AMLIN PLC ANNUAL REPORT 2003

CONTINUITY IN AN UNCERTAIN WORLD

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To have confidence in Amlin demands an understanding of both the insurance sector in which we operate and our approach to it. We face all the usual challenges of a developing company and some others as well, as the following pages illustrate. We invite you to explore these influences, understand how we operate in light of them, and judge our value accordingly.

OUR BUSINESS ENVIRONMENT...

Sixty million aircraft take-offs and landings are handled every year by the world's air traffic control services, over half of these in North America. Chicago O'Hare is the world's busiest airport, with over 750,000 aircraft movements a year. However, the Chinese government plans to build 96 new airports by 2010 and to spend an additional US$13 billion on developing airport infrastructure. Boeing predicts that China will be the world's second largest commercial airlines market by 2024.

According to data from the National Interagency Coordination Center, humans are responsible for almost four times more fires in the US than are natural causes such as lightning. Once mother nature has added wind and heat to the equation, substantial insured losses such as the recent California bush fires result, which caused estimated damage of over US$2 billion in 2003.

FUTURE GROWTH IN AVIATION ASIA

FOREST FIRE UNITED STATES

You can forecast them, you can model them, but you cannot stop them. Hurricanes just keep coming and they still rank above earthquakes and floods as the source of the US's most costly natural disasters, representing claims of US$2 billion in 2003.

The global container trade has grown by 600% since 1980 and, whereas the largest container vessel built in that year was 3,500 TEU (20 foot equivalent units), there is now a 9,200 TEU vessel on order. Hong Kong is the largest container handling port in the world, lifting 19 million containers in 2002.


HURRICANE
ATLANTIC COAST


FOG
BALTIC SEA

With the sharp rise in the values of competition horses, many people need insurance protection on animals that can easily cost between US$500,000 and US$2 million. Horses are a high risk category for insurance underwriters; actuarial studies show that the likelihood of claiming on a horse is 28 times greater than on a house insurance policy.

Other than for the Inland Waterways, there is no UK legal requirement to register or insure a craft, nor is there compulsory licensing of boat 'drivers' as yet. However, a survey carried out in 2002 showed that there were an estimated 450,000 craft in the UK.

FENCE NO.9 FRANCE

YACHT RACE THE SOLENT

YOU MAY BE THINKING THAT ACHIEVING STABILITY FOR CLIENTS IN AN UNPREDICTABLE ENVIRONMENT IS A CHALLENGE.

THAT'S OUR BUSINESS.

OUR PRODUCT IS CONTINUITY IN AN UNCERTAIN WORLD.

Delivering continuity

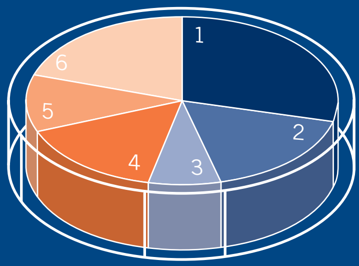
It's not alchemy. Six core competencies allow Amlin to embrace uncertainty and transform it into opportunity for ourselves and our stakeholders. The secret is to manage, mitigate and eliminate risks to our business at every step. Because in the end, it all comes down to skills and management.

Underwriting
Risk management
Capital management
Investment management
Operational management
and
People management

Underwriting

Amlin is a preferred insurer in our chosen fields – a leader in the London insurance market. The respect of our clients arises from our expertise across a spectrum of commercial insurance classes ranging from catastrophe reinsurance to UK commercial motor.

MAJOR CLASS SPLIT OF PREMIUMS WRITTEN (PERCENT)

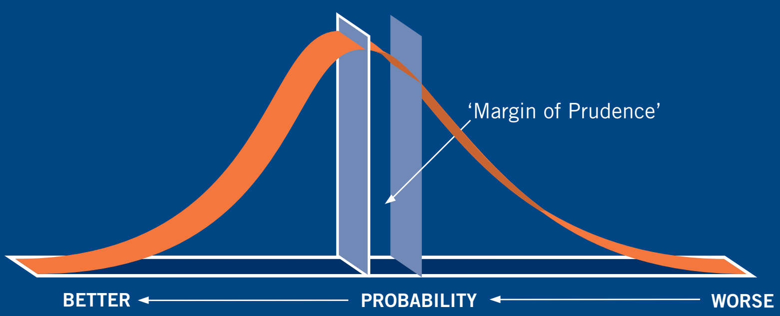


1	REINSURANCE	**29.0**
2	PROPERTY	**17.0**
3	US CASUALTY	**7.5**
4	MARINE	**15.5**
5	AVIATION	**11.0**
6	UK COMMERCIAL	**20.0**

Risk management

Risk management is at the heart of our every action, overlaid by the comprehensive risk management framework which is crucial to our long-term success. This provides to insureds and shareholders alike the confidence that we are well-equipped to deal with the uncertainty of major events.

PRUDENT RESERVING ILLUSTRATION



Risk management begins with each underwriting decision. Maximum limits of indemnity are set and monitored for specific types of risk, and each risk is subjected to a thorough internal review.

We assess potential catastrophic exposures by using advanced modelling software to simulate major loss events and their impact on our portfolio, adjusting exposures to fit our risk appetite.

The financial security of our reinsurers is carefully vetted. The adequacy of our reserves to meet future claims is assessed regularly by an independent team of actuaries. We continue to hone and advance our risk management techniques to increase risk transparency and refine allocation of capital.

Confidence in Amlin's underwriting arises from the highly disciplined way we assess, select and price risk. Our senior underwriters are among the most experienced in the world. They understand how to price risk.

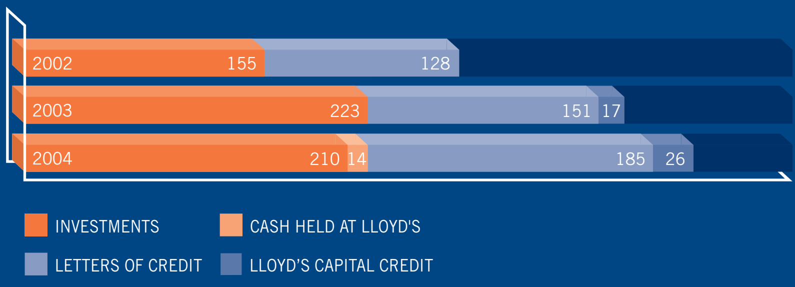
Our strategic approach is to increase volumes when insurance prices are high, but shrink when technical margins are questionable. Thus we have expanded into what is now acknowledged as an exceptionally well-priced underwriting environment.

Amlin balances attritional and volatile risks from around the world. Most are short-tail, where claims will usually be fully reported within 18 months. Our prudent risk diversification engenders resilience, as illustrated by our absolute underwriting profit for the 2001 underwriting year, despite claims related to the terrorist attacks that year.

Capital management

Disciplined capital planning and management, that is strongly tied to insurance market conditions, provides the framework for delivery of our target return on equity over the course of the pricing cycle.

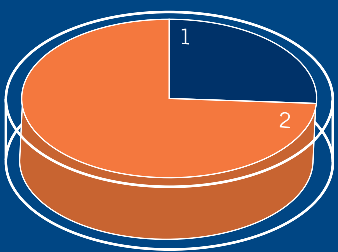
FUNDS AT LLOYD'S (£ MILLION)



Investment management

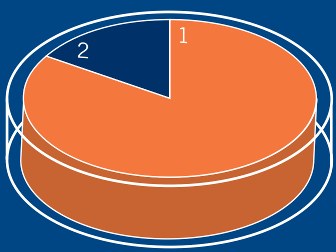
Amlin's investment management strategy is linked to the underwriting climate. It is another critical element in the delivery of an acceptable overall return on capital to shareholders. Since the Group's assets are substantial, incremental changes in return have a significant impact on the bottom line.

SOLVENCY PORTFOLIOS
(PERCENT END 2003)



1 EQUITIES	26
2 CASH AND SHORT TERM ASSETS	74

TECHNICAL PORTFOLIOS
(PERCENT END 2003)



1 BONDS	84
2 CASH AND SHORT TERM ASSETS	16

Our first point of reference for determining investment risk appetite is the underwriting climate. When the opportunity for economic return is strong in our core underwriting functions, preservation of capital to support the insurance business is of paramount importance. When the insurance cycle turns down after a period when Amlin has generated strong capital inflows, more risk may be taken on in the investment portfolios, while carefully managing the balance of risk and reward.

