6	85.7%	2.4%
Other liquid investments	844.4	19.8%	0.2%	182.4	4.4%	0.1%
Equities	384.9	9.1%	2.9%	277.8	6.7%	(6.1)%
Property	82.4	1.9%	2.7%	133.4	3.2%	0.4%
Total / average	4,259.5	100.0%	1.0%	4,132.2	100.0%	1.7%

# Investment mix: sovereign debt

At 30 Jun 2011

£m                  %

---

## Investments in sovereign debt

France	450.0	37.3%
USA	276.5	22.9%
Germany	140.1	11.6%
Netherlands	86.1	7.1%
Other	240.2	20.0%

## Investments in sovereign debt issued by Portugal, Republic of Ireland, Italy, Greece and Spain

Spain	13.1	1.1%
Total	1,260.0	100.0%

---

# Strength of capital

	At 30 June 2011	At 31 Dec 2010
	£m	£m
Net tangible assets	1,260.7	1,545.4
Subordinated debt	290.4	318.0
Facilities <sup>1</sup>	250.0	250.0
Available capital	1,801.1	2,113.4
Minimum required capital <sup>2</sup>	1,329.3	1,417.5
Headroom	471.8	695.9

<sup>1</sup> Bank facilities are subject to a number of restrictive covenants

<sup>2</sup> Assessed capital represents management's estimate of capital required for current trading purposes

# Trading Environment

# Average renewal rates

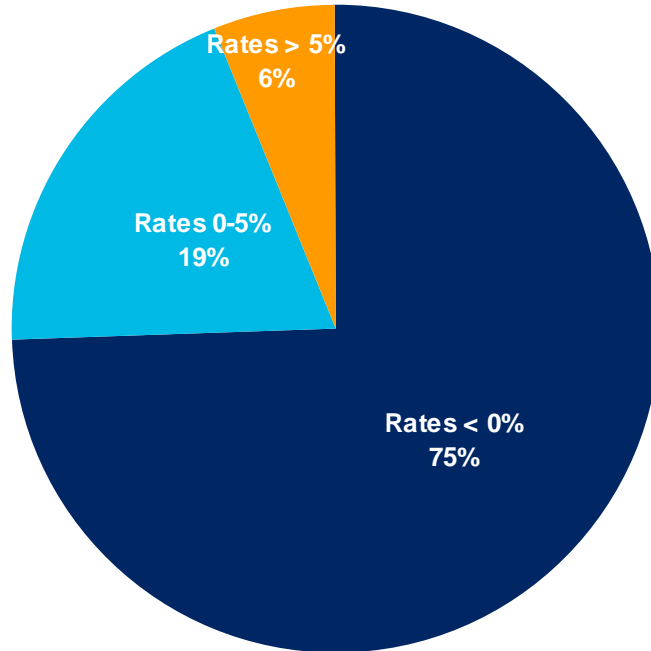
	Gross written premium H1 2011 £m	Gross written premium H1 2010 £m	Average renewal rate change Jan – Mar 2011 %	Average renewal rate change Apr – Jul 2011 %	Average renewal rate change Jan – Jul 2011 %
Amlin London	679.2	667.0	(1.6)%	3.9%	1.2%
Amlin UK	167.4	153.6	3.3%	4.7%	4.1%
Amlin France	40.2	20.6	n/a	n/a	n/a
Amlin Bermuda <sup>1</sup>	249.7	219.9	(4.2)%	4.2%	0.6%
Amlin Re Europe <sup>1</sup>	78.7	-	-	-	-
Amlin Corporate Insurance <sup>1</sup>	299.4	425.1	0.1%	(0.8)%	(0.3)%
<b>Total / average</b>	<b>1,514.6</b>	<b>1,486.2</b>	<b>(1.0)%</b>	<b>3.4%</b>	<b>0.9%</b>

