

Continuity in an uncertain world™

Amlin

Amlin plc
2011 Annual Report

Enabling growth



Enabling growth

Amlin is a leading international insurance group operating in the Lloyd's, UK, Continental Europe and Bermudian markets. We specialise in providing insurance cover to commercial enterprises and reinsurance protection to other insurance companies around the world.

Paying claims and providing contingent capital for a global client base means that we support commerce and economic development around the world.

Long term relationships with our clients are founded on superior service and detailed understanding of the risks they face. When risk events occur Amlin is a crucial partner, providing vital cash flow and supporting disaster recovery.

Insuring risk means that economic development is funded, investment is protected, trade flows freely and businesses can thrive. Our industry is at the heart of enabling development and protecting prosperity. Our goal is to provide all our clients with continuity in an uncertain world.

Read about how we are enabling growth (📄 pp2-9)



Read about why we remain a sound investment choice (📄 pp14-15)



Read about 2011 catastrophes (📄 pp26-27)



Amlin plc is the holding Company of the Amlin Group of Companies (the "Group"), which is registered in England and Wales with the registered number 2854310, and has its registered office at St Helen's, 1 Undershaft, London, EC3A 8ND. The Companies Act 2006 requires the Company to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2011, including an analysis position of the position of the Group at the end of the financial year, and a description of the principal risks and uncertainties facing the Group known as the "Business review". The Business review contains certain forward looking statements which are subject to assumptions, risks and uncertainties; actual future results may differ materially from those expressed in or implied in such statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond Amlin's ability to control or estimate precisely. The forward looking statements reflect the knowledge and information available at the date of preparation of the Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast. Pages 1-96 of this Annual Report comprise of all information required in accordance with English law and liabilities of each director set out within these pages are subject to the limitations and restrictions of such law. The compliance requirements in relation to DTR 4.1.8R of the UK Listing Authority are also set out within these pages. This section contains additional information required by these laws and regulations to be included by the directors in the Annual Report

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Governance

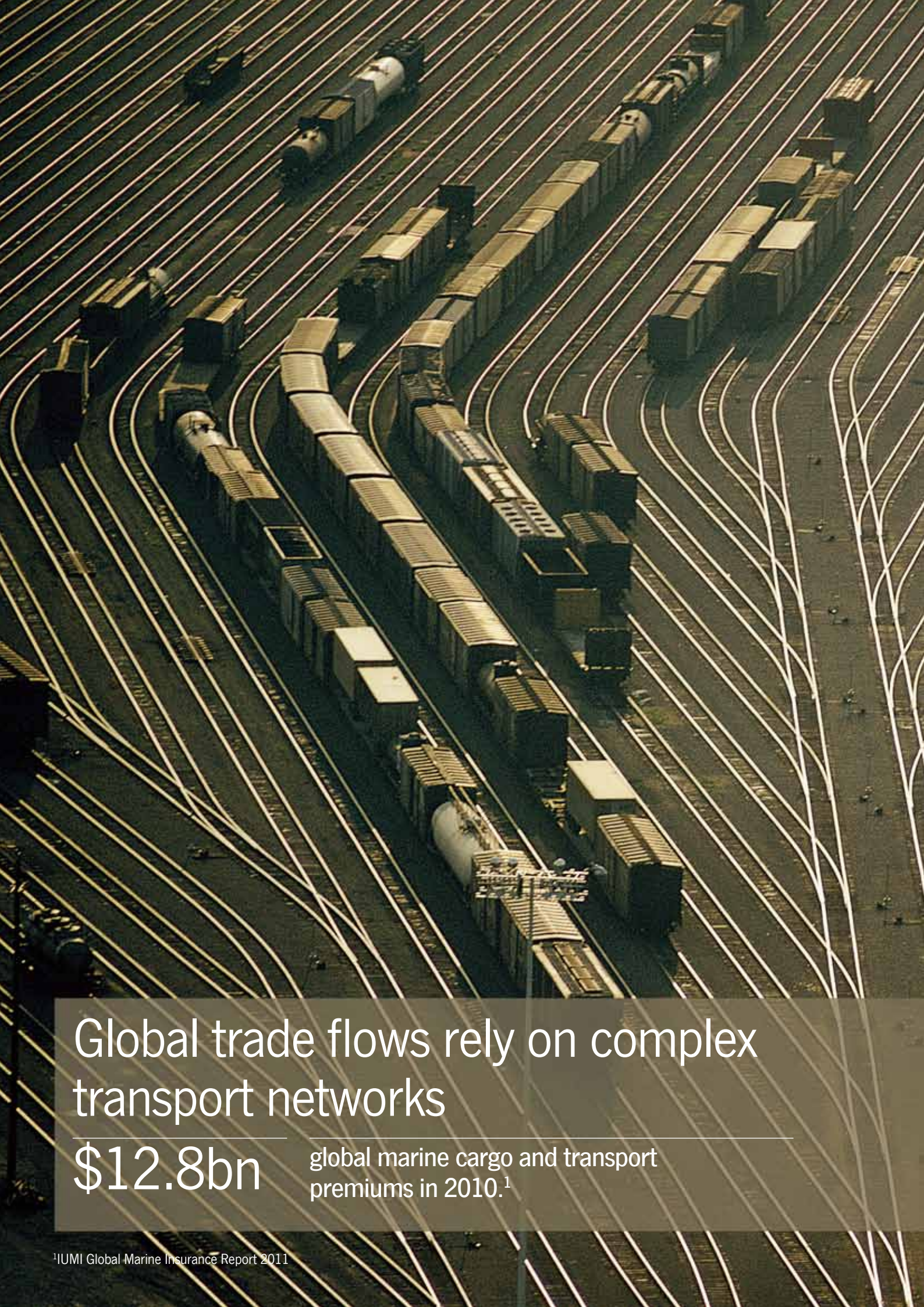
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Global trade flows rely on complex transport networks

\$12.8bn

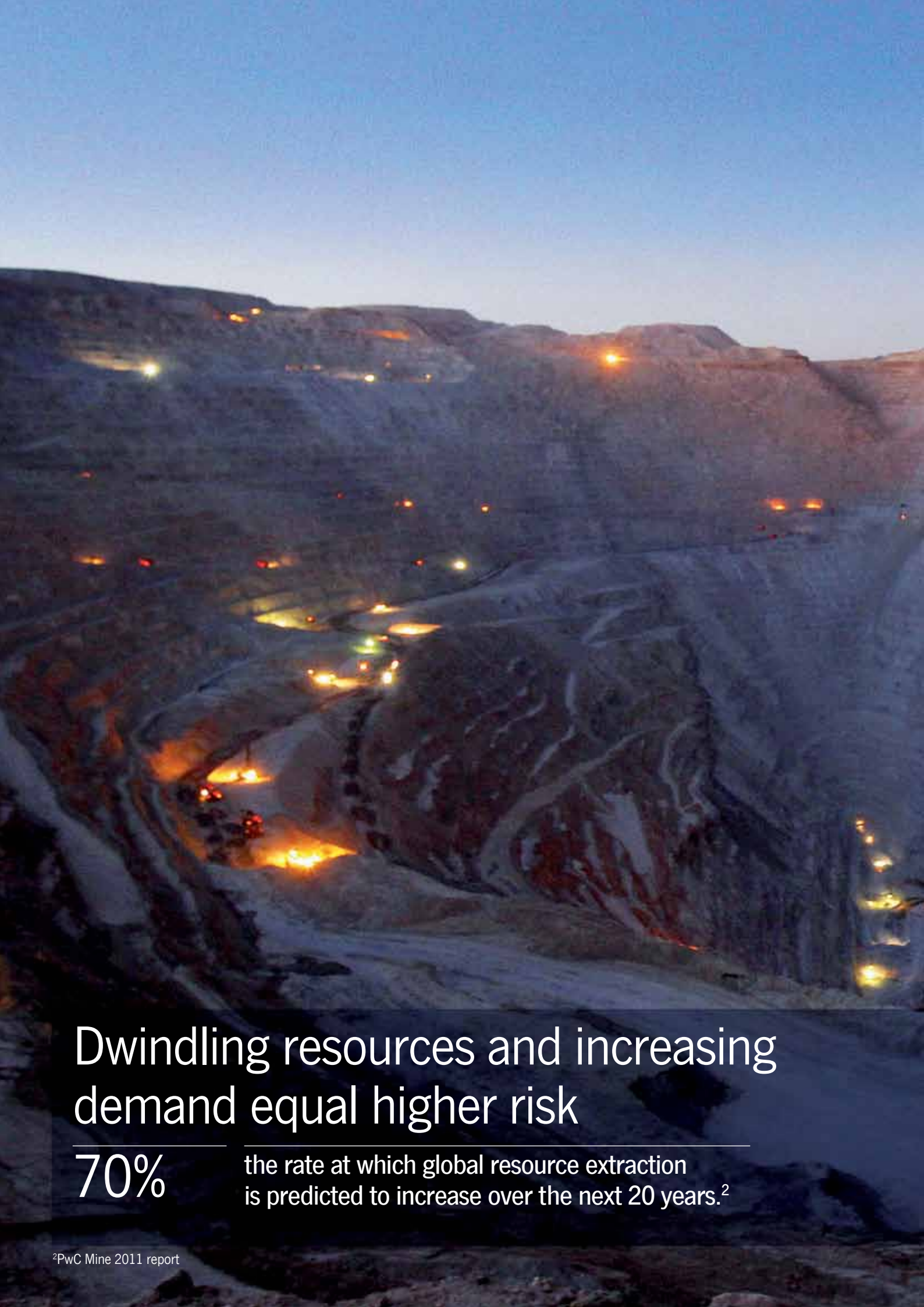
global marine cargo and transport premiums in 2010.¹

¹IUMI Global Marine Insurance Report 2011



Understanding the risks associated with specific cargoes and different modes of transit is key to ensuring that our clients have the protection they need. From container ships to bullet trains, from airports to oil terminals, the insurance we provide helps to keep international trade moving.

Amlin provides **Continuity in an uncertain world™**



Dwindling resources and increasing demand equal higher risk

70%

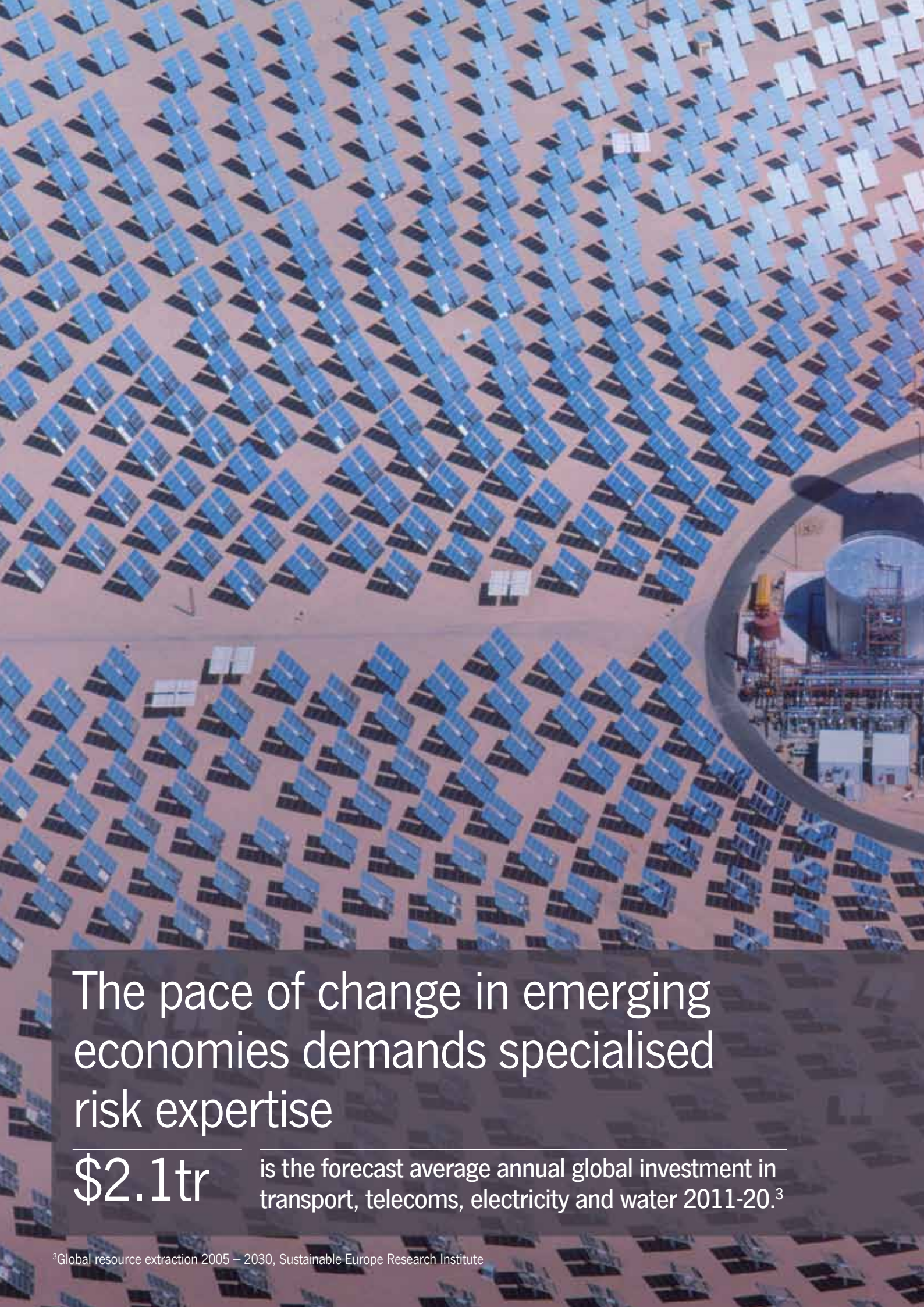
the rate at which global resource extraction is predicted to increase over the next 20 years.²

²PwC Mine 2011 report



As demand grows for scarce natural resources, the risks associated with exploiting less accessible reserves of oil, gas, metals and minerals escalate. Our underwriters use their expertise across these sectors to help clients assess and manage their risk exposures and provide capacity for risk transfer.

Amlin provides **Continuity in an uncertain world™**

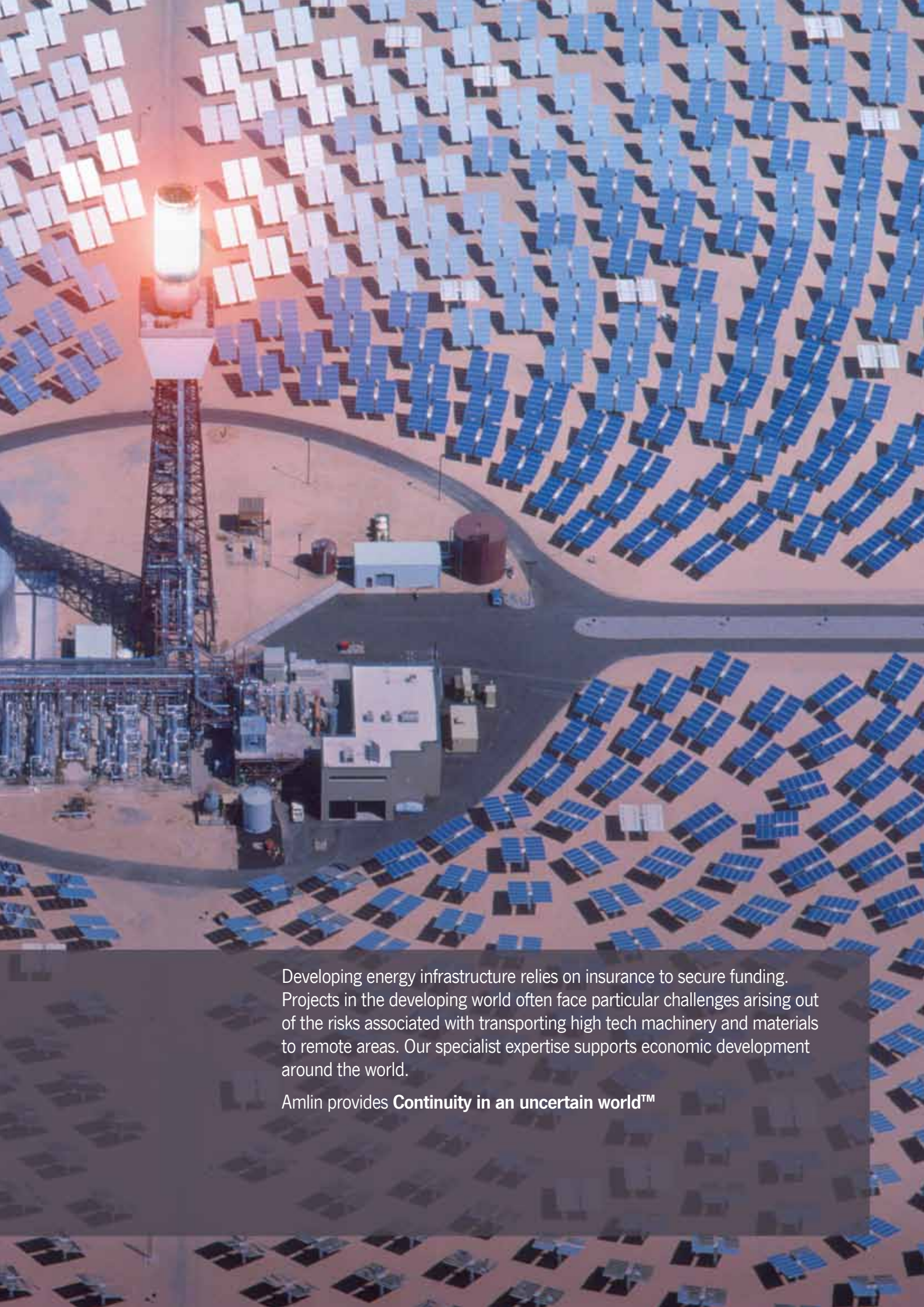


The pace of change in emerging economies demands specialised risk expertise

\$2.1tr

is the forecast average annual global investment in transport, telecoms, electricity and water 2011-20.³

³Global resource extraction 2005 – 2030, Sustainable Europe Research Institute



Developing energy infrastructure relies on insurance to secure funding. Projects in the developing world often face particular challenges arising out of the risks associated with transporting high tech machinery and materials to remote areas. Our specialist expertise supports economic development around the world.

Amlin provides **Continuity in an uncertain world™**

An aerial night photograph of a city. The foreground and middle ground are dominated by a dense residential area with many small, closely packed buildings. A prominent street with bright yellow lights runs horizontally across the middle. In the background, several tall skyscrapers are visible, some with lights on, against a dark sky. The overall scene is illuminated by the city lights, creating a warm, golden glow.

Urbanisation is exposing greater concentrations of people and property to natural catastrophes

90%

of urban growth is occurring in developing countries.⁴



The value of property at risk in the developing world is increasing, particularly in areas vulnerable to natural catastrophes. We provide insurance and reinsurance to protect our clients and enable other insurers to respond quickly to their clients' needs. We play a key role in funding disaster recovery and reconstruction after major natural catastrophes, such as hurricanes or earthquakes.

Amlin provides **Continuity in an uncertain world™**

Performance highlights

A robust financial position despite extraordinary catastrophe losses

Financial highlights

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Gross written premium	2,304.1	2,172.5	1,543.9	1,034.0	1,044.7
Net written premium	2,013.2	1,910.3	1,322.6	915.7	938.3
Net earned premium	1,927.4	1,748.1	1,317.3	913.5	972.3
Underwriting contribution	(146.0)	185.6*	355.2*	211.4*	343.0*
Investment contribution	40.5	175.0	207.5	18.0	157.0
Other costs	(88.3)	(101.4)*	(53.6)*	(107.8)*	(55.0)*
(Loss)/profit before tax	(193.8)	259.2	509.1	121.6	445.0
Return on equity	(8.6)%	13.9%	37.0%	7.8%	37.8%
Net assets	1,420.4	1,729.9	1,593.1	1,216.1	1,052.3
Net tangible assets	1,201.5	1,545.4	1,430.3	1,105.9	983.3
Per share amounts (in pence)					
Earnings	(30.3)	45.0	94.1	17.1	66.3
Net assets	287.2	350.6	322.6	259.5	220.7
Net tangible assets	243.0	313.2	289.6	236.0	206.2
Dividend under IFRS ¹	23.0	20.7	17.5	16.0	20.8 ²
Dividends (paid and proposed/declared) for the calendar year ¹	23.0	23.0	20.0	17.0	15.0
Capital return via B shares	–	–	–	–	22.4
Group operating ratios**					
Claims ratio	78%	60%	43%	55%	36%
Expense ratio	30%	29%*	30%*	22%*	28%*
Combined ratio	108%	89%*	73%*	77%*	64%*

1. All per share dividends are the actual dividends for each share in issue at the time

2. Includes special dividend of 8.0 pence per share

* To ensure continued consistency with the management information provided to the Board of Directors, each operating segment now includes the insurance intermediary and service entities, which generate income and expenses directly related to that respective segment, and certain operating expenses have been reclassified as underwriting expenses. Accordingly, the information in the table above has been restated to reflect these changes

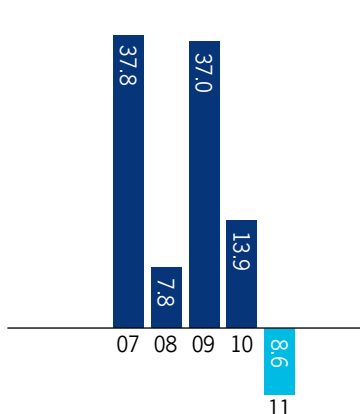
** Claims ratio is net claims incurred divided by net earned premium for the year. Expense ratio is underwriting expense incurred divided by net earned premium. The expense ratio does not include expenses that have not been attributed to underwriting, including employee incentive costs, or finance costs. Combined ratio is the total of the claims and expense ratios

- Loss before tax of £193.8 million (2010: profit before tax of £259.2 million)
- Net catastrophe losses of £500.8 million, relative to expected catastrophe losses of £170.0 million
- Negative return on equity of 8.6% (2010: positive 13.9%), with five year weighted average return of 14.7% (2010: 24.7%)
- Investment return of £40.5 million, equivalent to 0.9% (2010: £175.0 million, 4.0%)
- Combined ratio of 108% (2010: 89%), includes 27% generated by major catastrophe losses
- Reserve releases of £112.6 million (2010: £156.5 million)
- Dividend (paid and proposed/declared) maintained at 23.0 pence per share
- Net tangible assets per share decreased 22.4% to 243.0 pence (2010: 313.2 pence)
- Capital £402.7 million above assessed capital requirement at 31 December 2011 (2010: £695.9 million)

Key performance indicators

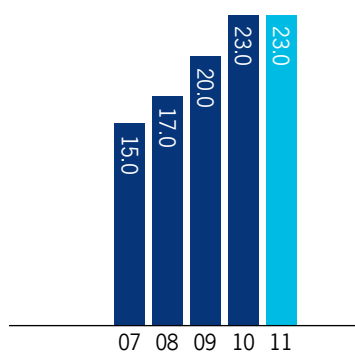
Return on equity

-8.6%



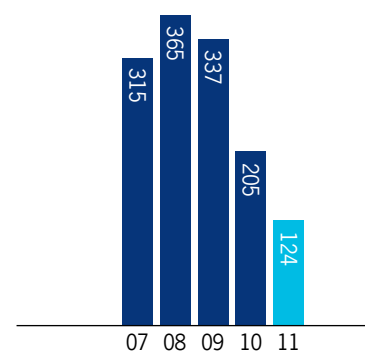
Dividend paid

23.0p



Total shareholder return (five year index)

124%



Other key highlights

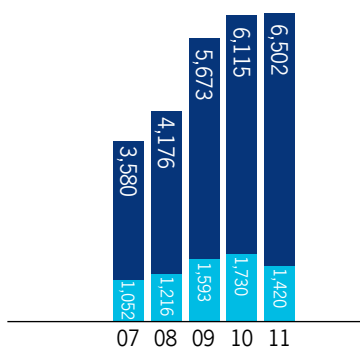
Gross and net assets

£6.5bn

■ Gross

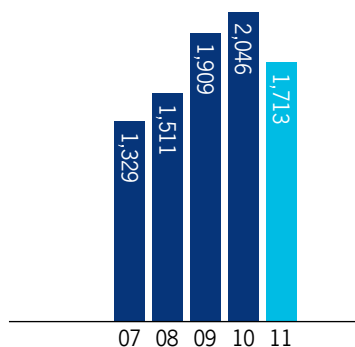
£1.4bn

■ Net



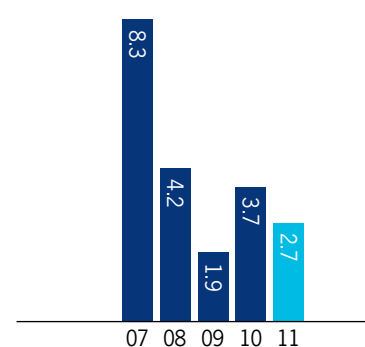
Equity and long-term debt

£1.7bn



Senior underwriter turnover

2.7%



Chairman's statement

Providing continuity to our clients



“In a difficult year, the strength of our balance sheet and the quality of our people enabled us to rise to the challenge of multiple catastrophe events and demonstrate our commitment to our clients. We are well positioned to benefit from improving markets.”

Roger Taylor, Chairman

Return on equity

-8.6%

2010: 13.9%

Dividend

23.0p

2010: 23.0p

Total shareholder return (five year index)

124%

2010: 205%

Results and dividend

2011 was an exceptional year for catastrophe losses, both in terms of scale and location. For the first time we encountered record natural catastrophe losses mainly from outside the US, including in what were viewed as non-peak zones for catastrophe exposures. In total, earthquakes in New Zealand and Japan and severe weather related events, including US tornadoes and floods in Australia, Denmark and Thailand, cost Amlin £500.8 million on a net basis. In addition to this wide ranging loss activity, we were also managing assets in a difficult and volatile environment with historically low interest rates, which adversely affected the investment return achieved.

Overall, we were disappointed to report a pre-tax loss of £193.8 million and a negative return on equity of 8.6%. It is our business to pay claims and prompt settlement following catastrophes is the most practical way of helping our clients and the communities they serve to recover from such events. It is a testimony to the quality of our organisation that we have been delivering a high level of service to clients in this regard, so maintaining our strong market reputation.

In years when catastrophe activity is low or average, the margins available to us on the catastrophe account, combined with the profitability of the rest of the portfolio, are reflected in high returns. Despite the negative return on equity for 2011, our five year average return on equity of 14.7% is only slightly below our cross-cycle target of 15% and over a ten year cycle since 2002, which includes previous severe catastrophe losses in 2005 and 2008, it remains well above target at 18.0%.

We remain focused on managing the business to produce excellent cross cycle returns for shareholders. The strength of our

balance sheet has allowed us to meet our obligations to policyholders quickly and fairly and move forward with ample capital into an improving trading environment. Our confidence in the outlook for the business is reflected in the decision of the Board to propose a final dividend of 15.8 pence per share (2010:15.8p), thus maintaining the total dividend declared at the same level as 2010, despite being uncovered by earnings. The final dividend will be paid on 24 May 2012, subject to shareholder approval, to shareholders on the register on 10 April 2012. In the longer term, our goal remains to steadily grow the dividend.

It has been part of our long term strategy to underwrite a balanced portfolio of US and international catastrophe reinsurance. As a result, in 2011 we incurred disproportionately greater losses than some of our more US-focused peers. However, this international catastrophe portfolio has generated a good return over the longer term and provided a valuable counterbalance to our US exposures. We are confident it will continue to do so in the future.

Our major catastrophe claims in 2011 were mainly the result of earthquakes. A feature of earthquake claims is that it is very difficult to crystallise initial loss estimates and these were no exception, causing us to revise estimates during the year. We have taken the opportunity in our 2012 plans to modify risk appetite by purchasing more outwards reinsurance, particularly for Amlin Bermuda.

While catastrophe claims loomed large, it was also not an easy year for large risk losses. ACI, in particular, experienced an unusual concentration of large losses in the first half of the year, which adversely affected its full year result.

Strategic progress

Despite the challenges posed by catastrophe events and financial market upheaval during 2011, management continued to focus on the development of the business and the delivery of our strategic vision for profitable long term growth.

Amlin Re Europe, which started underwriting in October 2010, got off to an excellent start and has the potential to develop into an important longer term earnings stream for the Group. We also continued to make targeted small acquisitions, with J R Clare and Lead Yacht further broadening the scope of business written by Amlin UK and Amlin London respectively. The underwriting ratios obtained by Amlin London in their principal lines of business, other than catastrophe reinsurance, were similar to the previous year, a particularly good performance in difficult market conditions. Amlin UK continued to grow its motor and property accounts as pricing improved, benefiting from previous investment in underwriting and distribution.

ACI remained a key focus during the year. Its disappointing result for 2011 does not reflect the sustained effort and substantial resource being applied both within ACI and the wider Group to integrate and improve this business. Step by step progress towards sustainable profitability is being made and we remain confident of ACI's strategic value to Amlin over the longer term.

Elsewhere, excellent progress was made in a number of key areas, notably our preparations for Solvency II. The tangible benefits to the business realised so far from implementing our Target Operating Model already outweigh our investment in its development. Over the longer term, we anticipate significant further advantage, particularly in risk management and capital efficiency. This programme has required the co-operation of colleagues from a range of disciplines and locations across the Group and its success is an excellent example of the teamwork which is one of our core values. Actuaries, risk modellers, accountants, IT specialists and other professionals throughout the business play important roles in supporting our underwriters. We continue to invest in high calibre people across these disciplines to ensure that we are resourced to support a larger and more diverse business.

Governance and the Board

The Board believes that high standards of Corporate Governance are intrinsic to Amlin's culture and values. We have further developed our strong culture of accountability through a review of our executive processes and the subsequent interaction throughout the organisation and with our subsidiary boards.

Through the work of the Audit Committee chaired by Nigel Buchanan, our Senior Independent Director, and the Risk & Solvency Committee, led by Richard Davey, the Board has been updated on pertinent matters in what is an increasingly complex regulatory environment, allowing the Board to focus on challenging and encouraging executive management and on the strategy for the Group as a whole.

During 2010, the Board, upon the recommendation of the Nomination Committee, identified the need to recruit an additional member, which culminated in the appointment of Sir Alan Collins as a non-executive director on 14 November 2011. Sir Alan, who has had a distinguished career in HM Diplomatic Service, brings a wide experience of promoting international business activity, which will broaden the diversity of skills on the Board.

At the AGM in May all of the directors are standing for re-election (as we announced last year), other than Sir Alan Collins who is standing for election and myself. I am confident in recommending to shareholders, following individual as well as collective evaluation, that the Board possess the necessary skills and diversity of experience that a complex insurer like Amlin requires.

I was elected as a director and appointed Chairman of Amlin on its formation from the merger of Angerstein and Murray Lawrence in 1998 and it is my intention to retire at the AGM in May. Succession planning, led by Nigel Buchanan in his capacity as Senior Independent Director, resulted in the Board inviting Richard Davey to serve as Chairman immediately following the AGM on 17 May 2012. Richard Davey is an outstanding financier and very capable director, who I have every confidence will be an excellent Chairman of Amlin.

Outlook

Many of the investments made in recent years in new teams, niche acquisitions and better operational capabilities have been against a backdrop of softening market conditions, with a view to positioning the business to grow as and when the trading environment improves. Now that we are seeing an upward trend in pricing in much of Amlin's portfolio, albeit not a hardening market across all lines, we are well placed. The broader scope of the business, with three well capitalised underwriting platforms, gives us greater flexibility to manage exposures and the cycle, as well as creating more opportunities for profitable growth.

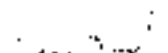
The Amlin team

As Chairman of Amlin I have witnessed many aspects of the Group's remarkable development. However, a key to our success has been our ability to retain, recruit and develop talented individuals in all aspects of our business, from front line underwriting to the key support services. I have personally taken great pleasure seeing people flourish in their careers at Amlin, but also welcomed many excellent new staff who have joined our various operations as they have developed, both in the UK and internationally. I can assure shareholders that Amlin has a stronger team today than ever before and I take pride in them all.

2011 was a challenging year, with major losses following one after the other, yet the staff remained motivated, delivering on their plans for the year and ensuring that Amlin was positioned to seize opportunities as markets reacted to events.

A great team needs good leadership and in an unexpectedly tough year, Charles Philipps and his colleagues have responded admirably. We are in good heart and I would like to thank Charles, his management colleagues and all our employees for their hard work and resourcefulness.

It has been a privilege to serve the shareholders as Chairman of Amlin, but it has also been a pleasure to work with a first class team of insurance industry professionals.



Roger Taylor
Chairman

Our investment case

10 reasons to invest in Amlin

Amlin is a specialist insurer and reinsurer with a well proven and scaleable business model. This has delivered excellent performance for shareholders across the insurance cycle.

1. Profit focused underwriting

Amlin's underwriting approach is highly disciplined and focused on gross underwriting profitability (before investment income and reinsurance) across the insurance cycle, rather than premium income or market share. This is underpinned by incentive structures which reward underwriters for long term profitability.

Amlin Group average combined ratio (2007–2011)

82%

2. Breadth and depth of underwriting expertise

The skill and experience of our underwriters is paramount in achieving outstanding performance. Amlin has strength in depth across an underwriting portfolio that spans more than 30 classes with over 100 senior underwriters.

Average turnover of senior underwriters (2007–2011)

4.1%

3. Wealth of industry experience

Amlin's underwriters are supported by a team of seasoned professionals in specialist disciplines including claims, risk management, actuarial, catastrophe modelling, investments and finance. Many of Amlin's key people have been with Amlin since its creation in 1998. As Amlin has grown, this experienced and stable team has been further enhanced by the addition of high calibre senior recruits.

Senior managers' average years of industry experience

25

4. Active capital management

Our active and flexible approach to capital management has generated a weighted average return on equity of 14.7% over the past five years. Understanding and managing the level of capital required, adjusting the level of equity and debt employed across the cycle to enhance returns and support growth, and returning surplus capital to shareholders are key aspects of this strategy.

Cash returned to shareholders (2007–2011)

£606.9m

5. A dynamic approach to managing investment risk

Amlin's disciplined and responsive approach to investment management has delivered consistently robust returns in stable financial markets. In current turbulent markets our focus on risk appetite, rather than a target return, is crucial.

Simple average % outperformance of peer group investment return over last seven years

0.9%

6. Strong balance sheet with significant scope for growth

Amlin's strong capital position, with £1.7 billion of equity and long term debt capital, makes Amlin a preferred market for major brokers. Our balance sheet strength allowed us to withstand £500.8 million of net catastrophe losses in 2011 and maintain the dividend, while continuing to provide scope to grow into more favourable market conditions.

Net tangible assets 2011

£1.2bn



7. Effective risk management

Amlin has developed a sustainable enterprise risk management framework that enables us to manage risk effectively and helps optimise return for the risks that we take. The framework is overseen by a dedicated team of professionals who provide assurance and challenge to management. This risk management capability will be important under Solvency II regulation.

Average net claims ratio (2007–2011)

54%

8. A diverse and balanced portfolio

The diversity of Amlin's portfolio mixes high margin but volatile catastrophe underwriting with lower margin and less volatile business. This enhances quality of earnings and capital efficiency, especially in a high margin environment, as well as offering a broad range of opportunities for growth in different territories and classes of business.

Major classes of business written

30

9. Strong franchise supported by first class client service

Amlin's Vision is "to be the global reference point for quality in each of our markets". The strength of our franchise is based on access to expert underwriters and speed of response combined with fair, timely and equitable claims settlement. The value of our long-standing relationships with brokers and clients is reflected in our consistently high business retention ratio.

Group 2011 retention ratio

82%

10. Cross-cycle track record of outperformance

Amlin's business model is focused on delivering an average return on equity of at least 15% across the insurance cycle through a diverse and profitable underwriting portfolio, active capital management and optimised investment returns. Over the past five years we have delivered a weighted average return on equity of 14.7% and cumulative profit after tax of £960.4 million, despite extraordinary catastrophe losses in 2011. Since 2002, our weighted average return on equity is 18.0%. The business is well positioned to continue this strong performance through further profitable growth.

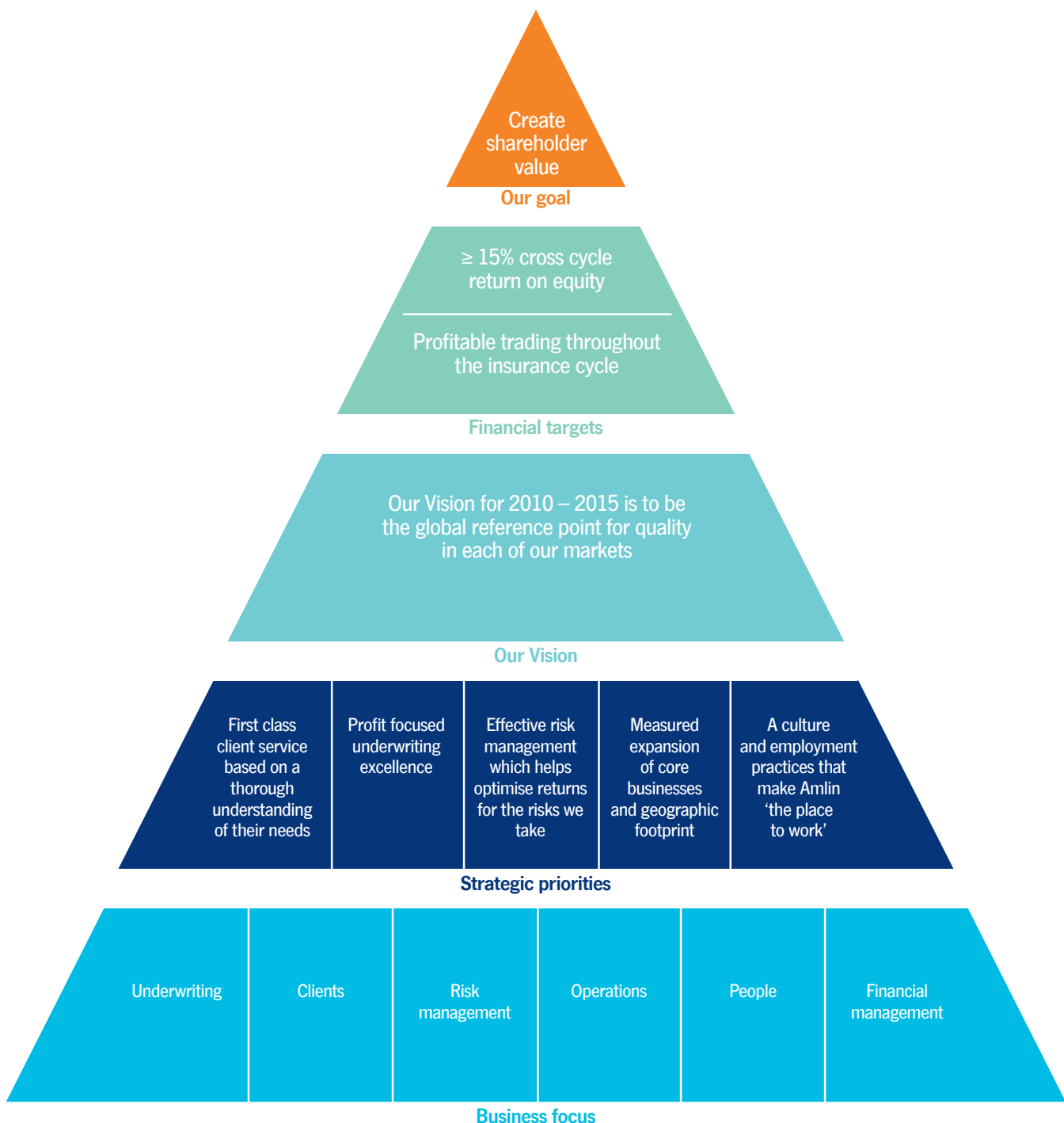
Total shareholder return (five year index)

124%

Vision and strategy

Delivering value

Our strategy is centred on delivering long term value to our shareholders. Our Vision, to be the global reference point for quality in each of our markets, gives strategic focus and drives operational performance. Underpinning our Vision are the strategic priorities which we believe are fundamental to achieving success.



A consistent vision with a strategy for growth

The core objective of our strategy is delivery of a cross cycle return on equity of at least 15%. Evidence suggests that there is a positive correlation between profitable growth and the price to book multiple and hence the creation of shareholder value. We believe that we can deliver significant growth over the insurance cycle through expansion of the platforms and markets in which Amlin operates. However, given Amlin's leading position as a catastrophe underwriter, this average return will necessarily be achieved with a wide variance between single years. In 2009, when catastrophe losses were low and investment returns buoyant, Amlin's return on equity was a record 37.0%. However, in 2011, with extraordinary international catastrophe losses and a difficult investment environment, the Group made its first loss since 2001. As a result, the Group's five year weighted average return on equity fell to 14.7%. However, our cross cycle return on equity (from 2002) remains ahead of target at 18.0%.

A key aspect of our strategy is the focus on maintaining a balance between catastrophe and non-catastrophe exposures, as well as a broad spread of risk by geography and class. We aim for the mean expected profitability of our total business to offset claims (after reinsurance) in the event of one of the extreme catastrophe scenarios to which the Group's catastrophe underwriting is exposed. In 2011, there were large losses from the New Zealand and Japanese earthquakes, in addition to unusually severe weather-related losses in Australia, the US, Denmark and Thailand. With many other business lines experiencing pricing towards the bottom of the cycle, non-catastrophe earnings failed to fully offset these claims, but did mitigate their impact. We continue to believe that the diversity of our business is a key strength, which will underpin our performance in the future and provide the balance to allow our catastrophe business to grow, particularly as the trading environment for non-catastrophe lines begins to improve.

Growth through acquisition remains central to our plans as we believe that organic growth alone is less likely to deliver the diversity, quality and scale of growth targeted over our strategic horizon. The 2011 result benefited from some of the recent niche acquisitions made to further diversify our non-catastrophe lines. ACI, which was acquired in 2009, has yet to attain the performance level that we expect, but we remain confident that it will provide significant diversification into the Continental European insurance market. Organic growth will also be important. Amlin Re Europe, which commenced operations in October 2010, has started strongly and will further extend the Group's business mix into the substantial Continental European reinsurance market. The continued growth of Amlin UK and the expansion of specialty lines such as US property as market conditions improve will also add to non-catastrophe earnings.

One of the strategic priorities articulated in our Vision is 'first class client service based on a thorough understanding of their needs'. The catastrophe loss activity in 2011 gave us a greater than usual challenge, but also presented an opportunity to deliver on our commitment to clients as described later in this report (pp28). Consistent delivery of excellent service is reflected in the stability of Amlin's underwriting portfolio and enhances our ability to attract profitable new business in the future.

Despite the catastrophe claims of the past two years, Amlin remains well capitalised to take advantage of opportunities for profitable growth. Our disciplined focus on underwriting profit, without reliance on investment returns, which has underpinned Amlin's cross-cycle outperformance, is even more important in the current low interest rate environment. As the cycle turns, we have the people and the capital in place to grow significantly as others withdraw.

2012 strategic priorities

Our focus for 2012 is on:

- Enhancing the core business skills and reputation
- Solvency II compliance
- Improving ACI performance

The Group's priorities represent the key benchmarks against which we will measure our progress in 2012.

1. First class client service based on a thorough understanding of client needs

- Deliver the platform replacement programme for ACI
- Further develop the Amlin brand and maximise the return from marketing initiatives

2. Profit focused underwriting excellence

- Ensure delivery of adequate underwriting returns against allocated capital
- Develop Group wide pricing approach to aid comparability and evaluate profitability
- Reinforce profit focus of ACI

3. Effective risk management which helps optimise returns for the risks we take

- Gain internal model approval for Solvency II
- Fully embed a consistent risk management framework and risk assessment process throughout the Group
- Close compliance gaps with Group policies

4. Measured expansion of our core businesses and geographical footprint

- Support the further build out of Amlin Re Europe
- Identify and evaluate acquisition and organic growth opportunities in target markets
- Enhance relations with key brokers and reinforce brand credentials

5. A culture and employment practices that make Amlin 'the place to work'

- Reinforce Amlin Values across the Group
- Start to deliver strategy for Group wide talent management
- Complete Group wide employee survey

Chief Executive's review

Well positioned for improving market conditions



"2011 was an exceptionally challenging year for Amlin in which the quality and professionalism of our service to clients was amply demonstrated. While catastrophe claims were a primary focus during the year, importantly, we continued to make strategic progress. Our strong balance sheet and leading market position means that we are already benefiting from the improved trading environment and are well placed to resume the delivery of good returns for shareholders."

Charles Philipps, Chief Executive

Key highlights in 2011

- Outlook improving with 13.8% average rate increase in catastrophe reinsurance at January renewals
- Difficult and volatile investment markets
- Many insurance classes traded at bottom of insurance cycle
- Capital of £402.7 million above assessed capital requirement at 31 December 2011 despite £500.8 million of net catastrophe losses in the year
- Delivery of exceptional catastrophe claims service in line with our vision 'to be the global reference point for quality in each of our markets'
- Good progress made at ACI in adopting Amlin risk standards with stronger management
- Encouraging first year for Amlin Re Europe
- Continued investment in future growth through niche acquisitions and recruitment
- Preparation completed for Solvency II internal model approval application

The combination of an extreme frequency and severity of natural catastrophes at a low point in the insurance cycle, a difficult climate for investments and poor performance from ACI resulted in 2011 being the worst year on record for Amlin since 2001. However, our strong strategic and financial positioning, together with actions taken to address the poor performance at ACI, leaves us well placed to grow in the healthier underwriting environment which is emerging.