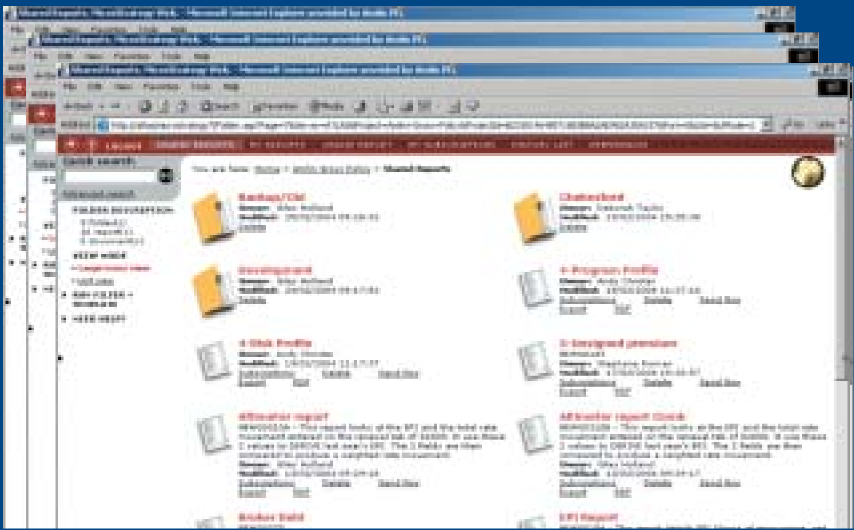
After determining our risk appetite at a point in the cycle, we then use a value at risk approach to optimise asset allocation strategy.

Amlin has boosted shareholder returns during this highly profitable stage of the insurance pricing cycle by using letters of credit as supplementary capital. We currently support our insurance activities with letters of credit valued at £185 million, in addition to £210 million of group capital. Strong cash flows will be used to eliminate this external capital before the underwriting cycle reaches a stage when such leverage is no longer sensible, such that capital utilisation remains efficient when we reduce volumes in a pricing downturn.

Meanwhile we continue to fine tune our capital allocation model using risk-based capital modelling techniques, to ensure our allocations most economically reflect the trade-off between return on risk and the cost of capital, and thus maximise returns.

Operational management

In the fast changing and competitive landscape of the global insurance market, we strive to support our core underwriting business with effective and efficient operations capable of providing clients with market-leading service while minimising unnecessary cost.



Our investment in people and technology, together with a focus on measurement against targets, helps place Amlin in a leadership position in the promotion of improvement in London market practice. Amlin is one of four leading underwriters and two broker partners in the Lloyd's market pioneering the introduction of the automated processing system Kinnect. This end-to-end system will increase the speed of data flow and significantly reduce duplication and error.

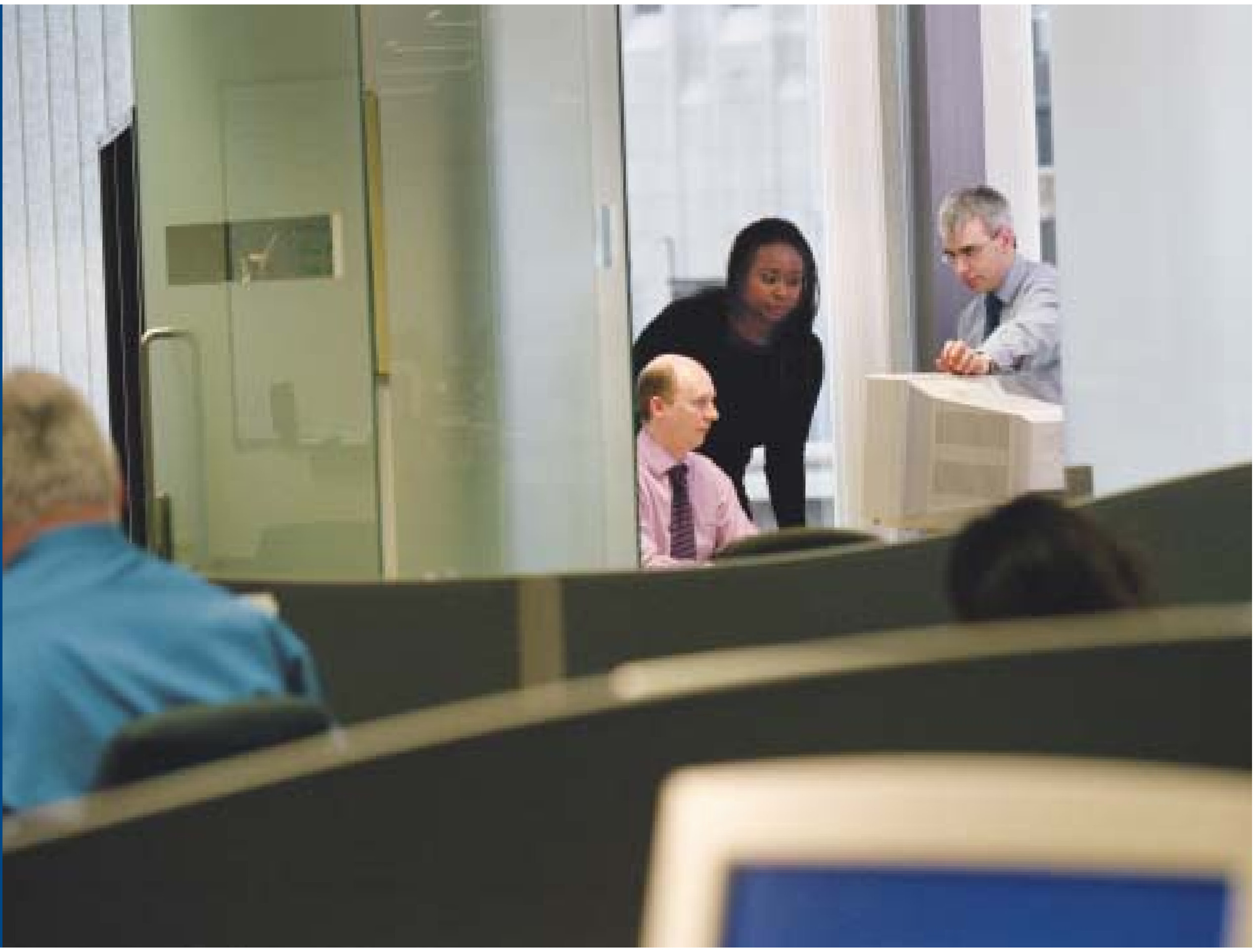
Amlin aims to lead the way in other areas including electronic data warehousing, wordings and claims. Such initiatives will give us both a competitive advantage and the savings of increased efficiency.

People management

Despite the technical innovations, insurance in the London market remains a people-oriented business. We are committed to attracting, developing and retaining talent and to achieving our vision of becoming the favoured place to work within the London insurance market.

AMLIN ACADEMY – COURSES ATTENDED

Skill description	2001	2002	2003
Business technical	1,224	2,042	**1,483**
Information technology	226	132	**172**
Management development	135	122	**205**
Personal development	205	138	**176**
Professional qualification	n/a	140	**148**



In underwriting, nothing can substitute for wisdom and experience. We are proud of our exceptionally strong underwriting skill base. Our 47 senior underwriters have an average of 21 years' experience in insurance, including ten with Amlin. Dedicated claims and wordings teams and legal experts help us to provide high standards of client service.

Key professionals joined Amlin in 2003, including in investment management, London operations and strategic communications.

Amlin Academy, now in its third year, provides training and development courses for staff and selected open courses for others. In 2003 a new management development programme was introduced, working with the Roffey Park Institute. Aimed at taking people management skills to the next level, 24 managers attended.