<sup>1</sup> Excludes intra group transactions

# Rating environment by volume of business

## January - March 2011 rating environment

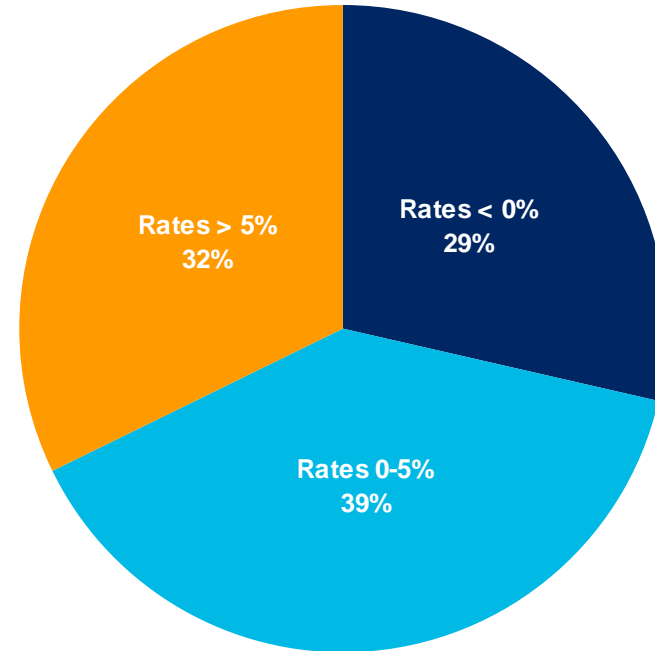
\* weighted by premium



Jan – Mar: 6% of book by premium increasing by >5%

## April - July 2011 rating environment

\* weighted by premium



Apr – July: 32% of book by premium increasing by >5%

# Reinsurance

- US cat renewal rates: H1 -0.3%, +6% between May and July 2011
  - Impact of catastrophe losses and to limited extent model changes
- International cat renewal rates: H1 +2%, +21% since May 2011
- Highly regarded teams and preferred market:
  - Amlin London viewed as having three of the top 10 reinsurance underwriters in London and ranked 1<sup>st</sup> for share of mind and service leader status<sup>1</sup>
- Continually adjusting book in light of experience and rating
  - £15.5 million of back-up covers written, 55% of which are off-risk
  - 2011 catastrophe GWP £60 million ahead of YTD plan and now estimated at £400 million for full year <sup>2</sup>
- Retrocessional reinsurance to provide increased protection for Amlin London for remainder of 2011
- 2012 outlook remains favourable (even in absence of hurricane)

<sup>1</sup> Source: Gracechurch Survey 2011

<sup>2</sup> 2011 underwriting year, net of brokerage

# International Property & Casualty

- US Property: rates improving in light of model changes (+1% to July 2011, -2% in January renewals)
  - Increased offerings to underwriters but pricing remains below our expectations
- Casualty: flat rating environment
  - Investment in underwriting team
  - Cautious growth due to inflationary concerns for claims
- Accident & Health and Auto rating reduced by up to 2% to July
- Trading profitably in current environment
- Limited opportunities but able to hold core business and ready to expand when market conditions improve further

# Marine and Aviation

- Overall Marine rates positive: +2% to July 2011:

- Offshore Energy rating increase 6%
- Marine Liability strengthening, particularly where offshore energy exposures, +7%
- Yacht book rating environment +3%
- Opportunities in above classes – most other marine rates remain flat

- Aviation rates +1% to July 2011:

- Underlying movement: -6% on Airlines (Hull and Liability) renewed to July 2011
- Balanced by Risk XS book strengthening by +30% at January renewals following loss activity
- Major General Aviation binder written new in 2010 with strong re-underwriting under Amlin's direction
- Main airline renewal period takes place in H2

# Amlin UK

- Fleet Motor rates increased by 7% to July 2011 as market continued to improve, with private car and taxis up 10%
- Property: rates increased by 1% to July 2011 but loss affected business seeing stronger rate rises
  - Investments in previous years, the team acquired in 2009 and the JR Clare acquisition in 2011 has led to growth, benefiting from winter loss affected rises
  - Enhancements to flood mapping proving beneficial
- Liabilities: Professional Indemnity rate movement -1% to July 2011, Employers rate movement -2% to July 2011
- 2012 Outlook: expect continued improvement in pricing for UK motor and household property to continue through 2011 and into 2012 – well positioned to increase market share