Amlin has continued to make considerable progress in enhancing operational and risk management practices so that it is well prepared for the introduction of Solvency II. Through active claims management associated with 2011's catastrophes, we have reinforced our exceptionally strong reputation among brokers and clients.

Financial results

The main driver of the pre-tax loss, of £193.8 million, were seven significant catastrophes, including major earthquakes in New Zealand and Japan and extreme flooding in Thailand. These events are estimated to be three of the ten costliest insured loss events in global history. The US also witnessed two of its largest ever tornadoes. Amlin's net catastrophe losses in 2011 totalled £500.8 million, with £255.2 million expected to be recovered from outwards reinsurance and reinstatement premium.

Amlin is one of the leading reinsurers in Lloyd's and the London Market, as well as in Bermuda. As was the case in 2010, catastrophe activity was weighted towards international rather than US accounts, where Amlin has a more

Catastrophe losses to Amlin in 2011

Catastrophe loss	Event date	Market insured loss estimate \$m	Amlin London estimated net loss £m	Amlin Bermuda estimated net loss £m	Amlin Group estimated net loss £m
New Zealand earthquake ¹	22 February	13,000	116.7	95.9	215.2
Japanese earthquake ¹	11 March	35-40,000	67.3	69.1	137.7
US tornado Tuscaloosa ¹	27 April	7,300	6.3	8.7	15.0
US tornado Joplin ²	22-28 May	6,900	3.5	9.5	13.0
New Zealand earthquake ³	13 June	1,800	13.2	11.0	24.1
Danish cloudburst ³	2 July	1,090	1.4	14.0	15.7
Thai floods ¹	August to November	10,000	38.9	36.2	80.1
Total			247.3	244.4	500.8

Note: The Group's total estimated net catastrophe losses include £9.1m of losses incurred within other Amlin divisions

1. Munich Re, 4 January 2012 2. Property Claims Service, December 2011 3. Aon Impact Forecasting 2012

Performance of Amlin's International catastrophe book over past 10 years (by underwriting year)

Net loss ratio % by underwriting year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
US catastrophe	128	24	25	111	140	15	9	115	17	28	55
International catastrophe	35	37	1	51	48	5	19	8	63	399*	113
Total catastrophe	76	31	11	76	95	12	13	74	35	175	80

* The 2010 underwriting year is impacted by major catastrophe events in the 2010 and 2011 calendar years, notably the Chilean, New Zealand and Japanese earthquakes, plus Australian floods. Loss ratios are expressed as a percentage of premium after the deduction of brokerage costs

developed book of business than many of our competitors. The broad geographic spread of our catastrophe exposures has resulted in robust performance over many years, with £662.8 million of profit generated over the past ten years, including 2011. However, in years such as 2011, where our models suggest the frequency and severity of activity should occur less than once in every thirty years, we will incur significant claims.

Amlin London's underwriting result of a £13.9 million loss with a combined ratio of 102%, after £247.3 million of catastrophe losses net of reinsurance recoveries and reinstatement premiums, demonstrates the solid underlying performance of its diverse account where 33.6% of its premium income is catastrophe and property reinsurance. Amlin Bermuda's loss of £58.1 million and a combined ratio of 112% largely reflects the fact that since its start up in 2005, it has purchased less retrocessional reinsurance protection than Amlin London, but it is also a more catastrophe oriented business.

Amlin UK continued to grow its income, assisted by the acquisition of J R Clare whose accounts performed well. Its full year underwriting loss of £7.9 million and combined ratio of 103% was better than in the first half of the year, helped by improving margins on its fleet motor account and the prudent reaction to unusual prior year claims development on its property and motor accounts at the half year proving to be over cautious.

ACI and Amlin France performed poorly with underwriting losses and combined ratios of £56.0 million and £10.6 million and 112% and 124% respectively. Amlin France was affected by exposure to overseas French property interests which suffered losses from the February New Zealand and March Japanese earthquake and the Thai floods, without which

performance would have been satisfactory. ACI's marine business performed considerably worse than expected, while its non-marine businesses delivered respectable results given the competitive nature of their markets. With the considerable changes and corrective action taken at ACI's marine business over the previous two years, we started 2011 with the expectation of seeing an improvement on 2010's performance. It was materially adversely affected, however, by three principal factors. These were an exceptional level of large claims, claims on long term contracts, (particularly in the commodities cargo account, which expire in 2012), and the need to strengthen reserves on its long tail shipbuilding account, where it became evident that ACI had taken more profit than it should have done in 2007 and 2008.

Amlin Re Europe, our new Zurich based European reinsurer, was well received by brokers and clients and wrote £107.4 million of premium income in its first full year, 81.6% of the Group's overall growth in premiums. However, with only £50.9 million of its net premium income having been earned in 2011 and a full year of operating expenses, it contributed an underwriting loss of £2.6 million and a combined ratio of 105%, a respectable result for a start up year.

The combination of low interest rates and, in the latter part of the year, the growing Eurozone crisis, made the generation of an investment return difficult, whilst managing our portfolios against a risk of a reversal in long term interest rate trends and a banking crisis. In this environment we were pleased to end the year in positive territory.

Strategically we have focused over the years in maintaining a strong balance sheet which has the propensity to fund a dividend in the event of a year such as 2011. Accordingly,

the dividend has been maintained at 23.0p per share and, if we return to a more normal year in terms of major loss events, we expect to return to our policy of steadily increasing the dividend in 2012.

Amlin's five and ten year average returns on equity, of 14.7% and 18.0% respectively, remain near to and above our cross cycle target of 15%, despite the loss incurred in 2011.

Positioning for 2012

Whilst we do not expect the circumstances of 2011 to be repeated frequently, it is important that we learn and adjust to improve the balance of risk and reward for the future. As 2011 unfolded, we focused our attention on two critical areas: firstly, what we could have done differently or better in our catastrophe exposure management; and secondly, what further action we could take at ACI to ensure that it meets our required return on equity of 15%.

Amlin's largest 2011 catastrophe loss was the February earthquake in New Zealand. This was an extraordinary event in terms of its damage to Christchurch and in an area where the modelling of events is less well developed. While the Group's loss from this event was within our risk tolerance and New Zealand modelled loss scenarios, our market share of the loss was higher than we consider appropriate given market conditions. We have reviewed all market shares globally and have decided to downsize in a limited number of areas where we are overweight, unless the pricing of risk is sufficiently strong to justify an above average position. However we remain as focused as ever on our strategy of maintaining a diverse and balanced book of risk.

Amlin London's retrocessional reinsurance programme responded well to the frequency

Chief Executive's review continued

of events in 2011, but Amlin Bermuda, which has operated since its creation in 2005 with less protection, suffered from the combination of frequency and severity of events in 2011. For 2012, the protection purchased for Amlin Bermuda is much more in line with that for Amlin London, and we have reduced the first loss retention for Amlin London. We have also issued our first catastrophe insurance bond in the capital markets, which provides an additional \$150 million of protection against extreme severity and/or frequency of events in the US and Europe in a calendar year. The bond has a three year duration.

The purchase of this new reinsurance programme has reduced our expected loss from a modelled 1 in 50 and 1 in 100 year event from £293 million and £344 million respectively to £240 million and £288 million respectively.

While reinsurance expenditure as a proportion of premium income is expected to increase to 15.3% in 2012, inwards rates have reacted to last years' events and we expect full year inwards premium income to more than compensate for the additional cost, leaving Amlin in a better risk reward position than in 2011. Amlin London and Amlin Bermuda's combined reinsurance income was up 18.4% at the end of January compared to the same period in 2011.

Action continued to be taken to strengthen ACI, particularly its marine division which has been the source of its underwriting losses since acquisition. A further €192.0 million of poorly performing business has been non renewed in 2011 and 2012 to date across the division, principally in its cargo accounts. This included one material multi year cargo liability contract from which ACI had been unable to withdraw previously, which had incurred an average loss ratio of 155% over the five years prior to cancellation.

Further reviews were undertaken of ACI's portfolios and new line guides were put in place with a view to reducing volatility. Also, increased co-operation was achieved between our London marine underwriters and those at ACI. This was further enhanced in the latter part of the year with the appointment of David Harris, International Development Director and

the former Managing Director of Amlin Underwriting Limited, to head up ACI marine on an interim basis. During November and December, in preparation for the 1 January 2012 renewals, leading class underwriters from London provided guidance and review of ACI marine hull and cargo risks, with a focus on quality of selection, adequacy of pricing and coverage provided.

Management was further strengthened in June with the appointment of a new CEO at ACI, Kim Hvirgel, who had previously been CEO of Codan, Royal and Sun Alliance's subsidiary in Denmark, and with a new CFO, Reijer Groenveld, previously at ABN Amro, in December. Kim has made a noticeable impact since joining, improving accountability, transparency and controls, as well as ACI's overall alignment with Amlin's objectives.

There remains a risk that ACI will continue to suffer from claims on policies written prior to its acquisition in 2009 and from some multi year contracts which it has been unable to re-underwrite or cancel. However, most of the poorly performing multi year contracts will expire in 2012 and reserves have been increased to help address the risk of further adverse claims development on prior years. With the action taken ACI's 2012 combined ratio is expected to move towards 100%.

Capital

While net tangible assets reduced 22.3% to £1,201.5 million in 2011, after deducting £42.0 million spent on goodwill and intangibles associated with acquisitions and dividends paid of £113.6 million, the Group's capital position remains strong and capable of supporting further growth as market conditions improve. Capital and available resources at 31 December 2011, before the proposed final dividend in respect of 2011, were £402.7 million in excess of the Group's assessed capital requirements.

Looking forward, assuming our internal model approval is obtained, the Group remains well capitalised against its anticipated Solvency II requirements.

With our 2010 results we announced that we had allocated up to £75 million for share buy-backs. However, following the major

earthquakes in Japan and New Zealand, we decided to retain this capital with a view to sustaining our ability to pay a dividend and grow.

Strategy and business development

A key focus of management has been on turning around ACI's performance and helping to bring its risk management and controls up to our desired standards. Until this is completed and we are able to demonstrate a marked improvement in its results we do not intend to pursue further major acquisitions.

However, we remain on the look out for smaller bolt-on acquisitions in niches which can augment our strategy of balancing catastrophe exposure with more attritional risk. In January 2011, Amlin UK acquired the agency of J R Clare which increased its UK property account by £35.1 million and in February 2011, Amlin London acquired Lead Yacht, the leading specialist super-yacht underwriting agency outside the US. Amlin UK also supported the acquisition of R L Davison by Miles Smith, a broker in which it has a minority investment. With this acquisition, Miles Smith is now one of the UK's largest wholesale brokers and a growing source of business for Amlin UK.

Amlin Re Europe, which started trading in October 2010, has successfully built up its team in Zurich to comprise 37 employees, including 16 senior underwriters. A further 13 hires are planned in 2012. Having written approximately £100 million of new business in 2011, its January 2012 income was up 32.3% to £136.0 million. We believe that this business has the potential to grow to some £300 million of premium income over the next three years as it continues to build its reputation and penetration of its target European client base.

Organic growth has also been augmented through attracting further experienced underwriting talent, particularly in Amlin London and Amlin UK, which were joined by eight senior underwriters during 2011.

We have strengthened resources in our Corporate Centre to increase our ability to manage a larger and broader group, and to address the increasing requirements of regulation, in particular for Solvency II.

This has included the creation of a Group Underwriting function, whose role is to monitor the quality of underwriting and adherence to Amlin's underwriting policies and standards across the Group, and to enforce improvement where it is necessary. ACI has clearly been the focus of most of its attention to date and this function will provide us with a better ability to ensure that future acquisitions quickly adopt Amlin's standards.

Our major change programme in preparation for Solvency II was largely completed in 2011, so that enhanced risk management and reporting will become business as usual in 2012. We are working with regulators to gain approval of our capital models and starting to realise benefits from the investment made over the last two years. For example, our modelling capability now better informs decisions on outwards reinsurance and the allocation of risk appetite between our operating divisions.

Given our Vision of becoming the "global reference point for quality" in insurance, we were pleased that the work done by our claims team in London was clearly recognised in the most recent survey of brokers carried out by Gracechurch Consulting (see pp28).

Outlook

In contrast to the start of 2011, when downward pressure on pricing was increasing, we are now seeing signs of a better rating environment emerging. This was reflected in average renewal rate increases to 31 January 2012 of 4.0% compared to average reductions of 1.3% in January 2011.

Responding to last year's losses, catastrophe reinsurance rates have continued to strengthen both in the United States and internationally, with 1 January renewal rate rises of 14.5% and 15.9% respectively. As expected, loss affected areas have increased the most and we expect the April Japanese renewals to see significant rises.

Amlin UK is continuing to achieve rate rises on its motor business, and following average renewal rate increases in 2011 of 7.4%, is expecting a double digit average increase in the current year. UK property rates are also

starting to show signs of positive movement and we expect liability rates to start to improve during 2012.

Within the US property and casualty market, 1 January renewal rates increased 4.3% for our US property account with casualty renewal rates flat. We expect a gradual improvement in rates through 2012. In most other accounts, renewal rates are flat.

While pricing in some areas where renewal rates are flat already offers acceptable margins, such as in our London marine business, other areas, such as the European insurance accounts, remain highly competitive, although we expect increasing financial distress and lower investment returns to result in a positive turn, at some stage.

With the steps taken to enhance our underwriting teams in Amlin UK and Amlin London in particular, and with our strong capital position, we are well placed to grow income in classes of business where margins are becoming more attractive. We also anticipate growth in Amlin Re Europe as it builds on its successful start in 2011.

As the upward turn in the insurance cycle broadens to more of our less catastrophe exposed classes of business, including in Europe, this will again allow us to increase appetite for catastrophe risk, providing the prospect of the high returns on capital historically delivered.

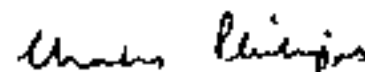
While investment returns in the year to date have been good, with 1.8% achieved to the end of February, the economic and political environment is far from stable and interest rates are expected to remain low for the foreseeable future. We will therefore continue to adopt a cautious approach and do not expect returns to recover to the levels that were the norm only a few years ago.

Overall, with the underlying profitability of our core business in London in 2011, increasing rates in reinsurance and UK motor in particular, the expectation of better performance at ACI and the capital to support our planned growth in premiums in 2012, we expect to return to a good level of profitability in 2012.

People

2011 was a tough year for many of our employees, in particular those involved in managing claims from the catastrophes and associated underwriting adjustments, the changes implemented in preparation for Solvency II and at ACI, where work on their systems replacement overlaid actions to improve processes and controls as well as improve performance. The staff turnover of 5.8%, combined with progress achieved, demonstrates a resilience and loyalty as well as the ambition of our employees to make Amlin the "global reference point for quality in each of our markets". I thank them for their achievements.

As indicated in his Chairman's statement, Roger Taylor has decided to retire as Chairman, having served in that capacity since the merger of Angerstein and Murray Lawrence to create Amlin in 1998. Roger has been a constant source of helpful guidance and support to me and to my senior management colleagues and we owe him our sincere gratitude for helping us build Amlin to what it is today. He will be succeeded by Richard Davey, who has been on our Board since 2005 and I look forward to working closely with him over the coming years.



Charles Philipps
Chief Executive

Amlin at a glance

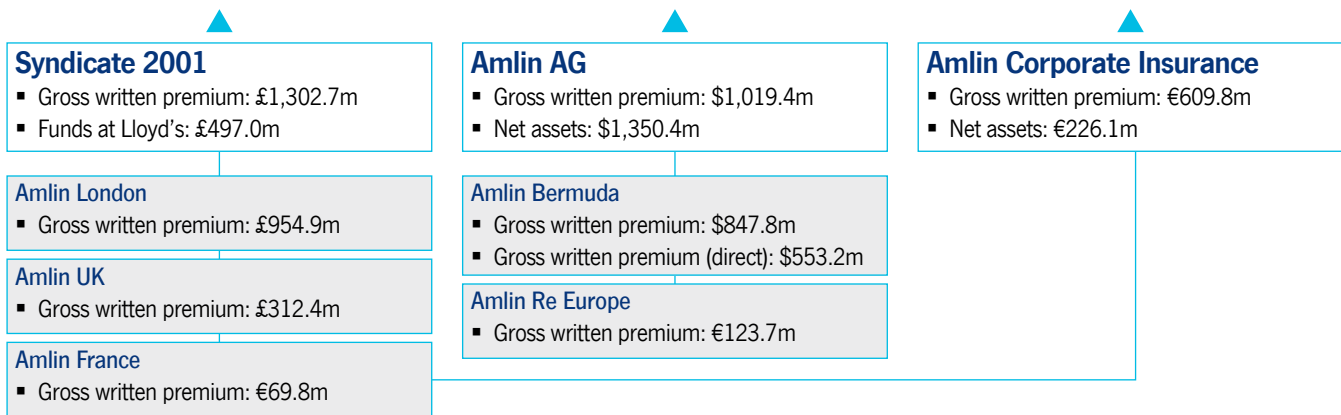
A global footprint with unique market positions

Our businesses

Amlin is organised as a small number of well capitalised underwriting businesses with a focus on optimising our broker distribution, rather than investing in a large network of local offices.

Amlin plc

- Gross written premium: £2,304.1m
- Net assets: £1,420.4m



Our markets

Reinsurance

The global reinsurance market provides risk transfer and contingent capital to insurance companies. The market is dominated by large reinsurers in Germany, Switzerland, Bermuda, the US and in Lloyd's. Amlin underwrites reinsurance through Syndicate 2001 at Lloyd's, Amlin Bermuda and Amlin Re Europe. The largest part of Amlin's reinsurance portfolio is catastrophe reinsurance.

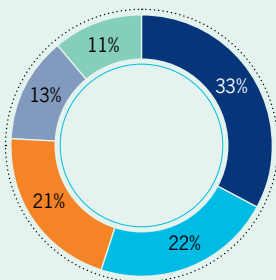
Specialty lines

These markets insure a wide range of risks which are typically large and complex, requiring specialist underwriting expertise and individually tailored cover. Distinct markets include US surplus lines and international marine and aviation markets. Amlin Corporate Insurance (ACI) has significantly increased our presence in Continental European specialty markets.

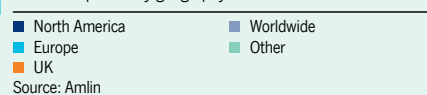
Commercial insurance

These markets provide motor, property and liability insurance to commercial enterprises. UK commercial business written by Amlin UK is sourced through Lloyd's and regional brokers. ACI is a major participant in the commercial market in the Benelux countries.

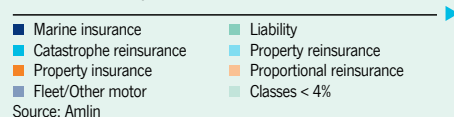
2011 Group GWP by geography



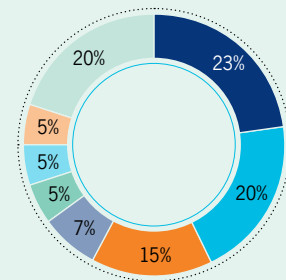
2011 Group GWP by geography



2011 Group GWP by class



2011 Group GWP by class





Global offices

Amlin's underwriting businesses are located in major insurance centres. The majority of our business is sourced through independent insurance brokers, who provide a highly efficient global distribution network for Amlin's diverse business lines.

1 Amlin London

Amlin London operates through Syndicate 2001 at Lloyd's. It is organised into four business units: Reinsurance, Property and Casualty, Marine and Aviation, writing more than 30 classes of business and providing a diverse portfolio of risks. The majority of the business is based in London.

2 Amlin Bermuda

Amlin Bermuda is part of Amlin AG and writes reinsurance business around the world. Amlin Bermuda also underwrites quota share reinsurance of Syndicate 2001 and provides reinsurance for other Group entities.

3 Amlin Re Europe

Amlin Re Europe is part of Amlin AG. It was established in Zurich in 2010 to underwrite non-life treaty reinsurance business for insurers in the Continental European market.

4 Amlin UK

Amlin UK is our UK commercial insurance business, operating through Syndicate 2001. It writes a full range of commercial lines, including motor, property

and liability, mainly through retail and wholesale brokers and other distribution channels. Amlin UK is based in Chelmsford with regional offices in Basingstoke, Norwich, Nottingham and Manchester.

5 Amlin Corporate Insurance

Amlin Corporate Insurance is a leading provider of marine, commercial property and liability insurance in the Benelux region. It has offices in Amstelveen, Rotterdam, Brussels and Antwerp.

6 Amlin France

Amlin France was formed in 2010 from the merger of Anglo French Underwriters and ACI France and is the largest approved Lloyd's coverholder in France. It is focused on SME specialty business and underwrites through both Syndicate 2001 and ACI. Amlin France is based in Paris with an office in Lyon.

7 Amlin Singapore

Amlin Singapore operates as part of Syndicate 2001 through the Lloyd's Asia platform and is focused on energy and cargo business.

Market review

Reinsurance

2011 was the worst year on record for insured losses from natural catastrophes¹, with major earthquakes in New Zealand and Japan and severe weather related losses in Australia, the US, Denmark and Thailand. Catastrophe reinsurance pricing firmed markedly during the year and continued to increase at 1 January 2012 renewals.

Introduction

The reinsurance market provides risk transfer and contingent capital to insurance companies. As a result of a sustained period of consolidation in Europe, Bermuda and the US, the global market is dominated by large reinsurers in Germany, Switzerland, Bermuda, the US and within Lloyd's.

Amlin underwrites reinsurance principally through Lloyd's Syndicate 2001 (Amlin London) and Amlin AG (Amlin Bermuda and Amlin Re Europe). The largest part of Amlin's reinsurance portfolio is catastrophe reinsurance, which protects insurers against losses caused by natural catastrophes such as hurricanes or earthquakes. Amlin London and Amlin Bermuda also write other reinsurance business across a range of classes, mainly covering property risks. Amlin Re Europe, which started underwriting in October 2010, is developing a Continental European reinsurance account focused mainly on property, casualty, marine and motor reinsurance for small and mid-sized insurance companies.

The majority of Amlin's reinsurance business is sourced through global reinsurance brokers. In line with market practice in Continental Europe, Amlin Re Europe is developing some business which is transacted direct with insurers.

Market commentary

2011 was dominated by substantial international catastrophe claims from events even more devastating than those of 2010. An aftershock of the New Zealand earthquake of September 2010 hit Christchurch on 22 February 2011, proving to be more intense than the initial earthquake and causing further extensive damage to the city and the underlying land. In addition to numerous smaller aftershocks, further earthquakes occurred in New Zealand on 13 June and

23 December. On 11 March a major earthquake and tsunami struck north eastern Japan causing widespread damage and loss of life.

As well as these major catastrophes, 2011 was characterised by an unusual number of large weather related claims around the world. These included severe flooding in Australia, Denmark and Thailand, as well as Hurricane Irene, exceptional tornado activity and wildfires in the US. Tornado activity typified the unusual scale of loss events, reaching an all time high both in terms of frequency and severity. Insured losses from tornadoes exceeded \$16 billion in 2011, compared to an average of \$6.1 billion between 2001 and 2010². Overall, insured catastrophe claims for 2011 are estimated to be a record \$105 billion¹. Amlin's expected share of these events is shown opposite.

The cumulative impact of the catastrophe claims of 2010 and 2011 on the reinsurance market led to a marked change in market conditions. In 2010, despite localised rate increases in loss affected areas, overall claims had insufficient impact on abundant industry capital to affect the downward trend in catastrophe pricing, which continued into early 2011. This began to reverse for both international and US risks following the Japanese earthquake in March. The upward trend continued through the year, as losses further eroded surplus capital and risk exposures in many territories were re-priced. Rates on Amlin's international catastrophe portfolio increased by 6.8% overall during 2011. Increases in loss affected territories were substantially higher, but capacity attracted by higher pricing meant that in some areas the rate rises achieved fell short of expectations.

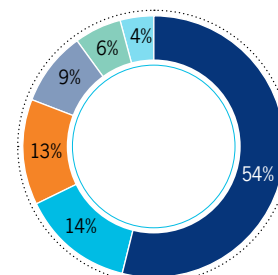
Further momentum to US catastrophe pricing was generated by the release by commercial

modelling firm, Risk Management Solutions, of an update to one of the mostly widely used US windstorm models. This new model, RMSv11, significantly increased loss predictions for certain US hurricane scenarios, increasing demand for reinsurance and consequently pricing for US exposures. Commercial modelling of many of the non-US catastrophes and weather-related events seen in 2011 is limited in scope or unavailable, but the range and severity of these losses also prompted a market-wide reassessment of risk assumptions, particularly for earthquake exposures.

On US catastrophe risks, rates on Amlin's portfolio increased by 0.3% overall during 2011, reflecting the softening market conditions seen prior to the Japanese earthquake. The average rate reduction for the year to March was 4.2%, but this was offset by significant increases later in 2011. Continued increases for 1 January 2012 renewals have lifted pricing close to peak levels.

The trading environment for Amlin Re Europe's portfolio remained competitive although there was some evidence of slightly firmer market conditions in certain lines, for example, on loss affected Scandinavian business following the Copenhagen floods in 2011.

2011 Reinsurance GWP by class



■ Catastrophe reinsurance ■ Classes <4%
■ Property reinsurance ■ Special risks
■ Proportional reinsurance ■ Marine/Aviation reinsurance
Source: Amlin

1. Munich Re, Press Release, 4 Jan 2012

2. Munich Re, US Natural Catastrophes Update, 25 August 2011

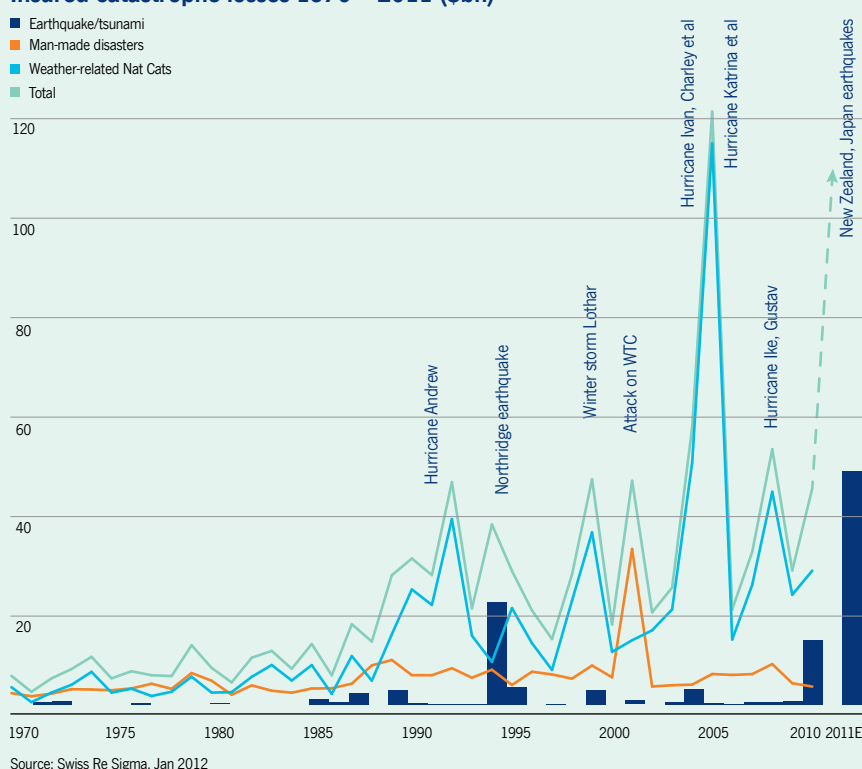
Amlin's market position

Amlin is a recognised leader in the catastrophe reinsurance market, with Amlin London and Amlin Bermuda viewed by brokers as preferred insurers by virtue of their underwriter expertise, claims service and strong financial strength ratings (pp50). Both businesses are recognised for excellence in client service, which is reflected in the consistently high retention rates achieved on renewal business.

Amlin's catastrophe account is mainly underwritten on a treaty excess of loss basis. While the US accounts for the largest proportion of catastrophe premium by geography for both London and Bermuda, the overall catastrophe portfolio is a global one, with a significant spread of international business outside the US. This reflects Amlin's strategy to seek profitable diversity within individual business classes as well as across the whole Group underwriting portfolio.

Amlin Re Europe was established in October 2010 to provide the Group with access to European reinsurance business that does not typically flow into the London and Bermuda markets. This is achieved by meeting demand for greater diversity of risk transfer and counterparty risk among small and medium sized insurers. Like Amlin's other reinsurance businesses, Amlin Re Europe offers cedants strong ratings and capitalisation, underwriting expertise founded on knowledge of local markets and high levels of client service. It had a successful first full year of underwriting in 2011.

Insured catastrophe losses 1970 – 2011 (\$bn)



Reinsurance renewal rating indices

Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
US catastrophe	100	115	146	150	143	144	185	188	167	185	175	176
International catastrophe	100	120	157	161	145	131	138	131	119	124	123	131
Property	100	122	189	191	170	146	170	144	126	127	115	109

Note: figures in bold represent peak ratings

Catastrophe losses to Amlin in 2011

Catastrophe loss	Event date	Market insured loss estimate \$m	Amlin London estimated net loss £m	Amlin Bermuda estimated net loss £m	Amlin Group estimated net loss £m
New Zealand earthquake ¹	22 February	13,000	116.7	95.9	215.2
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US tornado Tuscaloosa ¹	27 April	7,300	6.3	8.7	15.0
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Total			247.3	244.4	500.8

Note: The Group's total estimated net catastrophe losses include £9.1m of losses incurred within other Amlin divisions

1. Munich Re, 4 January 2012

2. Property Claims Service, December 2011

3. Aon Impact Forecasting 2012

2011 Catastrophes

A damaging year for catastrophe reinsurance

Natural catastrophes are always unique, even if their likelihood and potential severity can be modelled. 2011 saw events exceptional not only for their frequency and severity, but also for how they occurred. The combination of tsunami and earthquake in Japan, the unprecedented land damage caused by soil liquefaction following New Zealand earthquakes, and the prolonged and widespread flooding in Thailand all challenged previous expectations for such events. Our analysis of the impact of these scenarios will increase our understanding of potential future events and help us to provide clients with appropriate protection for the future.

\$105bn⁵

⁵ Total insured loss from natural catastrophes in 2011 (Munich Re)



Market review

Delivering first class client service



“In a challenging year, we have continued to build a market leading claims service, which is now viewed as a key differentiator for Amlin. Our London-based claims and underwriting teams work in tandem and, together with our brokers, we deliver a proactive and effective response to client needs.”

David Turner, Head of Claims, Amlin London

When clients buy a policy from Amlin they are buying a promise to pay. Delivering on that promise quickly and efficiently is a key component of our value proposition to clients and never more so than following major catastrophe events. During 2011, Amlin paid \$445.6 million net in catastrophe claims to clients in New Zealand, Japan, the US and other territories.

A number of clients benefited from Amlin’s early payment scheme for catastrophe claims, Amlin Advance. This unique initiative enables part payment of major claims before they are fully assessed, thus assisting clients’ cash flow and helping them to make rapid claims payments to their customers. Previously used

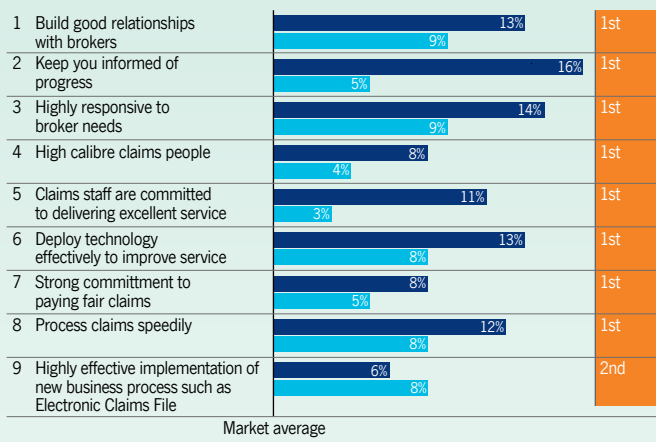
to help Amlin’s portfolio of small and medium sized US clients following hurricane losses, the service was extended in 2010 and 2011 to pre-fund major earthquake, flood and tornado claims.

Our ability to provide advance payments relies on Amlin underwriters’ detailed understanding of individual client accounts, assisted by risk and aggregate modelling. This enables us to make a relatively accurate estimate of loss in most cases. In addition, Amlin’s strong balance sheet can support the early advancing of claims. No other Lloyd’s business provides this service and it is a differentiator for Amlin which is greatly valued by clients, as illustrated in the example opposite.

During 2011, Amlin London and Amlin Bermuda paid \$55.4 million and \$6.2 million respectively under the scheme to nine Amlin clients. This includes \$44.0 million for the New Zealand earthquakes and \$13.2 million for floods in Australia. These advance payments enabled our clients to play their part in funding the recovery process in disaster stricken areas through rapid settlement of insurance claims to policyholders. Unfortunately Amlin was unable to provide the Amlin Advance to Japanese clients following the earthquake and tsunami, due to the way that Japanese clients account for their reinsurance receivables.

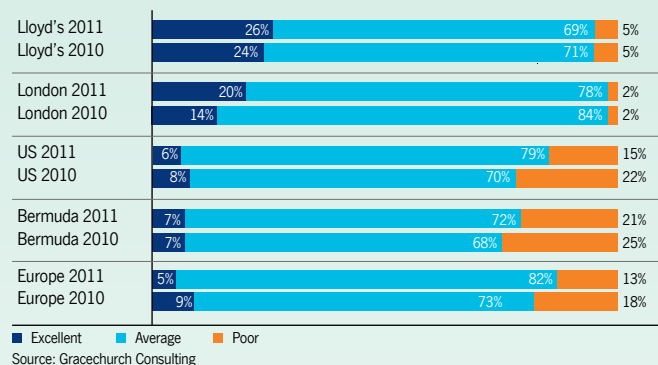
London Market Claims survey 2011

Leadership in the Lloyd’s market



■ 2011 ■ 2010 ■ Amlin’s position in the market
Source: Gracechurch Consulting

Comparative claims service in major markets



“TOWER really appreciates the client focused approach that you have taken here. We feel it is a very visible and practical example of the ‘first class customer service based on client needs’ that you articulate in your vision statement.



While the current circumstances with these earthquake claims are not ideal for either company, TOWER would like to acknowledge the great response we have had from you in dealing with the outcome. Once again thank you for your decision to pre-fund these claims. We look forward to continuing our relationship with you over the next few years.”

Michael Boggs, Chief Operating Officer, TOWER, New Zealand

During the year, senior members of the claims and underwriting teams made several trips to loss affected areas to understand the impact of catastrophe events on the ground and meet with brokers and clients, gaining insights into the loss events. This proved invaluable in negotiating claims settlements and policy renewals. Amlin was the first Lloyd’s business to send a senior team to visit Christchurch after the September 2010 earthquake and the team made two additional visits during 2011, as well as four visits to Australia and one to Japan. A co-ordinated approach between Amlin London and Amlin Bermuda ensured that

clients received a seamless response and the involvement of underwriters, as well as claims experts, meant that we could also work closely with clients and brokers to reassess exposures and ensure continuity of coverage at renewal.

Amlin’s superior service delivery was again recognised in the Claims Performance Monitor, a rolling quarterly survey of specialist London Market claims brokers by the independent research company, Gracechurch Consulting. Two hundred specialist claims brokers were interviewed during 2011, across the full spectrum of business lines.

Amlin moved further ahead of competitors with the highest overall satisfaction rating of all insurers, as illustrated in the panel below left. Amlin’s service performance exceeds the market average on each of the nine metrics identified as important by claims brokers and our 2011 performance has improved on 2010 on all metrics bar one. Lloyd’s remains the highest ranked claims market among major global centres.

Why recommend Amlin?

Responsive

“They are responsive to claims issues and open to discussions which makes it a more streamlined and effective process.”

[Property broker](#)

“Speed of response, their flexibility on communicating, always willing to communicate with the broker in any way.”

[Marine broker](#)

“Their speed of response because of their technical ability.”

[Reinsurance broker](#)

Quality of service

“Overall excellent claims service in everything that they do.”

[Property broker](#)

“The all round service and the people.”

[Marine broker](#)

“Just their whole service package.”

[Casualty/NML broker](#)

“Overall good service. They are accessible. They are very knowledgeable in reinsurance and are easy to approach.”

[Reinsurance broker](#)

Efficient staff

“They have the staff there, we can see them all the time, phone or physically, good calibre of staff.”

[Property broker](#)

“Everyone from top to bottom...provides good service.”

[Property broker](#)

“They are a very knowledgeable team. They are looking to work with clients and the brokers for a successful outcome.”

[Specialty Lines broker](#)

Good relationships

“They have built good relationships with the brokers and they respond to claims very promptly and give good feedback in relation to contentious claims and work to resolve them.”

[Reinsurance broker](#)

“We have a good relationship with them. Both on the same page about doing a good job. They care about the business and it comes across when they deal with us.”

[Marine broker](#)

Market review

Specialty lines

Catastrophe and severe weather losses, combined with claims inflation and lower investment returns, contributed to an improving trend in the US property market. Many specialty lines experienced a stable or improving trading environment.

Introduction

The specialty lines area insures a wide range of risks, which are typically commercial, large and complex, requiring specialist underwriting expertise and individually tailored cover. Distinct markets include the US surplus lines market and the international marine and aviation markets. Lloyd's remains an important hub for the insurance of many of these highly specialised risks, but capacity is also provided by global insurers operating world-wide and in regional market centres such as the Dutch Beurs.

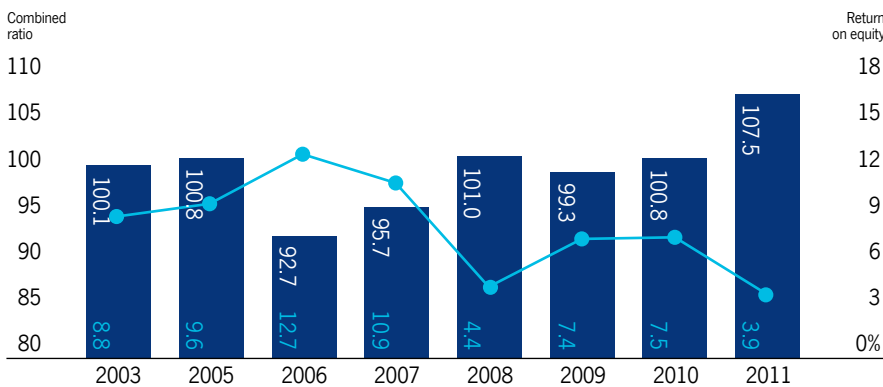
Market commentary

As in previous years, the diversity of the specialty lines market was reflected in a varied picture for pricing and capacity. Some classes were particularly affected by the catastrophe and large weather related losses of 2010 and 2011, and as a result, a more positive trend emerged in these markets, particularly US property. As shown in the table below, the US property market had been subject to declining overall returns since 2007 and this was exacerbated by the severity of losses in 2011. Key factors were record tornado losses, Hurricane Irene and substantial US business interruption losses due to the Japanese earthquake. The combined impact of these events prompted a reversal of the previous downward trend in US property rates, which for Amlin's portfolio increased by 1.7% during 2011.

Lower investment returns, claims inflation and poor market results also contributed to a stabilisation in US casualty pricing.

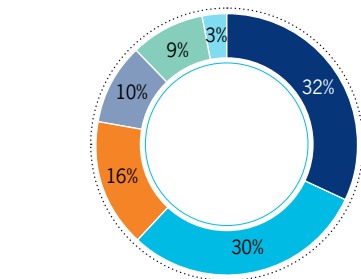
Rates for London-based marine classes generally remained satisfactory and there was continued improvement in offshore energy rates, reflecting substantial market losses including Deepwater Horizon in 2010 and the North Sea Maersk Gryphon loss in February 2011. However, ACI's marine operation continued to experience a highly competitive trading environment. Conditions in the global aviation and aerospace segment also remained competitive, with little overall improvement in a weak pricing environment.

US Property & Casualty market



Source: Insurance Information Institute, February 2012

2011 Marine GWP by business line



Source: Amlin

Amlin's market position

Amlin has specialist expertise in five major specialty lines as shown below, with most business written through Syndicate 2001, via Amlin London, and through ACI in the important Benelux marine market centred on Rotterdam. Our office in Singapore sources Asian energy and cargo business for Syndicate 2001. A substantial proportion of Amlin's specialty business comes from the US, which accounted for 25.0% of Amlin's premium in 2011.

Other specialist tailored insurance provided by Amlin includes insurance for thoroughbred breeding and racing bloodstock and high value competition horses through Amlin Plus, and for other types of livestock through Crowe Livestock Underwriting Limited, both subsidiaries of the Group.

Amlin sources its specialty business mainly through brokers and other intermediaries. In certain lines, part of the business is written via lineslips and binding authorities, whereby Amlin gives limited and defined underwriting authority to selected intermediaries.

Amlin is a major insurer in the marine market. Marine is Amlin's largest specialty class with combined gross written premium across the Amlin London and ACI marine account of £492.6 million in 2011, including energy premium of £64.4 million. Amlin London underwrites all major international marine classes including energy, cargo, marine hull and liability. Amlin is also a leading provider of yacht insurance through two specialist subsidiaries, Haven Knox-Johnston, which services the small yacht market, and Lead Yacht Underwriters, which provides coverage for super-yachts.

ACI is a market leader in marine insurance in the Benelux region. In the Dutch market, ACI writes a diverse regional and international hull account and is a major shipbuilding insurer as well as a market leader in cargo. In Belgium, ACI is a major underwriter of specialist commodities cargo business.

Amlin also writes US and international property and casualty lines at Lloyd's and participates in the US surplus lines market. In these and other specialty lines, Amlin pursues a disciplined underwriting approach based on writing a diverse portfolio of risks within each

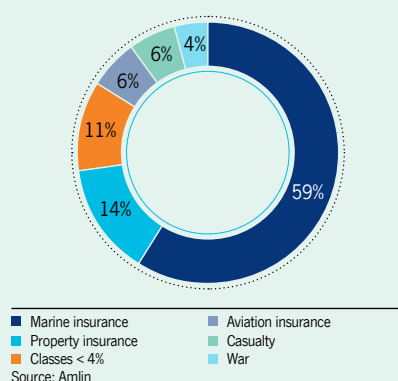
class, with a focus on profitability rather than market share. The broad scope of Amlin's specialty book means that it is exposed to different and sometimes contrary pricing cycles according to business line, generating varied opportunities for profitable growth. The expertise of Amlin's underwriters across a wide range of disciplines is well recognised in the market and Amlin's strong financial strength ratings (pp50) give a competitive advantage. Amlin is also noted for quality client service, which is reflected in long standing broker and client relationships and the consistently high retentions achieved on renewal business.

Specialty lines renewal rating indices

Class	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Property insurance	100	125	171	163	143	136	165	143	133	142	141	144
US casualty	100	123	172	217	234	239	237	223	203	199	197	197
Marine hull	100	115	148	171	183	189	191	192	192	205	208	209
Offshore energy	100	140	172	189	170	175	262	243	209	256	247	262
ACI Marine										100	104	104
War	100	250	288	244	220	206	191	175	160	156	153	153
Airline hull and liabilities	100	301	283	235	216	201	158	122	127	141	132	124

Note: Figures in bold represent peak ratings
Excludes effect of claims inflation

2011 Specialty lines GWP by class

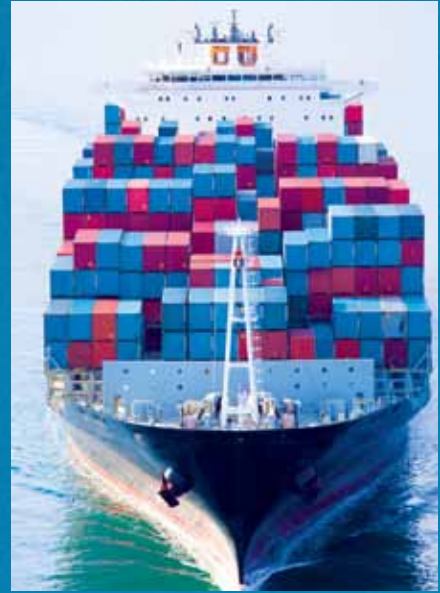


Global marine market

Writing a diverse range of business

We value diversity for the balance and capital efficiency it brings across Amlin's portfolio, but we also seek diversity within specific business lines. Nowhere is this more apparent than in our marine portfolio. Our teams of underwriters in London, Rotterdam and Antwerp have specialist expertise in all aspects of marine insurance and reinsurance. Within six marine business lines Amlin meets the needs of clients world-wide in areas as diverse as international shipping and cargo, dredgers and fishing boats, inland ports and waterways, oil and gas exploration and production, marine liability and yachts ranging in size from small day boats to million dollar super yachts.

£492.6m⁶



⁶ Marine gross written premium 2011



Market review

Commercial insurance

Commercial insurance in Continental Europe remained competitive, with excess capacity driving competition for market share, particularly in property lines. By contrast, UK commercial lines showed some improvement, with a firmer property market, partly reflecting the impact of higher claims following the severe winter weather in 2010 and 2011, and a continued upward trend in fleet motor rates.

Market commentary

Commercial lines insurance covers motor, property and liability insurance to commercial enterprises, ranging in size from sole traders to global corporations. In some markets commercial insurers also provide insurance to local and national government entities.

During 2011, the commercial insurance markets in which Amlin operates presented a mixed picture.

In the UK there was a continued improvement in pricing for motor fleet business and a modest upturn in property rates, while liability pricing began to stabilise. There was further withdrawal of capacity from various commercial classes, reflecting poor market results after several years of intense competition. Claims inflation, severe weather losses and lower investment returns were all factors adding momentum to a more widespread upward trend in rates.

Pricing in the fleet motor market continued to rise and rates on Amlin's portfolio increased by 7.4%, with the improvement accelerating later in the year. Property rates on Amlin UK's book of business also improved modestly by 5.2%.