The numbers 2003 highlights

FINANCIAL HIGHLIGHTS	2003 £m	2002 £m	2001 £m	2000 £m
Gross premiums written	**937.4**	717.1	587.4	363.3
Net premiums written	**787.6**	573.0	486.5	284.1
Earned premiums	**684.7**	494.1	342.9	231.1
Operating profit (loss) before tax				
(based on longer term investment returns)	**124.4**	45.6	(61.7)	(5.9)
Profit (loss) on ordinary activities before tax	**120.3**	55.4	(81.5)	(26.4)
Per share amounts				
Operating profit (loss)	**30.9p**	17.7p	(40.5p)	(9.7p)
Earnings	**21.6p**	14.1p	(33.3p)	(9.6p)
Net assets	**99.3p**	80.3p	66.4p	100.1p
Net tangible assets	**84.6p**	64.5p	59.0p	92.1p
Dividend	**2.5p**	2.0p	–	4.0p
Operating ratios				
Claims ratio	**51%**	63%	87%	84%
Expense ratio	**32%**	32%	30%	27%
Combined ratio	**83%**	95%	117%	111%

100%

SYNDICATE CAPACITY OWNED

£1.0bn

2004 UNDERWRITING CAPACITY (AFTER BROKERAGE)

£937m

GROSS PREMIUMS WRITTEN

£685m

EARNED PREMIUMS

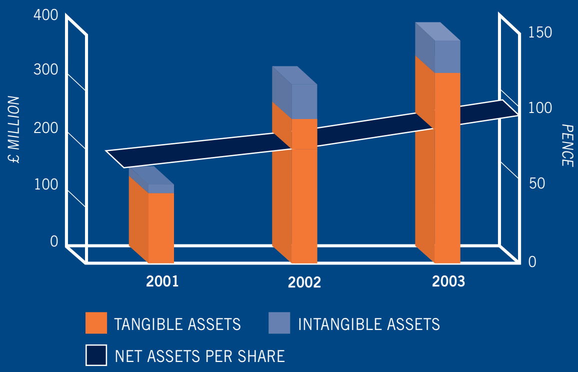
27.0%

RETURN ON EQUITY 2003

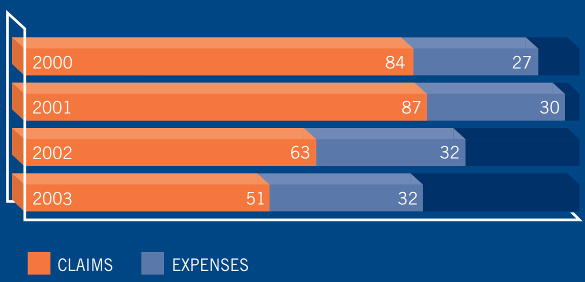
20.1%

RETURN ON EQUITY 2002

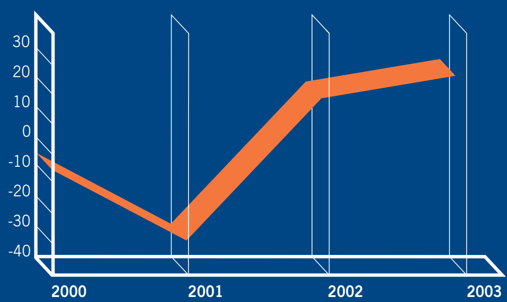
GROWTH IN NET ASSETS AND NET ASSETS PER SHARE



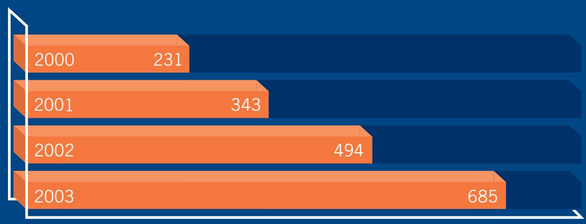
IMPROVED COMBINED RATIO (£ MILLION)



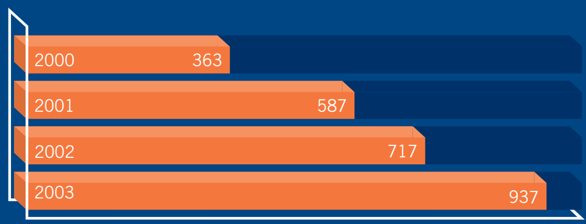
EARNINGS PER SHARE (PENCE)



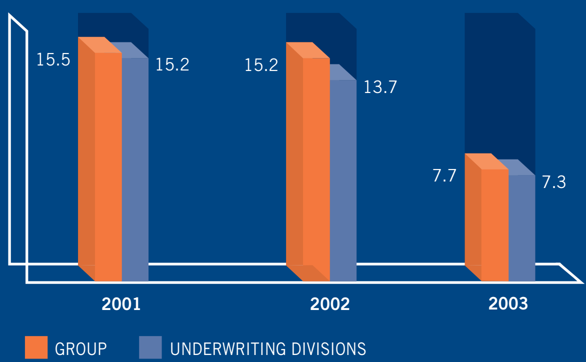
GROWTH IN GROSS PREMIUMS EARNED (£ MILLION)



GROWTH IN GROSS PREMIUMS WRITTEN (£ MILLION)



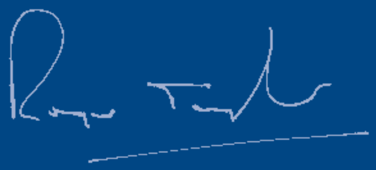
STAFF TURNOVER (PERCENT)



Chairman's statement

Dear fellow investor
Over the past three years we have been developing and implementing our strategy but delivery is ultimately what counts, and I am delighted that the results for 2003 confirm Amlin's ability to generate an excellent return on the capital you have invested in the business.

ROGER TAYLOR
CHAIRMAN



Excellent results in 2003

By any measure 2003 was an outstanding year for Amlin. The momentum established during 2001 and 2002 flowed through into 2003 and, with 31% growth in gross written premium and a relatively low incidence of major incurred loss events, our profit before tax more than doubled to £120.3 million (2002: £55.4 million) and resulted in earnings per share of 21.6p (2002: 14.1p).

Dividend

The Board proposes a final dividend of 1.65p per share (2002: 1.25p) making a total dividend for 2003 of 2.5p (2002: 2.0p). While the Company recorded excellent profits in both 2002 and 2003, the 2003 dividend reflects the application of Lloyd's three year accounting whereby the profits from the 2002 and 2003 years of account will not be received as cash by the Company until April 2005 and 2006 respectively.

The Board recognises the importance to shareholders of providing cash returns and a clear dividend policy. Accordingly, in respect of the years 2004, 2005 and 2006 the Board intends, in the absence of unusual circumstances, to pay a minimum dividend of 30% of distributable earnings in the relevant year.

Our market place

Lloyd's is implementing a powerful programme of change which we fully support as our progress is closely related to the success of the market in which we trade. I believe our ability to grow our profits gives an important signal that Lloyd's remains a successful insurance market place.

During 2003 the new Franchise regime began to demonstrate its influence, not least in managing the level of overall capacity, and is well on course to bring about the improvements necessary to build a more robust and profitable Lloyd's market.

There are numerous initiatives aimed at improving the administrative efficiencies of the market in which we are playing a leading role, and we see these benefiting Amlin in the years ahead.

Focussing on our clients

In a year where security downgrades became an industry norm, we have seen a flight to quality as brokers and clients have become increasingly concerned with the financial strength of their insurers. I was delighted when A M Best graded Syndicate 2001's security rating as A (Excellent) – a sound endorsement at a time when high quality security has become scarcer, particularly for major reinsurance risks.

During 2003 we commenced a number of initiatives with the aim of improving the effectiveness and efficiency of our client service. Customers rightly expect certainty of service standards in policy issuance and claims settlement, areas where the London market has been notoriously poor. In the medium to longer term these initiatives will help reinforce our client proposition and strengthen our market position.

Governance and regulation

We are well advanced with implementing the changes recommended by the Higgs and Smith reviews.

Regulatory changes continue apace, with new rules regarding intermediaries to take effect in 2005 and proposals being developed by the FSA to establish new capital requirements for general insurers.

We have specialist managers dedicated to compliance and regulatory matters and your Board places a high priority on maintaining strict standards.

Outlook remains positive

Underwriting conditions over the past two years have been exceptional, as reflected in our results, and underpin our expectations for a further strong result for 2004.

The reaction of the world's insurance markets to the terrorist atrocities in September 2001 meant that it was inevitable that rates would stabilise and, in those classes that experienced the greatest rises, come off their peak. Even though this has happened, with a normal level of losses, we continue to expect 2004 to be another very good underwriting year and, if past cycles are repeated, for 2005 also to be good. On this basis we can see prospects for good returns on capital as far ahead as 2006.

