

Rating Action: Amlin Bermuda Limited

MOODY'S ASSIGNS A2 INSURANCE FINANCIAL STRENGTH RATING TO AMLIN BERMUDA

Amlin syndicate A1 IFSR and Amlin plc Baa3 subordinated debt ratings affirmed- stable outlook for all ratings

London, 21 December 2005 -- Moody's Investors Service today assigned an A2 insurance financial strength rating (IFSR) to Amlin Bermuda Ltd (Amlin Bermuda)- the rating outlook is stable. At the same time, Moody's affirmed with a stable outlook the A1 IFSR on Amlin's Lloyd's syndicate 2001 and the Baa3 subordinated debt rating of Amlin plc (Amlin).

With regard to Amlin Bermuda, which is ultimately 100% owned by Amlin, Moody's said that the A2 IFSR reflects the company's good access to catastrophe and other reinsurance business via syndicate 2001 (A1 IFSR) which has significantly out-performed in recent years, account diversity via a quota share of syndicate 2001's whole account business, its strong potential to capitalise on a hard market with no legacy reserving issues, and good capitalisation. These strengths are off-set by inherent operational risk, the absence of a track record in its own right, and account volatility with catastrophe business orientation.

The rating agency elaborated that Amlin Bermuda began trading as a class 4 Bermudan insurer with \$1billion of capital in early December 2005. In Moody's opinion, a key credit strength for Amlin Bermuda is that although a start-up operation in name, it is able to access syndicate 2001's London market reinsurance business by way of writing additional lines on existing business which has a long and profitable track record. Furthermore, around 30% of the company's 2006 GPW is expected to emanate from a whole account quota share of syndicate 2001 which has significantly out-performed the Lloyd's market in recent years. The quota share, together with facultative reinsurances of the syndicate's primary business, brings account diversity to Amlin Bermuda, and this relationship with syndicate 2001 is expected to continue for at least the medium term.

Moody's said it believes that by being an important part of the Amlin Group, Amlin Bermuda, whose capital constitutes around 50% of the Group's, has strong potential to capitalise on the significantly improved market conditions post the 2005 Hurricanes, with the advantage of having no legacy reserving issues. The rating agency also believes that the company has a good level of capitalisation at \$1 billion in relation to its expected premium volume and exposure. Gross operational leverage (gross premium written as a % of shareholders' equity) in 2006 is expected to be low at around 0.6x.

The rating agency said that these strengths are off-set by inherent operational risk, the absence of a track record in its own right, notwithstanding syndicate 2001's performance, and the inherent volatility of the business it will write. With regard to the latter, Moody's said that around 60% of the company's book is expected to be reinsurance business with its catastrophe account making up 40% of the whole. However, the rating agency notes the company's intention to write a regionally balanced catastrophe portfolio with controlled aggregate exposures within zonal areas to limit the maximum loss. Furthermore, Amlin's underwriting controls, which will extend to Amlin Bermuda, are seen as strong, and Moody's notes Amlin's ability in recent times to generate positive results notwithstanding significant catastrophe losses.

With regard to the stable outlook, Moody's expects Amlin Bermuda's future underwriting capacity to be actively managed in accordance with market conditions, with controlled premium growth. This, together with the potential for meaningful equity growth via retained earnings, leads Moody's to expect gross operational leverage going forward to remain below 1x. The rating agency also expects the financial leverage of Amlin to drop below 25% by YE2006. Amlin's financial leverage, on a proforma basis, rose from around 23% to around 38% in November 2005 following increased debt of around GBP300 million to help fund Amlin Bermuda, off-set by GBP215 million of fresh equity. However, Moody's expects Amlin to pay off its GBP150 million bridging loan in 2006, once syndicate 2001 profits are distributed, and for financial leverage to improve further via retained earnings.

The rating agency said that the affirmation of syndicate 2001's A1 IFSR reflects the continuation of credit strengths such as strong underwriting skills and underwriting controls, a good franchise and good earnings, together with the expectation that it will continue to deliver above-average performance over the underwriting cycle. This is not withstanding the potential volatility of some of its specialty business lines, as evidenced by its material loss estimates from recent catastrophes, and a relatively large level of reinsurance recoverables. With regard to Amlin, the affirmation of its Baa3 subordinated debt rating reflects the financial leverage expectation above.

Amlin plc, which is listed on the London Stock Exchange, and which manages and capitalises Lloyd's syndicate 2001 and owns Amlin Bermuda, reported 2004 gross premiums written of GBP946m and shareholders' funds of GBP444m.

The following rating was assigned with a stable outlook:

Amlin Bermuda Limited - A2 insurance financial strength rating.

The following ratings were affirmed with stable outlooks:

Lloyd's syndicate 2001- A1 insurance financial strength rating.

Amlin plc- Baa3 subordinated debt rating.

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