In Continental Europe, markets remained competitive with limited evidence of improved market conditions. In the Netherlands, ACI continued to experience a soft property market, although there was some evidence of a stabilisation of pricing towards the end of the year. The Dutch liability market continued to offer acceptable margins although pricing trended downwards during the year, particularly on larger premium volume contracts. In Belgium, ACI saw a similar soft property market and the liability market was also highly competitive, with excess capacity. Motor fleet pricing in both markets remained soft but relatively stable. The trading environment for Amlin France was competitive across most of its portfolio.

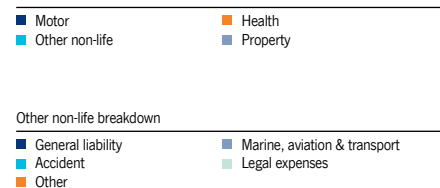
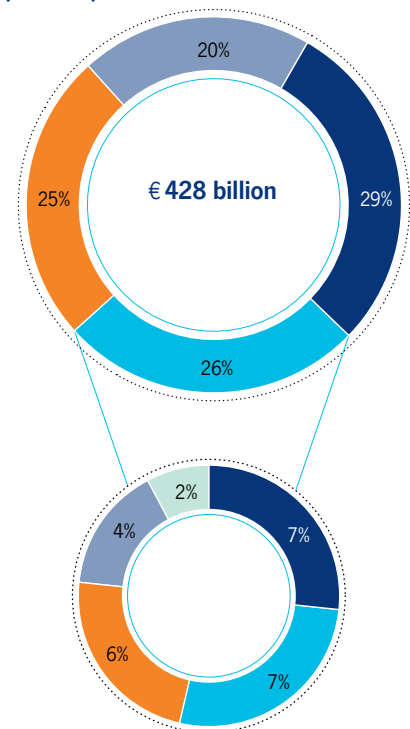
In 2010, the latest year for which market statistics are available, European non-life commercial insurance premiums increased by 2.7% at constant rates of exchange to €428 billion.

In Amlin's key markets, the UK and the Netherlands experienced non-life premium growth of 7.8% and 4.0% respectively, while France experienced a 5.4% decline. Premiums in Belgium increased by 2.5%¹.

Key markets for Amlin

	2010 non-life GWP ¹ € billion
France	63
UK	62
Netherlands	56
Belgium	10

European non-life premiums 2010 (€ billion)¹



¹ CEA statistics no 44, December 2011

Amlin's market position

Amlin's commercial lines business is underwritten in Amlin UK, which serves clients in the UK and Ireland, ACI, which operates in the Netherlands and Belgium, and Amlin France, which serves the French corporate market.

Amlin sources its commercial insurance mainly through Lloyd's brokers and regional and local intermediaries in the UK and Continental Europe. Each of Amlin's commercial lines businesses is focused on maintaining close relationships with key intermediaries in their respective markets and on providing high levels of service tailored to the needs of brokers and clients in specific industry and business sectors.

Amlin UK is a market leader in commercial fleet motor business. It also underwrites property and liability business for UK corporate entities, together with some specialist lines, such as high net worth products for private individuals. The property account includes package products aimed at the SME sector, which incorporate combined property and liability cover. Amlin UK also writes a portfolio of homeowners business on a wholesale basis. The experience and technical expertise of Amlin UK's underwriters and their ability to create and price non-conventional programmes provides a competitive advantage. The business works closely with brokers to create niche products meeting client needs across a wide range of business types and sectors.

ACI is a leading provider of commercial property and liability insurance in both the Netherlands and Belgium, where it also underwrites commercial motor fleet insurance. ACI benefits from long-standing relationships with major international brokers operating in the Benelux region, as well as with a broad range of local brokers and intermediaries. In the Netherlands, ACI is a major participant in the Beurs co-insurance market.

Amlin France is the largest Lloyd's coverholder in the French market by premium and writes a diverse range of business including property, cargo, professional liability and specie insurance, mainly for small and medium sized corporate enterprises, focused on niche areas where its specialist underwriting and pricing skills can generate good returns. Amlin France's business is underwritten on behalf of both Syndicate 2001 and ACI.

Commercial renewal rating indices

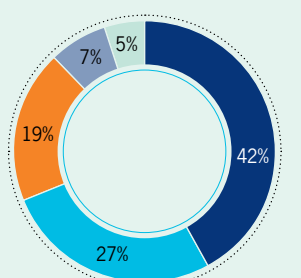
Rating indices Amlin UK	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fleet motor	100	121	136	143	141	137	135	134	137	144	148	159
UK employers' liability	100	115	144	158	159	144	135	123	115	114	115	114
UK professional indemnity	100	110	149	178	181	165	154	140	129	128	127	127
Property & commercial combined	100	100	100	127	126	126	117	110	109	107	106	112

Rating indices ACI

	2009	2010	2011
Property	100	97	95
Liability	100	95	95
Fleet motor	100	99	99

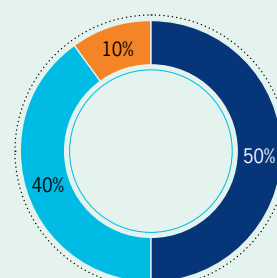
Note: Figures in bold represent peak ratings
Excludes effect of claims inflation

2011 Amlin commercial insurance GWP by class



■ Property insurance
■ Fleet/other motor
■ Liability
■ Classes < 5%
■ Professional indemnity

2011 Amlin commercial insurance GWP by division



■ Amlin UK
■ ACI
■ Amlin France

Business review

Amlin London



“Catastrophe claims made 2011 a challenging year, but equally enabled us to demonstrate to clients the value of Amlin’s capital strength and commitment to superior service. Much of our portfolio benefited from improved pricing, which broadened opportunities for profitable growth.”

Simon Beale, Underwriting Director

Key performance indicators

Gross written premium

£954.9m

2010: £889.4m

Combined ratio

102%

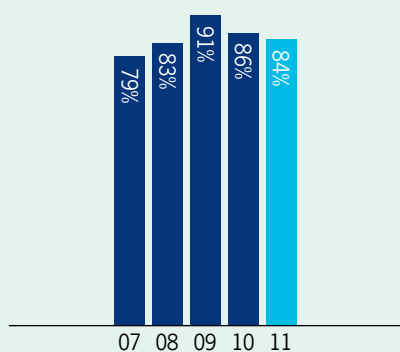
2010: 80%

Retention ratio

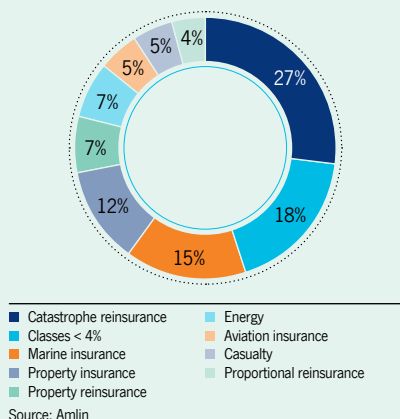
84%

2010: 86%

Historic retention ratios



2011 GWP by class



2011 highlights

- Net losses from major catastrophe events of £247.3 million
- Underlying combined ratio of 79%, excluding impact of catastrophe losses and reserve releases
- New business growth in reinsurance, property and casualty and marine portfolios
- Acquisition of Lead Yacht Underwriters
- Excellent feedback from brokers on claims service: Amlin London ranked first in London market by Gracechurch survey
- Continued recruitment of senior underwriters to further broaden the portfolio

As described in the market reviews (pp24-35), the trading environment for Amlin London during 2011 was dominated by global catastrophe activity. Net catastrophe claims for the division totalled £247.3 million and had a marked effect on profitability for the year. The frequency and severity of catastrophe losses contributed to an upturn in rates for catastrophe reinsurance and an improving trend in a number of other classes, such as US property, which has continued into 2012. Renewal rates improved by 1.0% overall, but by 3.2% in the second half of the year. International catastrophe reinsurance delivered a rate increase of 7.7% for the full year and 27.9% for the second half, whilst US catastrophe reinsurance achieved an average increase of 0.1%, with an increase of 2.6% in the second half.

Importantly, the multiple loss events also gave us an opportunity to demonstrate our commitment to fair and timely claims settlement and an exceptional level of client service, as described earlier in this report (pp28).

Overall international catastrophe exposures were reviewed in the light of 2010 and 2011 loss experience. Whilst significant rate rises were achieved for loss-affected international catastrophe exposures, in certain areas the increases fell short of our view of an acceptable post-loss re-rating, and risk exposures were reduced accordingly. However, we continued to maintain our strategy to have a balanced portfolio of US and international risk within the catastrophe book. The general pattern of the last decade has seen the normally profitable international catastrophe portfolio counterbalance large US catastrophe claims, for example in 2004, 2005 and 2008. In 2010 and 2011 the opposite occurred, with the returns on the US catastrophe portfolio helping to offset the impact of the international catastrophe losses on the reinsurance account.

Gross catastrophe losses generated £176.9 million of reinsurance recoveries from Amlin London’s retrocessional reinsurance programme. The structure of the programme, which was designed to respond to multiple catastrophe events, responded well, with the entire aggregate limit purchased being utilised during the year.

Gross written premium was £954.9 million, an increase of 7.3% on the prior year (2010: £889.4 million). Growth was driven by catastrophe reinsurance business, both in the US and globally, generated by back up premiums, new opportunities following catastrophe losses and rate improvements. New business was also added within our property and casualty and marine businesses.

Despite generally competitive markets until later in the year, we were able to increase our property and casualty account through selective new business development. The financial impact on Amlin’s property and casualty portfolio of the international

catastrophe and weather-related losses during 2011 was modest and it remained profitable overall. Towards the year end there were some positive market trends, suggesting that we may be reaching the end of the soft part of the cycle for property and casualty lines. During the downward phase of the cycle, as well as carefully managing our portfolio to maintain profitability, we have invested in broadening our underwriting capabilities to create more opportunities for growth, increasing the number of property and casualty underwriters from eight to 23 since 2008. We are in a strong position to take advantage of better market conditions as they emerge.

Growth in our marine business benefited from the recruitment of additional senior underwriters and the acquisition of specialist underwriting business Lead Yacht in February 2011. Lead Yacht provides coverage for super yachts and added income of \$9.2 million in 2011. We expect it to contribute gross written premium of approximately \$12.3 million in 2012. While pricing in the marine market was flat overall, the continued upward trend in energy rates, combined with a higher level of exploration and construction activity in the sector, generated opportunities to write additional profitable business.

The division generated a combined ratio of 102% (2010: 80%). We believe this to be a very good result in such a heavy catastrophe year. Net earned premium of £669.5 million (2010: £627.9 million) reflects increases in net written premium in 2010 and 2011.

The combined ratio of 102% (2010: 80%) includes an impact of 33% from catastrophe events in 2011, including the New Zealand and Japanese earthquakes in February and March respectively, and the Thai floods in late 2011. As described above, major catastrophe losses were mitigated by Amlin London's retrocessional reinsurance programme, but the Amlin London underwriting result was also supported by profits generated within the property and casualty, marine and aviation businesses, demonstrating the benefit of a diversified book. Reserve releases of £68.4 million (2010: £80.8 million) reduced the combined ratio by 10% (2010: 13%).

Catastrophe losses to Amlin in 2011

Catastrophe loss	Event date	Market insured loss estimate \$m	Amlin London estimated net loss £m	Amlin Bermuda estimated net loss £m	Amlin Group estimated net loss £m
New Zealand earthquake ¹	22 February	13,000	116.7	95.9	215.2
Japanese earthquake ¹	11 March	35-40,000	67.3	69.1	137.7
US tornado Tuscaloosa ¹	27 April	7,300	6.3	8.7	15.0
US tornado Joplin ²	22-28 May	6,900	3.5	9.5	13.0
New Zealand earthquake ³	13 June	1,800	13.2	11.0	24.1
Danish cloudburst ³	2 July	1,090	1.4	14.0	15.7
Thai floods ¹	August to November	10,000	38.9	36.2	80.1
Total			247.3	244.4	500.8

Note: The Group's total estimated net catastrophe losses include £9.1m of losses incurred within other Amlin divisions

1. Munich Re, 4 January 2012

2. Property Claims Service, December 2011

3. Aon Impact Forecasting 2012

Underwriting performance table

	2011	2010
Gross written premium	£954.9m	£889.4m
Net earned premium	£669.5m	£627.9m
Combined ratio	102%	80%
Claims ratio	67%	44%
Expense ratio	35%	36%
Reserve releases	£68.4m	£80.8m
Renewal rate change	+1.0%	-3.1%

Business review

Amlin Bermuda



“Exceptional catastrophe losses during the year provided an opportunity to deliver outstanding service to our clients and also created a more favourable trading environment in which we were able to materially grow our direct portfolio.”

Rob Wyatt, Underwriting Director

Key performance indicators

Gross written premium

\$847.8m

2010: \$676.4m

Combined ratio

112%

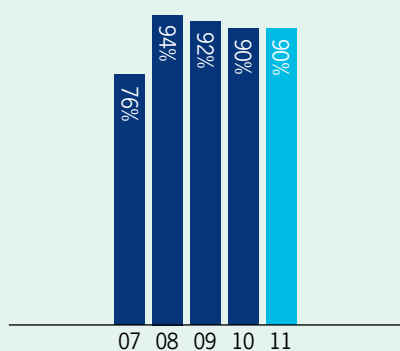
2010: 83%

Retention ratio

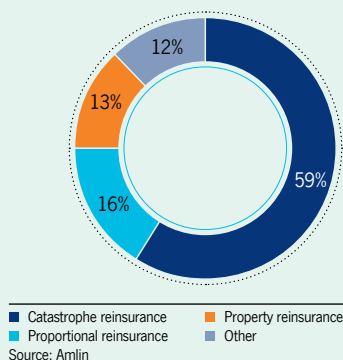
90%

2010: 90%

Historic retention ratios



2011 GWP by class direct businesses only



2011 highlights

- 25.3% increase in gross written premium to \$847.8 million, including 26.1% growth in direct portfolio to \$553.2 million
- Net losses from major catastrophe events of \$379.8 million
- Establishment of casualty reinsurance underwriting capability and development of short term trade credit account

Amlin Bermuda writes a similar catastrophe reinsurance book to Amlin London and therefore experienced a comparable claims profile during 2011. Amlin Bermuda worked closely with colleagues in London to provide a first class claims service to clients in the aftermath of each loss event (pp28).

International catastrophe exposures were re-analysed in the aftermath of major loss activity and catastrophe appetite was reduced in areas where pricing was not deemed to have responded sufficiently. The improved rating environment on both international and US catastrophe business in the second half of the year, combined with increased demand for catastrophe protection after first half losses and market wide catastrophe model changes, created opportunities to write new business, particularly back up programmes.

Casualty premium income increased to \$11.5 million in 2011, following the successful transfer of a casualty underwriter from Amlin London in late 2010 to establish an underwriting capability in this class. 2011 also saw further growth in our short term trade credit business to \$30.1 million on both a proportional and non-proportional basis, with new participations on two of the three biggest specialist carriers. Terms in this class continue to be acceptable following the rapid upturn in the market in the aftermath of the 2008 financial crisis.

Amlin Bermuda continued to write a whole account quota share of Syndicate 2001 to provide balance to the overall account. In 2011, the quota share was maintained at

17.5%, with the exception of the reinsurance book, where the quota share was reduced to 10.0%. Amlin Bermuda also continues to write variable quota shares and excess of loss programmes on a number of classes including marine, aviation, property and other specialist classes.

Gross written premium was \$847.8 million (2010: \$676.4 million). Net earned premium increased by 18.4% to \$760.4 million, supported by growth in income from the whole account quota share, as well as in Amlin Bermuda's direct account. Rates increased by 1.1% year on year, but by an average of 5.9% in the second half as the market hardened in the aftermath of major loss events.

The division's combined ratio was 112% (2010: 83%). The claims ratio of 94% included an impact of 60% from catastrophe events in 2011, including the New Zealand and Japanese earthquakes in February and March respectively, and the Thai floods in late 2011. Reinsurance recoveries made against major losses were lower than for Amlin London, which benefited from a more extensive retrocessional reinsurance programme.

Prior period reserve releases increased to \$55.3 million (2010: \$19.8 million) improving the claims ratio by 7% (2010: 3%). The increase largely reflects improvements on large losses and Amlin Bermuda's share of releases made within Syndicate 2001. The expense ratio remained stable at 18% (2010: 18%).

Underwriting performance table

	2011	2010
Gross written premium	\$847.8m	\$676.4m
Gross written premium (direct business)	\$553.2m	\$438.6m
Net earned premium	\$760.4m	\$642.3m
Net earned premium (direct business)	\$484.8m	\$400.9m
Combined ratio	112%	83%
Claims ratio	94%	65%
Expense ratio	18%	18%
Reserve releases	\$55.3m	\$19.8m
Renewal rate change	+1.1%	-4.5%

Amlin Re Europe



“We made good progress in our first full year of business, establishing Amlin Re Europe’s market position as a client focused and well capitalised full service European reinsurer. The positive response of cedants and brokers to our business proposition is reflected in the development of the portfolio across a range of classes and territories.”

Philippe Regazzoni, Chief Executive

Key performance indicators

Gross written premium

€123.7m

Combined ratio

105%

2011 highlights

- Amlin Re Europe established as a full service European reinsurer
- Recruitment of experienced and high quality underwriting team covering all main lines of business and European markets
- Positive response from brokers and clients reflected in strong new business growth
- Income significantly ahead of business plan at €123.7m
- Broad book of business with more than 250 clients

Amlin Re Europe (ARE) commenced underwriting in October 2010 as a full service reinsurance operation with the objective of providing European reinsurance buyers, especially small and mid-sized companies, with high quality reinsurance capacity as an alternative to the small number of established reinsurers already operating in the Continental European market. The overall portfolio comprises a mix of proportional and non-proportional treaty reinsurance business, with a focus on property and casualty and some special lines of business, mainly marine and engineering. ARE’s portfolio is largely complementary to the existing reinsurance books of Amlin London and Amlin Bermuda.

In its first full year of operation, the business made good progress, attracting more than 250 clients, generating €123.7 million of gross written premium on approximately 500 reinsurance programmes.

During 2011, targeted recruitment in line with the business plan increased the ARE team to 37 experienced reinsurance professionals from leading European reinsurance players. As well as substantial market and underwriting expertise, senior recruits also brought actuarial, risk management and finance capabilities.

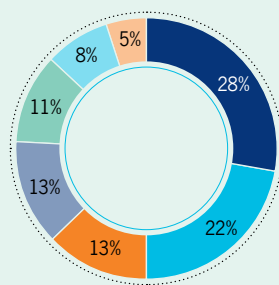
In addition to establishing a robust operational framework, a key focus during the year was ensuring that ARE set a high standard in service delivery and responsiveness to client needs, for example, in underwriting certain complex and non-standard transactions alongside providing professional quotes in all main lines of business and products.

Key components of ARE’s business proposition include the quality of the underwriting team, their established client relationships and knowledge of local markets. Further differentiators are the ability to offer a comprehensive and flexible underwriting approach across a client’s entire portfolio, together with the strength of the Amlin AG balance sheet and the Amlin brand.

The outcome of January 2012 renewals confirmed the strong initial response from ARE’s target markets, with €170.0 million of gross written premium (January 2011: €70.0 million), representing more than 300 clients on over 600 programmes.

The division generated a combined ratio of 105% in the year. Net earned premium was €59.0 million reflecting the first full year of trading. The claims ratio of 72% was satisfactory with no individual claims above €3.5 million. The expense ratio of 33% reflects material start up costs. Over the longer term this expense ratio is expected to reduce.

2011 GWP by class



■ Motor
 ■ Liability
 ■ Catastrophe
 ■ Property proportional
 ■ Engineering
 ■ Property
 ■ Classes < 4%
 Source: Amlin

Underwriting performance table

	2011
Gross written premium	€123.7m
Net earned premium	€59.0m
Combined ratio	105%
Claims ratio	72%
Expense ratio	33%

Business review

Amlin UK



“The UK market continued to improve in 2011, particularly in fleet motor and property. In this more favourable environment we continued to grow these accounts. The acquisition of J R Clare further enhanced Amlin UK’s business mix and added £35.1 million of gross written premium during the year.”

Brian Carpenter, Underwriting Director

Key performance indicators

Gross written premium

£312.4m

2010: £291.8m

Combined ratio

103%

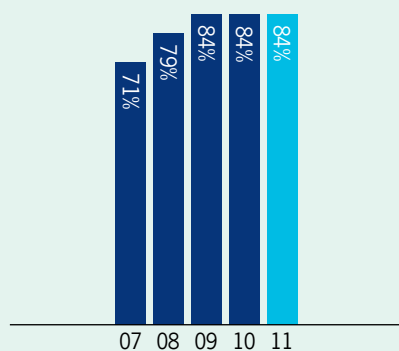
2010: 97%

Retention ratio

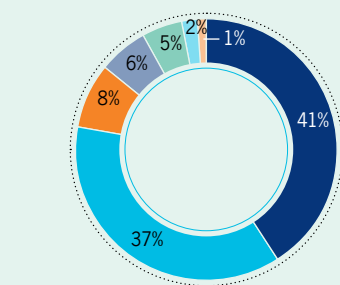
84%

2010: 84%

Historic retention ratios



2011 GWP by class



■ Fleet/other motor ■ Employers' liability
■ Property and commercial ■ Financial institutions
■ Professional indemnity ■ Other
■ Public/products liability

Source: Amlin

2011 highlights

- Increase of 7.1% in gross written premium to £312.4 million
- Growth of fleet and other motor income to £127.4 million, supported by an average fleet rate increase of 7.4%
- Property income of £114.6 million, a 178.8% increase since 2009, reflecting recent strategic investments
- Acquisition of J R Clare contributed £35.1 million of gross written premium

The trading environment for Amlin UK continued to improve during 2011. Notably, the upward trend in fleet motor rates experienced during 2010 continued to strengthen as the year progressed generating an average increase of 7.4% for the year. As competitive pressures eased in this market, with the withdrawal of capacity by certain peers following poor results, there were more opportunities to provide capacity and gain market share at favourable rates. Growth within the fleet account was focused within 'minifleet' (small fleets of less than 20 vehicles) and private hire, where market capacity was limited and pricing correspondingly improved sharply. Minifleet income increased by 29.0% during the year, with new business at £6.3 million. Private hire income grew by 14.0% with new business at £2.5 million. Overall, fleet and other motor income increased by 1.6% to £127.4 million, with new business amounting to £31.0 million.

Property pricing also improved modestly with a rise of 5.2%. The property account generated gross written premium of £114.6 million, supported by recent strategic investments. The acquisition of J R Clare in January 2011 gave us further distribution in the commercial and household property market, and investments made in Insolvency Risk Services, Miles Smith and T L Dallas in prior years are

now contributing to new business development. On 1 November 2011, Amlin UK announced the addition of a team of three underwriters to its mid/high net worth household account, which is expected to generate approximately £10 million of income in 2012.

Amlin UK continued to benefit from a higher profile with regional and smaller intermediaries as a result of targeted marketing, the Amlin Group's European rugby sponsorship and Amlin UK's sponsorship of Essex County Cricket Club.

The division produced a combined ratio of 103% (2010: 97%). Net earned premium was up 21.4% at £231.2 million (2010: £190.4 million) reflecting growth in net written premium in 2010 and 2011.

The claims ratio was 69% (2010: 64%). Reserves were strengthened at the half year within our property, fleet and private motor accounts, in light of loss experience and slower development on the 2009 underwriting year. Whilst the position has improved in the second half, with releases of £8.5 million, we continue to hold a prudent position on these accounts. Overall releases were reduced year on year, at £5.3 million (2010: £17.1 million).

The expense ratio was stable at 34% (2010: 33%).

Underwriting performance table

	2011	2010
Gross written premium	£312.4m	£291.8m
Net earned premium	£231.2m	£190.4m
Combined ratio	103%	97%
Claims ratio	69%	64%
Expense ratio	34%	33%
Reserve releases	£5.3m	£17.1m
Renewal rate change	+5.0%	+1.5%

Amlin Corporate Insurance



“During 2011 we remained focused on restructuring ACI’s marine portfolio and creating a local framework aligned with Amlin’s business model to deliver a sustained improvement in performance over the longer term.”

Kim Hvirgel, Chief Executive

Key performance indicators

Gross written premium

€609.8m

2010: €768.2m

Combined ratio

112%

2010: 104%

Retention ratio

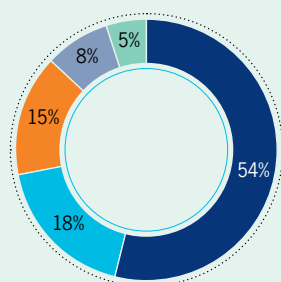
72%

2010: 84%

Underwriting performance table

	2011	2010
Gross written premium	€609.8m	€768.2m
Net earned premium	€525.8m	€560.7m
Combined ratio	112%	104%
Claims ratio	79%	76%
Expense ratio	33%	28%
Reserve releases	€7.6m	€49.6m
Renewal rate change	-0.5%	-0.2%

2011 GWP by class



■ Marine insurance ■ Fleet/other motor
■ Property insurance ■ Captives
■ Liability

Source: Amlin

2011 highlights

- Strengthened executive management team
- Solid performance by non-marine business
- Marine re-underwriting nearing completion
- In-house capability achieved for all support functions

The integration of ACI within the Group and the alignment of ACI’s underwriting and risk management with Amlin best practice remained our principal focus in 2011. In support of these goals, the executive management team was strengthened with the appointments of Kim Hvirgel as CEO in June and Reijer Groenveld as CFO in December. A number of other senior appointments were made to the underwriting and operational teams.

Several important actions were taken with a view to improving ACI’s longer term underwriting performance. The re-underwriting programme led to the non-renewal of €146.0 million of poorly performing business, most notably from within the marine account (€107.0 million), which has been the source of underwriting losses since acquisition. In addition, further reviews were undertaken of ACI’s portfolios and new underwriting line guides were implemented with the objective of reducing the underlying volatility of the book. During the year, ACI received strong support from both the Group Underwriting function and our Amlin London underwriters. Additional work was completed to establish an underwriting strategy for future business development and ahead of 1 January 2012 renewals, ACI worked closely with London colleagues to review ACI marine hull and cargo risks, with a focus on risk selection and pricing adequacy.

Key aspects of Amlin’s risk management practices were implemented during the year and ACI made positive strides towards

Solvency II compliance as part of the Group’s Solvency II programme. Work continued to separate ACI from the operations of its former sister companies within the Fortis Group. The Platform Replacement Programme (PRP), which will enable transfer of ACI onto Amlin’s IT systems, proved more complex than originally anticipated and implementation was delayed to ensure that all user requirements could be met. Deployment of the new system is planned for the second quarter of 2012.

Gross written premium was down 20.6% at €609.8 million (2010: €768.2 million). The reduction in income reflects the impact of the re-underwriting programme offset by the addition of new business amounting to €46.0 million. Renewal rates were broadly flat for the second consecutive year, reflecting a challenging rating environment in Continental Europe, though a marginal improvement was evident in the second half. The retention rate was 72% (2010: 84%).

ACI produced a disappointing combined ratio of 112% (2010: 104%), with the claims ratio increased to 79% (2010: 76%). Underwriting losses were predominantly driven by the marine business, with the underlying profitability of the non-marine businesses in the Netherlands and Belgium proving satisfactory. Large claims, in excess of €5 million, were unusually high in the year, generating losses of €32.9 million (2010: €nil). Reserve releases were also reduced at €7.6 million (2010: €49.6 million), due to the need to strengthen ship building and cargo reserves. The expense ratio increased to 33% (2010: 28%), mostly reflecting costs incurred in developing operational capability, spread over a reduced net earned premium base.

Business review

Amlin France



“We continue to receive a positive market response to the Amlin France brand. Access to both Lloyd’s and ACI capacity has enabled us to target a wider range of new business opportunities and we have successfully developed new products using specialist expertise from other parts of the Group.”

François Martinache, Chairman

Key performance indicators

Gross written premium

€69.8m

2010: €56.9m

Combined ratio

124%

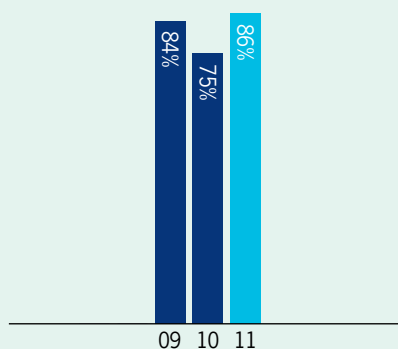
2010: 99%

Retention ratio

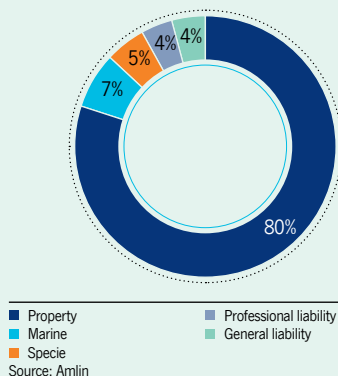
86%

2010: 75%

Historic retention ratios



2011 GWP by class



2011 highlights

- 22.7% increase in gross written premium to €69.8 million
- Further increase in share of total portfolio written by Amlin
- New products launched for general liability business

Amlin France continued to build on its established position as the largest Lloyd’s coverholder in the French market, underwriting business on behalf of Syndicate 2001 and ACI, fully integrated under the Amlin France brand. The increased line size available from the ACI platform created opportunities to develop relationships with larger brokers alongside Amlin France’s existing links with brokers and clients in the SME sector. The profile of the business continued to benefit from an active marketing strategy, assisted by Amlin’s sponsorship of European rugby, which raised the profile of the business with target brokers and clients.

Despite generally competitive market conditions, Amlin France generated €19.0 million of new business across a number of business lines, but most notably in the multinational property business sector, where stronger relationships with the larger brokers are now paying dividends.

The general liability book, which had previously been placed outside Amlin, was written within the Group, contributing to a growing portfolio of profitable casualty business.

Elsewhere, the regional office in Lyon, which opened in 2010 to extend Amlin France’s distribution beyond the Paris area, continued to grow its broker base and underwrote approximately €500,000 of new premiums during the year.

Gross written premium was €69.8 million, an increase of 22.7% in the year (2010: €56.9 million). Growth was mostly in business generated for ACI. Net earned premium was €50.2 million (2010: €43.4 million).

The traditional core business of Amlin France enjoyed a stable year with no major events impacting the French domestic business. However, the international exposures associated with some of the newer business proved challenging in 2011, with the division impacted by losses from New Zealand, Japan and Thailand. Total losses were €8.8 million for French domiciled clients with exposures in those territories which had a 17% impact on the claims ratio.

The reduced expense ratio of 37% (2010: 40%) reflects saving in costs following the integration of ACI France, largely in staff related costs. The combined ratio was 124% (2010: 99%).

Underwriting performance table

	2011	2010
Gross written premium	€69.8m	€56.9m
Net earned premium	€50.2m	€43.4m
Combined ratio	124%	99%
Claims ratio	87%	59%
Expense ratio	37%	40%
Reserve releases	(€1.8m)	(€0.1m)

Solvency II

“During 2011, we made further progress towards Solvency II compliance and started to realise tangible business benefits through the development of our Target Operating Model. We remain confident that full implementation will improve cross-cycle earnings quality by further enhancing our risk management and capital efficiency.”

Richard Hextall, project sponsor

Solvency II is an EU directive aimed at overhauling the regulation of life and non-life insurers. The key objective of Solvency II is to introduce a more risk-based approach to regulation, with strong incentives for firms to assess their own capital requirements internally. The directive goes beyond existing regulation by aiming to instil a high standard of risk management and governance within each insurer. Implementation of the directive has been repeatedly delayed, but Amlin has continued to pursue the objectives set in 2009 at the launch of its Solvency II programme and the business is now beginning to reap the benefits.

Solvency II regulation is predicated upon three ‘pillars’.

Pillar 1 sets out the minimum level of capital required, how it is to be calculated and the nature of the assets held to support this capital. There are two prescribed methods for assessing an insurer’s regulatory capital requirements – using either a standard formula set by the regulator or an internal model specific to that insurer, which reflects its risks and which is subject to regulatory approval. We continue to believe that obtaining approval for Amlin’s internal model will give the business greater capital flexibility and competitive advantage over insurers operating under the standard formula.

The goal of Pillar 2 is to strengthen the internal corporate governance and control processes within European insurance firms. As part of Pillar 2, companies are required to deliver an ‘Own Risk & Solvency Assessment’ (ORSA), to the Board, at least on an annual basis. This defines the company’s internal risk tolerance, assesses its own individual risk profile and derives a capital requirement that is consistent with these.

Pillar 3 focuses on disclosure and reporting requirements, including an annual report to supervisors.

Progress during 2011

Amlin’s Solvency II programme set out to achieve five key objectives:

1. To improve risk and capital management across the Group so that Amlin remains ahead of its peers in terms of quality risk taking and delivering cross-cycle capital returns.
2. To supplement our expertise in underwriting and investments with improved risk management capability supported by analytical and modelling tools, while maintaining Amlin’s philosophy of relying on expert judgement rather than models.
3. To demonstrate to our customers, shareholders and other external stakeholders that Amlin is adequately capitalised and a global leader in risk management.
4. To prepare the Group for compliance with Solvency II regulation.
5. To deliver the Target Operating Model within a three year timeframe.

During 2011, the focus of the programme was on the Pillar 1 aspects relating to risk and capital management, and the embedding

of a Group wide risk management framework in accordance with Pillar 2. Key components, such as the ORSA, the Risk Assessment Process and the Internal Model have now become integrated ‘business as usual’ components across the Group.

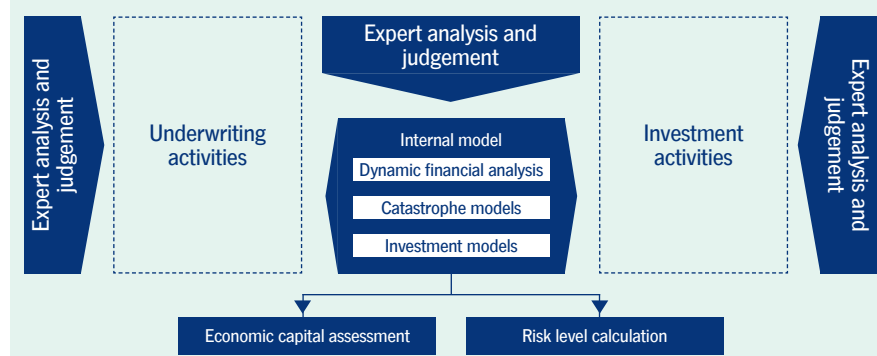
We also submitted to Lloyd’s our Internal Model Application. Amlin has been at the forefront of the Solvency II initiatives taken by Lloyd’s and throughout the process Amlin has been in the upper quartile of businesses in relation to our progress in Solvency II compliance and operational embedding.

We also continued to work to bring ACI into line with Solvency II requirements and further substantial progress was made in 2011, to the extent that ACI’s level of preparation is now ahead of many local peers.

Although many of the expected business benefits from the Solvency II programme are yet to emerge, gains realised so far have already overtaken the cost of the programme. These include improvement across the Group in our catastrophe risk modelling and aggregate risk analysis, which in 2011 allowed outwards and internal reinsurance to be structured more efficiently with significant cost savings. Additionally, the use of more flexible analytical tools and more robust modelling have led to more informed underwriting decisions and in some business lines identified areas where more underwriting risk can be taken against available capital within risk appetite.

Other benefits include standardised management information at executive level and a common Group policy framework across divisions, both important in managing a larger and more diverse business.

Operation of the internal model



Business review

Risk management



“During 2011 we focused on integrating our risk management framework within day-to-day operations. This has raised the level of risk awareness across the business and helped the organisation focus on improving and consolidating existing processes.”

James Illingworth, Chief Risk Officer

2011 highlights

- Own Risk & Solvency Assessment (ORSA) process successfully developed and integrated within the business cycle
- Risk Assessment Process further embedded across the Group
- Risk event reporting process implemented and actively used
- Awarded ‘Enterprise Risk Management Strategy of the year’ at 2011 Risk Management Professional awards

Setting our risk strategy

Amlin recognises that delivery of shareholder value comes from actively seeking and accepting risk while managing that risk within acceptable bounds. Our risk management policy clearly articulates the importance given to active management of risk within the Group. Risk categories are clearly identified, risk management standards are documented and

risk tolerances are set for each category and allocated amongst our operating divisions. Risk taken is then regularly assessed against those tolerances. For example, the table opposite shows key realistic disaster scenarios against tolerance.

Effective risk management and governance are fundamental to the regulatory regime which will be implemented under the Solvency II Directive. During 2011 we made further progress towards meeting these requirements as part of the development of Amlin’s Target Operating Model.

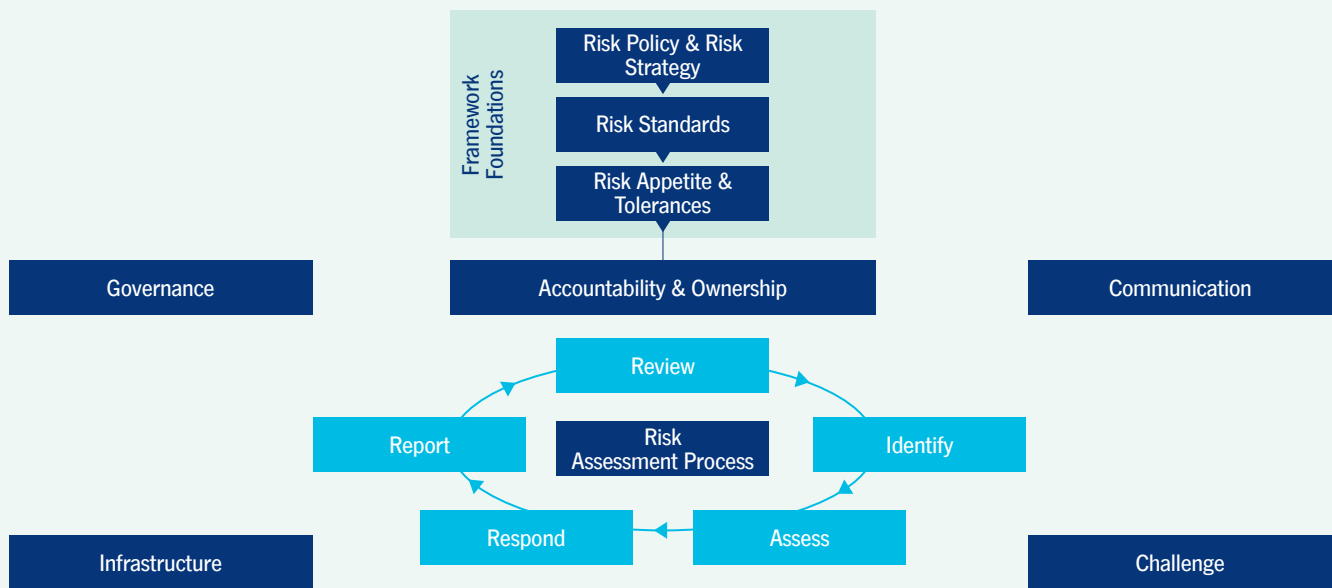
Embedding our Own Risk & Solvency Assessment

The ORSA is a key business process required under Solvency II, that brings a coordinated view of risk and solvency together for management and boards. This information

helps to ensure that risk and capital implications are recognised in the decision making process and that appropriate control plans are developed to support the successful delivery of business strategies and priorities. For example, the ORSA summarises realistic disaster scenarios for catastrophe events and also provides an aggregate risk assessment for multiple catastrophes in any one year. This information is compared with specific risk tolerances.

The Amlin plc Board, operating company boards and risk committees receive quarterly ORSA reports produced through consistent risk assessment and reporting processes across underwriting divisions and other corporate functions. These reports were further developed during 2011. For example, key risk indicators are now integrated into monthly management information reports, including

Risk Management Framework



the reporting of risk beyond agreed tolerances, risk events and emerging risks at both Group and divisional level. This has proven a key step in embedding the management of risk within the day-to-day operations of the business and ensuring local management accountability.

Our commitment to harnessing Amlin's risk management framework to the benefit of the business as a whole was recognised externally when Amlin won the award for the 'Enterprise Risk Management Strategy of the Year' at the 2011 Risk Management Professional awards.

Modelling and exposure management

Amlin aims to deliver an attractive cross-cycle return on capital through the maintenance of a diversified portfolio of business, combined with excellent capital management. Diversification across different business lines and geographies provides an effective balance of catastrophe and non-catastrophe exposures and reduces

the risk of any one event, or series of events, causing unacceptable impairment to the Group's balance sheet.

We continue to develop our Dynamic Financial Analysis (DFA) model, the principal tool for analysing the range of possible outcomes, in terms of expected profitability, for the Group and each regulated entity. Consequently, the modelling provides the principal support for assessment of our economic and regulatory capital requirements and is central to our preparations for Solvency II and Internal Model approval. Amlin's DFA modelling is integrated into the Risk Management Framework which supports the determination and assessment of risk. The modelling captures the distinct risk profile of the Group, including the potential aggregation of catastrophe risk, class diversification and reinsurance protection. It must always be remembered that financial risk modelling is not an exact science, yet

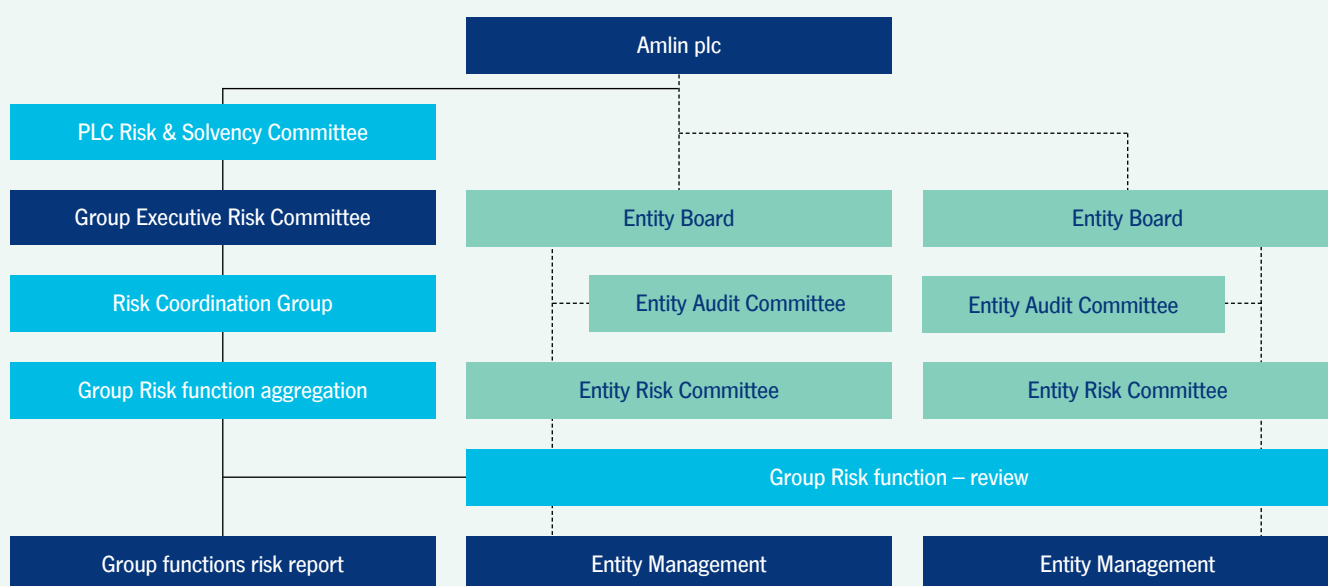
ongoing use and engagement with the wider business provides a catalyst for refining the model's accuracy.

While this actuarial modelling provides a critical ingredient to our risk management approach, it is ultimately used to inform underwriters and management, on whose judgement and experience we ultimately rely and who remain accountable for exercising prudent judgement. During 2011, we have continued to focus on strengthening the use of the model within key business processes such as business planning, assessment of reinsurance purchase, investment decisions, risk reporting as described above and strategic business decisions. This work has been conducted to support Syndicate 2001, Amlin AG and ACI in a consistent manner. This model use provides a continuous feedback loop for model improvement.