However, there are reasons for optimism beyond this. The continuing industry dynamics of adverse loss reserve development, particularly arising from accelerated asbestos settlements (to which Amlin is thankfully not exposed), a subdued outlook for bond returns and an increased scarcity of good quality security, reinforces our belief in the positive medium term outlook. These factors will make it more difficult for many in the industry to grow their balance sheets and increase capacity.

Future strategic direction

The shape and potential of the business today is very different to the period before 2000 when the Board approved management's five year strategic plans to 2005. In October 2003 the Board carried out a detailed review of progress made and concluded that, in very many respects, we had already reached the goals we had set for 2005.

With 100% of our Syndicate's capacity under our belt, a business which is a true leader in Lloyd's by many measures, and financial targets on track to being met or exceeded, we are now developing a strategic plan for the next period of the Company's development. We do not envisage that this will result in dramatic change to the core attributes that have contributed to our success. Rather it will build upon our strengths, ensuring that we are well positioned to trade profitably through the next down cycle and able to repeat the significant growth achieved in the current hard market. In this we intend to explore and challenge how best we continue to build shareholder value.

Board retirements

I would like, on behalf of the Board, to express our thanks to John Kennedy and John Sanders who will be retiring as Directors at this year's Annual General Meeting. Both Johns joined the Board in 1993 on the creation of the Company as a then investment trust, and have provided tremendous input and support through the challenges and changes faced over the past 10 years.

I would also like, on behalf of the Board, to acknowledge the contribution and enthusiasm to Amlin provided by John Stace, who is also retiring as a Director at this year's Annual General Meeting. John was the Company's first Chief Executive and was integral to the merger of Angerstein with Murray Lawrence.

I wish all our retiring Directors well for the future and am pleased that they have seen the success of the strategy put in place in 2000, to which they contributed.

The Board intends to recruit one new independent non-executive Director.

A team committed to delivery

With each year that has passed, it is pleasing to see the senior management team working better and better together in an effort to build a sustainable, winning business. Objectives have and are being met, spurred on by a tremendous sense of commitment to deliver. We owe the team, led so ably by Charles Philipps, and all employees our thanks and congratulations on achieving, yet again, an impressive result and a Company in excellent shape for the future.

Chief Executive's strategy review

For the last four years our primary strategy has been to create value by building Amlin to become a leading insurer in the London Market, recognised by insureds and insurance brokers as a first choice for leading risks in our chosen fields of expertise. In so doing our aim has been to achieve returns for our shareholders over the insurance cycle that are superior to our peers.

CHARLES PHILIPPS
CHIEF EXECUTIVE

Having reshaped the business in 2000 so that it became more aligned with client needs and provided a sounder foundation for development, we set ourselves demanding annual objectives in terms of both underwriting performance and operational improvement. These objectives centred around the development and motivation of our staff, the alignment of our capital strategy to our underwriting strategy, the enhancement of our risk management techniques and a drive for efficiency. Our long term aim has been to increase our appeal to all stakeholders, be they insureds, broker intermediaries, reinsurance partners, employees, regulators, shareholders or other capital providers.

The reward to shareholders from our focus in these areas, and the resultant experienced and motivated team, is now being recognised in the form of superb levels of profitability. Moreover, the cautious approach that we have adopted in areas such as reserving and reinsurance security has contained the risk of adverse development from prior years. The alignment of our capital strategy to the underwriting cycle is resulting in leveraged returns on equity in a period where the risk reward ratio is very much in the Group's favour.

The benefit to our other stakeholders is a far more robust business providing stronger security, greater levels of professionalism, higher standards of service and assured continuity. Going forward, the platform now in place provides tremendous scope for stretching our lead in areas of importance to brokers and insureds in particular, further enhancing our appeal and hence our potential for long term growth.

In the paragraphs that follow I comment on a number of features of our strategic positioning, together with areas for future development.

Capacity and long term growth

Amlin is now a fully integrated Lloyd's business, underwriting 100% of Syndicate 2001's capacity for 2004. The take-up of the remaining third party capacity by Amlin for 2004 results in a 16% increase in our headline owned capacity; further good growth at a time when margins are exceptionally strong.

We have maintained Syndicate 2001's capacity at £1 billion for 2004 but we have not renewed the quota share reinsurance arrangement we had in place for 2002 and 2003 for up to £100 million. This reflects our desire, with insurance rates generally reaching a peak, to focus on maintaining margins rather than chasing volumes. We are pleased that the Lloyd's overall capacity has been similarly restrained. In line with our policy of maintaining a gross underwriting discipline, we will reduce our capacity if competitive forces prevent us from charging what we consider to be the right technical price for risks.

As the largest integrated Lloyd's business, our size is another of Amlin's core advantages. In addition to a robust market position that size entails, it provides for a sound risk management proposition where we can contain our largest line sizes to modest percentages of capacity.

Gross premium, for our continuing business, increased by 97% from its peak in the last hard market to current levels. Our aim is to double the business from one cycle to another, recognising that between peaks we intend to reduce capacity if underwriting conditions limit the prospects for achieving an acceptable margin.

Diversity

We aim to maintain one of Amlin's core strengths, being its diversity both by class of business and geographically. Underwriting some 32 specialised business classes, we have a diverse spread of risk and the ability to vary the mix of business with a view to optimising risk based returns, according to the specific market conditions for each class.

55% of our gross written premium in 2003 comes from business that is attritional in nature and the returns anticipated from these, especially in today's underwriting markets, act as a good counterbalance to the more volatile classes, such as property reinsurance and airline insurance, which have the potential for significantly higher returns. The benefit of this balance of risk was clearly demonstrated by our overall underwriting year profit of £6.3 million for 2001, after reserving for a loss equivalent to £70.7 million from the 11 September 2001 terrorist losses.

We have increased our short-tail focus since we restructured and cut back our long-tail business in the late 1990's and 2000. By keeping long-tail business below around 15% of our total income, we believe we can benefit from risk diversification and strong liability markets while limiting the potential for adverse reserve development, which is today causing a material problem to so many in the industry.

We regularly review the current and long term business case for each of our classes of business. During 2003 we continued to grow those areas where rates had reached excellent levels in 2002, such as catastrophe reinsurance and direct property insurance. In addition, we also grew classes which were still attracting good rate rises including liability, and some marine classes such as hull and yacht insurance. We also decided to reposition our bloodstock account so that it became more diverse and attritional in nature, and recruited a new underwriter to help achieve this.

Branding

Recognising the significantly stronger reputation and position that we now enjoy in the London market, we believe the time is right for each of Amlin's principal businesses to trade as Amlin rather than under their historic names. Soundings taken with our major broking partners indicated that both they and clients would prefer this simplification and that it will help ensure we punch our full weight in the marketplace. We are fortunate in having successfully integrated the strengths and good practices of these franchises into the wider Amlin.

Capital and our return on equity (ROE) focus

Since our equity capital issuance in 2002, one of our goals has been to achieve an average annual after tax return on equity over a full cycle, of in excess of 15%. Our 2002 and 2003 return on equity, of 20% and 27% respectively, together with a continued positive outlook, places us in a good position to achieve this.

Our focus on ROE has involved gearing the balance sheet with the use of letters of credit (LOC). Our diversity and risk management have enabled us to do this without over-exposing the business to significant loss. The healthy returns now being earned, which will result in strong free cash flow from 2005, are expected to more than extinguish the need for LOC finance by the time industry margins become questionable. Additionally, it will support the dividend policy referred to in the Chairman's Statement and allow retention of sufficient funds to invest in the business.

Chief Executive's strategy review continued

Intermediary relationships

Amlin sources most of its business from London market brokers, which through their international networks provide access to business from around the world. The brokers know us well and act as an excellent source of business, so that our underwriters are focussed on assessing risks in areas where Amlin wants to underwrite and where we have specialist skills.

Consolidation among brokers over the years has resulted in an increased reliance on fewer brokers and we expect this trend to continue. Strategically, and to support our long term growth ambitions, it is therefore important that Amlin continues to strengthen its relationships and status as a preferred market. We will also seek to broaden our relationships where it makes sense to do so.

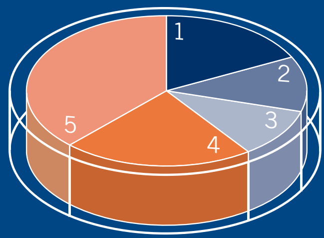
Our size, security, underwriting expertise and the considerable progress we have made operationally over the past few years gives us an excellent platform on which to build our preferred market status, by firmly gripping and improving the level of service we offer brokers and insureds.

