

Amlin Syndicate 2001 Assigned Interactive Lloyd's Syndicate Assessment Of '4'; Outlook Stable

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Rationale

On Dec. 22, 2005, Standard & Poor's Ratings Services assigned its interactive Lloyd's Syndicate Assessment (LSA) of '4' (low dependency) to U.K.-based Amlin Underwriting – Syndicate 2001 (Syndicate 2001). The outlook is stable.

The assessment reflects the syndicate's very strong competitive position, track record of earnings outperformance, and superior operational management. However, the level of concentration of Syndicate 2001's notional exposure to a small number of reinsurance counterparties represents a weakness for the assessment at its current level. The syndicate is a core part of the Amlin group (for further information, see "Reinsurer Amlin Bermuda Ltd. Rated 'A'; Holding Company Amlin PLC Rated 'BBB+'; Outlook Stable," published Dec. 22, 2005, on RatingsDirect, Standard & Poor's Web-based credit analysis system).

Major assessment factors:

- Syndicate 2001 enjoys a strong competitive position as the largest and one of the most highly respected syndicates at the Lloyd's insurance market (Lloyd's or the Market; A/Stable). The syndicate takes leadership positions on more than one-half of the business it underwrites. It is expected to benefit overall from the formation of Amlin Bermuda Ltd. (Amlin Bermuda; A/Stable/—) in so far as this will reinforce the Amlin group's relationships with key London Market brokers and further enhance its leadership credentials, particularly in the nonmarine segment.
- The syndicate has consistently outperformed the Market in each of the five most recent years of account, producing a weighted average return on capacity of 12% during this time. This is a particularly strong level of performance in light of the syndicate's conservatism when setting its reserves and forecasts, and the fact that this timeframe

includes the 2000 and 2001 years of account, which were heavily affected by losses arising from the events of Sept. 11, 2001.

- The syndicate's superior operational management is a strength for the assessment. This is best demonstrated by its proactive approach to cycle management, enabling it to optimize its weighted average return on capacity across the cycle. Its broad-based risk-management framework, which has been in place for a number of years, is embedded within the day-to-day management of the business. This is underpinned by a sophisticated Dynamic Financial Analysis model.
- The concentration of the syndicate's exposure to a small number of, albeit highly rated, reinsurers is a weakness for the assessment. The syndicate estimates its notional exposure to reinsurers, under a worst-case scenario, to be about £1 billion, representing about 125% of its capacity for the 2005 year of account. More than one-half of this exposure is concentrated among five reinsurance counterparties, with about one-quarter being in respect of other syndicates at Lloyd's. This exacerbates the syndicate's operational dependence on the Market.

Outlook

The stable outlook reflects Standard & Poor's expectation that the syndicate's proactive cycle management and strong competitive position will enable it to continue to outperform the Market going forward. We expect Amlin PLC (Amlin; BBB+/Stable/—) to report a group combined ratio below 90% for 2005, which means that the syndicate's performance will be broadly in line with that for 2004. This will represent a very strong level of performance for the year, particularly relative to its peers'.

Should the formation of Amlin Bermuda enable the syndicate to further materially enhance its competitive position in the nonmarine segment, this could have a positive impact on the assessment. However, should the formation of Amlin Bermuda preface a material outflow of business from the syndicate, thereby unbalancing its portfolio, this could have negative consequences for the assessment.

Syndicate Profile

Amlin is listed on the London Stock Exchange and is a member of the FTSE 250.

Historically, Syndicate 2001 has constituted the vast majority of Amlin's business. Since 2004, Amlin has been the sole provider of capital to the syndicate, which is the largest in the Lloyd's Market with an underwriting capacity of £1 billion for 2006.

In November 2005, Amlin announced the formation of Amlin Bermuda. Amlin Bermuda will have an initial capitalization of \$1 billion. It has been established in the wake of the recent exceptional hurricane season in the U.S. to write international catastrophe reinsurance, leveraging from the expertise that currently resides within the syndicate.

Ratings List

To	From
Lloyd's Syndicate Assessment	4/Stable 4pi

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