Selected Realistic Disaster Scenarios Jan 2012 (£ million)

	Exposed Aggregate	Gross Loss	Net Loss	RI Bad Debt	Net Loss after Bad Debt	Tolerance
North-East US Windstorm	4,590	626	217	24	241	350
Florida Windstorm Tampa	2,281	590	171	24	195	350
California Earthquake LA	1,960	490	167	17	184	350
European Windstorm	105,762	678	181	34	215	350
Japan Earthquake	972	522	314	18	332	350
New Zealand Earthquake	771	347	246	5	251	350

Risk Governance Structure



Risk management continued

Principal risks and uncertainties

Principal risks	Nature of risk	Key controls and mitigation strategies
Underwriting – catastrophe risk	The risk of claims arising from inherent uncertainties in the occurrence of insurance losses associated with natural or man-made catastrophic events.	<ul style="list-style-type: none"> ▪ Underlying strategy and diversity of exposure ▪ Aggregate exposure limits ▪ Probable maximum loss limits ▪ Modelling of loss scenarios including stochastic DFA modelling ▪ Reinsurance programme
Underwriting – attritional risk	The risks of unexpected or unbudgeted increase in cost of small or large insurance claims.	<ul style="list-style-type: none"> ▪ Underwriting authority limits per contract and peer review ▪ Business planning processes ▪ Technical pricing assessment and underwriting strategy ▪ Reinsurance programme ▪ Monitoring and performance review
Underwriting – reserving risk	The risk of unexpected or unbudgeted increase in claims emanating from business written where profit has been declared.	<ul style="list-style-type: none"> ▪ Reserving process within claims and underwriting management teams ▪ In-house actuarial reserve review independent of underwriting teams ▪ Reserves are carried in excess of actuarial best estimate ▪ Reinsurance programme
Market risk – investment market volatility	The risk arising from fluctuations in values of investments.	<ul style="list-style-type: none"> ▪ Investment policy and strategic asset allocation ▪ Tactical asset allocation ▪ Diversified portfolio ▪ Modelling and monitoring of investment risk within agreed tolerances ▪ Hedging of market value movements in investments
Market risk – currency fluctuation	Impact on the value of balance sheet or earnings arising from the movement in value of sterling against key non-functional currencies.	<ul style="list-style-type: none"> ▪ Asset/liability matching of major currencies ▪ Hedging of Amlin AG US dollar and ACI euro net asset exposures ▪ Sale of foreign currency profits ▪ Reinsurance programme
Credit risk – reinsurance counter-party	The risk of loss if a counter-party fails to perform its obligations or fails to perform them in a timely fashion.	<ul style="list-style-type: none"> ▪ Reinsurer selection and rating ▪ Controls over exposures placed with reinsurers ▪ Reinsurance debt credit control ▪ Collateralised reinsurance
Credit risk – intermediary counter-party	The risk of loss if an insurance or treasury intermediary fails to meet credit obligations in a timely fashion.	<ul style="list-style-type: none"> ▪ Credit control procedures ▪ Broker credit assessment
Liquidity risk	The risk arising from insufficient financial resources being available to meet liabilities as they fall due.	<ul style="list-style-type: none"> ▪ Stress testing of liquidity needs relative to major catastrophe events ▪ Maintaining sufficient liquidity in investment portfolio to address claims needs ▪ Banking facilities ▪ Asset/liability matching of major currencies and duration
Operational risk	Risks resulting from inadequate or failed internal processes, people and systems, or from external events, including regulatory control failures.	<ul style="list-style-type: none"> ▪ Procedural controls including workflow management ▪ Monitoring of compliance with established procedures and processes ▪ Employee manual and Human Resource policies ▪ Risk event and near miss reporting process ▪ Business Continuity Management planning
Strategic risk	Risks associated with the appropriateness of business strategy in the face of the external environment.	<ul style="list-style-type: none"> ▪ Annual Amlin plc Board strategy awayday ▪ Long term strategies developed addressing diversification of underwriting platform ▪ Executive Risk Committee and Group Management Committee review of emerging risks ▪ Risk event and near miss reporting process ▪ Acquisition due diligence and risk assessment processes ▪ Establishing task forces such as Climate Change and Environment Panel
Enterprise-level risk	Risks associated with one or more of a portfolio of principal risks occurring and providing an aggregated impact on the organisation as a whole	<ul style="list-style-type: none"> ▪ Mitigation strategies for each underlying risk exposure as outlined above ▪ Review and consideration of an aggregated group risk profile providing an enterprise-wide view of risk exposures ▪ Stress testing of a combination of material risks ▪ Reverse stress testing of the ultimate impact of combinations of material risks

Operations



“During 2011 our main priorities remained the ACI Platform Replacement Programme and supporting the development of the Group’s Target Operating Model in preparation for Solvency II.”

Andrew Grant, Chief Operations Officer

2011 highlights

- Progress towards moving ACI onto core Amlin systems, albeit with a delay to manage risk
- Upgrade of key catastrophe modelling systems, enabling better monitoring and management of the catastrophe portfolio across the Group

ACI Platform Replacement Programme

The primary objective of this programme is to migrate ACI’s business operations from former parent Fortis Group to a new platform based on existing Amlin Group systems components. This has always been a necessary integration following the purchase of ACI but it will also facilitate improvements in ACI business processes and improve operational efficiency through the adoption of key Amlin underwriting and risk management processes. The platform replacement is complex with all ACI’s IT systems being replaced together. This includes policy and claims administration systems, operational accounting and general ledger, document production and scanning, market and broker interfaces and other components. The transition to the replacement systems platform also requires migration of approximately 100,000 live policies, open claims and histories.

Insurers rarely replace their entire systems platform in one event. Typically, the platform would be replaced component by component over a period of several years, in order to reduce complexity and cost. However, due to the unusual circumstances of the acquisition of ACI, our initial planning assumption was that we should aim to complete the transition within two years rather than the three or four years that might more typically be planned.

We also concluded that step by step transition was not possible, since it was not practical to establish temporary new interfaces between existing Fortis systems and new ACI systems during transition.

During 2011, considerable progress was made, with the design complete and build progressing. However, it became apparent that the complexities of the project would require a postponement of the planned mid-year deployment to ensure that the risks to the business were minimised. Implementation of the new system is now planned for the second quarter of 2012.

Solvency II

Amlin made significant progress towards internal model approval and Solvency II compliance during the year (see pp43). Part of this included delivery of new and upgraded systems.

The following were implemented as part of our preparation for Solvency II:

- Two new aggregate management systems
- A new catastrophe modelling system for our marine business
- A new data quality toolkit to improve data quality within our core catastrophe modelling systems
- System upgrades for two catastrophe modelling systems
- A new market risk tool to support the investments front office and to feed our internal model
- A new document management system to improve control around our internal model and Solvency II reporting
- Enhancements to our risk assessment system.

As well as these implementations, we developed further tools to improve the quality of aggregate and catastrophe modelling data and progressed the implementation of a new data management system for the investment team.

Amlin’s approach to Solvency II has been to drive commercial benefit for the business. Implementation of these systems has delivered demonstrable benefits to the Group. An example is within our War Terrorism book, where implementation of an aggregate management system has enabled the team to expand through improved understanding of exposure.

Supporting the development of the business

We are committed to ensuring that Amlin’s revenue generating businesses are well supported and technology is used effectively. During 2011 we created a Business Relationship Management function to work with each division or business to ensure that we understand their needs and deliver to their requirements. This is supported by a Group wide Projects Board and Shared Services Committee which help to prioritise projects and plan workload. The Projects Board, comprising representatives from Corporate Centre functions and the business divisions, was established to provide controls and manage the allocation of budget for business projects, including contingency funding. The Shared Services Committee is similarly comprised of representatives from all parts of the Group and oversees how our shared technology services are provided and what investments to make.

People



“In times of financial uncertainty and market turbulence the stability and quality of our team is more than ever a key competitive advantage. During a challenging year, Amlin staff demonstrated their professionalism in responding to client needs and we continued to benefit from our ability to attract high calibre talent.”

Mark Farrow, Human Resources Director

Key performance indicators

Voluntary staff turnover

5.8%

2010: 5.2%

Voluntary senior underwriter turnover

2.7%

2010: 3.7%

Organisational development

During 2011 we further developed the organisation of the Group to support organic growth and acquisitions. To enable the Group Executive to focus on the management of the enlarged Group, Amlin London was fully devolved from the Corporate Centre and restructured to provide its own support infrastructure.

The capabilities of the Corporate Centre were extended with the creation of a Group Underwriting function to oversee underwriting across the Group. The principal objective of this new function is to support the underwriting culture and philosophy combined with high standards of risk management which have contributed to Amlin's success, and to ensure that similar standards are applied to new ventures and acquisitions as the Group continues to expand. In March 2011, we appointed a Head of Group Underwriting and by the year end, a team of four people was in place.

ACI remained a major focus with a number of senior appointments, including Kim Hvirgel as Chief Executive on 1 June and Reijer Groenveld as Chief Financial Officer in December. ACI's business also benefited from management support from seconded Amlin staff in the UK.

The acquisitions of J R Clare and Lead Yacht Underwriters early in 2011 brought an additional 19 staff into Amlin UK and seven into Amlin London respectively. During the year Amlin Re Europe continued to selectively recruit staff in line with its business plan to reach a total of 37 at the year end.

Staff development and retention

Retention of Amlin's team of skilled and experienced underwriters, many of whom have been with Amlin for more than 15 years, remained a priority. Continuity of business

relationships is a key strength of our team and our objective remains to maintain voluntary turnover, excluding retirements, of our senior underwriters below 10% per annum and our overall employee turnover below 15%. During 2011, voluntary turnover of senior underwriters was 2.7% with overall staff turnover being 5.8%, as shown in the table opposite. Our senior underwriters, including those joining the Group in 2011, have on average 23 years' experience in the insurance industry and an average of nine years' service with the Amlin Group, as shown in the table opposite.

We continued to invest in broadening our underwriting capabilities, with several senior underwriters joining Amlin during the year.

Remuneration and benefits

At the start of 2011 a new variable pay system, supported by a new approach to performance management, was introduced to ACI. We developed a 'toolkit' for all ACI employees regarding target setting and appraisals and managers received comprehensive training and guidance on how to manage the new approach. This proved a success during the year, as evidenced by a greater focus on performance management by ACI line managers. Importantly, this contributed to further aligning ACI's culture and values with those of Amlin.

We continued to adapt the benefits offered to Amlin employees in the light of legislative and regulatory changes, for example, in making changes to contracts and to reward schemes to reflect the removal of the default retirement age in October. HMRC confirmed their formal approval of the Amlin Salary Sacrifice Scheme, 'Pension Advantage' at the end of March. This is a facility which provides an opportunity for employees to save for their pension in the most tax efficient way.

Employee turnover and service at 31 December 2011

	Senior underwriters	Other underwriters	Underwriting support	Claims staff	Claims support	Operational	Operational support	Corporate centre	Total
Turnover	5.4%	2.2%	13.3%	0.0%	6.5%	21.5%	10.3%	13.5%	8.6%
Voluntary turnover	2.7%	2.2%	12.4%	0.0%	4.7%	16.6%	8.9%	10.9%	5.8%
Mean age of employees (years)	45.9	38.9	37.9	44.5	36.6	38.3	37.7	38.0	38.7
Mean service of employees (years)	9.1	5.9	6.2	9.6	6.0	4.8	5.0	4.9	6.2

Developing new talent

Amlin's ambition to be "the place to work" in the market is a key part of the Amlin vision. Our ability to attract, develop and retain talent is key to realising this vision and to the long term sustainability of the Group. Therefore, alongside our focus on retaining existing experienced employees we recognise the importance of investing for the future, through the development of people within the business. We continue to provide management development training through our established partnerships with Roffey Park, Coverdale and other external partners. During 2011, 76 Amlin employees benefited from training provided through these programmes.

Our inaugural Amlin London Graduate Development Programme, which commenced in January 2010, reached a successful conclusion at the end of 2011 with the placement of the four graduates in permanent roles in our cargo, energy and reinsurance businesses. While taking part in the programme the graduates had the opportunity to rotate through eight areas within Amlin London, giving them an insight into underwriting as well as other

operational areas such as risk management, investments and claims. This was supplemented by regular development interventions to build their knowledge of insurance and all graduates studied for the professional qualification of Associate of the Chartered Insurance Institute. ACI also has a two-year rotational Young Professionals Programme with eight graduates participating in 2011.

A new Group wide Graduate Development Programme, which will provide an improved and more integrated proposition, with additional placements in ACI, Amlin Re Europe, Amlin Bermuda and the Lloyd's market was developed during the year for implementation in 2012.

Professional excellence

We continue to support staff in studying for professional qualifications, including the Associate of the Chartered Insurance Institute and a range of actuarial, accounting, risk management and human resources qualifications. There were 148 staff studying across all these categories in 2011, and 16 staff achieved professional qualifications during the year.

In 2011 Amlin became an authorised training employer for the Institute of Chartered Accountants in England & Wales (ICAEW). This is in addition to ACCA and CIMA accreditations.

During the year, Amlin partnered with the Institute of Risk Management, a leading international enterprise risk management education body, to support the launch of the Institute's new 'Risk Management in Financial Services' certificate qualification. The course, which is focused on insurance and retail banking, requires students to work in their own time using online resources over a nine month period to secure this professional qualification.

Separately, an Amlin Risk Management workshop won the Best Risk Training Programme Award at the 2011 Strategic RISK European Risk Management Awards. The judges described the programme as "exceptional" in design. This programme is a joint venture between Amlin and external training provider MDA.

In addition to our focus on professional qualifications, the Amlin Academy continues to offer high quality management, personal and skills development programmes that aim to build on the existing skills of our staff.

Amlin employees at 31 December 2011

	2011	2010	Senior underwriters 2011	Senior underwriters 2010
Corporate Centre	248	210	–	–
Amlin London	314	284	40	36
Amlin UK	420	362	25	21
Amlin France	67	60	8	8
Amlin Bermuda	42	35	4	5
Amlin Re Europe	37	23	16	10
ACI	422	417	14	15
Total	1,550	1,391	107	95

Business review

Financial management



“Robust capital management has allowed us to maintain a dividend per share of 23.0 pence in 2011, despite extraordinary loss activity and difficult investment markets. We remain strongly positioned to materially grow our business as the cycle hardens.”

Richard Hextall, Group Finance Director

Net tangible assets:

£1.2bn

2010: £1.5bn

Cash and investments:

3.0x shareholders' equity

2010: 2.5x shareholders' equity

Gross assets

£6.5bn

2010: £6.1 bn gross

Net assets

£1.4bn

2010: £1.7bn net

Financial strength ratings

Amlin AG

AM Best	A (Excellent)
S&P	A (Stable)
Moody's	A2 (Stable)
Fitch	Not rated

Syndicate 2001

AM Best	A+ (Superior)
S&P	4 (Stable)*
Moody's	A1 (Negative)
Fitch	Not rated

Amlin Corporate Insurance

AM Best	Not rated
S&P	A- (Stable)
Moody's	Not rated
Fitch	A (Positive)

*Lloyd's syndicate assessment

2011 highlights

- Net tangible assets decreased by 22.3% to £1.2 billion (2010: £1.5 billion), reflecting catastrophe losses, difficult investment markets and payment of an uncovered dividend
- Gross assets of £6.5 billion, up 6.3% on prior year (2010: £6.1 billion)
- Available capital remains more than £400 million above assessed capital requirement

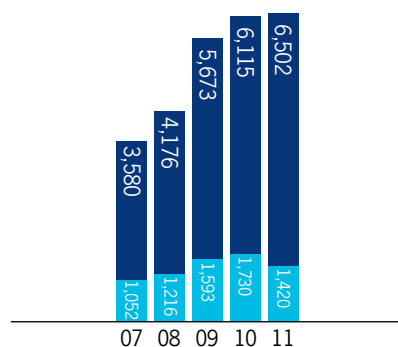
An emphasis on active financial management has allowed us to enhance the returns delivered to shareholders over a number of years. It also positions us strongly to meet the future requirements of Solvency II.

The chart below shows the growth in gross and net assets over the past five years.

Gross and net assets

£6.5bn ■ Gross

£1.4bn ■ Net



Determining our capital requirement

Amlin uses Dynamic Financial Analysis (DFA) to model its capital. Our approach to using DFA is detailed in note 2 to the financial statements, addressing capital (pp110).

The table below analyses our capital position as at 31 December 2011.

Amlin capital analysis

	As at 31 December 2011 £m	As at 31 December 2010 £m
Net tangible assets	1,201.5	1,545.4
Subordinated debt	292.8	318.0
Bank facilities *	250.0	250.0
Available capital	1,744.3	2,113.4
Assessed capital	1,341.6	1,417.5
	402.7	695.9

* Bank facilities are subject to a number of covenants

Assessed capital is management's estimate of capital required for current trading purposes. Assessed capital is built up from subsidiary requirements as follows.

For Syndicate 2001, assessed capital is the Syndicate's Funds at Lloyd's, which at 31 December 2011 amounted to £497.0 million (2010: £476.1 million).

We continue to believe that \$1.0 billion is the minimum amount of capital Amlin AG requires to trade with its preferred client base, an amount which exceeds the local regulatory capital requirement. At 31 December 2011, Amlin AG had net assets of \$1.4 billion (2010: \$1.6 billion).

At the end of the year, ACI held net assets of €226.1 million, relative to the local regulatory capital requirement of €117.0 million. Management consider that the current level of capital is in line with that which ACI economically requires.

We believe that the Group should retain a level of capital sufficient to allow material growth in the business in the aftermath of a major insurance disaster and also to respond to other opportunities to enhance long term profitable growth. At 31 December 2011,

available capital was £402.7 million greater than the Group's assessed capital requirement.

Assessed capital does not include any credit for the recently acquired catastrophe bond coverage for US hurricane, US earthquake and European windstorm perils of up to \$150 million. As this reinsurance is intended to cover remote capital impairing events it should lead to a fall in capital requirements.

Adjusting the capital employed to enhance returns

Our capital management approach is flexible. When underwriting margins are sufficient to limit the impact of a large catastrophe loss to equity, debt capital will form a greater proportion of the overall capital deployed. When margins weaken, the level of debt capital used to support our underwriting will be reduced.

At 31 December 2011 we had £292.8 million of subordinated debt in issue (2010: £318.0 million). The debt is regulatory compliant, longer-term, unsecured and contains no financial covenants that could lead to early forced repayment. It is also recognised as capital by a number of the rating agencies.

In addition, we have a £250 million unsecured revolving credit facility available. This facility expires in September 2013. At 31 December 2011 the facility was undrawn (2010: nil).

Managing equity capital for shareholders

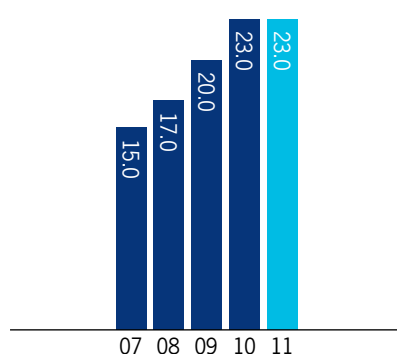
Our financial performance management is centred on delivering a cross cycle return on equity of at least 15%. Given the Group's cyclical underwriting approach, at certain points this will lead to the Group holding surplus equity capital. In order to enhance our return on equity, as actual levels of capital exceed our forecast capital requirements, we will look to return some of this capital to shareholders.

The Group has demonstrated clearly its commitment to return capital to shareholders in recent years. Since 1 January 2007, through a combination of progressive dividend strategy and 'B' share issue, we have returned cash of £606.9 million to our shareholders. We have also repurchased £27.6 million of capital through share buy backs.

Despite extraordinary catastrophe claims in 2011, our balance sheet strength has allowed the Group to maintain a dividend to shareholders at 23.0 pence per share in 2011. In the absence of significant catastrophe losses, we intend to increase our dividend per share consistently over the next few years.

Dividend paid and proposed/declared

23.0p



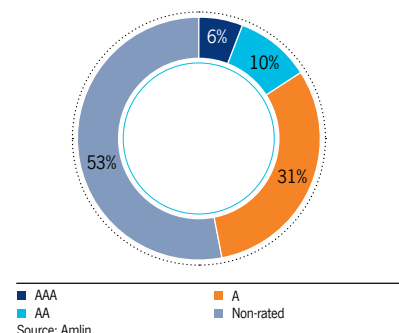
Enhancing cashflow

At 31 December 2011, the Group's cash and investments were £4,325.8 million, a decrease of £56.1 million on the prior year (2010: £4,381.9 million). Cash and investments are a multiple of 3.0x shareholders' equity (2010: 2.5x).

The strength and liquidity of the balance sheet is critical to our proposition as an insurer of choice, providing us with the ability to respond quickly to claims in the event of a large catastrophic loss. The analysis opposite demonstrates the strength of the Group's balance sheet in the face of exceptional loss activity in 2011.

We use bank facilities to supplement the working capital strength of the Group. A \$200 million secured LOC facility is available to Syndicate 2001 to fund its US regulatory requirements and this reduces any potential funding pressures at times of catastrophic loss in the US. If drawn, security is provided by a fixed charge over a portfolio of assets. Similarly, Amlin AG has a \$250 million facility secured over three years in order to provide collateral to US cedents for their regulatory needs. At 31 December 2011 Amlin AG has issued LOCs amounting to \$194.7 million.

Credit quality of reinsurance debtors



Note: Collateral is held against reinsurance debtors that are non-rated

Efficient cash flow management is an important source of value to an insurer. We retain premium for an average of approximately three years before claims are settled. On large claims where reinsurance recoverables are due, we have to pay the claim before the recovery is made and rapid reinsurance response is important. At 31 December 2011, outstanding insurance and reinsurance receivables debtors had increased to £933.5 million (2010: £795.6 million), reflecting premium growth across the business, most notably following the start up of Amlin Re Europe. The accrual for reinsurance on outstanding claims was up 61.1% at £617.0 million (2010: £383.1 million) due predominately to the underlying increase in reinsurance recoveries following major catastrophe loss activity.

Effective investment management

Our investment management approach is driven by our investment risk appetite. This is based on, amongst other things, the perceived risk and returns of the portfolio, the outlook for underwriting profits and the strength of our balance sheet. We do not target an absolute investment return, rather, we seek to maximise returns for the level of risk that we are prepared to accept. We focus on:

1. Setting appropriate strategic asset allocations using both qualitative and quantitative analysis.
2. Taking short-term tactical asset allocation positions around the strategic asset allocations.
3. Identifying skilled external investment managers to manage the underlying assets.

We distinguish between policyholders' funds, being premium received and used to meet future claims expenses, and capital assets, which support the underwriting business.

For policyholders' funds our risk appetite is relatively low, so they are held in a mixture of government and non-government bonds as well as LIBOR plus funds, whose underlying assets are bonds and currencies. The duration of these assets is referenced to the duration of the underlying liabilities, which is reasonably short. However, we will periodically reduce the duration of the assets if we believe that yields will rise, as is currently the case.

For Group capital, the investment horizon is longer term and this allows investment in more volatile classes such as equities and property, although our underlying requirement for transparency remains. The strategic benchmarks for capital are set using a combination of efficient frontier and value at risk models. The table below analyses policy holders' and capital asset allocation.

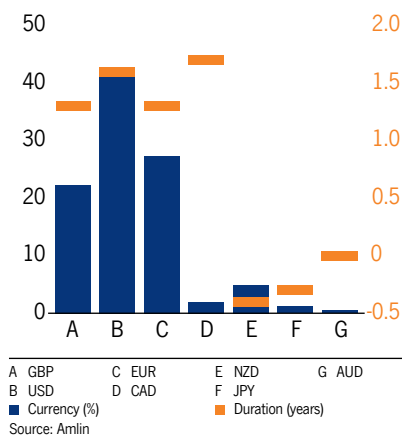
Further commentary on our investment performance in 2011 is provided later in this report (pp55). In addition, investment risk is analysed within our risk disclosures (pp111-138).

Effective currency management

The Group reports in sterling but manages a sterling business in the UK, a US dollar business in Bermuda and Euro businesses in Continental Europe. Amlin AG, which consists of Amlin Re Europe and Amlin Bermuda, reports in US dollars.

For our UK operations, we sell trading currency underwriting year profits into sterling as they crystallise, once we are largely through the Atlantic windstorm season. Amlin AG manages its US dollar trading position and holds its

Currency and duration



balance sheet mainly in US dollars reflecting its global underwriting profile. Similarly, ACI manages its Euro trading position and holds its balance sheet in Euros reflecting its European underwriting profile. At a Group level, we implement a policy to hedge up to 50% of the net US dollar / Euro exposure of the Group to Amlin AG and ACI respectively. The Group's hedges are achieved through the use of forward sales and other derivative contracts.

In the year to 31 December 2011, movements in the US dollar produced foreign exchange losses, before hedging, of £0.2 million on the dollar capital investment in Amlin Bermuda. The hedges deployed produced a gain of £2.8 million. For ACI, the weakening in the Euro produced foreign exchange losses before hedging of £6.4 million. Hedges increased this loss by £0.4 million.

In addition, foreign exchange losses of £30.5 million arising on the consolidation of an externally managed investment fund were recognised in reserves. A corresponding gain of £24.4 million was recognised as investment income within the Group's income statement.

Estimating outstanding claims reserves

Estimation of claims reserves is a key aspect of financial management. Not only does it impact on overall profitability, but it also impacts investment mix, as different approaches are taken for capital and policyholders' funds.

Insurance business is inherently uncertain and much of Amlin's business is large commercial insurance or reinsurance, which can be volatile, making it difficult to estimate ultimate claims levels. The factors that must be considered when assessing the level of outstanding liabilities include the risk profile of an insurance policy, class of business, timeliness of notification of claims, validity of claims made against a policy and validity of the quantum of the claim. At any time there are a range of possible outcomes at which the claims reserves could ultimately settle. However, as time passes the uncertainty surrounding likely claims settlement reduces.

Given this uncertainty, we adopt a prudent approach to the assessment of liabilities, however, consistency of reserving strength is our overall goal.

We estimate that the Group as a whole holds reserves on an accident year basis of at least £170 million in excess of an actuarial best estimate (2010: at least £175 million). Whilst overall net claim reserves have increased to £2.7 billion (2010: £2.2 billion), £473.7 million relates to catastrophe claims which have been well reserved, with material exposures at policy limits.

at 31 December 2011

at 31 December 2010

Type of asset	Policyholders' assets £m	Capital assets £m	Total assets £m	%	Total assets £m	%
Bonds	1,831.7	907.3	2,739.0	65.5	2,880.1	66.6
Other liquid investments	595.7	519.0	1,114.7	26.7	1,038.2	24.0
Equities	–	208.0	208.0	5.0	347.1	8.0
Property	–	117.3	117.3	2.8	60.2	1.4
Total	2,427.4	1,751.6	4,179.0	100.0	4,325.6	100.0%

Financial performance



“The result in 2011 was adversely affected by extraordinary catastrophe losses, difficult investment markets and a disappointing performance by ACI.”

Richard Hextall, Group Finance Director

Result before tax:

£(193.8)m

2010: £259.2 million

Combined ratio:

108%

2010: 89%

Return on equity:

(8.6)%

2010: 13.9%

Five year weighted average return on equity:

14.7%

2010: 24.7%

With record catastrophe claims, a competitive rating environment in insurance lines and continued volatility in investment markets, 2011 was a challenging year.

The Group recorded a loss before tax of £193.8 million (2010: profit before tax of £259.2 million). Total gross catastrophe losses amounted to £756.0 million or £500.8 million on a net basis. Net losses from the New Zealand and Japanese earthquakes in February and March respectively, and the Thai floods in late 2011, amounted to £433.0 million alone. ACI performed poorly, producing an underwriting loss of £56.0 million. Investment returns fell by £134.5 million, as risk assets such as equities and corporate bonds, performed poorly in the face of slowing global growth and the Eurozone debt crisis. The return on equity was a negative 8.6% (2010: positive 13.9%).

Despite a difficult 2011, over the longer term the Group's performance has been robust, with a weighted average return on equity since 2002 of 18.0% and since 2007 of 14.7%. This compares with our cross cycle target of 15% and exceeds our estimated cost of capital over that period of around 8.5%.

For 2011, underwriting contributed a loss of £146.0 million (2010: profit of £185.6 million) to the pre tax result. The scale of catastrophe losses impacted Amlin London and Amlin Bermuda in particular; these divisions generated respective underwriting losses of £13.9 million and £58.1 million (2010: profits of £123.6 million and £74.6 million). However, the underlying underwriting result for Amlin London was robust, with the property and casualty, marine and aviation business units performing well. London also benefited from a more substantial retrocessional reinsurance

Financial performance

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Gross written premium	2,304.1	2,172.5	1,543.9	1,034.0	1,044.7
Net written premium	2,013.2	1,910.3	1,322.6	915.7	938.3
Net earned premium	1,927.4	1,748.1	1,317.3	913.5	972.3
Underwriting contribution	(146.0)	185.6	355.2	211.4	343.0
Investment contribution	40.5	175.0	207.5	18.0	157.0
Other costs	(88.3)	(101.4)	(53.6)	(107.8)	(55.0)
(Loss)/profit before tax	(193.8)	259.2	509.1	121.6	445.0
Return on equity	(8.6)%	13.9%	37.0%	7.8%	37.8%

(See Financial Highlights on page 10 for basis of preparation)

Group underwriting performance

	2011	2010	2009	2008	2007
Claims ratio	78%	60%	43%	55%	36%
Expense ratio	30%	29%	30%	22%	28%
Combined ratio	108%	89%	73%	77%	64%

(See Financial Highlights on page 10 for basis of preparation)

Financial performance continued

programme than Bermuda. Disappointingly, ACI made an underwriting loss of £56.0 million (2010: loss £19.6 million), impacted by a high frequency of large claims across the marine and property books in the first half of 2011 and lower reserve releases due to the need to strengthen ship building and cargo reserves. Amlin UK, Amlin France and Amlin Re Europe, the latter in its first full year of trading, made small losses.

Across the Group, claims development continued to be better than expected. Releases from reserves amounted to £112.6 million (2010: £156.5 million), generated primarily from within Amlin London and Amlin Bermuda. ACI reserve releases reduced by €42.0 million year on year.

Investment markets continued to be volatile, particularly equity markets, corporate bonds and the European government bond market. The investment return was 0.9% (2010: 4.0%) on average funds under management of £4.2 billion (2010: £4.2 billion). The contribution from investments was £40.5 million.

Net foreign exchange losses in the income statement amounted to £10.2 million (2010: loss £12.3 million). In addition, net losses of £36.5 million on our subsidiary net assets exposures were taken to reserves (2010: gain £13.4 million). This includes a loss of £30.5 million arising on the consolidation of an externally managed investment fund.

Underwriting performance

The underwriting environment in 2011 was extremely difficult, with heavy catastrophe claims activity and competitive rating conditions across many of our lines of business. In addition, ACI suffered a higher than normal level of frequency of large loss in the first half of the year and whilst performance improved in the second half, overall it produced a disappointing financial return.

Gross written premium increased by 6.1% to £2,304.1 million (2010: £2,172.5 million). At constant rates of exchange, written premium increased by 8.0%.

The average renewal rate increase for the Group was 1.1% (2010: decrease 1.8%). However, the pattern of rate movements was affected by catastrophe events in the period, with an average rate decrease of 1.0% in the first quarter offset by an average increase of 3.3% between 1 July and 31 December. The renewal retention ratio was a solid 82% (2010: 86%), despite the non-renewal of poorly performing business within ACI.

The underlying increase in gross written premium was £46.5 million. Amlin Re Europe, our new Continental European reinsurance platform, performed ahead of expectation, generating £107.4 million of income in its first full year of trading. Amlin London, Amlin UK, Amlin France and Amlin Bermuda also added new business, though this was offset by a reduction from ACI due to the re-underwriting programme.

Amlin London generated gross written premium of £954.9 million (2010: £889.4 million). Growth was delivered within the property and casualty and marine business units. The reinsurance business also generated increased income within the US and international catastrophe accounts, both of which benefited from reinstatement premiums and new business opportunities in the aftermath of major catastrophe loss activity.

Amlin UK contributed gross written premium of £312.4 million, an increase of 7.1% on the prior year (2010: £291.8 million) as the division started to grow into a strengthening market, with an average rate increase of 5.0% across all classes. New business was generated largely in fleet, other motor and package lines and aided by recent strategic investments, including the acquisition of JR Clare in January 2011.

Amlin Bermuda produced written income of \$847.8 million (2010: \$676.4 million), an increase of 25.3%. Direct income was \$553.2 million (2010: \$438.6 million). The retention ratio remained strong at 90% (2010: 90%). New business generated within trade credit, political risk, terrorism and casualty classes contributed to growth.

ACI delivered gross written premium of €609.8 million (2010: €768.2 million). During the year we took further action to improve the underwriting performance of ACI's marine business, including the non-renewal of approximately €107.0 million of marine business, where pricing was considered inadequate or where historic claims ratios were unacceptable. Performance within the marine account has been below expectation, but ACI's non-marine business continues to perform satisfactorily in challenging trading conditions.

Outwards reinsurance expenditure was £290.9 million, representing 12.6% of gross written premium (2010: £262.2 million and 12.1% respectively). The proportional increase is mainly due to reinstatement premiums, additional cover for Amlin Bermuda and the impact of a reduction in ACI's gross written premium not tracked by reductions in excess of loss cover.

Net earned premium was £1,927.4 million (2010: £1,748.1 million), an increase of 10.3%, driven by growth in gross written premium in 2010 and 2011.

The Group claims ratio for the year was 78% (2010: 60%). Natural catastrophe activity reached record levels in 2011, with insured losses estimated at \$105 billion¹. The Group incurred net catastrophe claims of £500.8 million, with the New Zealand and Japanese earthquakes in February and March respectively, and flooding in Thailand in late 2011, generating a combined loss of £433.0 million. This compares to normal expected catastrophe losses of around £170 million in the year.

The Japanese earthquake was the largest insured event in the period, with an estimated insured market loss of \$35-40 billion¹. We have assumed a total loss for our major client exposure, with other exposures based on client loss estimates, together with an additional load to cater for possible further deterioration.

The Christchurch earthquake, which occurred in February 2011 has an estimated insured loss of \$13 billion¹. Amlin's most significant exposures are to residential properties in our

¹ Munich Re, 4 Jan 2012

international catastrophe reinsurance account. Our estimated gross and net claims for this event are \$427.6 million and \$334.5 million respectively. Recoveries were greater for Amlin London due to its more comprehensive retrocessional programme. Within these estimates, Amlin's exposure to the New Zealand Earthquake Commission is reserved as a total loss, leaving limited scope for further deterioration.

The scale of insured damage arising from the flooding in Thailand in late 2011 remains uncertain, with current insured loss estimates ranging between \$8 billion and \$20 billion. Amlin's exposures to the Thai floods lie mainly in its international property reinsurance account, with only limited catastrophe account involvement. There is further exposure within the insurance and other reinsurance accounts. However, claims arising from these accounts are expected to be largely covered within normal loss development. Amlin estimates that the property and catastrophe reinsurance account claims will be between £50 million and £70 million, net of reinsurance recoveries. These estimates are based on a review of client exposures in the region rather than individual loss advices. While the quality and scope of information remains limited, claims have been reserved towards the top end of the range.

The net claims to Amlin from the New Zealand Sumner earthquake in June are currently \$37.5 million, based on client estimates. Net claims estimates from the severe US tornado season amounted to \$43.5 million. Elsewhere, claims due to the cloudburst in the Copenhagen area in July amounted to \$24.3 million.

For each of these events, whilst claims within Amlin London have been well contained by recoveries from its retrocessional reinsurance programme, Amlin Bermuda has not benefited to the same extent from recoveries under its programme.

Net claims from the Chilean and New Zealand 'Darfield' earthquakes in 2010 and the Australian floods in December 2010 and January 2011 have generated small releases in the year.

ACI experienced unusually high claims frequency, especially in the first half of the year, with €32.9 million of claims over €5.0 million in 2011 (2010: €nil).

However, the claims ratio improved in the second half of the year to 71% relative to the first half of 87%. We consider the frequency of large claims experienced during 2011 to be abnormal and inconsistent with ACI's previous history, particularly given that there has been no material increase in the risk profile of these accounts. Reserve releases were also €42.0 million lower at €7.6 million after reserving for late claims advices on the shipbuilding account and poor run off on cargo.

We continue to hold a prudent reserving position for our property, fleet and private motor accounts within Amlin UK. As previously disclosed, reserves were strengthened at the half year in light of loss experience and slower development on the 2009 underwriting year. The second half generated reserve releases of £8.5 million.

Investment performance

The Group investment return for the year was 0.9%, with average funds under management of £4.2 billion (2010: 4.0% and £4.2 billion). Overall, investments contributed £40.5 million to the 2011 result (2010: £175.0 million). The table overleaf shows the breakdown of asset allocation and returns.

We began the year with a cautious view of the global economic outlook but with the expectation that central banks would look to move their policies slowly away from the emergency levels of accommodation adopted in 2008 and 2009.

During the first quarter, two major unforeseeable events undermined global economic growth, namely the spike up in the oil price due to Middle East unrest and the disruption to global supply chains due to the earthquake and subsequent tsunami in Japan. Although the impact of these events was temporary, investors became concerned that the global recovery was losing traction, resurrecting "double dip" recession fears.

With the growth outlook for peripheral Europe already looking poor due to austerity measures aimed at addressing high public debt levels, such growth fears had a heightened effect on the bond markets of those countries, exacerbated by fears of a deficit in the case of Greek sovereign debt. Consequently, Italian and Spanish sovereign bond yields started to rise to levels where Greece, Ireland and Portugal had previously sought bailouts. Given the scale of the Italian and Spanish economies, this caused the European debt crisis to intensify, with a sharp sell-off of equities and other risk assets during August. This shift was further heightened by political wrangling around the US debt ceiling, which culminated in the US losing its Standard and Poor's AAA credit rating. These events generated a negative feedback loop into confidence and economic growth, particularly in Europe.

Towards the end of the year the European Central Bank cut rates, but more importantly provided much needed liquidity to the banking system, with the introduction of three year longer-term refinancing operations. This helped to stabilise investor sentiment, by dampening the negative feedback loop between sovereign risk and bank funding.

These events made 2011 an extremely challenging year for most assets, other than the so called 'safe haven' sovereign bond markets, such as Germany, the UK and US, where yields fell to historically low levels.

With yields at such low levels, we maintained a defensive stance towards interest rate risk, whilst believing that credit was attractive relative to generally expensive government bonds. The asset allocation to equities was trimmed at the end of April and reduced more substantially during the third quarter. As discussed above, exposures beyond cash and 'safe-haven' bonds were negatively impacted by the events that unfolded during the year. The exception was property, which produced a good return. Combined with additional investment, this meant that exposure to property rose during the year.

Financial performance continued

The insurance linked securities portfolio continues to be managed by Leadenhall Capital Partners, in the form of two standalone investment funds. The risk profile remained constant over the year, with Amlin's investment increased to \$117.2 million across both funds. The return on \$112.0 million of average funds under management was \$5.2 million or 4.7% (2010: \$109.9 million, \$11.4 million and 10.4%).

Expenses

Total expenses, including underwriting and non-underwriting costs, increased to £671.0 million, from £610.5 million in the prior year.

Underwriting expenses, excluding foreign exchange movements, amounted to £568.1 million (2010: £497.6 million). This expenditure represents costs relating to the acquisition and administration of insurance business and claims payments. Within underwriting costs, acquisition costs accounted for £41.1 million of the increase due to growth in income. Acquisition costs have, however, remained reasonably stable at 17.1% of gross earned premium (2010: 16.9%). The remaining variance in underwriting expenses includes inflationary increases and growth in operational costs for Amlin Re Europe and ACI of £7.3 million and £10.1 million respectively. Increased operating costs at ACI were generated by temporary staff costs and expenses in relation to the delay in implementing Amlin's IT programme.

Non-underwriting expenses, excluding foreign exchange movements, were £92.7 million (2010: £100.6 million). These expenses include employee incentives, investment management fees, ACI separation and integration costs and corporate expenses not directly attached to underwriting businesses. Employee incentives are down by £18.2 million due to poor 2011 performance, impacting annual bonuses and long term incentive accruals. ACI separation and integration costs amount to £16.8 million (2010: £16.6 million) and are not considered ongoing costs of the business. It is anticipated that further expenses of £9.8 million will be incurred in completion of ACI separation and integration during 2012. In addition to items expensed in the period, expenditure on the

Investment mix and returns

	2011			2010		
	Average asset allocation £m		Return	Average asset allocation £m		Return
Bonds	3,042	71.8%	0.7%	3,328	79.4%	3.9%
Other liquid investments	769	18.1%	3.9%	460	11.0%	0.3%
Equities	332	7.8%	(2.8%)	296	7.1%	9.9%
Property	96	2.3%	6.7%	105	2.5%	(0.8%)
Total	4,239	100.0%	0.9%	4,189	100%	4.0%

Taxation breakdown

Profit source	2011 loss before tax £m	2011 effective tax rate %	2010 profit before tax £m	2010 effective tax rate %
UK	(53)	33.6	142	25.4
Bermuda	(59)	–	106	–
Continental Europe	(82)	32.3	11	9.6
Group	(194)	22.9	259	14.4

replacement IT platform of £25.7 million has been capitalised during the period (2010: £17.4 million).

Taxation

The effective rate of tax for the period is 22.9% (2010: 14.4%). It is below the UK rate of corporation tax primarily due to Amlin AG's Bermudian branch which operates in Bermuda with no local corporation tax. Profits arising on operations in Switzerland are taxed at a combined federal and cantonal rate of 21.2% (2010: 21.2%). We continue to believe that Amlin AG is exempt from the UK Controlled Foreign Company regime. The table above illustrates the source of Group profits with associated effective tax rate.

Dividends

The Board proposes a final ordinary dividend of 15.8 pence per share. Taken together with the interim dividend of 7.2 pence per share, this provides total dividends of 23.0 pence per share (2010: 23.0 pence per share).

Net tangible assets

In addition to the loss after tax of £149.5 million recognised through the consolidated income statement, the Group has also recognised a further £160.0 million decrease in net assets bringing total equity and reserves to £1,420.4 million (2010: £1,729.9 million). The key movements are:

- Dividends totalling £113.6 million (2010: £102.5 million)
- £38.9 million of losses from the currency retranslation of overseas operations (2010: gain £17.6 million) offset by £2.4 million of gains recognised as the revaluation of associated hedge instruments (2010: loss £4.2 million) in accordance with hedge accounting rules of IAS 39 "Financial instruments: Recognition and measurement"
- Pensions actuarial loss of £18.3 million (2010: gain of £5.9 million)

Intangibles have increased by £34.4 million to £218.9 million (2010: £184.5 million), following the acquisitions of JR Clare Underwriting Agencies Limited and Lead Yacht Underwriters Limited and capitalisation of costs associated with the ACI IT platform replacement programme.

As a result, net tangible assets have decreased by 22.3% from £1,545.4 million at 31 December 2010 to £1,201.5 million at 31 December 2011.

Outlook

Underwriting environment

The diversity of our business by class and platform means that trading conditions vary across the portfolio. Overall, however, we are seeing a more favourable rating environment than twelve months ago. At 1 January 2011 renewals, the overall Amlin portfolio saw a fall in rates of 1.3% and approximately 75% of the portfolio was experiencing pricing that was flat or falling. However, the trading environment improved markedly during the year, with an average rate increase of 3.3% from 1 July to 31 December. In January 2012, with approximately 37% of the Group's 2012 business renewing, the renewal rate increase was 4.0%. This reflects further substantial rate increases on catastrophe reinsurance and continued momentum in UK fleet motor, but we are also seeing a modest uplift in other insurance lines.

Rate increases for catastrophe reinsurance renewals in January, which accounts for approximately 49% of the catastrophe business expected to be written for the year, were up for Amlin London and Amlin Bermuda. US catastrophe rates were back to peak levels. Loss affected business witnessed substantial increases in rates. This trend is expected to continue for the 1 April Japanese renewals and peak rating levels are expected to be held into the US windstorm renewals in the middle of the year.

The marine markets in London and on the Continent were stable at the start of the year. Some further increases are expected in the energy portfolio in 2012 and the recent Costa Concordia vessel loss is expected to exert upward pressure on marine rates. The ACI marine account was reduced modestly again at 1 January, with the retention ratio at 84%.

The US property and casualty sector is starting to see a change in its rating environment, with large US insurers reporting price increases across sections of their business. In the London market, some rate correction was evident in the property market in the second half of 2011 and we expect to see this trend continued through 2012.

In the UK, we continue to see an improving rating trend for fleet motor, with the withdrawal of capacity by some competitors creating opportunities to grow our market share significantly. UK property rates are also strengthening gradually, creating a more favourable environment to leverage the investments made to position Amlin UK to grow in this market.

Amlin France and ACI continue to experience highly competitive property and casualty markets, although amid deteriorating results in the Continental European insurance sector there is some evidence of financial distress, which combined with lower investment returns may encourage a more realistic approach to pricing. The low interest rate environment is likely to have a more widespread impact on insurance pricing in most markets, particularly in casualty lines.

Amlin Re Europe's business proposition has been powerfully endorsed by clients and brokers and it continues to make good progress, with January 2012 premium of €163.6 million, up 32.3% on 2011. The business was able to broaden out its footprint with good support from brokers, an increased number of submissions and an expanded client base. The business has been underwritten in line with expected profitability targets.

In the past five years we have added to the quality and diversity of our core businesses through investment in niche acquisitions, start-ups in Singapore and Zurich and a significant increase in senior underwriters with the objective of broadening the range of growth opportunities for the Group. As well as already benefiting from higher rates on renewal business in 2012, we are better positioned than ever before to grow wherever the stronger pricing environment creates opportunities.

Capital and risk management

Amlin has emerged from the exceptional losses of 2011 with a strong balance sheet, excellent ratings and our franchise further enhanced by the excellent claims service we delivered to clients in the wake of the year's multiple catastrophe events.

Consequently Amlin is very well positioned to benefit from higher catastrophe margins as a market leader in catastrophe underwriting. However, every major loss event requires a reassessment of previous assumptions, and the severity of last year's events, together with their unusual frequency, have naturally led to a careful review of our catastrophe risk appetite. Exposures on the international catastrophe account have been reviewed and cut where prices have not responded adequately to the events of 2011. However, through rate improvements and selective additions to exposures, January income for the London and Bermuda catastrophe reinsurance businesses is 10.8% higher than in 2011 at £209.8 million.

The structure of our reinsurance programmes for London and Bermuda has been revisited with a view to providing deeper reinsurance protection across the Group. The London programme worked well in 2011 and broadly the structure has been renewed, but with lower retentions for the first event. The Bermuda team have largely replicated that structure, which has provided much greater protection for 2012 than was previously the case. In addition, an insurance linked catastrophe bond of \$150 million has been placed into the capital markets, which covers US perils and European windstorm events above a pre-set scale and in the aggregate. This provides greater protection against severity and frequency of catastrophe events. Reinsurance expenditure as a proportion of income is expected to increase to 15.3%.

Investment markets

Investment markets rallied in the fourth quarter of 2011 as action was taken in Continental Europe to address the Eurozone debt crisis. The possibility of policy error in the management of the crisis remains significant and has the ability to worry markets. However, confidence around the pace and sustainability of the US economic recovery appears to be growing and this, along with evidence of improving prospects for global growth, has seen a strong start to 2012 for our investment portfolios.