The London market has often been criticised for its poor levels of service in areas such as certainty of contract and claims settlement. Amlin is determined to do what it can to address this, and we are engaged with some of our key broker relationships in process improvement initiatives in the claims and policy production areas. We have set ourselves stretching internal targets against which we will benchmark our performance. In achieving our objectives we intend to use technology to help remove duplicated processes and extract efficiency gains that will benefit both Amlin and brokers. It should also allow our brokers and ourselves to deliver greater efficiency and certainty to insureds. Progress and plans in this area are discussed further in the Operating and financial review.

A non-Lloyd's business

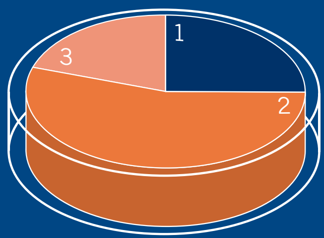
Over the past two years we have kept under review potential options for extending our activities beyond Lloyd's. Lloyd's now enjoys a considerably strengthened position in the global insurance market and we are major supporters of its Franchise regime. In the long term however, our growth may result in Amlin exceeding limitations set by Lloyd's for any one of its franchisees and scale benefits may outweigh the costs associated with Lloyd's mutuality.

2003 BROKER RELATIONSHIPS
(SIGNED PREMIUM)



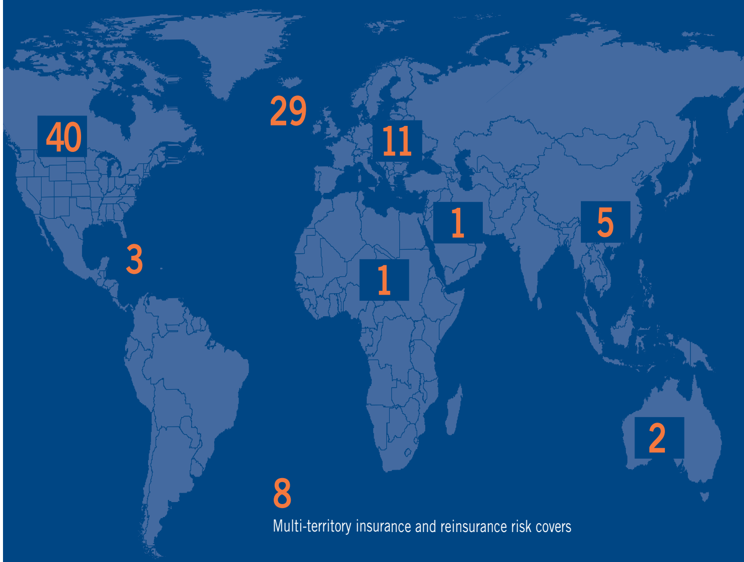
1 MARSH LIMITED	17.6
2 AON LIMITED	11.9
3 WILLIS LIMITED	10.6
4 NEXT SEVEN	22.1
5 OTHERS	37.8

2003 LOSSES BY TYPE
(PERCENT)



1 LARGE LOSS	25
2 ATTRITIONAL	55
3 CATASTROPHE	20

2003 GEOGRAPHICAL SPLIT OF AMLIN PREMIUMS
(PERCENT)



We have looked and will continue to look for acquisitions which could help our strategic ambition but we tread cautiously, fully aware of the pitfalls which have damaged shareholder value for so many acquirers in our industry, particularly as a result of reserving deficiencies. Over the next few years however, we expect to generate significant positive cash flow which will give us the option of investing surpluses in a new non-Lloyd's entity.

Conclusion

Amlin's significant progress over recent years is the result of an exceptionally strong effort by a team determined to deliver superior performance and the Group's strategic objectives. One of our key strategic objectives is to be 'the place to work' in our marketplace and, over the past three years we have improved our position significantly, which is reflected in low employee turnover ratios. We will continue to work on means of truly satisfying this objective, with a view to sustaining the quality and motivation of our people. This is critical to our long term success as we continue to set ourselves stretching targets to benefit all stakeholders and build long term shareholder value.

With each year's progress we increase Amlin's potential and we look forward with increasing confidence. I would like to reiterate the message of the Chairman and thank all those who have contributed, and continue to contribute to our successful development.

Amlin at a glance

Divisional Underwriter | Key statistics

UNDERWRITING

REINSURANCE & NON-MARINE

Auto
Aviation reinsurance
Casualty
Catastrophe reinsurance
Credit insurance
Marine reinsurance
Medical expenses and personal accident
Property insurance
Per risk reinsurance
Proportional reinsurance

Tony Holt

- 53% of gross premiums written
- 6,600 risks underwritten in 2003
- Average line size in 2003 of £1.6 million
- Average rate change on renewals in 2003 of 4.6%

MARINE

Bloodstock
Cargo
Marine energy
Hull
Marine liability
Specie
War
Yacht

Simon Beale

- 17% of gross premiums written
- 4,000 risks underwritten in 2003
- Average line size in 2003 of £2.5 million
- Average rate change on renewals in 2003 of 7.8%

AVIATION

Airline hull
Airline liability
Airport liability
General aviation hulls
General aviation liability
Products liability
Space

Rod Dampier

- 10% of gross premiums written
- 1,500 risks underwritten in 2003
- Average line size in 2003 of £7.3 million
- Average rate change on renewals in 2003 of (1.5)%

UK COMMERCIAL

Agriculture
Employers' liability
Financial institutions
Fleet motor
Public liability
Professional indemnity
Serviceline

Brian Carpenter

- 20% of gross premiums written
- 30,000 risks underwritten in 2003
- Average rate change in 2003 of 7.9%

GROUP

- £812.7 million of technical fund investments
- £235.7 million of solvency fund investments
- £381.5 million of incurred but not reported (IBNR) reserves
- 605 people employed by Amlin

Richard Hextall
Finance Director

James Illingworth
Business Intelligence & Monitoring

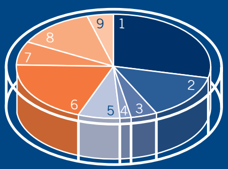
Jayne Thorburn
Chief Investment Officer

*Gross incurred loss ratio represents the sum of paid and notified claims before deduction of reinsurance recoveries expressed as a percentage of premium before deduction of reinsurance purchases.

Class split for 2003

Contribution to Group underwriting profit

Gross incurred loss ratio*

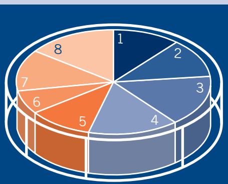


EPI BY CLASS (PERCENT)

1 CATASTROPHE REINSURANCE	28.6
2 PROPERTY REINSURANCE	14.1
3 MARINE REINSURANCE	4.4
4 AVIATION REINSURANCE	1.9
5 PROPORTIONAL REINSURANCE	6.9
6 PROPERTY INSURANCE	19.5
7 AUTO	7.3
8 ACCIDENT AND HEALTH	12.9
9 CREDIT INSURANCE	4.4

£108.4m

14.7%
2003
15.8%
2002

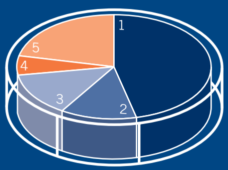


EPI BY CLASS (PERCENT)

1 BLOODSTOCK	11.2
2 CARGO	12.0
3 ENERGY	15.8
4 HULL	15.1
5 LIABILTY	10.8
6 SPECIE	7.3
7 WAR	12.9
8 YACHT	14.9

£29.3m

35.1%
2003
20.4%
2002

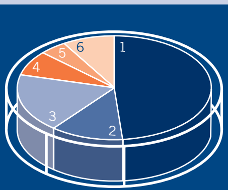


EPI BY CLASS (PERCENT)

1 AIRLINE	46.3
2 AIRPORT LIABILITIES	12.7
3 PRODUCT LIABILITIES	13.4
4 SPACE	6.0
5 GENERAL AVIATION	21.6

£17.4m

6.7%
2003
15.0%
2002



EPI BY CLASS (PERCENT)

1 COMMERCIAL MOTOR	48.6
2 PROFESSIONAL INDEMNITY	12.2
3 EMPLOYERS LIABILITIES	18.2
4 PUBLIC/PRODUCTS LIABILITY	7.8
5 FINANCIAL INSTITUTIONS	4.5
6 PACKAGE	8.7

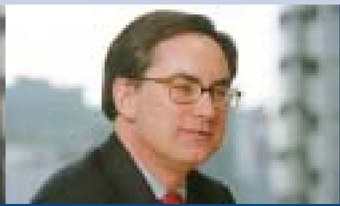
£25.2m

24.9%
2003
25.2%
2002

David Harris
Operations

Mark Farrow
Human Resources

Ian Shackell
Audit and Compliance



Charles Pender
Company Secretary

Operating and financial review

2003, with a return on equity of 27.0%, marks the second year of strong earnings and balance growth sheet as we aim to establish Amlin as a company that delivers superior earnings over the insurance cycle.