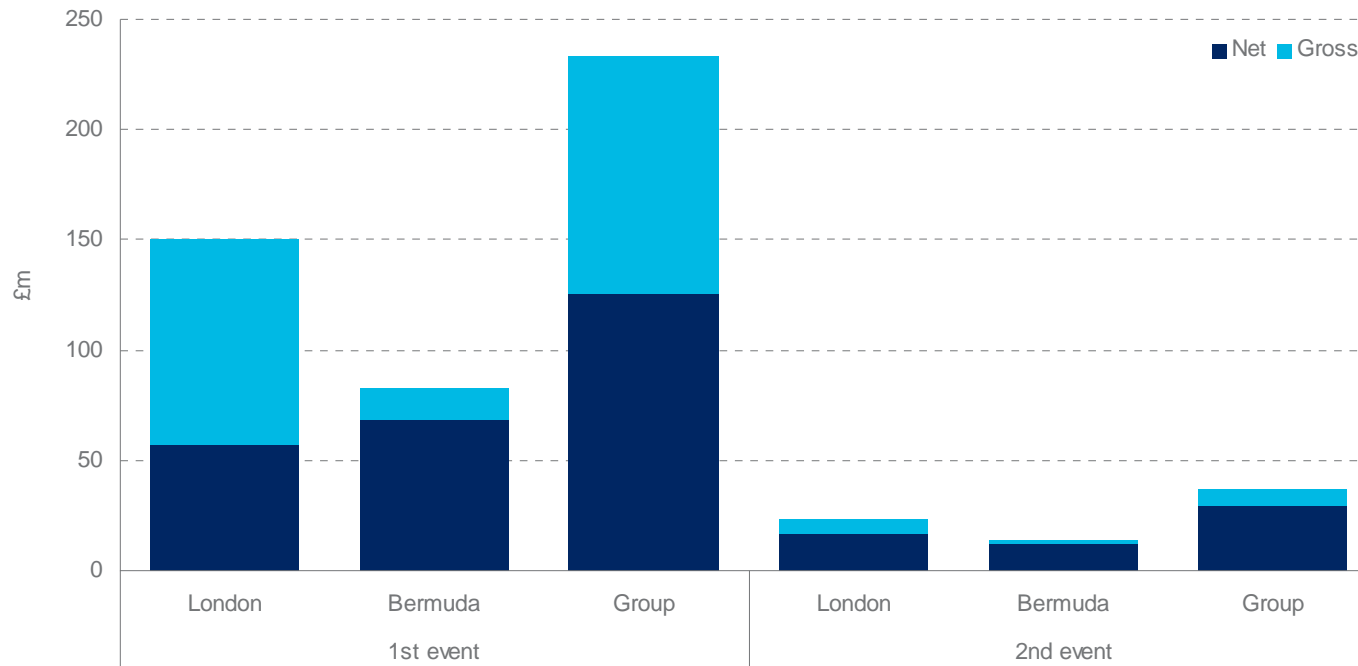
# Impact of catastrophe events on RDS

	Amlin modelled net loss at 1.1.11 £m	Amlin modelled net loss at 1.7.11 £m
<b>Group RDS<sup>1</sup> contained since Japan earthquake</b>		
\$125 bn Pinellas Florida windstorm	297	241
\$112.5 bn Gulf of Mexico windstorm	323	282
\$78 bn North-East US windstorm	339	283
\$78 bn California earthquake Los Angeles	330	270

<sup>1</sup> Realistic Disaster Scenarios (RDS) model exposure to all classes of business

# Current 'as if' 2008 hurricanes

- 1st event: repeat of Hurricane Ike: \$20.5bn insurance industry loss<sup>1</sup> (3rd costliest windstorm ever<sup>2</sup>)
- 2nd event: repeat of Hurricane Gustav: \$2.7bn insurance industry loss<sup>1</sup> (15th costliest windstorm ever<sup>2</sup>)



<sup>1</sup> Source: Swiss Re sigma

<sup>2</sup> Source: National Hurricane Center, Miami

<sup>3</sup> Realistic Disaster Scenarios (RDS) model exposure to all classes of business

# Amlin Corporate Insurance (ACI)

# ACI Strategy

- Continue to believe acquisition strategy was right:
  - Recognised franchise in Benelux
  - Further platform for growth in less CAT exposed areas
  - Scope for expansion on Continent when fully ‘Amlinised’
  - Ability to enhance performance and long term potential
  - Added Group diversification increases potential CAT appetite when conditions are favourable and margins strong
  
- Actions to improve performance always take time to be recognised in P&L account
  - Prior year run-off
  - Cautious over development until clear evidence

# ACI H1 2011

– Disappointing H1 performance:

- Combined ratio 119%
- Unusual frequency of large losses
- €17.8m lower prior period reserve releases

– Large claims in H1 spread over a variety of classes:

- Fishing vessel total loss: €7.8m
- Super yacht: €5.1m
- Slaughterhouse fire: €7.0m
- Commodities cargo €6.6m