We continue to believe that short dated 'safe haven' government bond yields remain too low from a medium term perspective and we have continued to control our exposures to these assets. Higher yields and strong corporate balance sheets make non-government bonds more attractive and we retain our equity weighting, albeit at reduced levels from the first half of 2011.

However it is important to recognise that, with low interest rates in developed economies, our expectations for investment returns have been lowered compared to what we have seen in the past.

Summary

We expect that 2012 will bring a return to stronger profitability for the Group. Much of our business is seeing improved premium rating and we will naturally benefit if catastrophe activity returns to more normal levels. The underlying profitability of our London and Bermuda business is strong and with Amlin UK moving into a better trading environment, these divisions should see strong growth in 2012. Amlin Re Europe's success in attracting new business, without compromising its profit targets, should also provide a better trend, as the underwriting profits will be better able to absorb its start up expenses.

In our Continental European insurance businesses we also anticipate an improvement in performance, even without an improvement in the underlying trading environment. Amlin France was affected heavily on its modest income base by the international catastrophes of 2011 and in 2012 should revert to its underlying satisfactory trading position. With the action taken at ACI over the last two years to remove badly underwritten marine business, we expect that ACI will also achieve a better performance. Its non-marine businesses are performing satisfactorily and on much of its core marine account, while profitability is still not at acceptable levels, there is an evident improving trend.

Investment markets are expected to remain challenging, but we expect that we should fare better in 2012 than last year. Amlin's focus on underwriting profit should ensure that the lower interest rate environment is one where we can trade successfully. For insurers that have been reliant on investment return to generate profit it will not be as easy.

With a strong capital position we expect to grow into improving market conditions when they emerge.

Governance

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Board of directors

Experienced leadership

1 Roger Taylor (70)

Chairman » ♦

Appointed a non-executive Director and Chairman in 1998

Chairman of the Nomination Committee.

He is non-executive President of Yura International Holdings B.V. and of Yam Invest N.V. and non-executive Chairman of White Ensign Association Limited. He was formerly Chief Executive of Sun Alliance Group plc and, until 1998, Deputy Chairman of Royal & Sun Alliance Insurance Group plc. He was Chairman of the Association of British Insurers from 1997 to 1998.

2 Charles Philipps (53)

Chief Executive »

Appointed Group Chief Executive in 1999, having joined the Board as Group Finance Director in 1997

Chartered Accountant. He represented Amlin Corporate Member Limited on the Council of Lloyd's from 2001 to 2007, was a Vice Chairman of the Lloyd's Market Association from 2004 to 2007 and President of The Insurance Institute of London 2008 to 2009, having previously served on its Council. He has been a trustee (unpaid) of the Outward Bound Trust since December 2010. He was a director of NatWest Markets Corporate Finance Limited until 1997, having been employed there from 1983. Whilst at NatWest Markets he was responsible for the formation and flotation on the London Stock Exchange of Angerstein Underwriting Trust PLC (which became Amlin plc).

3 Christine Bosse (51)

Independent Non-Executive ∞

Appointed a Director in 2008

She is a non-executive director of Nordea Bank AS and Aker ASA, which is listed on the Oslo Stock Exchange. She is Chair of Flügger A/S, and a former Board member of TDC A/S, both of which are listed on the NASDAQ QMX Copenhagen AS. Additionally, she Chairs the Danish Royal Theatre (Det Kgl Teater) and the Danish member of the ChildFund Alliance (Børnefonden). She has received the order of Knight of Dannebrog and is a Danish citizen.

4 Nigel Buchanan (68)

Senior Independent Director (non-executive)

* » ∞ ♦

Appointed a Director in 2004

Chairman of the Audit Committee and senior independent director. Chartered Accountant. He is a non-executive director of Butterfield Bank (UK) Ltd. He is a trustee of the Adventure Learning Schools Trust and was a trustee of the Outward Bound Trust until August 2011. He retired as a senior client partner of PricewaterhouseCoopers

in 2001, where he specialised in financial services clients. He joined a predecessor firm in 1968 and was appointed a partner in 1978.

5 Brian Carpenter (54)

Underwriting Director, Amlin UK

Appointed a Director in 2000

He heads Amlin UK, which underwrites the Group's UK motor, property and liability business. He has been a member of the Lloyd's Market Association's Motor Committee since 1989 and has also served on the Lloyd's Market Board and the Business Development Unit Board at Lloyd's. Prior to joining the Group in 1989 as active underwriter of motor Syndicate 887 (now part of Syndicate 2001) he worked as a broker with Sedgwick and Marsh.

6 Richard Davey (63)

Independent Non-Executive * » ♦

Appointed a Director in 2005

Chairman of the Risk and Solvency Committee from January 2011. He is a senior independent director of Severn Trent Plc and non-executive Chairman of London Capital Group Holdings plc. He is a non-executive Vice Chairman of the Yorkshire Building Society. The majority of his executive career was spent in investment banking at N M Rothschild & Sons Limited, in roles including Head of Investment Banking and Chairman of the Executive Committee. He retired in 1999. A financial services sector specialist, he advised Lloyd's of London, and then Equitas, on the Reconstruction and Renewal proposals of the early 1990s.

7 Marty Feinstein (63)

Independent Non-Executive *

Appointed a Director in 2007

He is a non-executive director of Reynolds American Inc and GeoVera Insurance Holdings, Ltd. He was Chairman and Chief Executive Officer of Farmers Group Inc from 1997 to 2005, when he retired after 35 years' service with that group. By 2005, Farmers was the third largest property and casualty insurance group in the US. Whilst Farmers was owned by BAT and then by Allied Zurich, between 1997 and 2000 he served in turn as a director of BAT Industries plc and Allied Zurich plc. He is a US citizen.

8 Richard Hextall (43)

Finance Director

Appointed Group Finance Director in 1999

Chartered Accountant. He was a director of the Lloyd's Market Association from 2007 to 2010 and a member of its Finance Committee from 2002 to 2009 (Chairman from 2005 to 2007). He was also a member of the Lloyd's Investment Committee from 2003 to 2007. He has been an

independent non-executive director of The City of London Investment Trust plc since 2007 and is the Chairman of its Audit Committee and Senior Independent Director. He joined Amlin from Deloitte & Touche, where he was a director specialising in the insurance and financial services sector.

9 Sir Mark Wrightson Bt (61)

Independent Non-Executive » ∞

Appointed a Director in 2006

Chairman of the Remuneration Committee. He retired as Co-Chairman of Close Brothers Corporate Finance Limited in 2006. He was formerly Chairman of the London Investment Banking Association Corporate Finance Committee and a member of the Panel on Takeovers and Mergers. He is a non-executive director of Domino Printing Sciences plc and was a non-executive director of Tees Valley Regeneration Limited until July 2008 and of British Vita plc from 2004 to 2005.

10 Simon Beale (50)

Underwriting Director, Amlin London

Appointed a Director in 2011

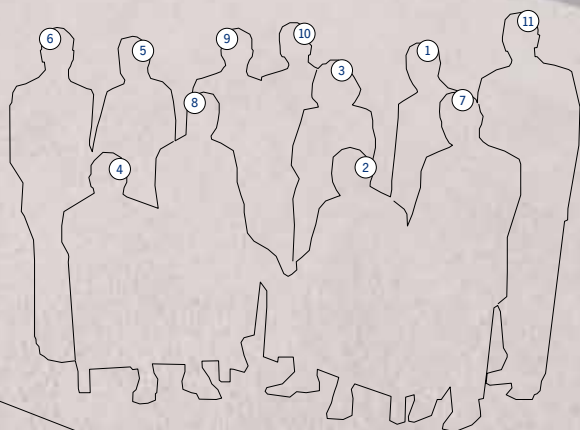
He has been a Director of Amlin Underwriting Limited since 2000 and appointed Underwriting Director of Amlin London in 2008. His background is as a specialist marine hull underwriter since joining the Lloyd's market in 1984, becoming a recognised international leader in this field. He joined Amlin in 1994 and headed Amlin's marine business from 2001 to 2009. He is a co-opted member of the Lloyd's Market Association's Underwriting Committee and an elected member of the Council of Lloyd's. He is a former chairman of both London's Joint Hull Committee and the Ocean Hull Committee of the International Union of Marine Insurance (IUMI) and has represented the London market on IUMI's Executive Committee and been an elected member of the Lloyd's Market Association's Marine Committee.

11 Sir Alan Collins (63)

Independent Non-Executive * ♦

Appointed a Director in 2011

He has had a distinguished career in HM Diplomatic Service; principal posts have included Ambassador to the Philippines; High Commissioner to Singapore; and for the last four years until July 2011, Director General Trade & Investment USA and Consul General New York. These roles required considerable commercial involvement to promote and protect British business interests in, and gave him considerable exposure to, the Financial Services Industry including the insurance sector. He holds a degree in International Relations from LSE. He is currently Managing Director, Olympic Legacy for United Kingdom Trade and Investment.



Current Committee memberships are denoted by the following symbols:

- * Audit Committee
- » Nomination Committee
- ∞ Remuneration Committee
- ◇ Risk and Solvency Committee

Directors are British citizens unless stated otherwise

Board corporate governance statement

Intrinsic to our culture and values



The Board believes that high standards of corporate governance are intrinsic to Amlin's culture and values.

Roger Taylor, Chairman

Board activities in 2011

Highlights

- Appointment of a new independent non-executive director.
- Succession planning for the Chairman.
- Establishing a Risk & Solvency Committee to complement the Audit Committee.
- Review of remuneration policies.
- Review of Board diversity and establishing a Diversity statement.

Board composition and independence

At the date of this report the Board of Amlin plc (the Board or plc Board) comprised: the Chairman, who is non-executive, six independent non-executives, and four executive directors. Their biographical details are set out in this report (pp60). During the year Mr Anthony Holt retired as a director with effect from 12 May 2011 and Mr Simon Beale and Sir Alan Collins were appointed on 12 May and 14 November 2011, respectively.

All of the directors will be offering themselves for re-election, save for Sir Allan Collins who will be offering himself for election and Mr Taylor who will be retiring at the end of the AGM.

The Chairman was independent on his appointment in 1998 but, as Chairman, is not classified as independent. Six of the other non-executive directors, who have tenure of between a few months and eight years, have been determined by the Board as being independent in character and judgement with no relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement.

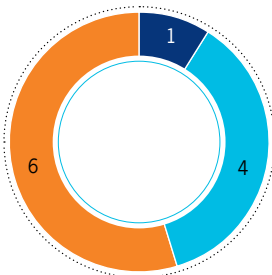
In accordance with the Companies Act 2006, and as permitted by the Company's Articles

of Association, the Board has authorised a number of potential conflicts of interest regarding the independent directors.

Mr Buchanan, the senior independent non-executive director, who retired as a partner of PricewaterhouseCoopers LLP (PwC) in 2001, receives a pension annuity from that firm that can vary if PwC's financial results do not meet a certain threshold. The Board believes that Amlin is not a material enough client to a firm of PwC's size for this to affect whether such threshold is met. Therefore, following PwC's appointment in 2009 as auditors, the Board authorised the potential conflict involved in Mr Buchanan continuing to serve as Audit Committee chairman, allowing him to be involved in all aspects of the Committee's work, save that he would step aside from involvement in any financial dispute or litigation between the Group and PwC were it ever to arise.

Within the last three years Mrs Bosse (until 31 January 2011) and Mr Feinstein (to date) were directors of overseas insurance companies which, like many insurers around the world, purchase reinsurance from the Amlin Group on normal commercial terms. These transactions are not material either to Amlin or, the Directors

Balance of the Board



■ Chairman
■ Executives
■ Independent NEDs

Chairman and executive director tenure



■ 12 years
■ 14 years
■ 13 years
■ 1 year or less

NED tenure



■ 1 year or less
■ 4 years
■ 5 years
■ 6 years
■ 7 years
■ 8 years

believe, to the other company and in both cases the reinsurance relationship is independent of, and pre-dates, their Amlin directorships. The Board remains robustly of the view that such inter-company transactions are an inevitable consequence of engaging non-executive directors with relevant current insurance industry experience (which, in view of the specialist and complex nature of insurance written by Amlin, is highly beneficial to the Company) and that they did not, and do not, affect, and should not be regarded by an objective observer as affecting, the independence of the directors concerned in fulfilling their roles as non-executive directors of Amlin.

Regulated subsidiaries within a Group management framework

During the year the organisational and governance arrangements of the Group have continued to evolve.

Each of the Group’s business platforms comes under its own regulated board: Amlin Underwriting Limited (AUL) for the Group’s Lloyd’s operations (for Amlin London and Amlin UK); Amlin AG (AAG), domiciled in Zurich, Switzerland (for Amlin Re Europe and Amlin Bermuda); Amlin Corporate Insurance NV (ACI), operating in the Netherlands and Belgium; and Amlin France Holdings SAS (AF) for the Group’s French business. AF sources business for both the Lloyd’s syndicate and ACI.

AUL’s executive governance is split between an Amlin London management committee and an Amlin UK management committee. They each hold quarterly review meetings with Group and AUL executives, in addition to AUL executive directors reporting to the AUL Board. AAG,

the other subsidiary containing two business platforms, is run by a unitary board but with underwriting and other management decisions delegated to the local teams in each location.

In parallel with the corporate structure, there are management accountabilities of particular functions, for example finance, operations and risk management, which help embed Group standards and seek to ensure that there is good two way communication between functional management at the centre and each local entity. The relationship between the corporate and management structures is illustrated in the ‘Corporate and management structure’ chart below.

Separate entity management with a strong Group governance input

Each regulated subsidiary has its own executive management separate from that of the Group, with Group executives including the Chief Executive (Mr Philipps), Finance Director (Mr Hextall), Chief Risk Officer (Mr Illingworth) and/or International Development Director (Mr Harris) sitting as non-executives on subsidiary boards along with the relevant business’s executive management either on the board or on a management board.

One of the main ways in which the Company ensures that there is sufficient Group influence and control within this delegated structure is through overlapping board memberships (the year end position is illustrated in the ‘Board memberships’ chart overleaf).

In the UK the Chairman and, at present, two other non-executive directors of the Company also serve as non-executives on the AUL Board in addition to the Group Chief Executive and Group

Finance Director. The latter perform “internal non-executive” roles within AUL, which is managed by its own Managing Director, Finance Director and the Underwriting Directors of Amlin London and Amlin UK. Mr Illingworth, a director of AUL and other subsidiaries, is Chief Risk Officer at both Group and AUL levels.

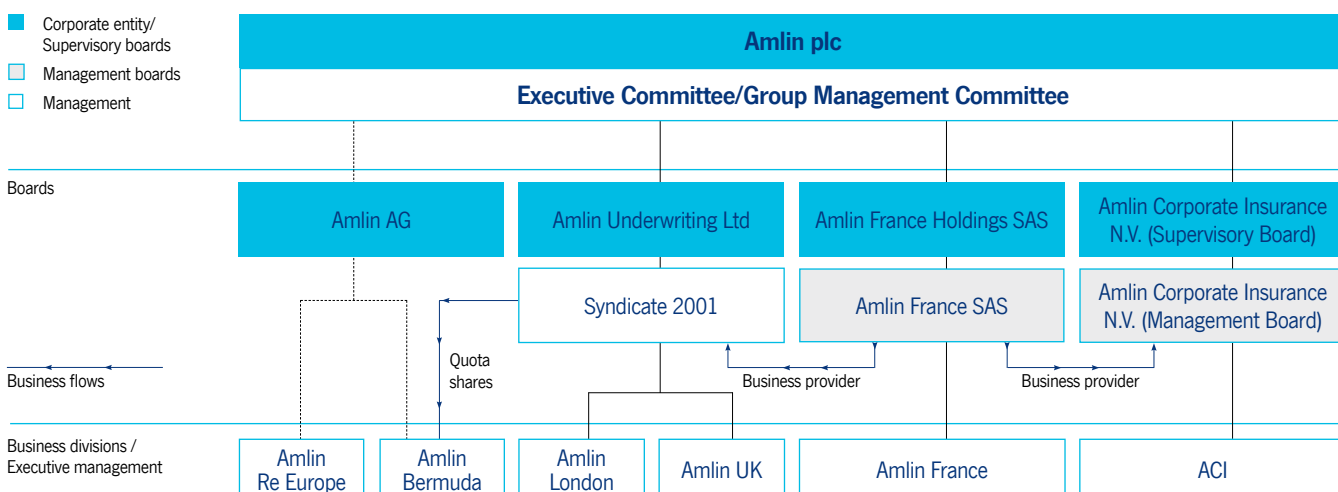
The AAG board has four executive directors from its own businesses (two from Amlin Zurich and two from Amlin Bermuda) and, at the year end, its non-executives were two members of the Amlin plc Board, Messrs Hextall and Philipps, as well as one independent non-executive director and one Group executive director. ACI has a two tier board structure comprising a Supervisory Board made up of two independent directors and three Group executives and a Management Board (whose members usually attend Supervisory Board meetings) presently of eight ACI executives. AF’s board comprises two Group executives, one executive from each of the Group entities to which it provides business (AUL for the Lloyd’s syndicate and ACI) and three Amlin France executives.

In terms of plc Board reporting, key indicator reports on each business unit are made to the plc Board in addition to consolidated reports at a Group level, enabling the Board to concentrate on its key strategic and control roles. Presentations are also made to the Board periodically by each business unit.

Board Committee structures

As the plc Board has overall responsibility to shareholders and other stakeholders for the Group’s operations, it is necessary not only for the plc Board to direct the overall strategy, values and standards for the Group but for its

Corporate and management structure



Board corporate governance statement continued

Board Committees to be able effectively to oversee the aspects of the whole Group relevant to their responsibilities. As with board governance, the distinction between Group and subsidiary responsibilities is reflected in committee structures.

The plc Audit Committee leads the process of review and makes recommendations to the Board regarding: external auditors, financial reporting, internal control and internal audit, and regulatory and compliance matters. The process is designed to ensure that significant risks in these areas are identified, evaluated, managed and controlled. AUL and ACI each have their own Audit Committees, which make reports to the plc Audit Committee as well as to their respective boards.

In January 2011 a separate Board level Risk & Solvency Committee was established, taking over some of the Audit Committee's responsibilities. It led the process of reviewing risk and made recommendations to the Board on risk management, risk appetite, solvency, economic and regulatory capital matters. Both Group and major subsidiaries have executive risk committees which provide reports to the plc Risk & Solvency Committee.

The Nomination Committee reviews succession planning for key roles within the whole Group, reporting the conclusions of its reviews to the Board and, when appropriate, to relevant subsidiary boards.

The Remuneration Committee reports to the Board the conclusions of its reviews and makes recommendations on matters within the control of regulated subsidiaries to such subsidiaries' boards and/or remuneration committees.

This committee structure is illustrated in the chart (📄 pp65).

Each Committee is supported by the Company Secretary (Mark Stevens, who succeeded Charles Pender, now Group Director of Corporate Affairs, with effect from 1 January 2012) or a member of his team.

Executive, as well as Board, corporate governance

Amlin regards Board level corporate governance as only the most visible aspect of a review and decision-making structure that goes much deeper. It remains the philosophy of the Group that key decisions and processes, including purely executive ones, take place within an objective governance framework, whether they be at Group, subsidiary or divisional level.

The Executive Committee (Exco), presently consisting of the Group Chief Executive, Group Finance Director, Group HR Director, Chief Operations Officer, Chief Risk Officer, Group Head of Underwriting and International Development Director is responsible, through the Chief Executive and directly, to the plc Board. Its members also join the Board for its annual planning and strategy session where the Group strategy is determined or refined. The heads of each business area and each area's chief financial, operations and risk officers report both to the relevant member of the Exco and to their operational boards and management committees. In addition to the Exco, a Group Management Committee (GMC), including representatives from each of the main business divisions, meets ten to twelve times a year, assisting the Group Chief Executive and acting as a forum for resolving management and strategic issues.

The business functions themselves are all described in more detail in the Review section of the Annual Report. Summaries of the governance arrangements for some key functions now follow.

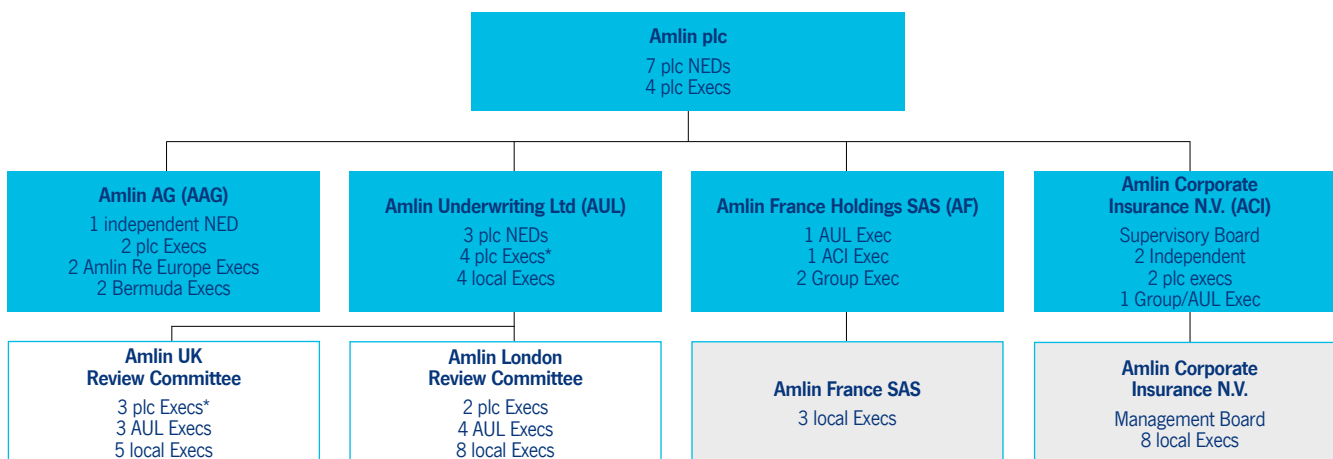
Reserving

Responsibility for reserving is that of the regulated boards and, at Group consolidated level, the plc Board but it is important that the process through which executive management reach their reserving decisions is objective and robust. This role is performed by their respective quarterly review or board meetings, which review and finalise the preliminary reserving conclusions for their businesses. Reserving is reported at subsidiary board level each quarter and, twice-yearly, to the plc Audit Committee. Quarterly review meetings receive actuarial assessments from the Group Risk Assessment & Monitoring department reviewing the consistency and prudence of the key reserving judgements.

Group Management Committee

- Charles Philipps, Chief Executive
- Richard Hextall, Group Finance Director
- Andrew Grant, Chief Operations Officer
- James Illingworth, Chief Risk Officer
- Simon Beale, Underwriting Director, Amlin London
- Brian Carpenter, Underwriting Director, Amlin UK
- David Harris, International Development Director
- Kim Hvirgel, CEO, ACI
- Andreas Lubrichs, Group Head of Underwriting
- François Martinache, Chairman of A F
- Philippe Reggazoni, CEO, AAG
- Rob Wyatt, Underwriting Director, Amlin Bermuda

Board memberships



■ Boards □ Review Committees □ Management Board

* inc Brian Carpenter, Underwriting Director

Risk management

In 2011 the plc Risk & Solvency Committee took over specific responsibilities for risk from the plc Audit Committee. A dedicated Group Risk Assessment and Monitoring Department (RAM) oversees the management of risk to ensure that each operating entity manages its risk in accordance with Group policies and allocated risk tolerances, as well as the Chief Risk Officer reporting to the Board and its relevant committee. Reports from RAM are reviewed and appropriate executive actions considered by a Group Executive Risk Committee. In addition, each regulated entity's board is responsible for the entity's risk, supported by executive risk committees or other executive reporting arrangements. Further details of the Group's risk management, and its development during the year, are set out earlier in this report (pp44).

Investments

The setting and execution of the Group's investment strategy has its own hierarchy of responsibilities. The relevant boards are responsible for setting their Investment Frameworks that control the practices and procedures governing: the setting of investment policy, the management of investment risk and the management of the investment operations. Within this framework the boards set their own investment risk appetites within the overall Group investment appetite.

The day-to-day responsibility for investment management is delegated to Group Investments, headed by Jayne Styles, the Chief Investment Officer (CIO). The CIO is a member of the Investment Management Executive (IME), together with the Chief Executive and Group Finance Director. The IME sets the strategic asset

allocation (SAA) and tactical asset allocation (TAA) ranges. Group Investments is responsible for TAA, which is implemented on a multi-asset, multi-manager basis. The IME is assisted in its decision making and recommendations to the boards by an Investment Advisory Panel consisting of the members of the IME plus three external investment experts. Investment management itself is outsourced to external managers.

Board and Committee meetings and attendance

The plc Board held six regular Board meetings in 2011 (2010: six) and one two-day planning and strategy session (2010: one). No additional special Board meetings were necessary in 2011 (2010: nil). The subsidiary operating boards met quarterly. The attendance of each director at plc Board meetings (out of seven possible meetings, including the planning and strategy session) are shown below.

Attendance by directors at meetings of the Board and Committees in 2011

	Number of meetings attended				
	Board (7 meetings)	Audit (4 meetings)	Nomination (3 meetings)	Remuneration (8 meetings)	Risk & Solvency Committee (4 Meetings)
S C W Beale ¹ (appointed May '11)	5	N/A	N/A	N/A	N/A
C Bosse ²	7	N/A	N/A	7	N/A
N J C Buchanan	7	4	3	8	4
B D Carpenter ³	6	N/A	N/A	N/A	N/A
Sir Alan Collins ⁴ (appointed Nov '11)	1	1	N/A	N/A	1
R H Davey	7	4	3	N/A	4
M D Feinstein	7	4	N/A	N/A	N/A
R A Hextall	7	N/A	N/A	N/A	N/A
A W Holt ⁵ (retired May '11)	2	N/A	N/A	N/A	N/A
C E L Philipps	7	N/A	3	N/A	N/A
R J Taylor	7	N/A	3	N/A	4
Sir Mark Wrightson Bt	7	N/A	3	8	N/A
Average % attendance	98%	100%	100%	96%	100%

Note 1 The maximum number of meetings Mr Beale could attend since appointment was five

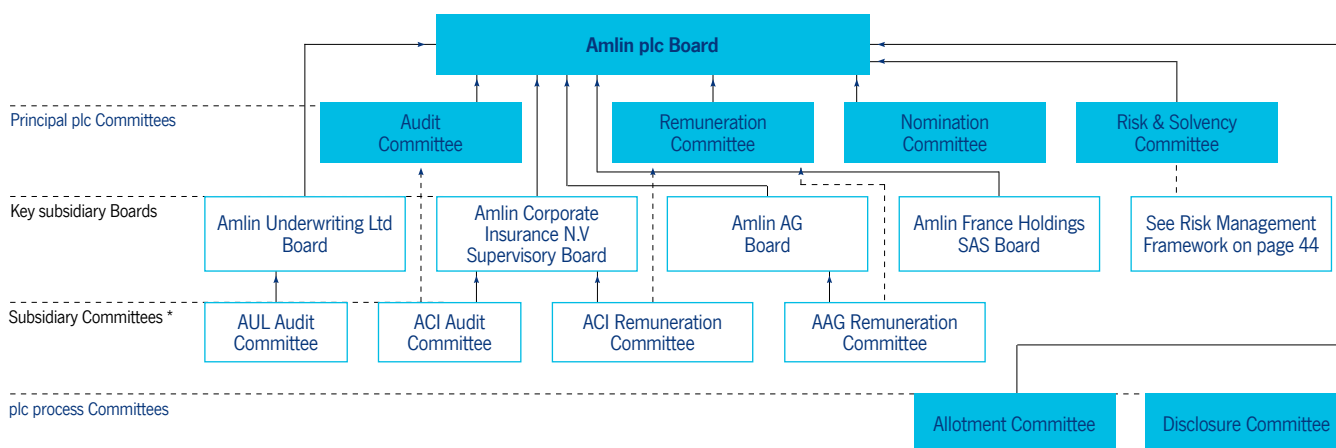
Note 2 Mrs Bosse was unable to attend one Remuneration Committee meeting due to a prior commitment

Note 3 Mr Carpenter was unable to attend one meeting through illness

Note 4 The maximum number of each of the Board and his Committee meetings that Sir Alan Collins could attend since appointment was one

Note 5 The maximum number of meetings Mr Holt could attend prior to his retirement was two

Board and Board committee structure



■ plc Board and Committees

□ Subsidiary boards and committees

* Not all subsidiary companies' committees are shown

Board corporate governance statement continued

The committee attendances of those directors who were members of any of the principal board committees for all, or any part of, the year are shown in the same table.

The UK Corporate Governance Code

The Board is committed to the highest standards of good corporate governance. It follows an approach that complies with principles of the UK Corporate Governance Code (the "Code").

The Board has considered the extent to which the Company satisfies the Code and the actions that may be taken to comply fully:

- The Board is satisfied as to the balance of skills, experience, independence and knowledge of the Company possessed by the directors, and of their diversity, to satisfy the Code. More details can be found later in this report (pp68) and in the Nomination Committee Report (pp72).
- Director appointments are made on merit, against objective criteria and with due regard to diversity on the Board, to ensure a satisfactory balance amongst directors;
- The Board is mindful of the Code's requirement for the annual evaluation to be externally facilitated at least every three years and is in the process of conducting such evaluation during 2012;
- In accordance with the Code's requirement for the annual re-election of FTSE 350 companies' directors, all of the Company's directors nominated and wishing to continue will offer themselves for re-election each year. While it is not proposed to change the Company's Articles, non-executive directors' appointment letters were re-issued in 2011 to take account of the new Code including annual re-election.

This report, the following Committee reports (pp72-75), the Directors' Remuneration report (pp80), and Annex 1 to this report (pp67) together describe how the Company applied the Principles of the Code during the year. Annex 2 to this report (pp71) summarises certain governance-related aspects of the Company's Articles of Association (Articles)

Board internal control statement

The Board recognises its responsibility for the Group's risk management and internal control systems and has complied with Principle C.2 of the Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces. This process has been in place from the start of 2011 to the date of approval of this report and includes risks arising from social, environmental and ethical matters.

The Board is responsible for reviewing the effectiveness of established systems of internal control. Directors are aware that any such system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or financial loss.

The effectiveness of the Group's system of risk management and internal control is reviewed regularly on behalf of the Board by the Risk & Solvency Committee (on risk management matters) and by the Audit Committee (on financial, regulatory and compliance matters) Monitoring covers all controls, including those in operation for financial, operational and compliance controls and for risk management processes. Where significant control failings or weaknesses have been identified, we can confirm that necessary actions have been or are being taken to remedy these. The Risk & Solvency and, where appropriate, the Audit Committee have received regular reports from management to assist with this process.

Control framework

The Group has put in place a management structure with defined lines of responsibility and clear delegation of authority. A framework of Group policies and standards has been established with which each business is expected to comply. Each business or functional unit has clear responsibilities for ensuring that appropriate controls are in place at an operational level, including those in respect of financial reporting processes. Key elements of the overall control environment are the various executive governance bodies discussed earlier in this Board Corporate Governance statement. These bodies receive oral and written reports from Amlin's businesses and support departments. Additional key control elements are the subsidiary boards (including where applicable their Audit and/or Risk Committees) and review committees. These boards and review committees are responsible for the day-to-day operations of Amlin's individual subsidiaries or business units, including relevant aspects of internal control.

Business planning

The Group has developed a formal structured business planning process which operates for all business elements. This operates on an annual cycle with proposed plans being presented to and agreed by relevant subsidiary boards prior to being consolidated and approved by the plc Board. Board reporting operates on a quarterly basis, with monthly monitoring at management

level. The Group's financial performance monitoring includes detailed reporting against budgets and the preparation of longer-term projections.

Risk assessment

Amlin's Risk Assessment process includes output from a system for reporting on all the significant identified risks to the achievement of Group objectives and on the nature and effectiveness of the controls and other management processes to manage these risks. Risk appetites are set for key risk categories for example catastrophe, reserving, investment and operational risk. The system encompasses self assessment of controls by risk owners throughout the business coupled with independent challenge of these assertions by the Group Risk team. Significant risks, their potential impact on the Group's financial position, any variations from the agreed risk appetites, and the actions taken to manage those risks, are reviewed regularly by the Group Executive Risk Committee and by the Risk & Solvency Committee.

Amlin has developed a Group Internal Model which captures the key economic and risk factors that could impact the performance of the Group. The process to collate and report information from the internal model and consolidate this into an Own Risk and Solvency Assessment (ORSA) is developing well. Both the Risk & Solvency Committee and the Board review the ORSA on a quarterly basis and use it to assist with business planning and management.

Internal audit and compliance

Internal audit and compliance monitoring work is carried out by the Group's Internal Audit and Risk Assessment & Monitoring departments. The latter also provides compliance advice. The heads of both departments report to the Group Chief Executive, and to the Audit and Risk & Solvency Committees. The Group has established risk based audit and compliance programmes for reviewing and evaluating the internal controls and compliance procedures used in the management of risk.

Assessment

The plc Board receives regular reports from both the Audit Committee and the Risk & Solvency Committee, which review the main processes established by the Group, including the matters which are the regulatory responsibility of the boards of AUL, ACI, AF and AAG and the risk management framework within which these operate. These processes are designed to ensure

that significant risks are identified, evaluated, managed and controlled. They also permit the relevant Committee to determine whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring.

The Audit Committee and the Risk & Solvency Committee met jointly to perform a specific assessment for the purpose of this Annual Report. This assessment considers all significant aspects of internal control arising during the period covered by the report, including the work of internal audit, and the findings are used to assist the Board in discharging its review responsibilities. The Board has received regular reports during the year on operational issues

from the Group's major subsidiaries. At ACI, the programme of finance and risk management process changes is on track, however information technology changes have not advanced as well as was anticipated. Following on from the control improvements made in 2010, further good progress has been made in 2011 to strengthen ACI's Key Controls. This work is ongoing but to date, the internal control environment at ACI is not yet considered to meet the high standards to which the Group aspires. The Audit Committee has additionally reviewed and is satisfied with the Group policy whereby arrangements are made for staff, in confidence and if they wish via an external reporting line,

to raise concerns about possible improprieties in matters of financial reporting or other matters. The Committee is satisfied with such arrangements for the longer standing parts of the business and is assured that appropriate arrangements are being made in certain of the Continental European jurisdictions where such arrangements are not yet fully in place.

By Order of the Board

M P D Stevens
Secretary
2 March 2012

Annex 1 to Board Corporate Governance statement: Summary of compliance with the UK Corporate Governance Code ("Code").

Principles of the Code	Commentary
A. Leadership	
A.1 The Role of the Board "an effective board...collectively responsible for the success of the company"	<p>The schedule of matters reserved to the Board for its own and its committees' decisions provides that the Board's primary obligation is to lead and control the Company and its business, with exclusive decision making powers over such matters as: overall strategy and resources; risk appetite; investment strategy; remuneration policies; accounting policies; capital expenditure, acquisitions and debt facilities over certain thresholds; and certain key Group policies, appointments and categories of public announcements. The detailed implementation of all these matters, and day-to-day business, are left to management, which reports formally to the Board at least quarterly on underwriting, financial, risk and other operational matters and objectives. The current schedule of matters reserved to the Board is available in the 'Corporate Governance' section of 'Investor Relations' on the Company's website.</p> <p>The Board meets regularly as demonstrated in the 'Board and Committee meetings and attendance' section and table (📄 pp65). The non-executive directors met during the year without executive directors or other executive management present, including at least once without the Chairman. The Chairman chairs full non-executive directors meetings and the senior independent director chairs meetings when the Chairman is not present.</p> <p>The data sheet at the back of the annual report identifies the Company's Chairman, Chief Executive, Senior Independent Director, and the Chairman and members of the Board Committees.</p> <p>Amlin arranges appropriate directors and officers insurance in respect of legal action against any of its directors.</p>
A.2 Division of Responsibilities "clear division of responsibilities"	<p>There is a division of responsibilities on the Board between the Chairman, who is responsible for leading and running the Board and related matters such as Board induction and evaluation, and the Group Chief Executive, who has executive responsibility for running the Group's business.</p> <p>A statement detailing this division of responsibilities has been approved by the Board, which includes provisions for the Chairman's role in ensuring accountability of the Chief Executive to him and to the Board, in shareholder relations and in ensuring constructive relations between executive and non-executive directors.</p>
A.3 The Chairman "responsible for leadership of the Board and ensuring its effectiveness"	<p>The Chairman actively promotes a culture of openness and debate within the Boardroom and helps to build relationships between executive and non-executive directors.</p> <p>All agendas for Board or Committee meetings are approved by the relevant Chairman before circulation.</p>

Annex 1 to Board Corporate Governance statement: Summary of compliance with the UK Corporate Governance Code (“Code”).

Principles of the Code	Commentary
A.4 Non-Executive Directors “should constructively challenge and help develop proposals on strategy”.	<p>Mr Buchanan is the Senior Independent Director designated as an appropriate director to whom shareholders’ concerns may be conveyed if contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve them or is inappropriate.</p> <p>The Chairman holds regular meetings with the other independent non-executive directors without the executive directors present. There is usually an annual meeting where the Chairman is not present, chaired by Mr Buchanan, to assess the Chairman’s performance. As the Chairman had given an indication that he wished to retire at the AGM in 2012 this meeting did not take place in respect of 2011.</p> <p>All meetings are recorded in the Company’s minute book. Minutes are sent for review by the Board ahead of the next meeting where executives and independent non-executives can ensure that their concerns regarding the running of the Company or a proposed action that they discussed within the meeting have been minuted appropriately. If the non-executive resigns and an issue has still not been resolved, the non-executive is required to submit a written statement to the Chairman, for circulation to the Board.</p> <p>As detailed in here and by the table in the section ‘Board and Committee meetings and attendance’, there is a Remuneration Committee comprising two non-executives and the Senior Independent Director, which meets to determine the appropriate levels of remuneration for executive directors. There is also a Nomination Committee, comprising the Chairman, Senior Independent Director, two non-executives and the Chief Executive, which meets to discuss succession planning, appointments, and if necessary, removing executives.</p>

B. Effectiveness

B.1 The Composition of the Board “should have the appropriate balance of skills, experience, independence and knowledge of the company”	<p>As detailed in here, the Board has identified which non-executive directors it considers to be independent. None of the non-executive directors as at 31 December 2011 have been an employee of the Company or Group within the last 5 years. Neither have they had a material relationship with the Company or received additional remuneration from the Company. No non-executives have close family ties with Company’s advisers, directors or senior employees, they do not hold cross directorships or have significant links with other directors through involvement in other companies, and they do not represent a significant shareholder. Save for the Chairman, no non-executive has served on the Board for more nine years from the date of their first election.</p> <p>More than half of the Board of the Company is comprised of independent non-executive directors. This ensures strong independent representation and the sharing of committee work. The Nomination, Audit, Risk & Solvency and Remuneration Committees are regularly attended by executive directors and senior management at the invitation of the respective Committee Chairmen. Non-executive directors who are not Committee members may also attend these Committee meetings if they so desire or at the request of the Chairman.</p>
B.2. Appointments to the Board “formal, rigorous and transparent procedure for the appointment of new directors to the Board.”	<p>The process for nomination to the Board and for considering succession planning is decided by the Nomination Committee to ensure that the appropriate balance of skills and experience is maintained; and to promote progressive refreshing of the Board. Its role and authority is set out in the terms of reference for the Committee and in the Nomination Committee Report (pp72).</p> <p>When preparing a description of the role and capabilities required for a particular appointment, the Committee evaluates the current balance of the skills, experience, independence and knowledge of the Board. The search for Board candidates is then conducted, against objective criteria and appointments made, on merit, with due regard to the benefits of board diversity.</p> <p>All directors are subject to annual re-election and all non-executives save the Chairman, Messrs Buchanan, Davey and Sir Mark Wrightson have been appointed for less than six years. Following rigorous review, it was decided that, in view of the specialist and complex nature of insurance conducted by Amlin and the years of experience that these non-executives have, it would be viewed as being highly beneficial to the Company to extend their tenure and to allow them to continue in their roles as non-executive directors and in the case of Mr Davey as Chairman following the AGM.</p>
B.3 Commitment “should be able to allocate sufficient time to the company to discharge their responsibilities effectively.”	<p>The Board continues to satisfy itself that the Chairman had sufficient time available to devote to his duties as non-executive Chairman of the Company (and of AUL).</p> <p>The letters of appointment of the Chairman and the other non-executive directors, which are available for inspection at the Company’s registered office, set out the following expected minimum annual time commitments to the Company and AUL:</p> <ul style="list-style-type: none"> ▪ Chairman of the Company (also of AUL): 75 days ▪ Senior Independent Director, including chairing Audit Committee (Mr Buchanan): 30 days ▪ Chairmen of Remuneration Committee and Risk & Solvency Committee (Sir Mark Wrightson and Mr Davey respectively): 25 days ▪ Member of both Audit and Risk & Solvency Committees (Sir Allan Collins): 25 days ▪ Member of Remuneration Committee (Mrs Bosse): 20 days. <p>The Board has determined that no executive should take on more than one non-executive directorship of a FTSE100 company nor be elected as chairman of such company.</p>

Annex 1 to Board Corporate Governance statement: Summary of compliance with the UK Corporate Governance Code (“Code”).

Principles of the Code	Commentary
B.4 Development “All directors should receive induction on joining the Board and should regularly update and refresh their skills and knowledge”	<p>The Company maintains a model director induction programme which was operated during the year for both Mr Beale and Sir Alan Collins. Non-executives are given the opportunity to attend meetings with the major shareholders at shareholders request; and all directors are given the advantage of meeting shareholders at the Company’s AGM.</p> <p>The Company encourages and facilitates other professional development for both executive and non-executive directors as is required for their particular roles. Annual reviews take place between the Chairman and non-executive directors to assess their individual development needs. Regular Board update sessions are held to provide directors with industry specific briefings and developments within the business and in legal and regulatory matters.</p>
B.5 Information and Support “Board should be supplied in a timely manner with information in a form and of quality appropriate to enable it to discharge its duties”	<p>Procedures are in place for directors and Board Committees collectively to take independent professional advice, when necessary, at the Company’s expense.</p> <p>The Board and its committees are supported by the Company Secretary and his team who, under the direction of the Chairman, advise the Board on governance matters and help to ensure good communication and information flows within the Board, including between executive and non-executive directors and between the Board and its Committees. The Secretary also facilitates the Board updating and induction work outlined above. Subsidiary Boards and executive level committees are also serviced, attended and minuted by the Secretary or another member of his team.</p> <p>The Board is supplied in a timely manner with the appropriate information to enable it to discharge its duties, including providing constructive challenge to, and scrutiny of, management. Further information is obtained by the Board from the executive directors and other senior executives as appropriate. All directors are provided with written materials on their responsibilities as directors of a public company and on other relevant regulatory, legal, accounting and insurance industry matters. Updating information on technical and/or industry matters is provided to the Board with opportunities for discussion.</p> <p>Amlin has a policy to deliver Board papers to each director at least five working days prior to the meeting, where possible. This ensures that each director is given adequate time to digest the information prior to the Board meeting.</p>
B.6 Evaluation “formal and rigorous annual evaluation of its own performance and of its committees and individual directors”	<p>The Board has completed an annual evaluation of the performance of the Board, its Committees and each director. The annual evaluations were initiated by a questionnaire completed by each director giving his assessment of both collective and individual performances. The results of the latest internal Board evaluation were summarised by the Chairman at its meeting in early 2012 and the Board agreed its conclusions. Each Board Committee had its performance evaluated and the conclusions were also reported to the Board in early 2012.</p> <p>The Chairman discussed issues arising from the evaluation of each individual director, including the performances of executive directors in respect of their boardroom as opposed to executive roles (which was evaluated as part of the Group’s regular Performance Development Review process), with the director concerned as required. The Chief Executive’s total performance was reviewed by the Chairman.</p> <p>The Chairman’s own evaluation is usually conducted by the non-executive directors led by the senior independent director, taking into account the views of the executive directors. The senior independent director normally discusses and agrees the conclusions with the Chairman.</p>
B.7 Re-election “All directors should be submitted for re-election at regular intervals subject to continued satisfactory performance”	<p>All directors of the Company will be subject to re-election at the Company’s AGM on the 17 May 2012, save for Sir Alan Collins who will be offering himself for election and the Chairman who will be retiring at the conclusion of the meeting. Details of the procedures whereby appointments and re-appointments to the Board are considered are set out in the Nomination Committee report (pp72). Board and individual directors’ evaluations are taken into account by that committee when considering specifications for new non-executive directors, succession planning and nominations for re-election at AGMs. Further details of the terms of appointment of both the non-executive and executive directors are also set out in the Directors’ Remuneration report. Biographical details to that effect will be circulated to shareholders on the AGM notice.</p>

C. Accountability

C.1 Financial and Business Reporting “Board should present a balanced and understandable assessment of the Company’s positions and prospects”	<p>The Board is aware of its responsibility for preparing the annual report as detailed (pp96) and the requirement to confirm the disclosure of information to the auditors’ in preparing this report. The independent auditors’ report on page 97 comments on the respective responsibilities of directors and auditors.</p> <p>The Board has given an explanation on how the Company generates value over the long term within the business model (pp16) and strategy for delivering the objectives of the Company.</p> <p>The Board has concluded that the business remains a going concern, as discussed further (pp95).</p>
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Board corporate governance statement continued

Annex 1 to Board Corporate Governance statement: Summary of compliance with the UK Corporate Governance Code (“Code”).