UNDERWRITING PERFORMANCE (100% SYNDICATE)

2003	Total	Non-marine	Marine	Aviation	UK Commercial
Gross premiums written (£m)	**1,097.5**	580.3	188.1	106.7	222.4
Net premiums written (£m)	**922.0**	482.6	167.1	69.5	202.8
Net earned premiums (£m)	**867.8**	452.4	146.9	77.7	190.8
Claims ratio (%)	**51**	46	46	51	66
Expense ratio (%)	**32**	32	36	41	26
Combined ratio (%)	**83**	78	82	92	92
2002					
Gross premiums written (£m)	**996.6**	544.0	152.6	126.1	173.9
Net premiums written (£m)	**801.0**	429.9	132.6	86.5	152.0
Net earned premiums (£m)	**703.2**	373.0	104.9	86.1	139.2
Claims ratio (%)	**63**	56	54	61	74
Expense ratio (%)	**32**	36	34	24	20
Combined ratio (%)	**95**	92	88	85	94

Performance

Underwriting performance

The record £83.3 million of after tax profits achieved in 2003 is attributable to the strong earnings momentum established in 2002, continued growth in income with prices remaining at excellent levels, and a relatively low frequency of major claims.

The growth in gross premium written of 31% reflects increased market share arising from a combination of targeted growth, a flight to quality as brokers and insureds sought out stability and security, and the increase in our share of Syndicate 2001's underwriting.

Net premiums written increased by 37% to £787.6 million, with the Company maintaining the broad structure of its reinsurance protection while increasing the retained risk to reflect growth in the size of the business. 16% of gross income was ceded compared to 20% in 2002.

Net earned premiums were up 39% to £684.7 million, with 4%, 43% and 53% of it written in respectively 2001, 2002 and 2003 underwriting years, a similar pattern to prior years.

The overall combined ratio improved 12 points to 83%, reflecting a combination of excellent pricing, tighter terms and a low incidence of large claims. Claims experience on premiums earned in prior years was better than anticipated at the last year end, reflecting our conservative approach to reserving, and the improvement contributed £24.5 million to the result.

The following divisional analysis provides comparison as if we owned 100% of the business. This means that comparative performance is not distorted by changing levels of Amlin's ownership of Syndicate 2001.

Non-marine

The business written is a blend of classes exposed to catastrophic or large loss events, which by their nature are volatile, and attritional property and casualty classes which are more predictable.

The division remains US focussed although the international exposure of risks written has been increasing particularly in the property and property reinsurance classes.

During 2003 rating increases in most property related classes levelled off following the sharp increases achieved in 2002. For casualty, business rate improvements averaging 23% on renewals were achieved as this area of the market continued to re-appraise rating requirements following five years of poor performance. In this environment the division continued to expand increasing net written premiums by 12%.

Against this backdrop, the anticipated margins were expected to be strong and this, coupled with another year of very low claims incidence from catastrophes, has produced an excellent combined ratio of 78%.

Marine

Our marine business is also a blend of volatile classes, such as energy and war, combined with more attritional classes, such as cargo and yacht.

During 2003 the rate increases for the marine division averaged 8%. Overall net premiums written increased by 26%. Growth in the last couple of years has been focussed on the more volatile energy and war classes, as these areas returned to acceptable margins. More recently, rates have improved in other more attritional classes. Accordingly growth has been targeted in cargo, hull and yacht, and a new bloodstock joint venture with a specialist broker has been established.

The combined ratio for the division is once again excellent, as it has been for a number of years. Low loss incidence in the war, liability and energy classes has influenced this but the contribution from the other accounts is also strong.

Aviation

Following the extremely material uplift in rates that occurred in the aftermath of the 11 September 2001 terrorist losses, and the two subsequent years without any major airline loss, increased competition brought about rate reductions in 2003. With this Amlin declined a number of renewals, focussing on margin rather than volume.

Other aviation classes have continued to experience renewal rate increases, although growth in these has not offset the reduction in airline income.

With lower premiums, the cost of reinsurance has been a greater proportion of income and this, combined with a change in mix towards classes that pay higher brokerage commissions, has led to the increase in the expense ratio. However, overall the combined ratio remains satisfactory.

UK Commercial

The growth of 28% in this division's gross premiums written reflects targeted growth in employers' liability and professional indemnity classes which have experienced significant improvements in margins. These classes represented 38% of the division's written premium in 2003 compared with 26% in 2002, when the business was more dominated by its commercial motor account.

Following four years of double digit rating increases and growth in the motor account, the division maintained its motor premiums at around 2002 levels as sporadic signs of increased competition resulted in renewal rate increases matching, and in the latter part of the year falling just below, our estimate of claims inflation.

The combined ratio improved a further two points to 92%, notwithstanding a 6% increase in the expense ratio, owing to the higher levels of acquisition commissions attributable to the liability classes than commercial motor, and to the change in mix of business. Given the attritional nature of risk in this division, this is an excellent performance.

11 September 2001 losses

The ultimate estimate of Syndicate 2001's losses, net of reinsurance, from the 11 September terrorist attacks has increased by US$1.6 million during the year. Amlin's share was an increase of US$1.1 million or £0.6 million. The Syndicate figure now includes a general IBNR of US$9 million to provide for remaining uncertainties relating to outstanding claims. Therefore the underlying position has improved by US$7.4 million.

Whilst the movement in ultimate loss cost is small, the amount of activity relating to this loss has been substantial. £61 million of WTC related reinsurance and direct property claims were paid in 2003. As property losses settle this reduces potential future volatility. Equally we have recovered £149.5 million from our reinsurers in respect of losses paid to date, materially reducing our overall reinsurance credit exposures.

Investment performance

Funds under management grew by 26% (Group and 100% Syndicate) during the year as a result of strong cash flow with overall 2003 investment return contributing £32.0 million to Group profit.

With the appointment of our new Chief Investment Officer and Investment Advisory Panel, Amlin has benefited from good asset allocation decisions and exceeded its asset class benchmark returns.

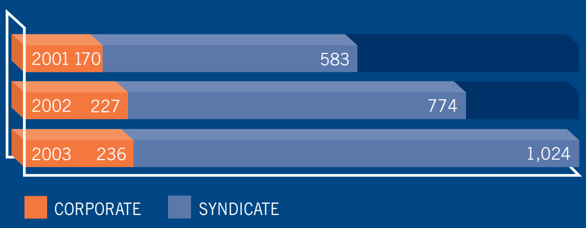
Investments are managed in two distinct pools, the first consisting of our solvency funds and the second our technical insurance funds. For each pool we outsource fund management but retain asset allocation and review functions in-house.

Solvency funds

During 2003, with the strength of insurance markets and the consequential high opportunity cost to capital depreciation our solvency funds, which support Amlin's underwriting, were managed with a low appetite for risk. Using our model developed in conjunction with WM Company, at a confidence level of 99%, we set a maximum value at risk, equivalent to 8% of solvency funds at 1 January 2003 of £223 million.