# ACI large claims history

Large claims > €5.0m (before reinsurance recoveries)	Marine		Property		Total
	€m	No. of claims	€m	No. of claims	€m
2006	7.2	1	6.4	1	13.6
2007	-	-	5.9	1	5.9
2008	7.0	1	41.0 <sup>1</sup>	3	48.0
2009	-	-	-	-	-
2010	-	-	-	-	-
2011 H1	19.5	3	7.0	1	26.5

<sup>1</sup> €18.3 million after reinsurance recoveries and reinstatements

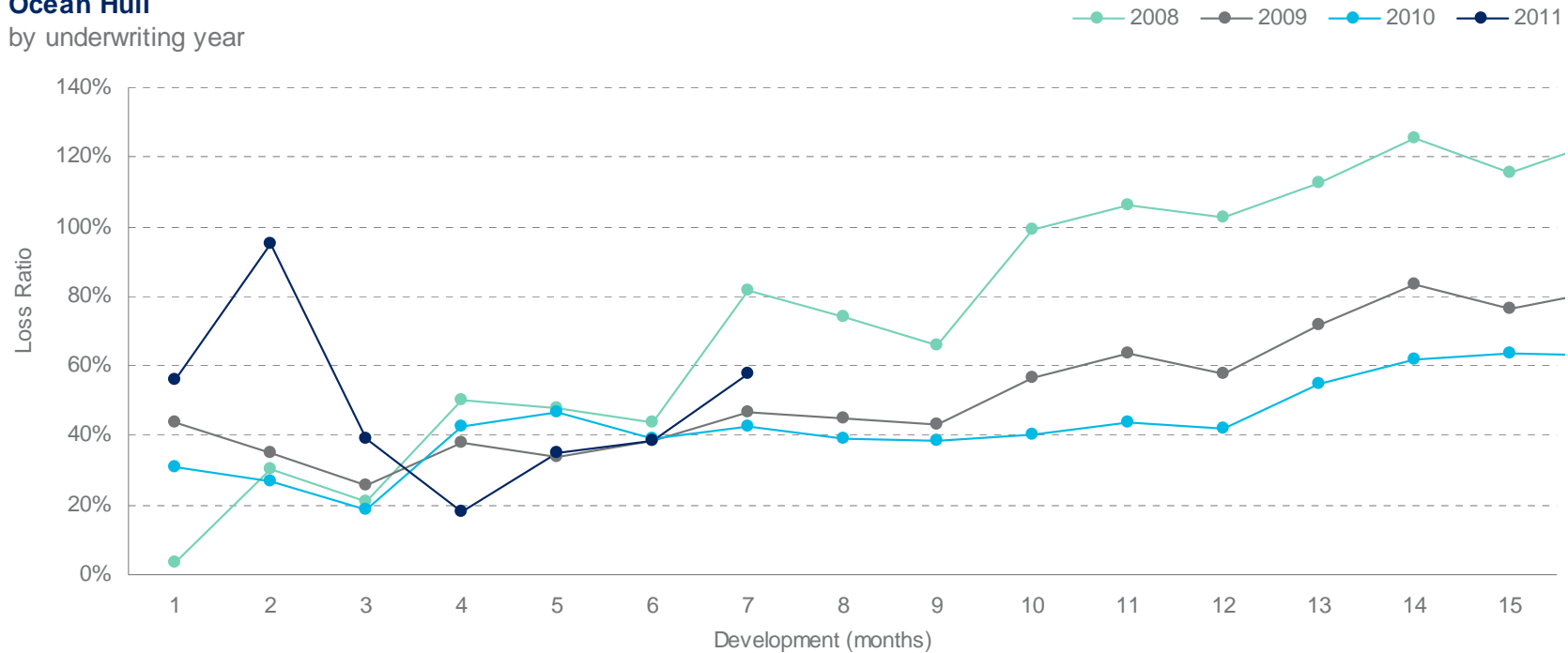
# Improvement actions

- €58.8 million of ACI portfolio non-renewed in H1 2011 at a five year average claims ratio of 121%, of which €39.1 million (129%) relates to Rotterdam marine
- Continued review by Group Underwriting Director and London marine underwriters
- Strengthened management capability:
  - former London marine underwriting manager based in Rotterdam
  - new chief underwriter appointed in Antwerp
- Embedding Amlin underwriting/controls:
  - reserving and portfolio reviews
  - price movement monitoring
  - peer reviews of risks underwritten

# Rotterdam hull account

## Ocean Hull

by underwriting year



- 2010 GWP: €41.5m
- Income recognition on cash basis leads to distortion of trends early in a year's development
- Claims process improved – earlier recognition of claims