Principles of the Code	Commentary
C.2 Risk Management & Internal Control “Board is responsible for determining the nature and significant risks it is willing to take in achieving its strategic objectives...maintain sound risk management and internal control systems.”	The Board’s Risk & Solvency and Audit Committees meet on a quarterly basis to review, inter alia, risk management and internal controls. Their findings are discussed in the Risk & Solvency Committee report (🔗 pp76) and in the Audit Committee report (🔗 pp74). These Committees cover all material controls including financial, operational and compliance controls.
C.3 Audit Committee and Auditors “establish formal and transparent arrangements... apply corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company’s auditor”	<p>The Board has established an Audit Committee of three non-executives with Mr Buchanan, who has considerable financial experience, acting as its Chairman.</p> <p>The role and responsibilities of the Audit Committee as set out in its terms of reference are described in the Audit Committee report (🔗 pp74). One of the main functions is to monitor and review the effectiveness of internal audit activities. The Committee also has primary responsibility for making recommendations on the appointment, reappointment and removal of the Company’s external auditor.</p> <p>The Audit Committee has reviewed arrangements by which staff of the Company may, in confidence raise concerns about financial reporting or other matters. The Committee has nominated Mr Buchanan as an appropriate director to whom concerns may be conveyed.</p> <p>The Committee and Board have remained satisfied that the provision of non-audit services by Pricewaterhouse Coopers LLP (PwC) has not compromised PwC’s independence, as is explained further in the Audit Committee report (🔗 pp74).</p>

D. Remuneration

D.1 The Level and Components of Remuneration “should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors’ remuneration should be structured so as to link rewards to corporate and individual performance.”	<p>The Remuneration Committee ensure that performance-related remuneration for executive directors is in accordance with principle A of the Code, which is discussed in detail in the Directors’ remuneration report (🔗 pp80).</p> <p>The levels of remuneration of non-executives are based on the minimum time commitments given by each director and are set by reference to fees paid by financial services companies and listed companies of a similar size. Remuneration for non-executives does not include share options or performance related elements as stated in the Directors’ remuneration report (🔗 pp80).</p> <p>Executive directors have a maximum of 12 months notice period. In the event of early termination, the Group will seek to reduce, where practicable, the compensation payable by taking account of the duty of the employee to mitigate his or her loss, as explained in the Directors’ remuneration report (🔗 pp80).</p>
D.2 Procedure “formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.”	<p>The Remuneration Committee is formed of three of the Company’s independent non-executive directors. Its terms of reference, role and responsibilities are described in the Directors’ remuneration report (🔗 pp80).</p> <p>The Committee is responsible for setting remuneration for all executive directors and the Chairman, inclusive of pension rights and any compensation payments. It also makes recommendations and monitors the level and structure of senior management remuneration. The Board itself sets the remuneration of the non-executives.</p> <p>If the Company wished to instigate a new long-term incentive scheme, shareholder approval would be sought before implementation.</p>

E. Relations with Shareholders

E.1 Dialogue with Shareholders “should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactorily dialogue with shareholders takes place”.	<p>The Chairman, Senior Independent Director and non-executive directors attend meetings with major shareholders, at the shareholders request. In these meetings the Chairman takes the opportunity to discuss governance and strategy with shareholders and then ensures that any particular views that the shareholder may have are communicated to the Board as a whole.</p> <p>The Board is given the opportunity to understand the views of major shareholders of the Company, through analyst reports, broker briefings and surveys of shareholder opinion.</p>
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Annex 1 to Board Corporate Governance statement: Summary of compliance with the UK Corporate Governance Code (“Code”).

Principles of the Code	Commentary
E.2 Constructive Use of the AGM “to communicate with investors and to encourage their participation”	<p>The opportunity is taken at each AGM for the Chief Executive to make a presentation on the Group’s progress. Shareholders are encouraged to ask questions at this time.</p> <p>All items seeking shareholder approval are proposed under separate resolutions. Voting on resolutions is undertaken by a show of hands except in the event of a close result as indicated by the proxies held by the Chairman of the meeting. In these circumstances the Chairman would call a poll. The Board believes the immediacy of voting on a show of hands with the proxy votes immediately being announced to the meeting is appreciated by the shareholders attending the meeting.</p> <p>For each resolution, proxy appointment forms will be provided to the shareholders with the option to direct their proxies to either vote for, against or to abstain from voting.</p> <p>The Company has instructed its registrars, Computershare Investor Services Plc, to ensure that all valid proxy appointments are properly recorded and counted; and electronic proxy voting is made available. Following the meeting the Company will make available on the Company’s website, as soon as reasonably practical; the number of shares over which proxies have been validly appointed, the number of votes for each resolution, the number of votes against each resolution, and the number of shares which have been withheld from voting. The proxy form and announcement of the results explicitly state that a vote withheld is not a vote in law and will not be counted in the calculation when deciding whether the resolution has passed.</p> <p>It is anticipated that all directors will be attending the AGM and that the Audit, Nomination, Remuneration and Risk & Solvency Committee Chairmen will be available to answer questions.</p> <p>The Notice for the AGM will be sent to shareholders in advance of the 20 working days stipulated in the Code.</p>

Annex 2 to Board Corporate Governance statement: Summary of Director and shareholder governance provisions in the Articles of Association

Area of section 1 of the Code	Commentary
Directors	
Appointments to the Board	The Company’s Articles set out clear powers of removal, appointment, election and re-election of directors. A director may be removed either by a unanimous resolution of fellow directors or by an ordinary resolution of the Company in general meeting. As regards appointments, the Board may appoint additional directors at any time but such appointees must, if they wish to continue, be elected by shareholders by an ordinary resolution at the AGM following their appointment. Directors may also be appointed by election at the AGM. The Articles also provide that no term of office may exceed the period between election or re-election by shareholders and the AGM in the third year following such election or re-election. Although the Board complies with the UK Corporate Governance Code annual re-election provision for FTSE 350 companies, it is not intended to amend the Articles in this respect.
Re-election to the Board	The Articles of Association of the Company provide that, following a director’s election by shareholders at the Annual General Meeting immediately following his or her initial appointment by the Board, each director’s term of office before being required to submit himself or herself to shareholders for re-election is three years. This term has historically been shortened to one year for any non-executive director who has served on the Board for nine years or more. As referred to above, it is intended that all directors will generally submit themselves for re-election annually.
Relations with shareholders	
Procedure at Annual General Meeting	Voting at the Annual General Meeting is conducted on a show of hands unless a poll is called for (which the Chairman himself would do if the proxies he held indicated any sort of close result). Advance voting on a poll is not offered. However, shareholders’ proxy votes can be submitted electronically through the CREST settlement system and the Company’s Registrar’s website and a proxy may cast his vote on a show of hands or on a poll in different ways in respect of different blocks of shares within the same holding.

Nomination Committee report

Leadership and Succession



“The Nomination Committee seeks to ensure that the Board, its committees, and those filling other leadership positions, have the right balance of experience and qualities to deliver the strategic leadership, values, management and framework of controls required for the Group’s success.”

Roger Taylor, Chairman

Terms of reference

The Nomination Committee (the Committee) is responsible for assisting the Board in its oversight of succession planning both at Director level and for key executives throughout the Group. This includes the identification and nomination, for the approval of the Board, of all candidates for Board appointment and for proposed election or re-election to the Board.

When reviewing succession planning the Committee’s terms of reference require it to give full consideration to the challenges and opportunities facing the Group and what skills and expertise are needed in the future. Following the publication of the Davies Report the Committee, with Board approval, reviewed and amended its terms of reference to state explicitly the current practice of considering diversity, including diversity of experience and gender, when reviewing succession planning. The Board has also agreed a statement on diversity which can be found in the ‘Corporate Governance’ section of ‘Investor Relations’ on the Company’s website.

The Committee’s terms of reference also require the Committee to keep under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace.

The re-nomination of directors to the Company’s Annual General Meeting (AGM) is considered on a case by case basis before recommendations are made. The Committee also recommends to the Board the appointment of, and changes to, membership of the Board’s main Committees. No director may participate in any decision regarding his or her own position. The Committee’s terms of reference are available in the ‘Corporate Governance’ section of ‘Investor Relations’ on the Company’s website.

Membership, meetings and attendance

The Committee’s membership, number of meetings and attendance during the year are set

out in the ‘Board and Committee meetings and attendance’ section of the Board’s Corporate Governance statement (📄 pp62).

The Committee received and considered detailed papers and information sufficiently in advance of its meetings for its members to consider them appropriately, making suggestions for improvements when required.

Activities

The main activities of the Committee may be split into three key areas; the review and composition of the board; the recruitment of an additional independent non-executive director; and the succession planning of key executives and for the Chairman.

The review and composition of the Board

After the annual internal review of the general size, structure and composition of the Board conducted in 2010, the Committee concluded that, although this was still appropriate, the Board would benefit from the recruitment of an additional independent non-executive director as detailed below. Following the recruitment of Sir Alan Collins in 2011, a further review was undertaken which has concluded that the Board balance and the composition of each main Board Committee, now increased in number by the Risk & Solvency Committee, remains appropriate.

In reviewing the non-executive membership of the Board (illustrated 📄 pp62), the Committee noted that the seven non-executive members of the Board demonstrate an appropriate mix of insurance and other financial sector knowledge to enable the non-executives collectively to fulfil their role of challenge and oversight. All the non-executive directors, save for Messrs Buchanan, Davey and Sir Mark Wrightson, have served as non-executives for six or fewer years. The Nominations Committee and the Board, following rigorous review, decided that, in view of the specialist and complex nature of insurance written by Amlin and the years

of experience that these non-executives have, it would be highly beneficial to the Company to extend their tenure and to allow them to continue in their roles as non-executive directors.

In reviewing the executive membership of the Board the Committee concluded that the skills and experience executive directors bring to the Board are complementary to each other. Following a recommendation from the Committee earlier in 2011 Mr Simon Beale, the Underwriting Director of Amlin London, was appointed as an additional executive director at the 2011 AGM.

There is also regular, formal and direct reporting to the Board by other senior Group executives, most frequently in 2011 from the Chief Risk Officer (Mr Illingworth) and the Chief Investment Officer (Mrs Styles).

The recruitment of an additional independent non-executive director

During 2010 the Committee concluded that an additional independent non-executive director should be recruited in 2011 to share in the increasing Committee work following the constitution of the Risk & Solvency Committee.

Accordingly, in late 2010, the Committee approved an appropriate specification, based upon its review of the general structure, size, composition and diversity of experience of the Board and appointed external search consultants to assist in the recruitment process. This process culminated in the recruitment of Sir Alan Collins in September 2011. The Board believes that Sir Alan Collins brings valuable experience and skills to the Board which will add to its diversity. Given Sir Alan’s public sector background and experience in international trade, the Board believes he will assist in developing the Group’s international profile. His biographical details may be found earlier in this report (📄 pp60).

Succession Planning

During the year the Chairman indicated that he may wish to retire at the AGM in 2012. Succession plans to cover this eventuality,

led by the senior independent director, were discussed and reviewed by members of the Committee in the absence of the Chairman and with all other Board members as appropriate. The directors, after reviewing all aspects of the Chairman's role and the mix of skills required to fulfil this, concluded that there were sufficiently qualified candidates already on the Board and that there was no need to seek further external candidates. Following further consultation with the other directors the Committee concluded, in 2012, that Mr Richard Davey should be appointed as Chairman following the AGM to be held in 2012.

Non-executive director succession plans, including in respect of the Chairman or for his successor, led by the senior independent director, were also reviewed by members of the Committee during the year. Neither the Chairman, nor any other non-executive director, took part in any discussions concerning their own positions.

In September 2011 the Committee concluded its regular review of the succession plan regarding senior executive roles (including directors) in the Group. With a few exceptions, the plan continues to identify short term contingencies for fulfilling each role at short notice as well as one or more potential internal candidates as permanent successors. The Committee was satisfied that the overall plan is well conceived and effectively managed. The Committee paid particular attention to the few roles in respect of which the plan is less well developed, recognising the need to widen diversification at a senior level but remaining cogniscent of recruiting individuals on merit and their suitability for the role.

Board and Committee evaluation

The Committee took account of the conclusions of the annual Board evaluation and of the evaluations undertaken for each individual director, when considering the nomination of directors for re-election at the 2012 AGM, and was able to recommend to the Board

the nomination of all directors wishing to stand for re-election. The nomination of Sir Alan Collins was also recommended to the Board. Further details of the directors proposed for election or re-election at the next AGM (to be held in May 2012) may be found earlier in this report (pp60). The Committee has also recently conducted its own annual self-evaluation and concluded that it had during 2011 fulfilled its duties effectively. The conclusions of the Committee evaluation were reported to the Board in early 2012. The Committee has, following approval by the Board, appointed an external advisor, Independent Board Evaluation, to assist in the performance evaluation of the Board in 2012.

By Order of the Board, on the recommendation of the Nomination Committee

M P D Stevens

Secretary

2 March 2012

Audit Committee report

Monitoring and challenge



“The Audit Committee provides independent monitoring, guidance and challenge to executive management. Its aim is to ensure high standards of reporting, controls and compliance, in the belief that excellence in these areas enhances the effectiveness of the business.”

Nigel Buchanan, Committee Chairman

Terms of reference

The terms of reference of the Audit Committee (the Committee) are designed to enable it to take an independent view of the appropriateness of the Group’s accounting policies, practices and reporting; compliance and internal control processes and internal audit process and effectiveness. The terms of reference also place responsibility on the Committee to consider the appointment and fees (both audit and non-audit) of the external auditors, who have unrestricted access to it. The terms of reference were reviewed during the year, such review including a gap analysis to ensure their Solvency II compliance. The opportunity was also taken then to standardise wordings between Group Committees.

The Committee’s new terms of reference, which continue to take full account of the Smith Report on the role of audit committees, are available in the ‘Corporate Governance’ section of ‘Investor Relations’ on the Company’s website.

While the Committee has authority to engage its own independent external advice at the Company’s expense should it deem it necessary; it did not find it necessary to seek external advice during the year, other than from the external auditors.

Membership, meetings and attendance

The Committee’s membership, number of meetings and attendance during the year are set out in the ‘Board and Committee membership and attendance’ section of the Board Corporate Governance statement. Both the Nomination Committee, in making its recommendations to the Board, and the Committee in its own self-evaluation, reviews the Committee’s membership. Sir Alan Collins was appointed to the Committee on his appointment to the Board, on the recommendation of the Nomination Committee. Further details of the qualifications and experience of Committee members may be found earlier in this report (pp60). In the view of the Board, the combination of audit, wider financial services, international trade and

insurance experience provides an appropriate group of experienced professionals to fulfil the duties of the Committee. Mr Buchanan, Sir Alan Collins and Mr Davey (as its chairman), also serve on the Risk & Solvency Committee, retaining a strong link between the risk and audit review processes.

Mr Buchanan is also a member of the Remuneration Committee and ensures that the Audit Committee has input on the assessment of ‘Remuneration Risks’ and the controls put in place to mitigate any risks identified.

The Chairman of the Company, the Group Chief Executive, the Group Finance Director, the Chief Risk Officer and the Head of Internal Audit usually attend the Committee’s meetings.

The Committee received and reviewed detailed papers and information sufficiently in advance of its meetings for its members to consider them appropriately, making suggestions for improvements to these papers when required. At least once a year the Committee meets, both on its own and with the external auditors, without any executive management present. The Committee also meets privately with the Head of Internal Audit, who has a private line of communication with the Committee Chairman. His executive reporting line is to the Group Chief Executive and he is appointed, and may only be dismissed, by the Committee. During the year the Committee also met with the Group Finance Director without any other executive management present.

Activities

The Committee’s activities may be divided into three interlinked areas: financial reporting and external audit; internal control; and internal audit. Whilst consideration of risk is now within the remit of the Risk & Solvency Committee, the Audit Committee also received reports on risk to enable it to consider these three main areas. The Committee also meets jointly with the Risk & Solvency Committee on an annual basis to consider the Statement on Internal Controls and

the Principal risks and uncertainties identified for the business. The first of such meetings was held in early 2012. In order to assist the Committee in its role, additional briefing sessions have been arranged covering Solvency II updates.

Financial reporting and external audit

The prime financial reporting focus of the Committee during the year was, as ever, on the integrity of the Company’s interim results statements and its Annual Report and accounts. The Committee was satisfied that the significant assumptions underlying the reported figures, including in particular those relevant to reserving, were justified and that there was appropriate and meaningful disclosure of the critical judgements and key estimates made, which took account of significant loss events during the year. To assist the Committee in reaching this view reports were considered on the reserving process and benchmarking exercises were reviewed. The Committee has considered the Annual Report in its entirety and is satisfied that, viewed as a whole, the Report is fair and balanced. In addition, each Interim Management Statement of the Company was reviewed by the Committee.

The Committee reviewed the external auditors’ engagement and service plans, their independence and the extent and reasons for them providing non-audit services (a breakdown of the fees for which is set out in note 13 to the Accounts). In accordance with the policy adopted in 2010 which covers the level and type of non-audit services permissible and the approval processes for using such services, the Committee has considered the provision of non-audit services provided by PricewaterhouseCoopers LLP (PwC), in particular where these relate to aspects of the internal audit function, and remains satisfied that this has not compromised their independence as auditors.

Reports were received from the external auditors in respect of each set of financial statements, highlighting the material judgemental areas, which were then discussed by the Committee

with the auditors alongside reports from management. The Committee assesses the effectiveness of the external auditors at least annually and, following the review undertaken during the year, considers that this continues to be demonstrated, based on reports from management and from its own observations. A more detailed review of Amlin's selection of external auditors was last undertaken in 2009 when PwC were appointed following a comprehensive, competitive tender process.

Internal control

Details of the Committee's role regarding internal control issues are set out in the 'Board internal control statement' (pp66) within the Board Corporate Governance statement.

Internal audit

The Committee reviewed the plans and work undertaken during the year by the Group's Internal Audit department, including reports relating to overseas subsidiaries, and the consequent actions agreed with management. Reporting to the Committee includes summaries of the findings of all internal audit reports, enabling members of the Committee to question the Head of Internal Audit on any report. The Committee closely scrutinised management's progress in addressing the issues raised, and it continues to challenge management to move more quickly when it considers it appropriate.

The Internal Audit department has paid particular attention to the improvements made in ACI to strengthen key controls and has reported progress to the Audit Committee. Further details may be found on page (pp66).

The Committee also monitored the Group's compliance with Lloyd's and other regulatory requirements and recommendations, and reviewed the main 'whistle blowing' procedures operated by the Group.

Committee evaluation

During the year the Committee conducted its annual self-evaluation of its terms of reference, composition, procedures, contribution and effectiveness. The Committee concluded that during 2011 it had received sufficient, reliable, and timely information from management to enable it to fulfil its responsibilities and that it had fulfilled the duties placed upon it by its terms of reference. The conclusions of its evaluation were agreed and reported to the Board in early 2012.

By Order of the Board, on the recommendation of the Audit Committee

M P D Stevens

Secretary

2 March 2012

Risk & Solvency Committee report

Maintaining a risk balance



“The Risk & Solvency Committee was set up in 2011 to lead the review process for, and make recommendations regarding, risk management, risk appetite, solvency, economic and regulatory capital and associated regulatory reporting.”

Richard Davey, Committee Chairman

Terms of reference

The terms of reference of the Risk & Solvency Committee (the Committee) are designed to enable it to lead the review of risk management, risk appetite, solvency and capital. The Committee will also be responsible for reviewing and making recommendations to the Board regarding the Own Risk & Solvency Assessment (ORSA) prior to submission to the regulator, and to review the adequacy, effectiveness and governance of the Group’s internal model. The terms of reference also provide for review, jointly with the Audit Committee, of the effectiveness of internal controls and risk management systems to enable recommendation to the Board for approval of the internal control statement.

The terms of reference were agreed by the Board in advance of the Committee’s first meeting which was held in March 2011. They were reviewed during the year, such review including a gap analysis to ensure their Solvency II compliance. The opportunity was also taken then to standardise wordings between Group Committees.

The Committee’s new terms of reference are available in the ‘Corporate Governance’ section of ‘Investor Relations’ on the Company’s website.

Membership, meetings and attendance

The Committee’s membership and number of meetings and attendance during the year are set out in the ‘Board and Committee membership and attendance’ section of the Board Corporate Governance statement. Both the Nomination Committee in making its recommendations to the Board, and the Committee in its own self-evaluation, reviews the Committee’s membership. Sir Alan Collins was appointed to the Committee on his appointment to the Board in November 2011, on the recommendation of the Nomination Committee. All the Committee’s members (Messrs Davey, Buchanan, Taylor and Sir Alan Collins), are considered to have adequate experience to enable them to fulfil their duties. Further details can be found on page (🔗 pp60).

Mr Buchanan is also a member of the Remuneration Committee and ensures that the Risk & Solvency Committee has input on the assessment of ‘Remuneration Risks’ and the controls put in place to mitigate any risks identified.

The Group Chief Executive, the Group Finance Director, the Chief Risk Officer and the Head of Internal Audit usually attend the Committee’s meetings.

The Committee received and considered detailed papers and information sufficiently in advance of its meetings for its members to consider them appropriately, making suggestions for improvements when required.

Activities

The Committee’s activities may be divided into three main areas: risk management framework, business risk and ORSA review and internal model governance. The Committee receives regular reports on these areas from the Chief Risk Officer and from the Group Executive Risk Committee. The Committee also meets jointly with the Audit Committee on an annual basis to consider the Statement on Internal Controls and the Principal risks and uncertainties identified for the business. The first of such meetings was held in early 2012. Details of the Committee’s role regarding internal control issues are set out in the ‘Board internal control statement’ (🔗 pp66) within the Board Corporate Governance statement.

Risk management framework

The Group’s risk management framework was formalised and adopted by the Board in 2008, but its review is now within the remit of this Committee. During the year the Committee reviewed and agreed a revision of the framework which was proposed to, and adopted by, the Board. A diagram showing the framework may be found earlier in this report (🔗 pp44). The Committee has received reports on development of the framework during the year and has noted that processes have been improved to enhance the quality of risk assessment output.

Business risk and ORSA review

The Committee has reviewed the risk exposures facing the Group and considered whether these are managed within agreed risk tolerances and, if not, whether management actions and plans to mitigate this are adequate. During the year the Committee has reviewed the adequacy and appropriateness of stress and scenario tests, using reports from the Risk Assessment and Monitoring Department as well as its own experience to challenge and recommend further test scenarios. In doing so it also considered the Group's Reinsurance programme, and the risk diversification credit which is incorporated in the Group's internal capital model. Additionally the Committee has reviewed and approved the key Risk Indicators which form part of the Management Information reports used throughout the Group.

The Committee reviewed, amended and agreed the principal risk and uncertainties detailed on page 46 and identified some of the emerging risks which the Group will monitor in the longer term.

The ORSA Report was reviewed at each of the Committee meetings and challenge over the content and format offered.

Internal model governance

The Committee has been able to review the adequacy of the Group's internal model, using both non-independent and independent validation reports as guidance.

In order to assist the Committee in this role, briefing sessions have been arranged covering Solvency II updates, and the areas of expert judgement used in the development, validation and control of the internal model.

Committee evaluation and reporting

The Committee has conducted its first self-evaluation of its terms of reference, composition, procedures, contribution and effectiveness. The Committee concluded that, during 2011, it had received sufficient, reliable, and timely information from management to enable it to fulfil its responsibilities and that it had fulfilled the duties placed upon it by its terms of reference. The conclusions of its evaluation were agreed and reported to the Board early in 2012.

By Order of the Board, on the recommendation of the Risk & Solvency Committee

M P D Stevens

Secretary

2 March 2011

Corporate Responsibility

Valuing our relationships



“Amlin aims to build a sustainable business through the consistent application of our values in relationships with shareholders, employees, clients and other stakeholders. We seek to make a positive contribution to the communities in which we operate, placing integrity and professional excellence at the heart of our business practice.”

Charles Philipps, Chief Executive

Our core values

- Professional excellence
- Integrity
- Leadership
- Superior performance
- Teamwork
- Focus on sustainability

Our Vision to be the “reference point for quality” in each of our markets is underpinned by a set of core values which both determine and reflect the way in which all employees of the Amlin Group are expected to engage with our stakeholders, both internal and external to the business. It is Amlin’s policy to conduct all aspects of its business in an honest, open and ethical manner.

Our corporate responsibility activity related to Marketplace and Employees is reported to the CEO and thence the Board. Activities relating to Charity & Community and the Environment are reported through the Corporate Advisory Panel to the CEO, who reports to the Board.

Marketplace

Amlin remains one of the largest participants in the Lloyd’s market, although we sourced only 61% of our 2011 premium in the market.

We value the opportunities presented through Lloyd’s worldwide network and during 2011, formed a new terrorism consortium of agents based in Lloyd’s Asia, Singapore. Amlin professionals participate in a number of market working groups involved in the conduct and development of the market.

We continued to focus during 2011 on the development of our non-Lloyd’s European platforms, Amlin Corporate Insurance (pp.41) and Amlin Re Europe (pp.39).

Broker relationships

The majority of Amlin’s business is broker generated, both within the Lloyd’s market and

through national and regional networks. We closely manage these key relationships within each business, maintaining an open dialogue and sharing data with the aim of improving our service to cedants and insureds. Additionally, we receive independent feedback through industry surveys such as the London Market Claims Study (pp28-29).

Amlin Corporate Insurance is a member of the Dutch Insurance Association Exchange (VNAB) which accounted for €1,019 billion of industrial and commercial gross written premium in 2010. The insurers and brokers within VNAB operate in accordance with the so-called “Beursprinciples” and the majority of ACI’s business is written under this code. Executive Vice President, Michiel Vervliet is Chairman of the insurer membership and ACI underwriters play an active role in various technical subgroups.

We recognise the potential conflicts inherent in the traditional broker compensation model and attempt to manage these appropriately. We have adopted a Broker Remuneration Policy to guide all areas of the business in this sensitive area.

2011 saw the introduction of the Bribery Act 2010 and increased scrutiny of the financial services sector as a whole. We have taken the opportunity to review and where necessary, improve our policies and standards relating to professional conduct and client service.

In 2010, Amlin became the first London market insurer to achieve Corporate Chartered Insurer status. All 420 frontline underwriting and claims staff from Amlin London and Amlin UK were included in this submission.

Employees

Amlin’s Vision includes being recognised as “the place to work”, with staff who understand our strategy and their role in delivering and exceeding our goals. An important element in achieving this is being a responsible employer, operating first class employment practices and actively engaging with our employees (pp48-49). We encourage employee engagement through the intranet,

a regular online magazine and via a quarterly Consultation Forum for UK employees and a Works Council representing the ACI employees. Since the Group’s combined workforce now exceeds 1,000 in more than four European countries, we are setting up a Group-wide employee representative group. We undertake regular employee opinion surveys, the next of which is planned for mid-2012.

Amlin seeks to align employee interests further by awarding shares to all eligible employees under the Share Incentive Plan. This annual award is subject to the Company’s overall performance and in April 2011 an award was made to the value of £1,000. At 31 December 2011, 19.4% of employees had a stake in Company equity valued in excess of £10,000.

The good conduct of employees in their management of business relationships and with colleagues is critical to creating pride in the Company and to our aspiration to be a socially responsible company. Amlin’s core values are an important part of the Code of Conduct and during 2011, further work was undertaken to embed our culture and values across the enlarged Group.

Diversity

Amlin pursues a policy of diversity, be that of skills, experience, nationality or gender and in accordance with the Group’s equal opportunities policy. We are committed to the benefits of a diversified workforce, reflected in most levels of staff. This will be monitored as efforts are made to widen diversification at senior level, including increasing the number of female members of the senior team both by promotion and recruitment over the next few years.

Amlin currently has a balance of skills and diversity on the Board, though there is only one female director. It is our aspiration that by the end of 2015, 20% of the Board should be made up of women.

Community

In the UK

Amlin's UK charity and community activities are guided and facilitated by a panel which meets at least quarterly and comprises senior representatives from each UK business area. In 2011, we broadened our support to UK charities with a focus on education and health. Firstly, we continued to fund a Clinical Nurse Specialist at Imperial College Healthcare NHS Trust for Macmillan Cancer Support. Secondly, we again sponsored the Art for Youth London sale at the Royal College of Art, generating £88,000 profit for UK Youth in 2011 and taking the total funds raised from this event to over £1 million. We built on this relationship by initiating the Amlin Platinum Programme, which funds ten candidates selected by UK Youth from across the country to undertake vocational training for a variety of local charities. Thirdly, we enabled 120 pupils from an inner London school to participate in a one week adventure run by the Outward Bound Trust. Our Chief Executive serves as a trustee of this charity.

In 2011, ten Amlin managers delivered our third Community Action Learning project at Newlands Bishop Farm, near Solihull. The farm is run as a commercial enterprise and offers people with learning difficulties the opportunity to gain practical skills with which to work in the local community centre. This unique programme within the Lloyd's market again met our objectives, both in terms of community benefit and as a management development opportunity. We have elected to find a new community partner for 2012, probably within Europe.

Our annual charity go-karting event in July raised over £40,000 for several Amlin charities. Amlin UK, our Chelmsford-based commercial insurance business, has supported local charity Farleigh Hospice for several years, raising a total of £94,559 by 31 December 2011.

Other locations

Philanthropy is an important part of corporate life in Bermuda and Amlin Bermuda plays an active role in the local community. The corporate giving programme focuses on organisations involved in youth, education and sport. 2011 beneficiaries from the \$100,000 budget included WindReach, Bermuda Sloop Foundation, Outward Bound Bermuda and the Bermuda Lawn Tennis Association.

Amlin's scholarship programme for Bermudian students continued in 2011, with \$75,000 of grants offered through the Association of Bermuda International Companies Education Awards (ABICEA) and The Bermuda Foundation

for Insurance Studies. Scholarship recipients worked with the Company during college breaks and senior Amlin executives supported the ABICEA through board, committee, interview panel and mentoring panel membership.

Amlin Singapore has sponsored the General Insurance Association's Global Internship Programme from the outset and provides speakers for their Talent Outreach Project. In 2011, the business sponsored the Welfare Handicap Association annual lunch.

Environment

Underwriting catastrophe risk is a core part of our business and 2011 saw unprecedented losses from a range of weather related events. Our principal risks and uncertainties are listed earlier in this report (pp46), together with controls, mitigation strategies and accountabilities. Amlin also evaluates the risks and opportunities presented by climate change through the Climate Change & Environmental Panel, which is composed of senior underwriters, chaired by the Chief Risk Officer and meets at least quarterly.

Amlin's CEO is a member of the Geneva Association and participates in their discussions. The objectives of the Association's climate-linked research have been to identify and analyse issues of specific relevance to the insurance industry, such as the likely range of future claims costs, and the political, educational and social challenges to be addressed.

In 2011 Amlin continued to engage with the Risk Predication Initiative organised by the Bermuda Institute of Ocean Sciences, notably in research in forecasting extreme weather events.

The frequency and severity of 2011 catastrophes have also highlighted the potential effects of systemic risk from modelling and we are exploring a potential research partnership into this discipline.

We measure our annual carbon footprint including data from all Group companies over which financial control was exercised and for whom financial results were published in that year. We include employee commuting, waste/recycling and water usage to give a full picture of our corporate impact. Amlin's 2010 footprint was 5.28 tonnes per employee inclusive of these factors (2009: 5.64) or 3.56 tonnes if compared with the scope of most FTSE calculations (2009: 4.57).

We seek to identify new opportunities to reduce or contain energy and resource usage. In 2011 we introduced electronic boardpacks for the majority of boards, committees and for the distribution of management information, together with iPads for senior managers across the Group. This should over time reduce our paper and print consumption.

Reporting

Amlin has been a member of the FTSE4Good UK Index since June 2001. We have participated in the Carbon Disclosure Project since 2007 and contribute to the ClimateWise submission by the Lloyd's market, which was awarded gold standard rating by the PriceWaterhouse-Cooper's Independent Review.

In April 2011 Deloitte LLP provided ISAE3000 assurance on the compilation of our 2010 carbon footprint data. Our 2011 carbon footprint will be publicly available through the Carbon Disclosure Project and on our website in May.

Carbon Footprint

GHG Protocol Scope	Emissions source	2010 Total CO ₂ (tonnes)	2009 Total CO ₂ (tonnes)
1	Gas	242	127
1	Direct Fleet Emissions	44	61
2	Electricity	3037	2276
3	Water* [^]	6	3
3	Waste* [^]	77	29
3	Business Travel Air	1413	1112
3	Business Travel Other	132	35
3	Employee Commuting*	2277	809
Total carbon footprint		7228	4452
Employees (employees only as at 31 Dec)		1368	790
CO ₂ per employee		5.28	5.64
* Total CO ₂ per employee excluding commuting, waste and water (these are generally included in the majority of FTSE company environmental audits but not in CO ₂ footprint.)		3.56	4.57
[^] CO ₂ equivalent			

Directors' remuneration report

Aligned with our objectives



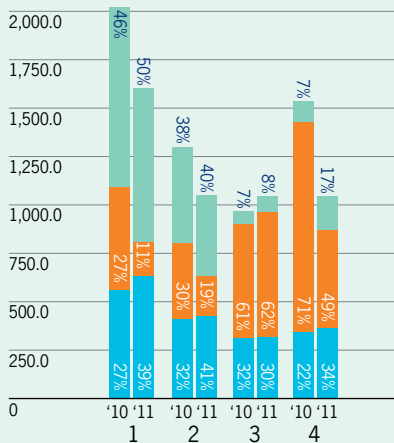
“On behalf of the Remuneration Committee, I am pleased to present the Remuneration Committee’s report for 2011 which will be presented to shareholders at the Annual General Meeting in May 2012 for approval.”

Mark Wrightson, Remuneration Committee Chairman

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Executive Directors’ total remuneration (£’000)



Key

- Fixed as defined on page 84 excluding pensions
- Annual performance as defined on page 85
- Long Term incentives as defined on page 86, excluding SIP. LTIP and PSP awards are calculated on the closing share price of the financial year (2010: 408.9p) (2011: 313.9p) multiplied by the number of shares vesting in respect of performance periods ending at the respective financial year.

1. C E L Philipps, Chief Executive
2. R A Hextall, Finance Director
3. S C W Beale, Underwriting Director
4. B D Carpenter, Underwriting Director

Note: Payments made in 2011 include Capital Builder Scheme

Committee Activities in 2011

Amlin employees have made a great contribution towards achieving our strategic objectives in what has been a challenging year, as highlighted in both the Chairman (pp12) and the CEO’s statement (pp18).

There have been no significant changes in remuneration arrangements since those described a year ago, with changes only to the Profit Commission scheme as detailed later in this report. Other minor changes have been made to remuneration policies and procedures to reflect changes in employment (retirement) and pensions law.

The Committee undertook a further review during the year of remuneration risk and acknowledged that no changes are required to the Company’s remuneration arrangements and that current controls remain appropriate.

Bonus paid in 2011

Our over arching principle is to provide appropriate levels of remuneration to our directors, senior executives and employees reflecting a contribution of the financial performance of the Group and the individual’s achievements in meeting annual personal performance objectives. It has been Amlin’s long-standing practice to defer payment of bonuses in respect of the Profit Commission scheme for Underwriters until the second and third years following the underwriting year for which the bonus has been earned. Profit Commission payments in respect of results of the 2008 and 2009 underwriting years have been made to the relevant directors and senior executives during 2011. These bonuses therefore reflect rewards earned for prior performance. Payments under the Group Bonus Scheme reflect the individual component only as no payments were made under the business component.

Priorities for 2012

Public and regulatory focus on senior executive and financial services remuneration remains a key issue both in the UK and the EU. The Committee will continue to review all aspects of the Company’s remuneration structures, policies and procedures to ensure that, as well as complying with regulation, all these elements support the strategic objectives of the Company, and offer appropriate levels of incentive for the employees.

Sir Mark Wrightson

Chairman of the Remuneration Committee

The Committee

Committee members

The Committee's membership comprises three independent non-executive directors in accordance with the Committee terms of reference. Further details of the Committee members can be found (📄 pp60) and (📄 pp65).

Committee activities

The Committee's terms of reference, which are published on the Company's website, are, in summary; to determine the total individual remuneration package of each executive director of the Company, the Chairman, the Company Secretary and certain other senior Group employees (in each case including exit terms); and to

recommend to the Board the framework and broad policies of the Group in relation to senior executive remuneration. The Committee also determines the targets for performance-related remuneration and exercises the Board's powers in relation to all the Company's share and incentive plans.

Advice to the Committee

During 2011, the Committee had access to advice from inside and outside the Group from:

- The Chairman of the Company (Mr Taylor)
- The Chief Executive (Mr Philipps)
- Group HR Director (Mr Farrow)
- The then Company Secretary (Mr Pender)
- The Chief Risk Officer (Mr Illingworth)
- New Bridge Street

The Committee's independent remuneration adviser is New Bridge Street (NBS), which advises the Committee on structuring and utilisation of the Group's performance related incentives and on remuneration policy generally. NBS provides advice to the Board as a whole on remuneration of the non-executive directors. The NBS business operates independently within the Aon Corporation group of companies, which also has certain trading relationships with the Company's subsidiaries. A copy of the statement regarding the relationship with NBS is published on the Company's website.

The Committee is exclusively responsible for the review, selection and appointment of its advisers.

Timetable of Committee activities 2011

Directors' & Executive Committee members' remuneration	Annual bonus and staff salary review	Share plans	Miscellaneous
Q1 <ul style="list-style-type: none"> ▪ Review proposed PSP & LTIP awards including a review of performance conditions ▪ Review the Group Remuneration Policy 	<ul style="list-style-type: none"> ▪ Annual staff salary review ▪ Review of Profit Commission payments for prior years ▪ Review of Group Bonus scheme payments ▪ Review of Capital Builder allocation and grant 	<ul style="list-style-type: none"> ▪ Review of SIP – Free share allocation criteria for all qualifying employees 	<ul style="list-style-type: none"> ▪ Review of draft Directors' remuneration report ▪ Review of remuneration risk
Q2 <ul style="list-style-type: none"> ▪ Annual review of Chief Executive's and Chairman's expenses ▪ Annual review of Chairman's fees 	<ul style="list-style-type: none"> ▪ Agreeing Capital Builder Plan payments 		<ul style="list-style-type: none"> ▪ Review of remuneration consultants and Board statement on remuneration consultants
Q3 <ul style="list-style-type: none"> ▪ Shareholding retention targets 		<ul style="list-style-type: none"> ▪ Annual Sharesave offer 	<ul style="list-style-type: none"> ▪ Removal of default retirement age
Q4	<ul style="list-style-type: none"> ▪ 2012 Profit Commission allocations ▪ 2012 Group Bonus scheme targets 		<ul style="list-style-type: none"> ▪ Review of employees' terms when on overseas secondment ▪ Review of pension arrangements following changes in legislation ▪ Remuneration consultancy fees report ▪ Committee performance evaluation and review of terms of reference

Remuneration Strategy

Amlin's remuneration policies are designed to support its vision and strategic objectives, specifically:

- To secure the maximum possible alignment between the interests and long term career development of executive directors and other senior employees with the ambitions of the Group and the creation of value for shareholders.
- To have first class employment practices, contributing to Amlin being "the place to work" for high quality people in its sector. This requires levels and structures of remuneration that are appropriate to attract, retain, incentivise and reward the high calibre talent that is required for the success of the Group.
- To reward management focus both on financial measures, such as return on equity and underwriting returns, and on longer term objectives such as underwriting cycle management and the long term sustainability of the business.
- When determining remuneration, the Committee will take into account pay and employment conditions elsewhere in the Group and in the sector.

Amlin's Group Remuneration Policy comprises guiding principles and policies which are applicable to the Group as a whole.

The Committee regularly reviews the policy and principles outlined above to ensure that the Group's remuneration practices continue to be in the best interest of the Company and its shareholders.

Overall remuneration levels

During the year the Committee reviewed and re-affirmed the Group Remuneration Policy, comprising guiding principles and policies applicable to the Group as a whole, which was discussed and agreed by the Board. This and the other principles and policies adopted are reflected in this report.

Amlin's key remuneration policy is to ensure that base salaries across all categories of staff will be determined by the job, market rate and personal performance (with the market rate having regard to the median for the appropriate market). Variable pay will be designed so that top quartile performance will be rewarded with top quartile remuneration. In determining individuals' remuneration, the Group takes account of remuneration statistics for the non-life insurance sector in which the Group operates and, where applicable for certain roles, wider remuneration statistics.

This policy of aiming to encourage and reward superior, rather than merely average, performance is considered the most appropriate to support the success of the Group. Salaries are generally reviewed as at 1 April each year. Pay and employment conditions of employees and wider associate undertakings were also taken into consideration in determining Board remuneration.

In the UK remuneration for underwriters and those performing other technical insurance related roles is strongly influenced by the Lloyd's sector. Lloyd's underwriting businesses tend to relate a significant proportion of the potential rewards of underwriters to the absolute profitability of the relevant underwriting unit, often on an uncapped basis. Similar remuneration structures and policies have applied for staff in Amlin Bermuda. The remuneration policies applied in the Group's businesses in the Netherlands, Belgium, France and Switzerland operate on a similar basis to that of the UK, maintaining an appropriate balance between local and existing Amlin practices.

Group remuneration policy is reviewed and agreed by local remuneration Committees in the ACI and Amlin AG businesses to ensure local practices are observed.

In all spheres of operation, the Committee aims to keep the market practices of its competitors for staff under review and believes that, as market and Amlin's own practices evolve, it is important to ensure that remuneration structures continue to support the Group's competitive advantage.

External background

Throughout the year the Committee kept under review any emerging regulatory and market practices including those initiated by the EU. The Committee's approach, as well as complying with the principles, codes and regulations that apply to Amlin, continues to be to consider the rationale and analysis behind other proposals, that may not strictly apply to Amlin, on their merits and to consider voluntary application when appropriate.

Overall structure of directors' and employees' remuneration

The remuneration of all executive directors consists of three principal elements: (1) base salary, benefits and pension contributions; (2) short term performance rewards (on an annual or underwriting year basis); and (3) longer term performance rewards (measured over three or five year performance periods). This is also the case for other senior executives throughout the Group although the balance between the three elements varies according to seniority and location.

Underwriters and other senior executives below main Board level are also eligible to receive significant proportions of their total remuneration as performance related benefits.

Following the review of senior non-underwriters' remuneration in 2009, the Committee believes that the overall balance between fixed and performance rewards is appropriate and no further changes were made in this respect in 2011.

Executive remuneration structure in 2011

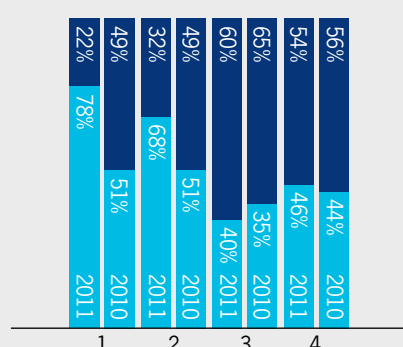
The structure of the various elements of senior executive remuneration has not changed over the last year. Senior executives participate in a Long Term Incentive Plan measured over a three year performance period (the LTIP) and through one of two other long term plans with the potential to earn significant rewards by reference to five year performance periods, thereby incentivising the longer term sustainability of the business (the Capital Builder Plan for underwriters and the Performance Share Plan (PSP) for non-underwriters).

The split of annual remuneration of each current executive director in 2010 and 2011 is summarised in the chart opposite. Bonus and PC payments are those paid or due at the year end. Long term incentive plan awards or payments are not included.

The division between fixed and annual performance payments show that a significant proportion of directors' remuneration in respect of both years was performance related. Payments

in respect of 2011 which only affected the non-underwriting executive directors, have reduced the total quantum of variable pay. This was due to no payments being made under the Group Business component of the Group Bonus Scheme. The splits between the categories of reward, together with the longer term performance rewards described later in this report, reflect the Committee's objective of aligning management and shareholders' interests.

Split of executive directors' annual remuneration in 2010 and 2011

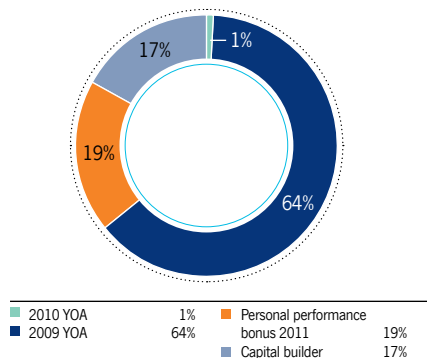


Key

1. C E L Philipps, Chief Executive
 2. R A Hextall, Finance Director
 3. S C W Beale, Underwriting Director¹
 4. B D Carpenter, Underwriting Director

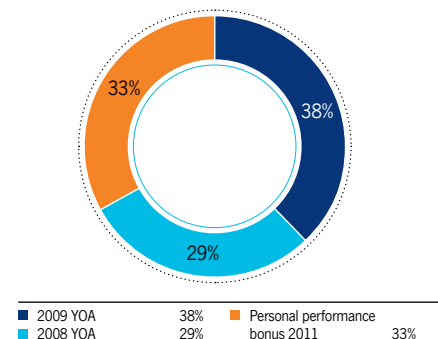
Note 1 Payments made in 2011 include Capital Builder Scheme

2011 payment received by S C W Beale



Variable remuneration payments for underwriting directors have increased in 2011. Underwriting executive directors participate in the Profit Commission scheme, details of which can be found (pp85). Payments made in 2011 to

2011 payment received by B D Carpenter



underwriting executive directors are deferred bonus payments in respect of the second, third and fourth years following the underwriting year in which the bonus has been earned.