Operating and financial review continued

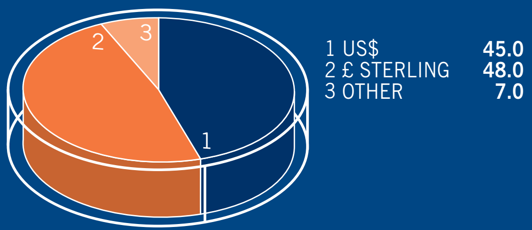
INVESTMENT FUNDS (£ MILLION)



INVESTMENT PEFORMANCE (£ MILLION)

	Average funds Solvency	Technical	Total	Returns	2003 Returns
Cash and short term deposits	108.3	138.9	247.2	6.1	**2.5%**
Bonds	100.6	791.8	892.4	28.6	**3.1%**
Equities	18.8	–	18.8	5.1	**27.1%**
	227.7	**930.7**	**1,158.4**	**39.8**	

INVESTMENTS ANALYSED BY CURRENCY (PERCENT)



EXPENSES (£ MILLION)

	Corporate 2003	Corporate 2002	Syndicate 2003	Syndicate 2002
Operating expenses				
Staff and related costs	**3.8**	3.1	**22.3**	15.5
Profit related incentive schemes	**18.9**	4.2	**–**	–
Premises costs	**0.3**	0.3	**2.7**	2.6
Office running costs	**0.3**	0.2	**1.5**	1.5
Computer costs	**0.5**	0.6	**5.9**	5.2
	23.8	8.4	**32.4**	24.8
Lloyd's charges	**–**	0.2	**24.1**	17.0
Professional charges	**1.0**	0.5	**1.0**	1.6
Other charges	**0.7**	0.5	**4.3**	1.5
Capacity amortisation	**3.1**	0.9	**–**	–
Financing	**6.6**	5.6	**–**	1.1
	35.2	16.1	**61.8**	46.0

With US federal funds and UK base rates at lows of 1% and 3.5% respectively and with signs of economic recovery post the Iraq war, 2003 was a year which looked as if it would be difficult for bond returns and which could favour equities.

Against this background, we changed our strategic benchmark in March 2003, from 50% long duration bonds and 50% cash to 5% long duration bonds, 70% cash and short term deposits and 25% equities.

The sale of the long bond portfolio in March and July, together with the switch into equities and cash, proved beneficial as bond returns generally fell short of the long term assumed rate of return while equities exceeded it.

Taube Hodson Stonex Partners (THS) were appointed as equity managers and in the second half of the year we invested £50 million in a portfolio of global equities. They adopt a pragmatic style rather than one which is wedded to value or growth, as different approaches will prosper in different market conditions. Over the period in which it was invested in 2003, the equity portfolio exceeded the FTSE All World Index benchmark return by 4.3%.

Technical insurance funds

Amlin's technical insurance funds represent monies reserved to pay claims and profits held in Lloyd's premium trust funds until they are released following closure of a year of account.

For these funds we adopt a policy of matching asset and liability durations. The liability durations are actuarially calculated for each of our trading currencies and strategic benchmarks are set from these.

Given the low absolute level of bond yields and an expectation of rising yields, tactical benchmarks shorter than the duration of the liabilities were given to the fund managers in the early part of 2003. All benchmarks, with the exception of US dollar funds, were taken back to neutral during October, after bond yields had risen. In addition cash was allowed to build up periodically and was subsequently invested as markets weakened.

Currency management

Approximately 65% of our premium income is written in Euros, US and Canadian dollars. Currency assets are matched with currency liabilities. However, foreign exchange risk exists on profits made in each currency. This is mitigated through a policy of converting these currency profits to sterling as insurance risk expires.

Given the inherent volatility in some of our business a cautious approach is adopted on the speed and level of sales, but we seek to extinguish all currency risk on earned profit during the second year after the commencement of any underwriting year.

The main currency exposure comes from the US dollar assets. During 2003 the trading range of the US dollar against sterling was 1.55 to 1.79, with a significant weakening of the US dollar in the last quarter. The application of our foreign exchange management policy meant that US$186 million of anticipated profits for the 2001 and 2002 years of account were sold during the year at an average exchange rate of US$1.62. However, as we do not sell foreign currency until business materially comes off risk, we had not sold any 2003 year of account dollar profits at 31 December 2003. The cost of the US dollar weakening in the last quarter to the 2003 pre-tax profit was £4.3 million.

Expenses (excluding brokerage)

Expenses increased by £37.4 million during the year, comprising a £18.3 million increase in our share of Syndicate operating expenses to £59.4 million and a £19.1 million increase in other charges to £35.2 million.

£7.1 million of the increase in Syndicate expenses was Lloyd's costs, mainly the Central Fund levy which ceased at the end of 2003. A further £6.8 million, of which the Company share was £4.7 million, related to an additional contribution made to the main defined benefit pension scheme, further details of which are provided in note 9 to the accounts.

Other charges increased mainly owing to employee incentives, most of which are profit related. During the year we have accrued, or paid, an additional £15.5 million for the profit related bonuses for the 2002 and 2003 underwriting years. In addition a further £3.4 million has been accrued under the capital builder plan, which is based on underwriting returns exceeding five year performance targets, with the total accrual under this scheme now amounting to £5.9 million.

Cash flow

The growth of the business in a highly profitable environment has resulted in very healthy positive Syndicate cash flow with investable funds increasing by £259 million during 2003 to £1.26 billion at 31 December 2003. Amlin's share of this has grown with the increase in its Syndicate ownership.

At a Company level, free cash flow is driven by Lloyd's three year accounting system. Accordingly, Amlin anticipates strong free cash flow commencing in 2005 as profits from the 2002 and subsequent years are released by Lloyd's.

Lloyd's has indicated its intention to change its method of accounting with effect from 1 January 2005 and this may result in earlier releases of cash from underwriting years.

International financial reporting standards (IFRS)

Amlin is required to prepare its accounts under IFRS from 1 January 2005.

A full evaluation of the impact of IFRS on the Company was completed during 2003 which suggested that the current IFRS proposals, excluding the accounting for insurance contracts exposure draft, will have little impact on the net asset position compared to that produced under current UK accounting standards. However there will be significant increases in disclosure, particularly with regard to business risk and management.

The accounting for insurance exposure draft may lead to significant change in the future as it proposes a fundamentally different basis for recognition of profit on insurance contracts. However this is not expected to take effect until 2007 at the earliest.

Financial strength

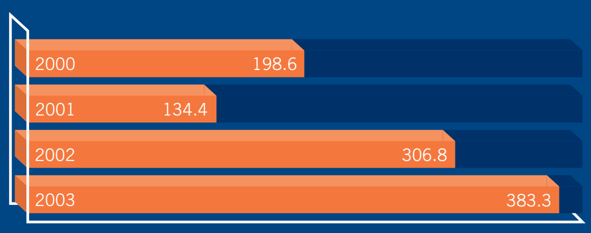
In 2003 net assets grew by 25% to £383.3 million. Notwithstanding the increased Funds at Lloyd's requirement of £432.6 million, to support the £138 million increase in our aligned underwriting for 2004, gearing (including off balance sheet letter of credit finance) remained stable at 50% of shareholder equity.

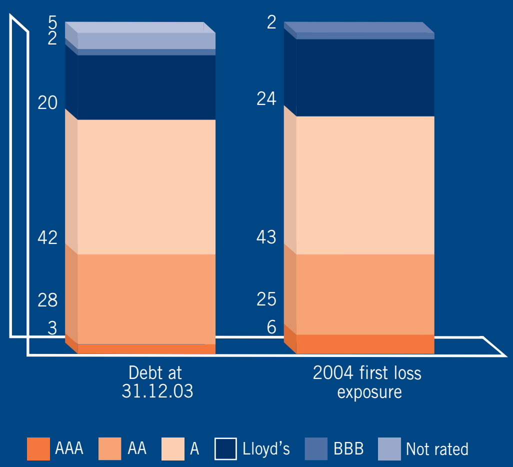
A key feature of our capital management has been the use of debt finance to support our underwriting.

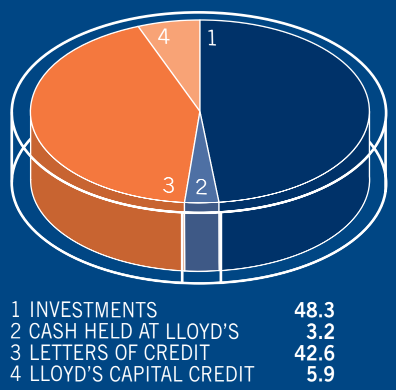
The diversity of our business and its profitability at, and towards the peak of the cycle, makes the use of Letters of Credit or debt finance to support our underwriting an attractive alternative. Simply it should enhance return on equity without overly exposing equity capital to inordinate risk. Moreover, with our strategy of increasing or decreasing capacity according to margin potential, it provides a flexibility which helps enhance return on equity over the cycle.