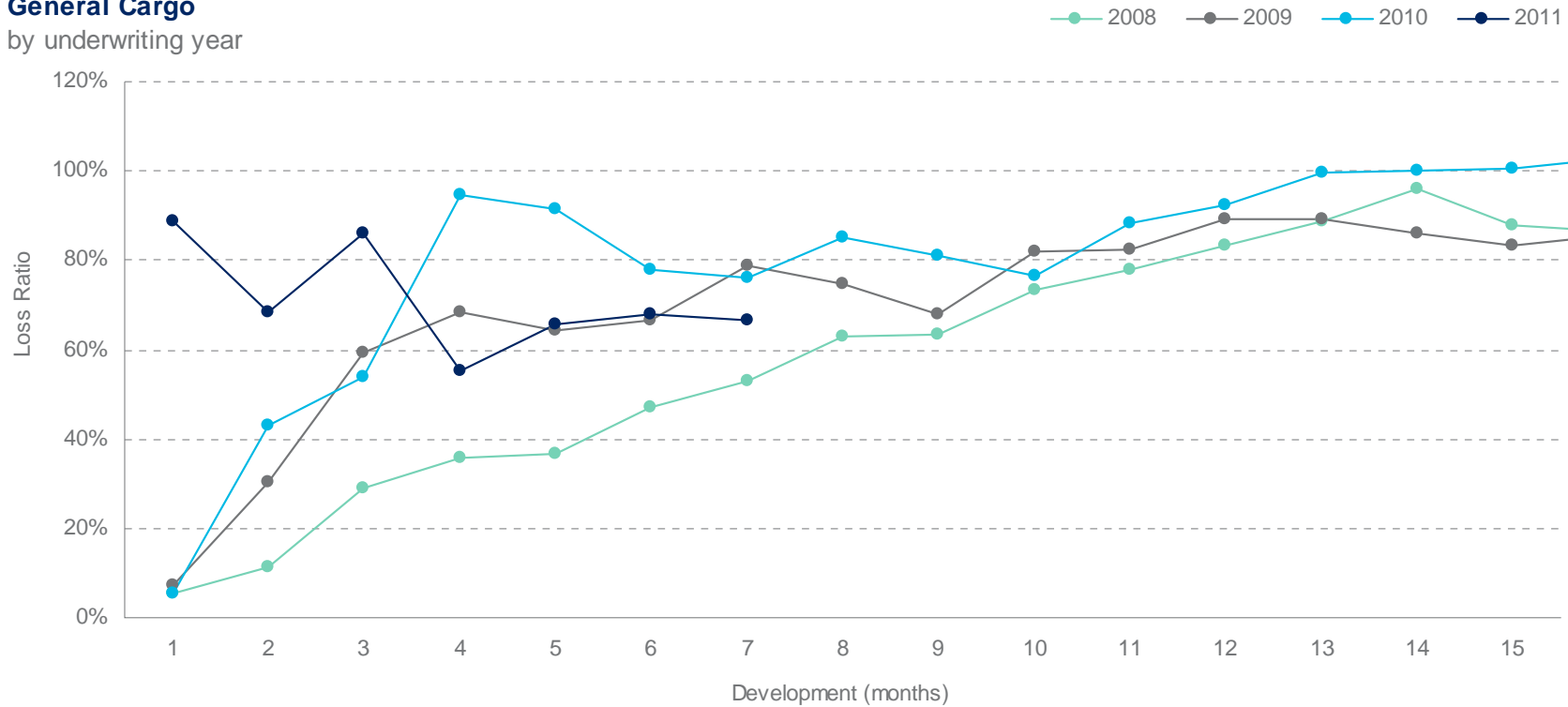
Note: Major claim removed from 2011

GWP stated net of brokerage

# Rotterdam cargo account

## General Cargo

by underwriting year



- 2011 GPW: €43.0m
- Income recognition on cash basis leads to distortion of trends early in a year's development
- Claims process improved – earlier recognition of claims