Directors' remuneration received

	Fees and salaries £000	Annual bonuses and/or Profit Commission and Capital Builder ³ £000	Benefits in kind/ allowances £000	Total year to 31 Dec 2011	Fees and salaries £000	Annual bonuses ⁴ and/or Profit Commission £000	Benefits in kind/ allowances £000	Total year to 31 Dec 2010
Executives								
1. C E L Philipps	560.7	185.0	90.8 ⁵	836.5	544.0	555.1	30.2	1,129.3
2. R A Hextall	415.0	210.0	23.5	648.5	396.3	405.2	26.5	828.0
3. S C W Beale	309.0	811.3	17.8	1,138.1	297.5	544.6	19.7	861.8
4. B D Carpenter	337.5	311.7	33.7	682.9	327.3	436.2	21.6	785.1
Non executives								
C Bosse	58.2	–	–	58.2	56.3	–	–	56.3
N J C Buchanan	94.2	–	–	94.2	88.3	–	–	88.3
Sir Alan Collins ¹	5.5	–	–	5.5	–	–	–	–
R H Davey	70.0	–	–	70.0	56.3	–	–	56.3
M D Feinstein	68.2	–	–	68.2	64.3	–	–	64.3
A W Holt ²	24.0	182.0	–	206.0	62.9	949.1	–	1,012.0
R J Taylor	245.0	–	–	245.0	230.0	–	–	230.0
Sir Mark Wrightson Bt	66.2	–	–	66.2	64.3	–	–	64.3
	2,253.5	1,700.0	165.8	4,119.3	2,187.5	2,890.2	98.0	5,175.7

Note 1 Sir Alan Collins was appointed as a director with effect 14 November 2011

Note 2 A W Holt retired as a director with effect from 12 May 2011

Note 3 Capital Builder payments were made for the first time under the new scheme in 2011

Note 4 see note 10 for restated amounts

Note 5 figure includes pension allowance in excess of UK annual limit

Note 6 S C W Beale was appointed as a director on 12 May 2011. For comparative purposes his remuneration figures have not been pro-rated

Remuneration received

The remuneration received in respect of the year ended 31 December 2011 by each of the directors in respect of their periods of service as directors, excluding pension contributions and long term incentive plan payments, is shown in the table (pp83). In addition, Mr Hextall received and retained a non executive director's fee of £27,000 from the City of London Investment Trust PLC (2010: £24,000). Where

applicable, the amounts shown as paid to non-executive directors include fees paid by or on behalf of the Company's subsidiaries. The total base salaries received in 2011 by Messrs Beale, Carpenter, Hextall and Philipps increased by 3.9%, 3.1%, 4.7% and 3.1% respectively over 2010.

The annual bonuses and/or profit commission amounts shown are those paid or payable in respect of the year. Messrs Hextall and Philipps

received performance bonuses under the Group Bonus scheme, in respect of their personal performance related element of their bonus only. The amounts awarded reflect the considerable progress achieved in a number of areas, including preparation for Solvency II, and represents 20% and 30% of their bonus potential for Messrs Philipps and Hextall respectively.

Directors' remuneration report continued

Elements of executive remuneration

	Fixed		Annual performance	Longer-term		
Underwriters	Salary and benefits	Pensions ¹	Profit commission	LTIP awards	Capital Builder Plan	All employee SIP ²
Non-underwriters	Salary and benefits	Pensions ¹	Bonus	LTIP awards	Performance Share Plan	All employee SIP ²

Note 1 Pension provision is Defined Contribution or a combination of Defined Benefit and Defined Contribution

Note 2 Share Incentive Plan allocation of up to £3,000 of shares per annum

Note: Sizes of boxes are for illustration only and do not reflect typical proportionate values

Fixed

Salary & benefits

Non performance-related benefits to which executive directors and other employees are generally entitled are private health insurance, cover for death in service and permanent disability and a choice of other benefits, such as subsidised gym membership, private dental costs, etc. Senior staff, including executive directors, also receive a car allowance.

Details of the policy on base salary can be found (pp82), together with remuneration received by each executive director (pp83).

Pensions

The Company pays a percentage of base salary into a Group occupational and/or a stakeholder pension plan. Executive directors serving during the year participate in the relevant Group pension plans on the same basis as other senior employees. Pensionable salary is base salary only. The Group has both defined contribution (DC) and defined benefit (DB) schemes.

At the year end, 406 out of the Group's total employees of 1,548 were accruing any element of DB pension. These included 61 out of 1,021 staff in the UK and Bermuda (2010: 66 out of 844) and 345 out of 422 at ACI (2010: 349 out

of 382). DB participants included two of the four executive directors.

In respect of DC pensions, the Group contributes a percentage of base salary depending on seniority, age and the percentage of salary (if any) that the employee chooses to contribute. The maximum total DC employer contribution made for any director in 2011, for a director with only DC contributions and aged over 50, was 9.8% of base salary (2010: 20.9%). In 2011 a salary sacrifice option was introduced for UK employees in respect of employee DC pension contributions, with the consequential employer NIC saving being shared equally between the Group and an additional payment into the employee's DC pension. From April 2011, those Directors and other UK staff who exceeded the £50,000 UK annual pension tax relief allowance were given the option to convert the excess into a non-pensionable taxable allowance adjusted for employer contributions to ensure this is cost neutral to the Group.

From April 2012 those Directors and other UK staff who have applied for and received fixed protection under the HMRC rules who anticipate

exceeding the new lowered lifetime allowance of £1.5 million will be given the option to receive a non-pensionable pension allowance on a cost neutral basis to the Group.

The Group's DB schemes for UK and, when applicable, UK-originated staff working overseas have been closed to new entrants since 1998 and the scheme for ACI Belgian employees since September 2009. The ACI Netherlands DB scheme remains open for qualifying new employees. Remaining active DB members of the UK scheme continue to accrue additional years' service under the schemes but generally only based on 2006 pensionable salaries, with salary increases from April 2006 onwards being pensioned through DC arrangements. Further details of the Group's commitments in respect of DB pensions are set out in note 32 to the Accounts. The DB employee contribution rate in the UK is 5% of DB pensionable salary (6% in the Netherlands and nil in Belgium). DB employer contribution rates vary according to actuarial advice in order to deliver the promised levels of pension. The employer contribution rate for the main UK scheme is currently 19%.

Annual performance

Annual bonus scheme (Group Bonus Scheme)

For those executive directors and other employees who are not directly involved in underwriting activities, the Group's shorter term performance incentive is a cash bonus scheme. The Group Bonus scheme rewards and incentivises participants against a mixture of business performance, measured by reference to the Group's return on equity (ROE) compared with target returns set by the Committee at the beginning of each year, and the individual's performance, measured against agreed stretching personal objectives. The mix of business and individual bonus elements varies by seniority, with 70% of the potential target reward at the most senior role levels, including participating executive directors, being rewarded on Group business performance and 30% on personal performance. The total 'Target' and maximum bonus levels also increase with seniority. In respect of 2011, 75% of base salary was payable to executive directors for 'Target' performance, rising to a potential maximum payment of 165% of base salary. Similarly proportional scales apply below director level for non underwriting staff.

For directors and those at other senior management levels, any element of payment of annual bonus in respect of 2010 and subsequent years that is above the base salary maximum percentage for the relevant management level for 2009 (for example, 120% for executive directors) will be deferred for three years from the usual date of payment. Total or partial claw-back of such deferred cash bonus will also apply in the event either of the Committee finding that a participant has not complied with internal standards or controls or has caused reputational damage to the Company, or if any results or accounts on which the bonus was based proves to be incorrect or requires to be re-stated. Provisions also apply whereby a leaver during the three year deferral period will forfeit the deferred bonus, unless they leave for one of a number of specified "good leaver" reasons, including circumstances agreed by the Committee to be exceptional. In view of the material potential long term share-based incentive component in all senior executive remuneration, the Committee believes that this degree of deferment and potential clawback of annual cash bonus payments provides an appropriate overall balance between immediate and deferred performance related pay, and between payment in cash and in shares.

The Committee sets thresholds for the business performance element of the bonus potential on

an annual basis. The thresholds set vary over the insurance cycle and the Committee believes that higher thresholds are appropriate when insurance market margins are low and higher thresholds are appropriate when margins are higher. The Committee also has regard to the anticipated investment returns.

Basis of non-underwriting directors' Group Bonus Scheme business performance payments

	2011	2010
Minimum payment		
ROE threshold	5%	7.5%
Target ROE	13%	20%
Maximum payment		
ROE threshold	18%	27.5%
Total ROE achieved for year*	(9.05)%	14.65%*
Percentage of relevant base salary received for business performance element	0%	51.3%

* the ROE used is adjusted by the Committee to remove the effects of final dividends being included in opening shareholders' equity and of foreign exchange items relating to hedging

Profit Commission (PC) schemes

Shorter term incentives for underwriters (whether or not they are executive directors of Amlin plc) in the UK and Bermuda businesses, and for certain other underwriting division staff, consisted until the 2010 underwriting year principally of a cash profit share relating to underwriting profits in respect of each underwriting year (known as profit commission or PC).

For 2010 and prior years PC was paid on an underwriting year basis, usually partly related to the business unit in which the relevant participant works and partly to wider Syndicate 2001 and Amlin Bermuda underwriting performance. Rewards were also divided between those which were purely calculated as a percentage of underwriting performance relative to external peers and/or other business unit's underwriting profit which could be paid out under the 2010 and earlier year's scheme in respect of each underwriting year was 4.5%, unless the business unit achieved a superior result to its market peers in which case the highest maximum applying to any division was 4.8%. Around 3% of each underwriting year's profit of Amlin Bermuda was also made available to a parallel scheme for those contributing to that subsidiary's results, with further discretionary payments made so that up to around 4.5% of its underwriting profit over the long term was paid out under the scheme.

Significant structural changes were made to the scheme in respect of the 2011 and subsequent underwriting years, as follows:

- Participation is now restricted to underwriters with underwriting authority, with other underwriting division staff moving to the Group Bonus Scheme (GBS);
- The scheme consists of two elements; the previous underwriting profit basis (PC element) and a GAAP based performance award similar to the GBS. The latter is split 50:50 between a Group ROE-based award and an award based on performance against personal objectives;
- Profit pools have been rationalised to more closely align to the present divisional structure of the business rather than by reference to historic structures; and
- All payments are capped as a percentage of annual salary, based on job role. These caps have been set at levels so as not to harm the competitiveness of Amlin's position in the market, recognising that an incentive structure for underwriters with a high potential proportion of variable pay is critical to the continuing success of the Group.

In addition, provisions have been introduced so that a loss in one year will be offset against profits in another.

The revised arrangements involve an allocation of 4% of relevant underwriting profit to the PC element, compared with up to 4.83% previously. The GAAP performance award element has been modelled to cost an estimated further 1% of profit over an underwriting cycle, making estimated total potential rewards of 5% of relevant underwriting profit overall.

For all underwriting years, the PC element will continue to crystallise at the end of 36 months from the start of an underwriting year with, at the Committee's discretion (which it has exercised in recent years), the possibility of payments on account of up to 30% of the forecast reward a year earlier. In this way, despite it being an annual scheme, rewards are based on an assessment of liabilities, and hence underwriting profits, struck between two and three years after business is written, by which time the uncertainty over the level of those liabilities has materially reduced.

Payment made in, or as at the end of, 2011 under the PC scheme to underwriters, including executive directors, are therefore bonuses principally in respect of performance in respect of the 2009 and 2010 underwriting years.

Longer term performance rewards

Performance Share Plan

The Amlin Performance Share Plan 2004 (PSP) is intended to aid the recruitment, retention, motivation and reward of a small number of key senior executives who are not underwriters, including relevant executive directors. Awards have been made each year since 2004. During the year awards were made to a total of 24 participants (2010: 24) over an aggregate of 697,807 shares (2010: 661,558). The Committee intends to continue making similar discretionary annual awards, although the criteria for inclusion may vary. The rules of the PSP provide that no individual may receive an annual award over shares valued on grant at more than 100% of base salary.

During 2011 the maximum such value was awarded to the Chief Executive and the Finance Director. Once the vesting level is determined after five years in accordance with the performance condition, and provided the relevant participant is still employed by the Group, an award can be exercised within the following 30 months. In certain restricted or exceptional circumstances, and with the agreement of the Committee, an early leaver may be able to exercise early on a pro rata basis (subject to a performance condition measurement over the shorter period to the leaving date).

PSP performance condition

The extent to which PSP awards vest depends on a sliding scale of the Group's average annual post tax return on net tangible assets (Return on NTA) over the ensuing five years. This absolute performance measure balances the relative measures of the Group's Long Term Incentive Plan. The average return is calculated after five years, with no re-testing. The targets and scales may vary with each grant at the discretion of the Committee but the scale for all of the grants to date is as detailed in this report (pp93).

The Committee may make adjustments to take account of variations in capital and similar matters. In the event of the Company being subject to a takeover or similar event before the normal vesting date, vesting will take place to the extent that the Committee is satisfied that the performance condition has been satisfied up to that early vesting date, with the proportion of the award which vests also depending on the time that has elapsed since the award was made.

Capital Builder Plan

The Amlin Capital Builder Plan 2006 (Plan) is designed to reward senior underwriters if they exceed long term target underwriting returns over rolling five year performance periods. The Committee believes that the Capital Builder Plan is a significant retention and recruitment tool for those underwriters who are likely to be most significant in determining the Group's underwriting profitability and development over each performance period. Awards have been made under the Plan to between 50 and 60 participants from Amlin London, Amlin UK and Amlin Bermuda in 2006 to 2011 inclusive and are intended to be made on a similar basis in 2012. A similar Plan has been introduced for employees in Amlin AG.

Payments under the Plan may be made at the Company's discretion in either cash or shares and have a cap of £1 million on the total amount that may be paid to a participant in respect of each rolling five year performance period. Payments will be made over the two years after the end of each performance period. The first payment under the current Plan, in respect of the performance period 2006 to 2010 was made in 2011. This payment was up to 70% of each pool allocated, with the balance to be paid in 2012. Payments in respect of the performance period 2007 to 2011 will be payable in 2012 based on the results to the end of 2011.

Amlin Long Term Incentive Plan 2006 (the LTIP)

The LTIP replaced grants of executive share options from 2007 onwards. Both senior underwriters and senior non-underwriters, including executive directors, participate in the LTIP. Awards were made in 2011 to 108 participants in all parts of the Group (2010: 86), over a total of 1,648,895 shares (2010: 1,274,498).

The LTIP's primary performance condition is a relative Total Shareholder Return (TSR) measure.

The precise performance conditions are set by the Committee at each award. For all the awards made to date the extent to which awards vest depends on the Company's TSR over the ensuing three years relative to an index of TSRs the following is the comparator group of insurers.

The constituents of the index for the 2011 awards were: Axa, Hannover Ruckversicherung AG., Muenchener Ruckversicherung AG., Royal Sun Alliance Insurance Group plc, SCOR S.E, Swiss Re, Zurich Financial Services Limited, Beazley plc, Catlin Group Limited, Chaucer Holdings plc, Hardy Underwriting Group plc, Hiscox plc, Novae Group plc, Ace Group, Alterra Capital Holdings Limited, Argo Group International Holdings Limited, Chubb Corporation, Everest Re Group Limited, Fairfax Financial Holdings Limited, Markel Corporation, PartnerRe Limited, RenaissanceRe Holdings Limited, Transatlantic Holdings Incorporated, Validus Holdings Limited, White Mountains Insurance Group Limited, W.R. Berkley Corporation and XL Group plc.

Irrespective of relative TSR, no award will vest unless the Committee is satisfied that the Company's financial performance over the performance period has been satisfactory. The performance period is always a single three year period with no provision for re-testing the performance conditions.

Awards may be made each year at the discretion of the Committee, based on seniority and with no individual receiving awards over shares having a market value on grant in excess of 100% of annual base salary (or, exceptionally, 200% for a senior new recruit). In 2011 the maximum such value awarded was 100% of base salary to the Chief Executive and the Finance Director. Once the vesting level is determined after three years, and provided the relevant participant is still employed by the Group, awards are exercisable within the following 30 months. The LTIP's provisions are similar to those of the PSP, as referred to above, on such matters as early leavers and variations in capital.

Executive share option schemes (Executive Option Schemes)

Executive share options were granted at the discretion of the Committee under the Approved and Unapproved Amlin Executive Share Option Schemes each year from 1997 to 2006 to executive directors and other staff (whether underwriters or not) above a certain level of seniority and were subject to performance conditions. No further grants can be made.

All-employee share plans

The Company offers HM Revenue and Customs approved Sharesave options, the current plan having been adopted in 2008 with a ten year life for new grants. An annual offer was made in September 2011. Sharesave offers are made under the plan to staff in all jurisdictions where local tax and regulation makes this practicable without amending the plan, which does not include Continental Europe. The 2011 sharesave offer was open to all applicable employees who were employed by the Group on 1 July 2011. Exercises are not subject to any performance

condition. The Committee considers that the plans are successful in encouraging staff at all levels to build up interests in the Company at an acceptable accounting and administrative cost to the Company. Since 2007 the Company has also operated a HM Revenue and Customs approved all employee Share Incentive Plan (SIP) allowing offers of shares at no cost to employees. Such free shares are offered or allocated to all Group staff meeting an employment qualification period. The Committee has a policy of making an award of free shares each year, on an equal basis

to all eligible executive directors and staff (subject to a pro rata adjustment, where permitted, for part time employees), subject to the annual results. The quantum, between nil and the annual maximum level of £3,000 worth of shares per employee, is decided in the light of the return on equity achieved in the previous year. In March 2011, the level was £1,000 (2010: £3,000) with a take-up of 98% of eligible employees (2010: 98%). Reflecting 2011's ROE being lower than an appropriate threshold no award will be made in 2012.

Executive Director arrangements

Policy on service agreements and their termination

The Group does not offer service agreements with notice periods in excess of six months, except in the case of executive directors of the Company and the most senior level of management for whom up to a 12 month notice period may apply. The Company is mindful of the need to balance the potential contractual advantages of longer notice periods against the potential cost in the event of termination at the Group's initiative. In cases of early termination by the Group, the Group observes the guidance on best practice issued in December 2002 and subsequently revised in 2008, by the Association of British Insurers and the National Association of Pension Funds. In such circumstances, the Group seeks to reduce, where practicable, the compensation payable by taking account of the duty of the employee to mitigate his or her loss.

In particular, consideration is given to structuring a proportion of termination payments on a phased payment basis pending the executive finding new employment. The need to take a robust view in settling cases involving poor performance is also recognised. Details of each executive director's service contract applicable during the year are set out in the section entitled 'Executive directors' service contracts' below.

Policy on outside appointments

The Group's policy is to allow executive directors and other appropriate senior employees to accept one substantive non-Amlin related outside non-executive appointment, subject to permission being obtained in each case and to acceptable procedures for managing any potential conflicts of interest. Such appointments are in the Group's interest and can often provide useful experience

for the executive concerned. The Committee has a policy that the first £30,000 per annum of such fees earned are retained by the employee.

Executive directors' service contracts

The dates of the service or employment contracts of each director who served as an executive during the year, all of which are with the Company's subsidiary, Amlin Corporate Services Limited, are as stated below. Salaries have been periodically reviewed since the original contract dates, with the current annual base salaries as at the date of this report being as stated below.

Directors' service contracts and current salaries

	Date of current service or employment contract	Current base salary
S C W Beale	7 Nov 1994	£312,000
B D Carpenter	17 Feb 1997	£340,000
R A Hextall	26 Nov 1999	£420,000
C E L Philipps	20 Feb 1997	£565,000

All of the contracts remain in force at the date of this report and are on a full time basis. The contracts provide for 12 months' notice of termination by either party. There are no special provisions for compensation on termination in any director's contract other than that the employer has the right to pay salary in lieu of any required period of notice. Executive directors' service or employment contracts are available for inspection at the Company's registered office.

Shareholding targets

An objective was set when the Long Term Incentive Plan (LTIP) was introduced in 2006 that executive directors would retain or build up shareholdings in the Company to the value of at least 125% of their base salaries and other senior

executives to the value of at least 50%. The shareholdings of all the executive directors were above the target throughout 2011, mostly by a substantial margin. Of the other senior executives covered by the policy (the Group Management Committee), all those who have been with the Group since 2006 have met their shareholding targets and the rest are expected to do so as incentive plans vest. The targets were reviewed by the Board during the year and re-affirmed as remaining appropriate. The Committee believes that the combination of these shareholdings and the structure of performance incentives continue to ensure that the interests of management and shareholders in the success of the Company are closely aligned.

Non executive Director arrangements

The fees paid during the year to non-executive directors of the Company are included in the 'Directors' remuneration received' table earlier in this report (pp83). Such fees, other than those of the Chairman, are determined by the Board. The Board receives recommendations in this respect from a committee chaired by the Chairman, with the Chief Executive and two other directors (one executive and one non-executive member of the Committee, each of which rotates each year) as the other members. Recommendations and decisions are made taking account of professional advice and other information on the level of such fees paid by comparable companies for comparable services.

The Chairman's remuneration is determined by similar criteria, but by the Remuneration Committee. The minimum time commitments given by each director, as detailed in Annex 1

Directors' remuneration report continued

to the Board Corporate Governance statements, are also taken into account. The Board's policy is that non-executive fees should be set by reference to the fees paid by financial services companies and listed companies generally of a similar size and complexity. Each non-executive director is paid a basic fee and is paid further for additional services, such as committee or subsidiary Board responsibilities.

Non-executive directors have contracts for services rather than employment contracts. They are not eligible for any of the Group's pension, share or incentive schemes but may,

by the agreement of the Board, be paid additional fees (calculated on an appropriate day rate) in the event of exceptional levels of additional time being required, for instance in response to corporate developments. No such fees were paid in 2011 (2010: nil). Their terms of appointment are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office and which are updated from time to time.

Non-executive directors are appointed on the recommendation of the Nomination Committee and they may be removed, or not nominated for re-election, in each case in accordance with the

Articles of Association of the Company and the UK Corporate Governance Code 2010.

If at the end of a term of office a non-executive director is not nominated to continue, the director is not entitled to any extra payment on termination. In other circumstances three months' notice of termination may be given by either side or, in the case of notice by the Company, three months' fees in lieu of notice.

Current underwriting Directors' PC and bonus reported for 2011

	B D Carpenter Accounted for in 2011 £000	2010 £000	S C W Beale Accounted for in 2011 £000	2010 £000
First instalment of 2010 year of account PC (30% payable in March 2012) (comparative for 2010 is equivalent payment made a year earlier for 2009 year):	–	19.1	5.3	140.6
2009 year of account PC (balance after 30% first instalment), (comparatives for 2009 are payments made a year earlier for 2008 year, which did not include final performance uplift):	118.8	417.1	712.4	370.0
Final performance uplift for 2008 year of account PC and not accounted for in the 2010 report (comparatives for 2010 are equivalent payments made a year earlier for 2007 year):	90.9	–	–	–
2011 Personal performance bonus (comparative 2010 for Bermuda only) to be paid March 2012	102.0	–	93.6	34.0
Totals	311.7	436.2	811.3	544.6

Note 1 PC payments made to A W Holt during the years 2010 and 2011 are stated within the Remuneration table set out on page 83 of this report

Note 2 S C W Beale was appointed as a director on 12 May 2011. For comparative purposes his remuneration figures have not been pro-rated

Executive directors' pensions

Pension details, as applicable for each executive director who served as a Director during the year (non-executives not being eligible), are shown in the table below. Mr Beale's figures are for the full year, notwithstanding him joining the Board part way through. The total DC employer contributions for the directors were £133,366 (2010: £194,269). The increase in accrued pension during the year is before the effects of inflation. The changes in total transfer values during the year are shown before the effects of inflation and after deduction of the individual's DB contributions during the year. The inflation measure used for the purposes of this disclosure is the change in RPI.

Transfer values are calculated in accordance with regulations 7 to 7E of the Occupational Pension Schemes (Transfer Values) Regulations 1996, as amended. Only base salary is pensionable.

Directors' pension details

	Defined benefit (DB) or Defined contribution (DC)	DC employer contributions for the year ended 31 Dec 2011 £000	Increase/ (decrease) in DB accrued pension during year ended 31 Dec 2011 £000	Total accrued DB pension at 31 Dec 2011 £000	Transfer value of accrued DB pension at 31 Dec 2010 £000	Transfer value of accrued DB pension at 31 Dec 2011 £000	Transfer value of the change in accrued DB pension during 2011 £000	Change in DB transfer value during 2011 after deducting DB contributions made by director £000
S C W Beale	DB & DC	22.9	3.9	60.4	775.3	942.6	60.9	123.6
B D Carpenter	DB & DC	7.5	2.9	68.1	1,051.6	1,285.8	54.8	177.1
A W Holt ¹	DB	–	–	–	–	–	–	–
R A Hextall	DC	39.9	–	–	–	–	–	–
C E L Philipps	DC	45.1	–	–	–	–	–	–

Note 1 A W Holt retired as a director with effect from 12 May 2011

Executive directors' Capital Builder Plan participations and estimates to date

The applicable classes of business which will determine the rewards payable to each of the directors of the Company participating in the Capital Builder Plan are the classes which they themselves underwrite (or underwrote) or the classes over which they had direct influence at the relevant time and the underwriting results of Syndicate 2001 (the part of the business in which both directors were principally engaged) as a whole. There was no material change in the classes in which Mr Carpenter participates between the 2010 and 2011 awards. Awards were made in each of the years 2007 to 2011 inclusive, in respect of performance periods of five underwriting years commencing in the year each respective award was made. Forecasts of rewards in respect of all performance periods are subject to change, particularly in respect of later performance periods. Subject to that caveat, the forecast rewards based on earned premium and reserving as at 31 December 2011, for the periods stated to date, are as set out below. Where a positive result on the syndicate is less than a shortfall against the demanding return targets on individual classes, no payment will be due (as in the case of Mr Carpenter on each of the years as estimated to date).

Directors' estimated Capital Builder Plan rewards for 2006 onwards as at 31 December 2011

Class/division		Five years of 2006 award paid in 2011 £000	Five years of 2006 award accrued £000	Five years of 2006 award accrued and paid £000	Five years of 2007-2011 award £000	Four years of 2008-2012 award £000	Three years of 2009-2013 award £000	Two years of 2010-2014 award £000	One year of 2011-2015 award £000	For all awards since 2006 to date £000
S C W Beale	Classes	68.2	71.8	140	101	89	1	(38)	55	386
	Syndicate	14.6	9.4	24	6	(1)	–	–	–	29
	Totals	82.8	81.2	164	107	88	1	–	55	415
B D Carpenter	Classes	–	–	(35)	(59)	(157)	(185)	(114)	(42)	–
	Syndicate	–	–	24	6	(1)	–	–	–	–
	Totals	–	–	–	–	–	–	–	–	–
A W Holt ¹	Classes	163.1	35.9	199	19	(6)	–	–	–	218
	Syndicate	13.1	8.9	22	3	–	–	–	–	25
	Totals	176.2	44.8	221	22	–	–	–	–	243

Note 1 A W Holt's figures are pro rated as his employment ended 31 December 2008 and he was therefore only eligible for 3 out of the 5 years

Directors' remuneration report continued

Executive director's PSP, LTIP and Share Option participations

As described earlier in this report, all of these incentive plans involve options being granted to relevant UK-based participants over shares in the Company, whether at exercise prices determined in relation to the market price at the date of grant (executive options), a discount to such price (Sharesave) or at a nominal exercise price of £1 in total per exercise (PSP and LTIP). As at 31 December 2011 the options held under these plans by executive directors, all of whom were directors throughout the year, and any changes during the year, are set out in the tables on the next two pages. In addition each executive director was awarded 260 free shares in the SIP in April 2011 (2010: 772). SIP shareholdings are included in the directors' shareholding interests set out in the Directors' report. The share price on the date of directors' 2011 PSP and LTIP awards (8 March) was 398.6p.

	PSP, LTIP, or specified option scheme(s)	Over New ¹ or ESOT shares	Shares under option on 1 Jan 2011 ²	Awards during the year	Lapsed during the year	Exercised during the year	Shares under option on 31 Dec 2011	Exercise price per share	Years options exercisable (if performance conditions met)	Potential profit on 30 Dec 2011 ³ £000
S C W Beale	LTIP	ESOT	39,781	–	11,373	–	28,408	Nominal	2011-13	89.2
		ESOT	36,376	–	–	–	36,376	Nominal	2012-14	114.2
		ESOT	52,587	–	–	–	52,587	Nominal	2013-15	165.1
		ESOT	–	56,447	–	–	56,447	Nominal	2014-16	177.2
	Totals LTIP		128,744	56,447	11,373	0	173,818			545.7
	Sharesave	New	–	6,163	–	–	6,163	247.00p	2016-17	4.1
	Totals options		–	6,163	–	–	6,163			4.1
Totals all			128,744	62,610	11,373	0	179,981			549.8
B D Carpenter	LTIP	ESOT	80,984	–	23,153	–	57,831	Nominal	2011-13	181.5
		ESOT	56,127	–	–	–	56,127	Nominal	2012-14	176.2
		ESOT	57,849	–	–	–	57,849	Nominal	2013-15	181.6
		ESOT	–	62,092	–	–	62,092	Nominal	2014-16	194.9
	Totals LTIP		194,960	62,092	23,153	–	233,899			734.2
	Sharesave	New	–	3,643	–	–	3,643	247.00p	2014-15	2.4
	Totals options		0	3,643	0	0	3,643			2.4
Totals all			194,960	65,735	23,153	–	237,542			736.6

Note 1 New shares can also potentially be sourced from Treasury

Note 2 or date of appointment if later

Note 3 last trading day of 2011 using a share price of 313.90p

	PSP, LTIP, or specified option scheme(s)	Over New ¹ or ESOT shares	Shares under option on 1 Jan 2011 ²	Awards during the year	Lapsed during the year	Exercised during the year	Shares under option on 31 Dec 2011	Exercise price per share	Years options exercisable (if performance conditions met)	Potential profit on 30 Dec 2011 ³ £000
R A Hextall	LTIP	ESOT	86,066	–	24,606	61,460	0	Nominal	2011-13	n/a
		ESOT	61,164	–	–	–	61,164	Nominal	2012-14	192.0
		ESOT	93,085	–	–	–	93,085	Nominal	2013-15	292.2
		ESOT	–	100,351	–	–	100,351	Nominal	2014-16	315.0
	Totals LTIP		240,315	100,351	24,606	61,460	254,600			799.2
	PSP	ESOT	77,816	–	–	77,816	0	Nominal	2011-13	n/a
		ESOT	67,524	–	–	–	67,524	Nominal	2012-14	212.0
		ESOT	86,066	–	–	–	86,066	Nominal	2013-15	270.2
		ESOT	61,164	–	–	–	61,164	Nominal	2014-16	192.0
		ESOT	93,085	–	–	–	93,085	Nominal	2015-17	292.2
ESOT		–	100,351	–	–	100,351	Nominal	2016-18	315.0	
Totals PSP		385,655	100,351	0	77,816	408,190			1,281.4	
Sharesave	New	2,694	–	–	–	2,694	334.00p	2013-14	(0.5)	
Totals options		2,694	0	0	0	2,694			(0.5)	
Totals all		628,664	200,702	24,606	139,276	665,484			1,280.9	
C E L Philipps	LTIP	ESOT	152,164	–	43,503	108,661	–	Nominal	2011-13	n/a
		ESOT	95,550	–	–	–	95,550	Nominal	2012-14	299.9
		ESOT	128,627	–	–	–	128,627	Nominal	2013-15	403.8
		ESOT	–	137,481	–	–	137,481	Nominal	2014-16	431.6
	Totals LTIP		376,341	137,481	43,503	108,661	361,658			1,135.3
	PSP	ESOT	153,584	–	–	–	153,584	Nominal	2011-13	482.1
		ESOT	151,929	–	–	–	151,929	Nominal	2012-14	476.9
		ESOT	152,164	–	–	–	152,164	Nominal	2013-15	477.6
		ESOT	95,550	–	–	–	95,550	Nominal	2014-16	299.9
		ESOT	128,627	–	–	–	128,627	Nominal	2015-17	403.8
		ESOT	–	137,481	–	–	137,481	Nominal	2016-18	431.6
	Totals PSP		681,854	137,481	0	0	819,335			2,571.9
	Exec options	New	92,150	–	–	–	92,150	293.00p	2009-16	19.3
	Sharesave	New	3,902	–	–	3,902	0	246.00p	2011-12	n/a
	Sharesave	New	–	6,163	–	–	6,163	247.00p	2016-17	4.1
Totals options		96,052	6,163	0	3,902	98,313			23.4	
Totals all		1,154,247	281,125	43,503	112,563	1,279,306			3,730.6	

Note 1 New shares can also potentially be sourced from Treasury

Note 2 or date of appointment if later

Note 3 last trading day of 2011 using a share price of 313.90p

Directors' remuneration report continued

Directors' options exercised during 2011

	Scheme(s)	Met by treasury or ESOT shares	No. of shares exercised	Exercise price per share	Date of exercise	Share price on exercise	Profit on exercise £000
S C W Beale	No exercise during 2011						
B D Carpenter	No exercise during 2011						
R A Hextall	LTIP	ESOT	61,460	£1 Nominal	13/04/2011	414.30p	254.6
	PSP	ESOT	77,816	£1 Nominal	13/04/2011	414.30p	322.4
C E L Philipps	LTIP	ESOT	108,661	£1 Nominal	10/03/2011	405.50p	440.6
	Sharesave	Treasury	3,902	246.00p	1/12/2011	323.80p	3.0

PSP performance condition

Average Return on NTA per annum	Percentage of shares awarded that will vest
Less than 10%	Nil
10%	20%
Between 10% and 15%	Straight line basis between 20% and 80%
15%	80%
Between 15% and 20%	Straight line basis between 80% and 100%
20% or over	100%

PSP performance condition measurement

Award	Vesting date	Performance period	Average return on NTA for period	% vested
2006	March 2011	2006-10	28.5%	100%
2007	March 2012	2007-11	19.41%	97.6%

Measurements against PSP performance conditions were determined by the Committee in early 2011 and early 2012 respectively and are summarized above. For 2006 awards the average return on net tangible assets over the ensuing five year period exceeded the threshold for maximum vesting of 20%. For 2007 awards the average return on net tangible assets over the ensuing five year period was 19.4% and therefore only 97.6% of the award vested.

LTIP TSR condition

The Company's TSR compared with the comparator group index	Vesting percentage
Below index	Nil
Equal to the index	25%
Between index and index plus 25% on a straight line basis	25% to 100%
Equal to or greater than index plus 25%	100%

LTIP performance condition measurement

Award	Vesting date	Performance period	Amlin TSR	Index TSR	% vested
2008	March 2011	2008-10	43.7%	28.2%	71.41%
2009	March 2012	2009-11	7.4%	63.4%	0%

Measurements against LTIP performance conditions were similarly determined. In this case the primary performance conditions only partly met in 2007 leading to a partial vesting of the award. For the 2009 award the Committee concluded that a nil vesting was appropriate.

Use of unissued and existing shares for incentive plans

The rules of all those of the Company's incentive plans which can result in the issue or transfer of shares to participants include limits on the overall number of unissued shares over which options may be granted. The only employee schemes under which either unissued or treasury shares are committed to be issued are the executive share option schemes, the Sharesave plans and the schedules to the PSP and LTIP applying to awards to participants in Continental Europe. New shares were also issued in 2007 to the trustee of the Share Incentive Plan as SIP Free Shares but in subsequent years such shares were purchased in the market. Shares awarded under the PSP and LTIP are intended to be satisfied from shares held, or to be purchased, by the Group's ESOT unless overseas requirements dictate otherwise.

Grants of options over new and/or treasury shares under any selective plan, after deducting any such options which have lapsed, are limited to 5% of the issued share capital in any 10 year period. Grants over new/treasury shares under any scheme are also limited to 10% over 10 years. The percentages of the year end shares in issue, together with the equivalent percentages a year earlier, relating to each of these limits are shown in the table below.

Utilisation of new and Treasury shares

	Percentage of shares then in issue utilised 31 Dec 2011	Percentage of shares then in issue utilised 31 Dec 2010
Executive 5% limit over 10 years	3.98%	2.93%
All schemes 10% limit over 10 years	5.18%	3.83%

ESOT shares currently committed

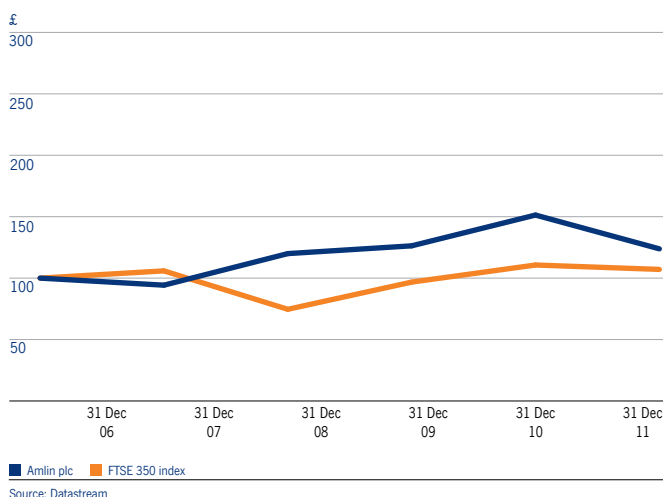
	Number of shares at 31 Dec 2011	Number of shares as a percentage of the shares in issue on 31 Dec 2011	Number of shares as a percentage of the shares in issue on 31 Dec 2010
ESOT commitment to PSP	2,303,153	0.46%	0.40%
ESOT commitment to LTIP	2,981,519	0.59%	0.52%
Total ESOT commitment	5,284,672	1.05%	0.92%

Of the total potential commitment of the ESOT as at 31 December 2011 (which is presented on the basis that all awards vest in full), it then held (and holds as at the date of this report) 2,179,168 shares (2010: 2,811,679 against a commitment of 4,549,356). It is intended that the balance will be purchased in the market by the ESOT, using funds advanced by the Company, before they are required. The changes in the shares held by the ESOT during 2011 resulted from the exercises of options and vesting of awards over a total of 632,511 shares.

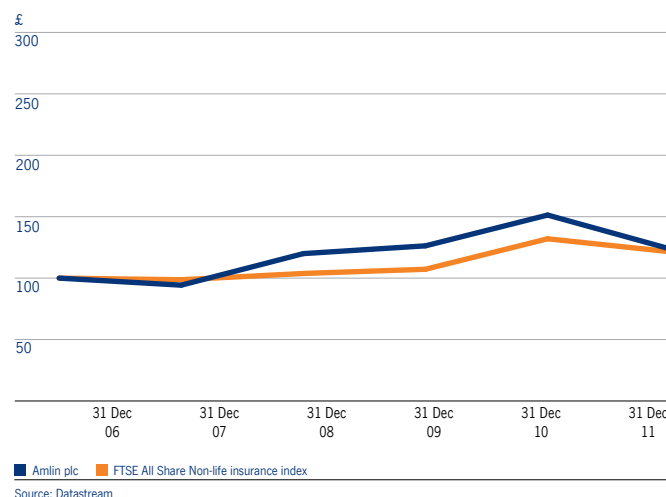
Total Shareholder Return performance

The graphs below illustrate the total shareholder return performance of the Company's ordinary shares relative to the FTSE 350 and the FTSE All Share Insurance indices respectively (Amlin's shares are a constituent of both) over the five years to 31 December 2011. Comparisons are shown with both these indices as the performance of Amlin's shares is affected both by the general UK stock market in companies of its size and by its insurance sector. The graphs show the values, at each year end from 2006 to 2011 inclusive, of £100 invested in the Company's shares on 31 December 2006 compared with the values of £100 invested in the relevant index on the same date. To produce a fair value, each point on the graphs is the average of the relevant return index over the 30 days preceding the relevant year end.

Total shareholder return compared with FTSE 350 at 31 December



Total shareholder return compared with FTSE 350 All Share Non-Life Insurance Index at 31 December



Status of report

As required by the Large and Medium-Sized Companies and Group (Accounts & Reports) Regulations 2008, in accordance with which this report has been prepared, the sections entitled 'Remuneration Received', Executive directors' pensions', 'Executive directors' Capital Builder Plan participations and estimates to date' and 'Executive directors' Performance Share Plan, Long Term Incentive Plan and share options participations' have been audited by PricewaterhouseCoopers LLP. The remainder of this report is unaudited.

By Order of the Board, on the recommendation of its Remuneration Committee

M P D Stevens

Group Company Secretary
2 March 2012

Other Statutory Information

Principal activity, Business Review and key performance indicators

The Group's principal activity is non-life insurance and reinsurance underwriting in the Lloyd's market, Bermuda and Continental Europe. A review of the Group's business, and developments during the year, is set out in the Annual Report (Strategic Overview and Performance sections, pp2). Further information is provided in the risk disclosure note and in this Governance section of the Annual Report (pp111 and pp59 respectively). The Review and Performance sections, risk disclosure note and Governance section together include the information and analysis required by section 417 of the Companies Act 2006 to be included in a Business Review, including information on key performance indicators, the Group's financial and risk management policies. Such information and analysis is hereby incorporated by reference into this report.

Share capital, treasury shares and dividends

The Company's share capital during the year consisted of ordinary shares of 28.125p each (Shares).

There were 502,076,006 Shares in issue, at the year end (2010: 502,076,006), including Shares held in treasury throughout the year. No Shares were bought back into treasury during the year (2010: also nil). 488,309 Shares were transferred out of treasury during the year to service exercises of employee share options (2010: 1,270,343), leaving 5,387,392 Shares in treasury at the year end (2010: 5,875,701). There have been no issues of Shares or further share buy backs or transfers into treasury since the year end but a further 32,663 Shares had by 29 February 2012 been transferred from treasury to satisfy employee share options, leaving 5,354,729 Shares in treasury at that date.

An interim dividend of 7.2p per share (2010: 7.2p) was paid on 6 October 2011 to shareholders on the register on 9 September 2011. The directors now propose a final dividend of 15.8p per Share (2010: a second interim of 15.8p), to be paid on 24 May 2012 to shareholders on the register at the close of business on 10 April 2012. This makes total dividends for the year of 23.0p per share (2010: 23.0p). Those shareholders wishing to use any of these dividends to purchase further shares were, and are, able to participate in a Dividend Reinvestment Plan. Details of the Plan are available on the Company's website and shareholders are being reminded of the Plan as this Annual Report is being published.

Directors

The directors' biographical details are set out earlier in this report (pp60). Mr Holt retired at the end of the 2011 Annual General Meeting and Mr Beale was appointed as a director at that same meeting. Sir Alan Collins was appointed on 14 November 2011. All directors, save for Mr Taylor, will offer themselves for election or re-election at the Annual General Meeting on 17 May 2012 (AGM), in accordance with the UK Corporate Governance Code provision for annual re-election of all FTSE 350 companies' directors or in accordance with the Company's Articles of Association. This is detailed in the separate Notice of AGM, and as referred to in the Board Corporate Governance Statement.

Directors' interests

The interests of those directors and their related parties who have interests in the shares of the Company, all of which are beneficial except where indicated otherwise, are set out below.

In the cases of the four executive directors, Messrs Beale, Carpenter, Hextall and Philipps, the above holdings include beneficial interests held through the Company's SIP and details of their interests in share options and long term incentive plans are set out in the Directors' Remuneration Report earlier in this Governance section of the Annual Report, as are details of the total interests of the trustees of the SIP and of the Group's ESOT. Details of transactions between the Group and directors who served during the year are set out in note 38c to the Accounts.

Directors' interests in shares

	At 31 Dec 2011 and at date of this report number of Shares	At 31 Dec 2010 number of Shares
S C W Beale	321,556	N/A
C Bosse	3,540	3,540
N J C Buchanan	11,200	11,200
B D Carpenter	380,481	380,221
M D Feinstein	4,000	4,000
R A Hextall	165,253	164,993
C E L Philipps	612,967	588,805
R J Taylor	17,986	17,986
Sir Mark Wrightson Bt*	14,888	14,888

* Includes 1,000 shares held non-beneficially as a bare trustee

No directors have any other interests in the shares or any other securities of the Company or any of its subsidiaries.

Substantial shareholdings

At 29 February 2012 the Company had been notified of the holdings of 5% or more of its issued ordinary share capital set out below in accordance with LR 9.8.6(2).

Substantial shareholders' interests

	Number of Shares held	% of Shares in issue ¹
Invesco Limited	64,797,533	13.05
Blackrock, Inc	25,821,252	5.20
Ballie Gifford & Co	25,136,807	5.06

Note 1 Based on the Shares in issue, excluding treasury shares, as at 29 February 2012 of 496,721,277

Corporate governance and Directors' remuneration

The Board Corporate Governance Statement and reports from the Board's Nomination, Audit and Risk & Solvency Committees are set out with other reports earlier in this Governance section. Details of the Company's rules on the appointment and removal of directors, and on how the Company's Articles of Association may be amended, are set out in the section entitled 'Articles of Association' in the Board Corporate Governance Statement (pp71). Details of Directors' remuneration and of the Board's Remuneration Committee are set out in the Directors' Remuneration Report, also earlier in this Governance section.

Employment policies

The People section of the Review provides commentary on the Group as an employer, including its commitment to training and professional development. The Group recognises the importance of employee engagement and therefore operates the Amlin Consultation Forum in the UK and Works Councils in the Netherlands and Belgium as frameworks for discussion and consultation between staff and management in these three countries where the great majority of Group employees work. In addition to engagement through line managers, employee communication is also facilitated by intranet communication and a regular Group e-newsletter.

The Group's equal opportunities policy aims to ensure that no employee, in application for initial employment or as an existing employee (including in the event of a change in his or her circumstances), receives less favourable treatment because of his or her gender (including gender reassignment), marital or family status, actual or perceived sexual orientation, age, ethnic origin, race, colour, nationality, national origin, creed, political affiliation, part-time status, disability, or any other condition, unless differing treatment can be shown to be legally justifiable.