The level of gearing should be considered taking account of Lloyd's three year accounting that limits the release of profits that can be used as solvency capital until closure of a year of account. Were Amlin able to use the earned proportion of 2001 to 2003 Lloyd's year of account profits in place of debt finance, as would a typical insurance company, its gearing level would be reduced to 28.5%, at 31 December 2003.

Operating and financial review continued







The capital regime is about to change. From 1 January 2005 we expect to be operating under a new FSA risk based capital regime. This is currently under consultation. The risk based capital regime that Lloyd's operates will still be a part of the regulatory landscape. However, we expect in future to be able to recognise for regulatory purposes all of our accrued profit, on an annually accounted basis. At present only limited credit is given for this undistributed profit from years that have not 'closed' at Lloyd's.

Reinsurance security

The purchase of reinsurance protection is an essential part of our risk management, through the containment of exposure against our capital from single claims and the aggregation of claims from catastrophic events.

We place our reinsurance with companies that we believe are financially and operationally strong. Our evaluation considers financial strength, trading record, outlook and organisational structures. Our information is drawn from a number of sources: public information produced by the company, our own experience with the reinsurer and our knowledge of their behaviour in the market place, analysis from a reinsurance consultant and rating agency commentary and gradings.

Reserving

During the last few years we have witnessed significant deterioration of reserves for many companies in the industry. This clearly illustrates that the financial strength of an insurance company is as much about the quality of its balance sheet as the quantity of reported assets.

At Amlin we attempt to limit the risk of adverse development in two ways. First, we have concentrated our underwriting on short tail classes of business, reducing the inherent uncertainty of reserving over the medium term. Second, we adopt what we believe to be a prudent reserving stance. We aim to set our reserves so that there is a greater prospect of surplus which can be released in the future. This is illustrated by the £24.5 million release in 2003.

Building a stronger business

People

Our strategic ambition is to be the 'place to work' in the industry, such that Amlin will continue to be able to recruit and retain an excellent workforce. This in turn will enhance our ability to service our brokers and insureds and generate income and shareholder value. In 2003 we have taken many steps to help maximise the potential of our people, to motivate staff in ways that are more closely aligned with shareholder interests and to promote continuity and succession.

Now in its third year, Amlin Academy provides employees with relevant and high quality training to help enhance their potential and provide greater opportunities for career progression. In 2003 we launched a management development programme, developed in conjunction with the Roffey Park Institute. The course had two intakes during the year, with a total of 24 middle managers from across the Group participating. Other initiatives included senior executive coaching, a bespoke leadership course for senior managers, the introduction of an on-line 360° feedback tool and on-line anti money-laundering training.

We are committed to developing market leading employment policies and practices and 2003 initiative included the introduction of a new flexible benefits and loyalty scheme, provision of work/life balance options and increased levels of employee communication.

Ensuring we develop a successful and sustainable business requires planning to help ensure that we maintain the quality of our intellectual capital in the long term. In 2003 we reviewed the internal succession potential of our senior people, identifying career development needs of future top team players. In 2004 we intend to build on this work so that we maximise the prospects of seamless succession as and when key people leave or retire.

In 2003 we continued to experience decreasing staff turnover across the Group (down 6% points on 2002). Continuity among underwriters is vital to building and maintaining long term client relationships and here again, turnover was less than 1%.

Notable appointments were made this year in our aviation, auto and bloodstock classes as well as in investment management, claims, operations and communications.

Risk analysis

Risk management is a key ingredient of our appeal to insureds and shareholders in sustaining continuity. Successful risk management combines sound systems of control, quality management information and an organisational culture that embraces the need for risk management and a thirst for understanding the risks. In each of these we have made significant progress so that our risk management framework can properly encourage positive entrepreneurial behaviour within clearly defined boundaries.

We are now in a position to take our risk management framework to the next level in two areas. First, our Dynamic Financial Analysis tool, which we have built and refined over the past three years, will enable us to stress test business planning assumptions and correlations of risk in a manner that has not previously been possible.

Second, in 2004 we are rolling out our data warehouse development that will provide underwriters and management with faster and more in-depth analysis of risk and underwriting accounts.

Process improvement

Our strategic ambition to be the ‘place to go’ as the first choice for leading risks requires high standards of dependability in the delivery of best practice service to brokers and insureds. In addition to our people, we require robust and efficient systems that are capable of accommodating the scale growth we anticipate from one peak of the cycle to the next.

Amlin is at the forefront of driving change in the London insurance market and has continued to invest in a number of areas aimed at increasing the Company’s leadership potential in client service as well as operating in a more cost effective and efficient manner. The nature of the subscription market in which Amlin operates for over 80% of its business, means that to extract the most benefit from some of this investment, Amlin is dependent on others also raising their standards.

In addition to our work with Kinnect, Amlin is engaged with some of its key brokers on process improvement initiatives in the policy production and claims areas. We are committed to providing contract certainty for insureds at the earliest opportunity and have set ourselves stretching internal targets against which we will benchmark our performance. In other areas, from credit control to claims settlement, we aim to ensure that our operational performance matches our strong technical capability. We are at an advanced stage of developing balanced scorecards for each part of our operations that enable us to more productively drive operational improvement.

Our data warehouse development, referred to above, will also vastly improve Group-wide reporting and allow the removal of process components that add no value but have to date been necessary.

Business continuity

With the heightened risk of terrorist activity in the UK, Amlin has reassessed and strengthened its business continuity plans. Our revised plans are consistent with the Business Continuity Initiatives Standard (PAS 56).

Operating and financial review continued

Outlook

The short term outlook is excellent and we anticipate another year of strong performance with a good return on capital. At 31 December 2003 we had a pipeline unearned net premium of £400 million (2002: £321 million) which will be largely earned in 2004. This is mainly business written in 2003 at very good margins.

While premium rates in a number of classes have come off the exceptionally high levels experienced over the last two years, the margin potential in most classes remains very good. By 29 February 2004, we had written 34% of our budgeted income for the year, with a reduction in average renewal rate of 2%.

Other factors which will contribute to a favourable underwriting outlook in the short term include the increase in our owned underwriting capacity by 16% for 2004 and lower Lloyd's charges. Against this a continued low level of loss experience should not be taken for granted and a continued weakness of the US dollar will mean that US dollar profits will translate into less sterling.

We believe that the current year is capable of delivering acceptable investment returns on our combined solvency and technical funds which grew by 26% in 2003. While in the US there is a short term expectation that interest rates will rise from 45 year lows and will put pressure on bond capital values, we expect the US economy will lose momentum towards the year end as the impact of fiscal and monetary stimuli recede. Equally the ability of the major European economies to gain momentum is being impeded by the strength of their currency. We do not expect inflation to become a major global problem in the foreseeable future. This suggests that relatively low interest rates will prevail in Western economies and returns on our fixed income investments will be modest by the standards of the last few years. Accordingly, we have reduced our long term investment return assumption for bonds to 4.5% from 5.5%.

In the medium term, our planning assumption is that the industry will remain cyclical, with the principal driver of the cycle continuing to be the availability of capital. If the last cycle were to be repeated, we believe that the 2004 and 2005 underwriting years will be years where good margins can be made. In reporting terms this means good prospects for 2006.

However the dynamics of the industry are such that this view may prove to be pessimistic. Many companies still face ongoing adverse reserve development from asbestos and other casualty risks. For them it will be important to maintain current margins to offset these losses. To illustrate the scale of this issue, Moody's recently estimated the industry was US$30 billion under-reserved.

Much of the non-life insurance industry invests heavily in fixed income securities. With these portfolios, during the 1990s the industry benefited from falling interest rates. It is unlikely to see this repeated, adding to the pressure to write for good underwriting margins.

Additionally, greater discipline is evident in parts of the industry. Increasingly advanced modelling techniques are being employed, encouraging more disciplined underwriting and increasing demand for high level reinsurance protection. Closer to home, at Lloyd's, we have seen the introduction of Franchise management that is expected to increase performance within the market.

The impact of this is already being seen with a more rigorous approach to Lloyd's oversight of franchisees business planning and the control of 'quota share capacity'.

Amlin's business is now better structured than during the last cycle with a reorganised underwriting operation, built around underwriters who have performed well through the cycle. A shared underwriting philosophy now exists among management and underwriters, focussing on gross underwriting discipline, achieving an acceptable technical price for risks and downscaling activity if acceptable terms cannot be achieved. This, and the improvements we continue to make in building the business, and in analysing risk and performance enables us to look forward with confidence.