Note: GWP stated net of brokerage

# ACI outlook

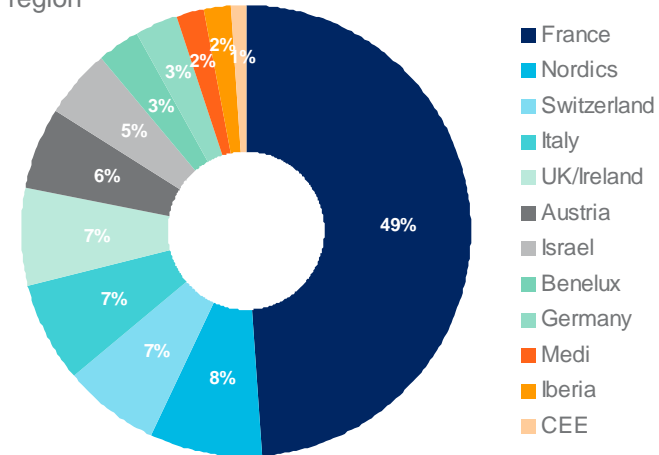
- Anticipate underlying GWP reduction of approximately €90 million due to poor market conditions and re-underwriting
- Effect of actions taken in 2010 and 2011 will be seen over next 6 – 12 months
- Market taking time to turn but signs of pain evident, not only at ACI
- Reserving remains robust
- Risk management improved
- New CEO started 1 June, making good impression
- Conversion to new system (now planned for 2012) will enhance reporting capabilities

# Amlin Re Europe

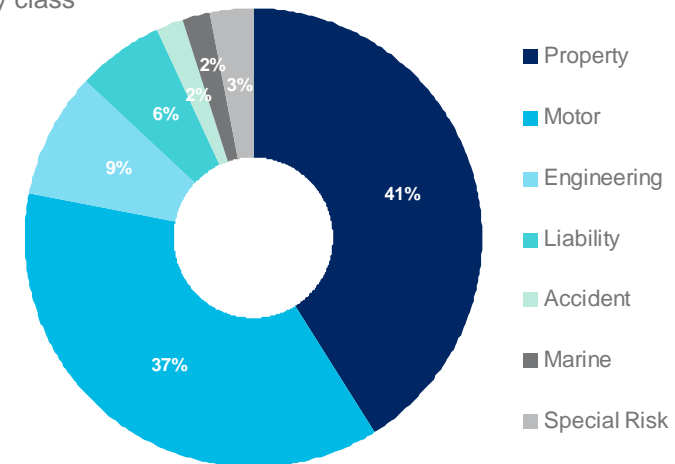
- High calibre team in place, well received by market
- €91.1 million GWP in first full six months of trading, additional €20.3 million written to July 2011, total GWP of €112.3 million to July
- H1 combined ratio 98% includes expense ratio of 36%, reflecting material start up costs and relatively low net earned premium of €21.9 million

Amlin Re Europe GWP June 2011

By region



By class



# Summary

- H1 affected by unprecedented CAT activity
- Expect to materially recoup H1 underwriting losses in H2
  - Unwinding of higher net unearned premium reserve: H1 up 12.9% to £1,267.7 million (H1 2010: £1,122.7 million)
  - £60 million additional CAT XL income with better rates
  - Reserving in Amlin UK addressed
  - UK rating environment continuing to improve
  - Better H2 performance expected at ACI
- Expect to maintain full year dividend unless further very high level of CAT activity in H2
- Confident that ACI will prove to be a good acquisition
- Amlin remains capable of continuing to deliver excellent long term returns

*Amlin*

# Appendix

# Rating indices in key classes

Class – excl ACI	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	H1 2011
US cat reinsurance	100	115	146	150	143	144	185	188	167	185	175	174
Int. cat reinsurance	100	120	157	161	145	131	138	131	119	124	123	125
Property reinsurance	100	122	189	191	170	146	170	144	126	127	115	109
Property	100	125	171	163	143	136	165	143	133	142	141	141
US casualty	100	123	172	217	234	239	237	223	203	199	197	196
Marine hull	100	115	148	171	183	189	191	192	192	205	208	210
Offshore energy	100	140	172	189	170	175	262	243	209	256	247	262
War	100	250	288	244	220	206	191	175	160	156	153	153
Airline hull and liabs	100	301	283	235	216	201	158	122	127	141	132	124
UK fleet motor	100	121	136	143	141	137	135	134	137	144	148	158
UK employers' liability	100	115	144	158	159	144	135	123	115	114	115	112
UK prof indemnity	100	110	149	178	181	165	154	140	129	128	127	126
UK property	100	100	100	127	126	126	117	110	109	107	106	107
<b>Class – ACI only</b>										<b>2009</b>	<b>2010</b>	<b>H1 2011</b>
Marine										100	104	104
Property										100	97	96
Liability										100	95	95
Fleet motor										100	99	99