Copies of the Group's policies, some applying to the whole Group and some to the UK with local variations outside the UK, on professional qualifications, family leave, flexible working, sabbaticals, staff harassment and equal opportunities are available on the Company's website or from the Secretary on request. The Group's health and safety policy and details of its local application are publicised to staff, including by intranet. Its operation in the UK is monitored by a staff Health and Safety Committee. The Chief Operations Officer, Mr Andrew Grant, who reports to the Group Chief Executive, is responsible for oversight of health and safety throughout the Group.

Corporate responsibility and charitable donations

A Corporate Responsibility report is set out earlier in this Governance section (pp78). The Group Chief Executive is responsible at Board level for leading, and reporting to the Board on, the Group's initiatives on corporate responsibility related matters. Relevant policies and terms of reference are available on the Company's website.

As part of a wider corporate responsibility and community budget, the Group made charitable donations during the year of £169,193 (2010: £142,287). The charities budget in the UK is managed by a Community and Charities Panel chaired by a senior underwriter. Non-UK subsidiaries' community and charities budgets are managed locally under the direction of their boards.

Political donations

The Group made no political donations during the year (2010: nil).

Supplier payment policy and performance

The Group's policy is to pay suppliers in accordance with agreed terms of business. Whenever possible, purchase orders are placed on the basis of the Group's standard terms and conditions which include provision for the payment of suppliers within 30 days of the end of the month in which the Group receives the goods or in which the services are provided. During the year there was a review of trading terms and a revised policy was adopted by the Group, creditor days represented approximately 30 days (2010: 30 days).

Annual General Meeting

The Notice of AGM, to be held at noon on Thursday 17 May 2012 at the offices of the Company at St Helen's, 1 Undershaft, London, EC3A 8ND, is contained in a separate circular to shareholders which is being mailed or otherwise provided to shareholders at the same time as this report.

Directors' indemnities

The Company has made third party indemnity provisions for the benefit of its directors and certain directors of the Company's subsidiaries. The current indemnities of the directors of the Company were entered into during 2008, with the exception of Mrs Bosse (2009) and Sir Alan Collins (2011). All of such indemnities remain in force at the date of this report.

Authorisation of directors' conflicts of interest

The Company's Articles of Association permit the authorisation of a director's potential conflict of interest or duty, for instance arising from a director's appointment as a director of another company which may have a business relationship with the Group. Such authorisations may be given by the remaining directors who are independent of the potential conflict. A number of authorisations have been approved by the Board in this manner. Such authorisations do not remove a director's duty to ensure that any actual conflict of interest or duty, should it arise, is dealt with appropriately, usually by the director taking no part in the relevant Board or Committee decision. A Register of approved Conflicts is maintained and available for inspection at the Company's Registered Office.

Going concern

The Group's business, risk and financial management, performance and position, together with factors that are likely to affect future development, are described in the Performance section of this Annual Report (pp36). Capital management strategy, which covers how regulatory and economic capital needs are measured and how capital is deployed, is described under Financial Management on page (pp50). The financial position of the Group, including commentary on cash and investment levels, currency management, insurance liability management, liquidity and borrowings, is also covered in that section.

In addition note 2 to the accounts describes capital management needs and policies, and note 3 covers underwriting, market, liquidity and credit risks which may affect the financial position of the Group.

The Group has considerable financial resources to meet its financial needs and, in much of the Group, manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Group is well positioned to manage its business risks successfully in the current uncertain economic environment.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors' Responsibilities

Directors' statement on the disclosure of information to the auditors

Each director at the date of the approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditors

A resolution is to be proposed at the Annual General Meeting for the re appointment of PricewaterhouseCoopers LLP as auditors and to authorise the Audit Committee to determine their remuneration.

By Order of the Board

M P D Stevens

Company Secretary
2 March 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have prepared the Group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the EU have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the Company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Pursuant to the Disclosure and Transparency Rules of the Financial Services Authority each of the directors, whose names and functions are listed in the section of the Annual Report entitled 'Board of Directors' confirm that, to the best of each person's knowledge and belief:

- The financial statements, prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group and Company; and
- The directors' report contained in the annual report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal risks and uncertainties that they face.

By order of the board

M P D Stevens

Company Secretary

2 March 2012

Independent auditors' report to the members of Amlin plc

We have audited the group financial statements of Amlin plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, and the Consolidated Statement of Cash Flows and the related notes 1-40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 96, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Amlin Annual Report 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Corporate Governance Statement set out on pages 62-71 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

- Under the Companies Act 2006 we are required to report to you if, in our opinion:
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 95, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of Amlin plc for the year ended 31 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Andrew Kail (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 March 2012

Consolidated Income Statement

For the year ended 31 December 2011

	Note	2011 £m	2010 £m
Gross earned premium	4,5	2,223.2	2,002.4
Reinsurance premium ceded	4,5	(295.8)	(254.3)
Net earned premium	4,5	1,927.4	1,748.1
Investment return	4,6	40.5	175.0
Other operating income	4	8.8	5.7
Total income		1,976.7	1,928.8
Insurance claims and claims settlement expenses	4,7	(1,869.6)	(1,168.6)
Insurance claims and claims settlement expenses recoverable from reinsurers	4,7	370.2	109.5
Net insurance claims	7	(1,499.4)	(1,059.1)
Expenses for the acquisition of insurance contracts	4,8	(380.2)	(339.1)
Other operating expenses	9	(263.0)	(244.0)
Total expenses		(643.2)	(583.1)
Results of operating activities		(165.9)	286.6
Finance costs	4,12	(27.8)	(27.4)
Share of loss after tax of associates and joint venture	23	(0.1)	–
(Loss)/profit before tax	4,13	(193.8)	259.2
Tax	14	44.3	(37.3)
(Loss)/profit for the year		(149.5)	221.9
Attributable to:			
Equity holders of the Parent Company		(149.9)	221.8
Non-controlling interests		0.4	0.1
		(149.5)	221.9
Earnings per share from continuing operations attributable to equity holders of the Parent Company			
Basic	25	(30.3p)	45.0p
Diluted	25	(30.3p)	44.4p

The attached notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 £m	2010 £m
(Loss)/profit for the year		(149.5)	221.9
Gains/(losses) on revaluation of derivative instruments in designated hedge accounting relationships	15,17	2.4	(4.2)
Foreign exchange (losses)/gains on translation of overseas operations	15	(36.7)	20.5
Foreign exchange losses on translation of intangibles arising from investments in overseas operations	15	(2.2)	(2.9)
Defined benefit pension fund actuarial (losses)/gains	32	(18.3)	5.9
Unrealised gains on investments designated as available for sale	17	0.2	–
Tax relating to components of other comprehensive (expense)/income	14	6.4	4.6
Other comprehensive (expense)/income for the year, net of tax		(48.2)	23.9
Total comprehensive (expense)/income for the year		(197.7)	245.8
Attributable to:			
Equity holders of the Parent Company		(198.1)	245.7
Non-controlling interests		0.4	0.1
		(197.7)	245.8

The attached notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

For the year ended 31 December 2011	Note	Attributable to owners of the Parent Company					Total £m	Non- controlling interests £m	Total £m
		Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m			
At 1 January 2011		141.2	300.3	222.9	(26.2)	1,089.9	1,728.1	1.8	1,729.9
Total comprehensive expense for the year		–	–	(48.2)	–	(149.9)	(198.1)	0.4	(197.7)
Employee share option schemes:									
– share based payment reserve		–	–	0.8	2.5	–	3.3	–	3.3
– proceeds from shares issued	24	–	–	–	1.2	(0.2)	1.0	–	1.0
Dividends paid	27	–	–	–	–	(113.6)	(113.6)	–	(113.6)
Movements in non-controlling interests		–	–	–	–	–	–	(1.5)	(1.5)
Tax relating to share option schemes	14	–	–	(1.0)	–	–	(1.0)	–	(1.0)
Transactions with the owners of the Group for the year		–	–	(0.2)	3.7	(113.8)	(110.3)	(1.5)	(111.8)
At 31 December 2011		141.2	300.3	174.5	(22.5)	826.2	1,419.7	0.7	1,420.4

For the year ended 31 December 2010	Note	Attributable to owners of the Parent Company					Total £m	Non- controlling interests £m	Total £m
		Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m			
At 1 January 2010		141.2	300.1	201.7	(21.4)	971.1	1,592.7	0.4	1,593.1
Total comprehensive income for the year		–	–	23.9	–	221.8	245.7	0.1	245.8
Employee share option schemes:									
– share based payment reserve		–	–	(1.1)	(8.1)	–	(9.2)	–	(9.2)
– proceeds from shares issued	24	–	0.2	–	3.3	(0.6)	2.9	–	2.9
Dividends paid	27	–	–	–	–	(102.4)	(102.4)	(0.1)	(102.5)
Obligation to acquire non-controlling interests		–	–	(1.2)	–	–	(1.2)	–	(1.2)
Disposal of non-controlling interests		–	–	–	–	–	–	1.4	1.4
Tax relating to share option schemes	14	–	–	(0.4)	–	–	(0.4)	–	(0.4)
Transactions with the owners of the Group for the year		–	0.2	(2.7)	(4.8)	(103.0)	(110.3)	1.3	(109.0)
At 31 December 2010		141.2	300.3	222.9	(26.2)	1,089.9	1,728.1	1.8	1,729.9

The attached notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

At 31 December 2011

Assets	Note	2011 £m	2010 £m
Cash and cash equivalents	16	256.4	81.5
Financial assets	17	4,080.4	4,310.1
Reinsurance assets			
– reinsurers' share of outstanding claims	18	617.0	383.1
– reinsurers' share of unearned premium	18	50.4	55.3
Loans and receivables, including insurance and reinsurance receivables			
– insurance and reinsurance receivables	19	933.5	795.6
– other loans and receivables	19	69.0	88.1
Deferred acquisition costs	20	207.7	185.8
Current income tax assets		13.7	1.2
Deferred tax assets	14	26.9	14.7
Property and equipment	21	19.9	12.5
Intangible assets	22	218.9	184.5
Investment in associates and joint venture	23	8.3	2.2
Total assets		6,502.1	6,114.6
Equity and reserves			
Share capital	24	141.2	141.2
Share premium		300.3	300.3
Other reserves		174.5	222.9
Treasury shares		(22.5)	(26.2)
Retained earnings		826.2	1,089.9
Equity attributable to equity holders of the Parent Company		1,419.7	1,728.1
Non-controlling interests		0.7	1.8
Total equity and reserves		1,420.4	1,729.9
Liabilities			
Insurance liabilities			
– outstanding claims	18	3,273.6	2,631.9
– unearned premium	18	998.0	914.4
Other payables, including insurance and reinsurance payables			
– insurance and reinsurance payables	30	218.8	245.9
– other payables	30	118.5	139.7
Financial liabilities	17	11.0	9.7
Current income tax liabilities		0.1	22.0
Borrowings	31	388.5	318.0
Retirement benefit obligations	32	30.8	15.3
Deferred tax liabilities	14	42.4	87.8
Total liabilities		5,081.7	4,384.7
Total equity, reserves and liabilities		6,502.1	6,114.6

The attached notes form an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 2 March 2012. They were signed on its behalf by:

Roger Taylor
Chairman

Richard Hextall
Group Finance Director

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 £m	2010 £m
Cash generated from operating activities	36	271.1	183.6
Income taxes paid		(38.6)	(57.0)
Net cash inflows from operating activities		232.5	126.6
Cash flows from investing activities			
Interest received		47.6	54.5
Dividends received		12.2	5.8
Acquisition through business combination, net of cash acquired		(11.4)	(13.0)
Deferred payment for acquired subsidiary		(0.1)	(0.1)
Investment in associates and joint venture	23	(1.6)	(0.5)
Purchase and disposal of property and equipment	21	(12.7)	(6.1)
Purchase and development of intangible assets	22	(25.7)	(17.4)
Net cash inflows from investing activities		8.3	23.2
Cash flows used in financing activities			
Net proceeds from issue of ordinary shares, including treasury shares		1.0	2.9
Dividends paid to shareholders	27	(113.6)	(102.4)
Dividends paid to non-controlling interests	27	–	(0.1)
Interest paid		(22.7)	(27.4)
Purchase of ESOT and treasury shares		(0.5)	(12.7)
Proceeds from issue of catastrophe linked instrument		96.5	–
Repayment of borrowings	31	(26.7)	–
Net cash outflows used in financing activities		(66.0)	(139.7)
Net increase in cash and cash equivalents		174.8	10.1
Cash and cash equivalents at beginning of year		81.5	70.3
Effect of exchange rate changes on cash and cash equivalents		0.1	1.1
Cash and cash equivalents at end of year	16	256.4	81.5

The attached notes form an integral part of these consolidated financial statements.

The Group classifies cash flows from purchase and disposal of financial assets in its operating cash flows as these transactions are generated by the cash flows associated with the origination and settlement of insurance contract liabilities or capital requirements to support underwriting. Cash of £215.9 million from net sales of financial investments was utilised in operations during the year (2010: £214.1 million from net purchases).

Notes to the accounts

For the year ended 31 December 2011

1. Summary of significant accounting policies and critical accounting judgements and estimates

Amlin plc (the Company) is a public limited company registered in England and Wales. The address of the registered office is St Helen's, 1 Undershaft, London EC3A 8ND.

The basis of preparation, basis of consolidation and significant accounting policies adopted in the preparation of Amlin plc and subsidiaries' (the Group) consolidated financial statements are set out below.

Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the European Union (EU). The consolidated financial statements comply with Article 4 of the EU IAS regulation and Companies Act 2006.

The consolidated financial statements have been prepared on the historical cost basis except for cash and cash equivalents, financial assets and liabilities, share options, and pension assets which are measured at their fair value.

Except where otherwise stated, all figures included in the consolidated financial statements are presented in millions of British Pounds Sterling (sterling) shown as £m rounded to the nearest £100,000.

The accounting policies adopted in preparing these financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, unless otherwise stated.

In accordance with IFRS 4, the Group has applied existing accounting practices for insurance contracts, modified as appropriate, to comply with the IFRS framework and applicable standards.

As a result of Amlin Re Europe's inclusion as a separate reportable segment and minor modifications to the internal reporting to the chief operating decision maker, the comparative segmental reporting information for the year ended 31 December 2010 has been restated. Further details are provided in note 4.

As part of the process to improve the presentation of the Group's consolidated financial statements, certain changes have been made to the presentation of underwriting and non-underwriting expenses in note 9, derivative financial instruments in note 3.3 (fair value hierarchy) and note 17, loans and receivables in note 19, deferred acquisition costs in note 20 and other payables in note 30, to better reflect

the nature of underlying transactions. Improvements have also been made in the presentation relating to the average number of employees in note 11, amounts receivable by directors and key management personnel under long term incentive schemes in note 10 and note 38 and share options and awards in note 28. These changes in presentation have no effect on the previously reported net income, shareholders' equity or net assets. Comparative information has been amended to reflect these changes.

Basis of consolidation

The financial statements consolidate the accounts of the Company and subsidiary undertakings, including the Group's underwriting through participation on Lloyd's syndicates. Subsidiaries are those entities in which the Group, directly or indirectly, has the power to govern the operating and financial policies in order to gain economic benefits or are, in substance, controlled by the Group and includes the Company's employee benefit trusts. The financial statements of all subsidiaries are prepared for the same reporting year as the parent company. Consolidation adjustments are made to convert subsidiary accounts prepared under different accounting standards into IFRS so as to remove the effects of any different accounting policies that may exist. Subsidiaries are consolidated from the date that control is transferred to the Group and cease to be consolidated from the date that control is transferred out.

All inter-company balances, profits and transactions are eliminated.

Details of principal subsidiaries included within the consolidated financial statements can be found in note 37.

Adoption of new and revised Standards

(a) Standards, amendments to published standards and interpretations effective on or after 1 January 2011

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 (revised), 'Related party disclosures'
- IAS 32 (amended), 'Financial instruments: Presentation – Classification of rights issues'
- IFRIC 14 (amended), 'Prepayments of a minimum funding requirement'
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'
- Annual improvements to IFRSs.

Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Group.

The effects of these changes are as follows:

IAS 24 (revised), 'Related party disclosures'
IAS 24 (revised) clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. There is no material impact on the Group or Company's financial statements.

IAS 32 (amended), 'Financial instruments: Presentation – Classification of rights issues'
IAS 32 (amended) amends the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. There is no impact on the Group or Company's financial statements.

IFRIC 14 (amended), 'Prepayments of a minimum funding requirement'
The amendment to IFRIC 14 provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment does not have an impact on the financial statements of the Group or Company.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'

The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid.

The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation has no effect on the financial statements of the Group or Company.

Notes to the accounts continued

For the year ended 31 December 2011

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

Annual improvements to IFRSs 2009-2010

In May 2010, the International Accounting Standards Board (IASB) issued its annual amendments to IFRSs and the related Bases for Conclusions and guidance made. The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project. The amendments primarily remove inconsistencies and clarify wording. The Group has adopted the amendments to standards as they come into effect for the reporting period beginning on 1 January 2011. However, these amendments have no material impact on the Group or Company's financial statements.

(b) Standards, amendments to published standards and interpretations early adopted by the Group
In 2011, the Group did not early adopt any new, revised or amended standards.

(c) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Group
Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt these standards when they become effective.

IFRS 7 (amended), 'Financial instruments: Disclosures – Transfers of financial assets'

The amendment to IFRS 7 is effective for annual periods beginning on or after 1 July 2011. The amendment introduces more extensive quantitative and qualitative disclosures about the transfer of financial assets to assist users in understanding the implications of transfers of financial assets and the potential risks that may remain with the transferor. The amendment is deemed to have no material impact on the Group or Company's financial statements.

IFRS 9, 'Financial instruments: Classification and measurement'

IFRS 9 as issued reflects the first phase of the Board's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets as defined in IAS 39, 'Financial instruments: Recognition and measurement'. The standard is proposed to be effective for annual periods beginning on or after 1 January 2015¹. In subsequent phases, the Board will address hedge accounting and derecognition. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets.

(1) Subject to EU endorsement

However, the Group has determined that the effect shall be quantified in conjunction with the other phases when issued to present a comprehensive picture.

IFRS 9 amendments to incorporate financial liabilities

The amendments to IFRS 9 issued in October 2010 incorporate the classification and measurement of financial liabilities and are proposed to be effective for annual periods beginning on or after 1 January 2015¹. The amendments only affect the measurement of financial liabilities designated at fair value through profit or loss using the Fair Value Option (FVO). All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9.

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in own credit risk must be presented in other comprehensive income (OCI). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The amendments are deemed to have no impact on the financial statements of the Group.

IFRS 7 (amended), 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities'

The amendment to IFRS 7 is effective for annual reporting periods beginning on or after 1 January 2013¹. The amendment introduces new disclosure requirements intended to allow investors to better compare the different offsetting of financial assets and financial liabilities under IFRS and US GAAP. The amendment is likely to have an impact on the disclosures made by the Group in respect of its financial assets and financial liabilities.

IAS 32 (amended), 'Financial instruments: Presentation – Offsetting financial assets and financial liabilities'

The amendments to IAS 32 clarify the requirements for offsetting financial instruments and are applicable for accounting periods beginning on or after 1 January 2014¹. The amendments are not expected to have a material impact on the financial statements of the Group on adoption.

IAS 12 (amended), 'Income taxes – Deferred tax: Recovery of underlying assets'

The amendments to IAS 12 relate to the measurement of deferred tax on investment properties. They are effective for annual periods beginning on or after 1 January 2012¹ and will

have no impact on the financial statements of the Group or Company on adoption.

IFRS 10, 'Consolidated financial statements'

IFRS 10 is effective for annual periods beginning 1 January 2013¹, with retrospective application. It replaces the portion of IAS 27, 'Consolidated and separate financial statements' that addresses the accounting for consolidated financial statements. IFRS revises the definition of 'control', the key factor in determining whether an entity is consolidated. The adoption of IFRS 10 may have an impact on which entities the Group consolidates within its financial statements.

IFRS 11, 'Joint arrangements'

IFRS 11 is effective for annual periods beginning 1 January 2013¹, with retrospective application. It replaces IAS 31, 'Interests in joint ventures' and SIC-13, 'Jointly-controlled entities – non-monetary contributions by venturers'. The standard clarifies the definition of a joint arrangement and uses the principle of control in IFRS 10 to define joint control. The standard also removes the option to account for jointly-controlled entities using the proportional consolidation method. The standard is not expected to have a significant impact on the financial statements of the Group.

IFRS 12, 'Disclosure of interests in other entities'

IFRS 12 is effective for annual periods beginning 1 January 2013¹, with retrospective application. It includes all of the disclosures that were previously included in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28, 'Investment in associates'. A number of new disclosures are also required, including the judgements made by management in determining whether it controls an entity. The standard will impact the disclosures made by the Group in respect of its interests in subsidiaries, joint arrangements and associates on adoption.

IAS 27, 'Separate financial statements' and IAS 28, 'Investments in associates and joint ventures'

As a result of the issuance of IFRS 10, IFRS 11 and IFRS 12, consequential amendments have been made to IAS 27 and IAS 28. IAS 27 now contains requirements only relating to separate financial statements, while the amendments to IAS 28 incorporate the accounting for joint ventures. Both standards have been renamed as a result of these amendments, and are effective for annual periods beginning on or after 1 January 2013¹.

IFRS 13, 'Fair value measurement'

IFRS 13 is effective for annual periods beginning 1 January 2013¹ and is to be applied prospectively. The standard establishes a single source of guidance under IFRS for fair value measurement and introduces new disclosures to help users to better assess the valuation techniques and inputs used to measure fair value. The standard will impact the disclosures made by the Group in respect of fair value measurement on adoption.

IAS 1 (amended), 'Presentation of financial statements'

The amendment to IAS 1 is effective for annual periods beginning 1 July 2012¹. The amendment will require companies to group together items within other comprehensive income that may be reclassified to the profit or loss section of the income statement. The amendments reaffirm existing requirements that items in other comprehensive income and profit or loss should be presented as either a single statement or two consecutive statements. Upon adoption, the amendment will result in changes to the presentation of the Group's other comprehensive income.

IAS 19 (amended), 'Employee benefits'

The amendment to IAS 19 is effective for annual periods beginning 1 January 2013¹ and is to be applied retrospectively. The amendment eliminates the option to defer the recognition of gains and losses resulting from defined benefit plans (referred to as the 'corridor' approach), removes the options for the presentation of gains and losses relating to those plans and improves the disclosure requirements in respect of defined benefit plans and the risks arising on those plans. The amendment will impact the presentation of gains and losses and disclosures in respect of the Group's defined benefit plans.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Insurance contract liabilities

The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Group.

The estimated provision for the total level of claims incurred changes as more information becomes known about the actual losses for

which the initial provisions were set up. The change in claims costs for prior period insurance claims represents the claims development of earlier reported years incurred in the current accounting period. The carrying value of the Group's net outstanding claims reserves at 31 December 2011 is £2,656.6 million (2010: £2,248.8 million). In 2011, there has been a net positive development of £112.6 million (2010: £156.5 million) for the Group, reflecting favourable experience in the 2010 and prior reported years. Note 3 provides further details of the method the Group applies in estimating insurance contract liabilities.

Financial assets and financial liabilities

The methods and assumptions used by the Group and Company in estimating the fair value of financial assets and financial liabilities are described in note 3. The carrying values of the Group's financial assets and financial liabilities at 31 December 2011 are £4,080.4 million (2010: £4,310.1 million) and £11.0 million (2010: £9.7 million) respectively.

Intangible assets

Intangible assets are recognised on the acquisition of a subsidiary, on the purchase of specific rights to renew a particular underwriting portfolio and on internally developed computer software.

The value of such intangibles arising from the acquisition of a subsidiary or specific renewal rights is largely based on the expected cash flows of the business acquired and contractual rights on that business. Certain key assumptions are used to assess the value of the intangible such as past underwriting performance and past renewal values of underwriting business. These are the subject of specific uncertainty and a reduction in underwriting profitability or renewal patterns of business acquired may result in the value of the intangible being impaired and written off in the current accounting period.

The value of computer software comprises all costs directly attributable to its development.

The carrying value of the Group's intangible assets (excluding goodwill) at 31 December 2011 is £142.3 million (2010: £122.7 million). Note 22 provides details of any current impairments of intangible assets.

Goodwill impairment

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating unit to which goodwill is allocated. Details of the key assumptions used in the estimation of the recoverable amounts are contained in note 22.

The Group has allocated goodwill to cash generating units based on a number of factors, which include how the entity's operations are monitored. Note 22 provides further details. The carrying value at the reporting date of goodwill is £76.6 million (2010: £61.8 million).

Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The wide range of international business relationships and the long-term nature and complexity of existing contractual agreements could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the country of the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The carrying value at the reporting date of the deferred tax asset is £26.9 million (2010: £14.7 million), and of the deferred tax liability is £42.4 million (2010: £87.8 million).

Staff incentive plans

The Group recognises a liability and expense for staff incentive plans based on a formula that takes into consideration the underwriting profit after certain adjustments. Underwriting profit is estimated based on current expectation of premiums and claims and will change as more information is known or future events occur. Where estimates change, related staff incentive plan liabilities may also change.

The carrying value at the reporting date of the liability for the staff incentive plans is £31.1 million (2010: £48.6 million).

Notes to the accounts continued

For the year ended 31 December 2011

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

Retirement benefit obligations

The Group participates in the Lloyd's Superannuation Fund defined benefit scheme and also operates defined benefit schemes in the Netherlands, Belgium and Switzerland.

The amounts included in these financial statements are sensitive to changes in the assumptions used to derive the value of the scheme assets and liabilities.

A loss of £18.3 million (2010: £5.9 million gain) has been recognised in the Statement of Comprehensive Income and a debit of £4.2 million (2010: £1.9 million) has been recognised in the Income Statement. Note 32 provides further details on the Group's retirement benefit obligations. At 31 December 2011, the Group recognised a balance sheet liability of £30.8 million (2010: £15.3 million) in respect of its defined benefit plans.

Significant accounting policies

Foreign currency translation

The Group and Company present their accounts in sterling since it is subject to regulation in the United Kingdom and the net assets, liabilities and income of the Group and Company are currently weighted towards sterling. US dollar and euro revenues are significant but the sterling revenue stream is also currently material. All Group entities conduct business in a range of economic environments, although these are primarily the United Kingdom, United States of America and Continental Europe.

Transactions denominated in foreign currencies are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at the rate prevailing in the period in which the asset or liability first arose. Exchange differences are recognised within other operating expenses.

The results and financial position of those Group entities whose functional currency is not sterling are translated into sterling as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at the exchange rates at the date of each transaction, or a practical approximation to these rates; and

- On consolidation all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Where contracts to sell currency have been entered into prior to the year end, the contracted rates have been used. Differences arising on the translation of foreign currency amounts on such items are included in other operating expenses.

Details of the principal exchange rates used are included in note 33.

Product classification

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. Any contracts not considered to be insurance contracts under IFRS are classified as investment contracts.

Based on the current assessment, all of the products underwritten by the Group's insurance entities are insurance contracts within the scope of IFRS 4, 'Insurance contracts'.

Insurance contracts premium

Gross written premium comprise premium on insurance contracts incepting during the financial year together with adjustments to premiums written in previous accounting periods. The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, is deemed to be written in full at the inception of the contract. Premium is disclosed before the deduction of brokerage and taxes or duties levied on them.

The proportion of gross written premium, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premium. The change in this provision is taken to the income statement in order that revenue is recognised over the period of the risk.

Premium is recognised as earned over the policy contract period. The earned element is calculated separately for each contract on a 365ths basis where the premium is apportioned over the period of risk. For premium written

under facilities the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts.

Acquisition costs

Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premium they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are written off where they are no longer considered to be recoverable.

Reinsurance premium ceded

Reinsurance premium ceded comprise premium on reinsurance arrangements bought which incept during the financial year, together with adjustments to premiums ceded in previous accounting periods. The proportion of reinsurance premium ceded attributable to periods after the balance sheet date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period on a basis consistent with the related insurance contracts.

Insurance contracts liabilities

Claims paid are defined as those claims transactions settled up to the balance sheet date including internal and external claims settlement expenses allocated to those transactions.

Unpaid claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled up to the balance sheet date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels.

Unpaid claims reserves are estimated on an undiscounted basis. Unpaid claims reserves acquired through a business combination are measured at fair value, using an applicable risk-free discount rate and having regard to the expected settlement dates of the claims. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the income statement. Provisions are established above an actuarial best estimate, reflecting a risk premium relating to the uncertainty of the actual level of claims incurred. There is therefore a reasonable chance of release of reserves from one year to the next.

The unpaid claims reserves also include, where necessary, a reserve for unexpired risks where, at the balance sheet date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision.

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Insurance contracts underwritten by the Group under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Where there is objective evidence that a reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other insurance assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Net investment income

Dividends and any related tax credits are recognised as income on the date that the related listed investments are marked ex-dividend. Other investment income, interest receivable, expenses and interest payable are recognised on an accruals basis.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Board of Directors of the Company.

Business combinations

i. Business combinations before 1 January 2010

The acquisitions of subsidiaries are accounted for using the purchase method. The cost of acquisition is measured as the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of exchange, plus any costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, 'Business combinations', are recognised at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

ii. Business combination after 1 January 2010

The Group policy is to apply IFRS 3 (revised) to all acquisitions taking place on or after 1 January 2010. Business combinations are accounted for using the acquisition method.

The cost of acquisition is measured as the fair value of assets given, liabilities incurred or assumed, and equity instruments issued by the Group at the date of exchange. Under IFRS 3 (revised), with the exception of the costs of registering and issuing debt and securities that are recognised in accordance with IAS 32 and IAS 39 (i.e. as a reduction in proceeds), all other acquisition-related costs are to be expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. Identifiable assets acquired and liabilities and contingent liabilities assumed, meeting the conditions for recognition under IFRS 3, are recognised at their fair value at the acquisition date,

irrespective of the extent of any minority interest. The excess of the fair value of consideration transferred over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

For each business combination, the Group measures any non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Interests in associate entities

Investments in associates are accounted for using the equity method.

Associates are all entities over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's share of its associates' post-acquisition profits and losses after tax is recognised in the income statement each period, and its share of the movement in associates' net assets is reflected in the investments' carrying values in the balance sheet.

Interests in joint ventures

Investments in joint ventures are accounted for using the equity method.

Operations held for sale

Assets and liabilities held for disposal as part of operations which are held for sale are shown separately in the Consolidated Balance Sheet. The relevant assets are recorded at the lower of their carrying amount and their fair value, less the estimated selling costs.

Intangible assets

i. Syndicate capacity

Lloyd's syndicate participations that have been purchased in the Lloyd's capacity auctions are capitalised at cost. Syndicate capacity is considered to have an indefinite life as it will provide benefits over an indefinite future period and is therefore not subject to an annual amortisation charge. The continuing value of the capacity is reviewed for impairment annually by reference to the expected future profit streams to be earned from the cash-generating units to which the intangible asset is allocated, with any impairment in value being charged to the income statement.

Notes to the accounts continued

For the year ended 31 December 2011

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

ii. Goodwill

Goodwill arising on acquisitions prior to 1 January 1999 was written off to reserves. Goodwill recognised between 1 January 1999 and the date of transition to IFRS (1 January 2004) was capitalised and amortised on a straight line basis over its estimated useful life. Following the transition to IFRS this goodwill is stated at net book value at 1 January 2004. Goodwill that was recognised subsequent to 1 January 2004 is capitalised. Goodwill is tested for impairment annually, or when events or changes in circumstance indicate that it might be impaired, by comparing the net present value of the future earnings stream of the cash-generating unit to which goodwill has been allocated, against the carrying value of the goodwill and the carrying value of the related net assets.

iii. Other intangible assets

Other intangible assets comprise costs directly attributable to securing the intangible rights to broker, customer relationships and costs directly attributable to internally-developed software. Costs are recognised as intangible assets where they can be identified separately and measured reliably and it is probable that they will be recovered by directly related future profits. Other intangible assets are reviewed for impairment losses at each reporting date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other intangible assets are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis based on the estimated useful economic life of the assets, which is estimated to be between five and fifteen years, and is charged to other operating expenses in the income statement.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and provision for impairment where appropriate. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated on the straight line method to write down the cost of such assets to their residual values over their estimated useful lives as follows:

Leasehold land and buildings	Over period of lease
Freehold buildings	5% per annum
Motor vehicles	33% per annum
Computer equipment	20% to 33% per annum
Furniture, fixtures and leasehold improvements	20% per annum

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstance indicate that the carrying value may be impaired. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment and the difference is charged to the income statement.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken to the income statement. Repairs and renewals are charged to the income statement when the expenditure is incurred. The freehold land is not depreciated.

Financial assets

The Group classifies its financial assets at fair value through profit and loss (FV) or available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Other than investments in certain unlisted insurance intermediaries (see below), the Group classifies its financial investments as FV. This classification requires all fair value changes to be recognised immediately within the investment return line in the income statement. Within the FV category, fixed maturity and equity securities are classified as 'trading' as the Group buys with the intention to resell. All other securities are classified as 'other than trading' within the FV category.

The Group has investments in certain unlisted insurance intermediaries which are treated as available-for-sale and are measured at fair value, unless their fair value cannot be reliably measured, in which case they are valued at cost less impairment. Changes in fair value of investments are included in other comprehensive income in the period in which they arise. They are tested for impairment annually, or when events or changes in circumstances indicate that impairment might have occurred. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Purchases and sales of investments are recognised on the trade date, which is the date the Group commits to purchase or sell the assets. These are initially recognised at fair value, and are subsequently re-measured at fair value based on quoted bid prices. Transaction costs are recognised directly in the income statement when incurred. Changes in the fair value of investments are included in the income statement in the period in which they arise. The uncertainty around valuation is discussed further in note 3.

Derivative financial instruments

Derivative financial instruments primarily include currency swaps, currency and interest rate futures, currency options, catastrophe linked instruments and other financial instruments that derive their value mainly from underlying interest rates, foreign exchange rates or catastrophe risk. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. They are subsequently measured at fair value, with their fair values obtained from quoted market prices or, where these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Changes in the fair value of derivative instruments are recognised immediately in the income statement unless the derivative is designated as a hedging instrument. As defined by IAS 39 'Financial instruments: Recognition and measurement', the Group designates certain foreign currency derivatives as hedges of net investments in foreign operations. The Group documents at the inception of each hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items.

Any gain or loss on the hedging instrument related to the effective portion is recognised in other comprehensive income. The fair values of derivative instruments used for hedging purposes are disclosed in note 17. Gains and losses accumulated in equity are included in the income statement when the foreign operation is partially disposed of or sold.

Embedded derivatives with risks and characteristics which are not closely related to the host contract, and where the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss, are separated from the host contract and measured at fair value.

Loans and receivables

Loans and receivables are measured at amortised cost using an effective interest rate. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is evidence that the asset is impaired. These are reversed when the triggering event that caused the impairment is reversed.

Borrowings

Borrowings are stated initially at the consideration received net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest method. Any difference between amortised cost and the redemption value is recognised in the income statement over the period of the borrowings. Transaction costs on borrowings are charged through the income statement over the period of the borrowings.

Finance costs

Finance costs mainly comprise interest payable on subordinated loans and commissions charged for the utilisation of letters of credit. These costs are charged to the income statement as finance costs, as incurred. Fees paid for the arrangement of debt and letter of credit facilities are charged to finance costs over the life of the facility. In addition, transaction costs and interest payable in respect of the issue of catastrophe linked instruments are charged to finance costs over the life of the contract. Gains or losses on any derivative component of catastrophe linked instruments are included in investment return.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at fair value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held on call with banks and other short-term, highly liquid investments which are believed to be subject to insignificant risk of change in fair value.

Treasury shares

Treasury shares are deducted from equity. No gain or loss is recognised on the purchase, sale, issue or cancellation of the treasury shares. Any consideration paid or received is recognised directly in equity.

Earnings per share

Earnings per share are based on the profit attributable to shareholders and the weighted average number of shares in issue during the period. Shares held by the Employee Share Ownership Trust (ESOT) and treasury shares are excluded from the weighted average number of shares.

Basic earnings per share are calculated by dividing profit after tax by the weighted average number of issued shares during the year.

Diluted earnings per share are calculated by dividing profit after tax by the adjusted average number of shares in issue. The adjusted average number of shares assumes conversion of dilutive potential ordinary shares, being shares from the Executive Share Option Scheme (ESOT), Long Term Incentive Plan (LTIP), Performance Share Plan (PSP), Share Incentive Plan (SIP) and the Sharesave scheme.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the income statement in the period in which they become payable in accordance with the terms of the lease.

Employee benefits

i. Pension obligations

The Group participates in a number of pension schemes, including several defined benefit schemes, defined contribution schemes and personal pension schemes.

The Lloyd's Superannuation Fund scheme is a multi-employer defined benefit scheme. Amlin Corporate Insurance N.V. (ACI) participates in two defined benefit schemes. Amlin Re Europe's (ARE) pension scheme is classified as a defined benefit scheme in accordance with IAS 19, 'Employee benefits'.

The defined benefit obligation and associated pension costs are calculated annually by independent actuaries using the projected unit credit method. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final liability. The cost of providing these benefits is charged to the income statement to spread the pension cost over the service lives of employees. Actuarial gains and losses arising from the recognition and funding of the Group's pension obligations are recognised in other comprehensive income during the period in which they arise.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the fair value of plan assets less the defined benefit obligation at the balance sheet date, together with adjustments for unrecognised past service costs and for restrictions on the recognition of a defined benefit asset due to an asset ceiling. The present value of the defined benefit obligation

is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds, and that have terms to maturity approximating to the terms of the related pension liability. In respect of ACI's defined benefit scheme in the Netherlands, the fair value of the plan assets reflects the benefits that accrue to ACI under the insurance policy taken out to meet its obligations. This is also the case for ARE's defined benefit scheme.

Pension contributions to defined contribution plans are charged to the income statement when due.

ii. Equity compensation plans (equity-settled)

The Company operates a number of executive and employee share schemes. Options issued after 7 November 2002 are accounted for using the fair value method where the cost for providing equity compensation is based on the fair value of the share option or award at the date of the grant. The fair value is calculated using an option pricing model and the corresponding expense is recognised in the income statement over the vesting period. The accrual for this charge is recognised in equity shareholders' funds. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital for the par value and the surplus to share premium.

iii. Equity compensation plans (cash-settled)

The Group operates the Amlin Capital Builder Plan which is deemed a cash-settled share-based payment arrangement. The cost of cash-settled transactions is measured initially at fair value at the grant date. Further details are given in note 28. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in profit or loss.

iv. Other benefits

Other employee incentive schemes and long-term service awards, including sabbatical leave, are recognised when they accrue to employees. A provision is made for the estimated liability for long-service leave as a result of services rendered by employees up to the balance sheet date.

Other income

Fee income from providing information services is recognised on an earned basis.

Notes to the accounts continued

For the year ended 31 December 2011

1. Summary of significant accounting policies and critical accounting judgements and estimates continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years or that are never taxable or deductible. The Group's and Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised in respect of taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group and Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the substantively enacted tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity respectively.

Deferred tax is recognised on the profits of overseas subsidiaries where it is reasonably foreseeable that distribution of the profit back to the UK will take place and the UK dividend exemption is not expected to apply.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Other payables

Other payables are measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the period end, but for which payment has not yet been made.

2. Capital

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity and note 26, and subordinated debt as disclosed in note 31. For business planning purposes, account is also taken of the Group's debt facilities as disclosed in note 31.

Amlin Corporate Member Limited, which supports Syndicate 2001, is required to hold regulatory capital in compliance with the rules issued by the UK's Financial Services Authority (FSA) and is also subject to Lloyd's capital requirements. Under FSA rules, the corporate member must hold capital in excess of the higher of two amounts. The first is the Pillar 1 requirement, as prescribed by EU directives, calculated by applying fixed percentages to premiums and claims. The second, Pillar 2, is an Individual Capital Assessment (ICA) calculated internally by the firm. The ICA is defined as the level of capital that is required to contain the probability of insolvency, over a one year timeframe, to no greater than 0.5%. The ICA calculation basis is generally considered to be broadly equivalent to a BBB insurance financial strength rating. The ICA calculation considers all ultimate losses incurred over a one year business planning horizon, and any prior year reserve movements.

For the purposes of setting Lloyd's capital requirements, Lloyd's currently uplifts all ICAs by 35% (2010: 35%) to bring the capital to a level to support a higher financial strength rating. The final capital requirement is then subject to a minimum of 40% (2010: 40%) of the syndicate's agreed regulatory premium capacity limit. At 31 December 2011 the agreed Economic Capital Assessment (ECA)

as a percentage of the proposed underwriting capacity for the following year of account is 42.3% (2010: 46.0%).

The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund, for which a variable annual levy, for 2011 of 0.5% (2010: 0.5%) of Syndicate gross premium, is payable.

The ICA is reviewed annually by Lloyd's and periodically by the FSA. The FSA expect management to apply their rules continuously. If a firm breaches its Pillar 1 capital it must cease trading; if Pillar 2 capital is breached steps must be taken urgently to restore capital to the required level. Due to the nature of the Lloyd's capital setting process, Funds at Lloyd's requirements are formally assessed and funded twice yearly at discrete periods and must be met for the Syndicate to continue underwriting.

At 31 December 2011 Amlin Corporate Member Limited funded the agreed FAL requirement of £497.0 million (2010: £476.1 million) to support underwriting for the following year of account.

The Group does not seek to retain any assets in excess of the Lloyd's capital requirement within the Lloyd's framework and any surplus is paid to the corporate entities in the Group.

Amlin AG is supervised by the Swiss Financial Market Supervisory Authority (FINMA) and the Bermuda Monetary Authority (BMA).

FINMA supervision is composed of various qualitative assessments, governance requirements and minimum solvency levels. Amlin AG provides regulatory solvency reporting to FINMA, under the rules of Solvency I and the Swiss Solvency Test (SST). Solvency I is based on the Swiss statutory financial statements and required capital is calculated as a fixed percentage of premiums, claims reserves and/or net amount at risk. The SST is based on an economic view and required capital is derived from an internal capital model.

The internal model as well as the 2011 SST is still subject to approval by FINMA. Amlin AG calculates available and required capital under the SST using the aforementioned model. The minimum ratio for Solvency I as well as for the SST is set at 100% (the SST minimum ratio became legally binding in 2011). For both ratios Amlin AG exceeds the 100% minimum ratio.

Under BMA regulations, Amlin AG is licensed as a Class IV insurer and the minimum solvency margin is the greater of US\$100 million, 50% of net premiums written in the current financial year, 15% of claims reserves and the Enhanced Capital Requirement (ECR). The ECR is calculated

on an annual basis through either the Bermuda Solvency Capital Requirement (BSCR) model or an approved internal model. In addition, as a Class IV insurer, the company is required to maintain a minimum liquidity ratio such that the value of 'relevant assets' is not less than 75% of its 'relevant liabilities'. Amlin AG met this requirement at 31 December 2011.

For trading purposes, Amlin AG believes that it is necessary to hold at least US\$1 billion of capital, which is currently in excess of the minimum required by the BMA and FINMA.

Amlin Corporate Insurance N.V. (ACI) is required to hold regulatory capital in compliance with the rules issued by its regulator and as prescribed by EU directives.

Regulatory capital is calculated by applying fixed percentages to premiums and claims. At 31 December 2011, ACI's available regulatory capital was €240.7 million (2010: €341.9 million), compared to a minimum requirement of €117.0 million (2010: €117.0 million). For wider commercial reasons, ACI's capital is managed so as to support its financial strength ratings.

The method by which the Group manages its capital base is described on page 50 of the Performance section under Financial Management.

In addition to regulatory capital requirements, the Group believes that it should retain a level of capital within the Group to allow it to grow its exposures materially in the aftermath of a major insurance disaster, but also to respond to other opportunities to enhance long term growth, for example through acquisition. The overall capital held by the Group is driven by the business mix, nature and objectives of each business unit and its context within the wider Group.

3. Risk disclosures

3.1 Underwriting risk

The Group accepts underwriting risk in a range of classes of business through Lloyd's Syndicate 2001, Amlin Corporate Insurance N.V. (ACI) and Amlin AG (including the latter's branch operation, Amlin Bermuda). Syndicate 2001's portfolio is underwritten by Amlin London, Amlin UK and through the Group's wholly owned French coverholder, Amlin France SAS. Amlin France also writes business on behalf of ACI. The bias of the Group's portfolio is towards short-tail property and accident risk but liability coverage is also underwritten.

In underwriting insurance or reinsurance policies the Group's underwriters use their skill and knowledge to assess each risk and they use exposure information and data on past claims experience to evaluate the likely claims cost and

therefore the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premium charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premium being calculated and charged or may result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to limit the amount of insurance exposure underwritten. Each year a business plan is prepared and agreed which is used to monitor the amount of premium income, and exposure, to be written in total and for each class of business. Progress against this plan is monitored during the year. The Group also operates under a line guide that determines the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) and for each underwriter. These limits can be exceeded in exceptional circumstances with the approval of senior management. Apart from the UK and international comprehensive motor liability portfolios, which have unlimited liability, all policies have a per loss limit which caps the size of any individual claim. For larger sum insured risks facultative reinsurance coverage may be purchased. The Group is also exposed to catastrophe losses which may impact many risks in a single event and again reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described in the section on page 118.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby the Group is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that use their judgement to write risks on the Group's behalf under clear authority levels.

The insurance liabilities underwritten by the Group are reviewed on an individual risk, or contract, basis and through review of portfolio performance. Claims arising are reserved upon notification. Each quarter the entire portfolio of business is subject to a reserving process whereby levels of paid and outstanding (advised but not paid) claims are reviewed. Potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. This provision is subject to review by senior executives and an independent internal actuarial assessment is usually carried out by the in-house actuarial team to determine the adequacy of the provision. Whilst a detailed and

disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried.

Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which, in aggregate, exceed the reserve provision established. This is partly mitigated by the reserving policy adopted by the Group which is to carry reserves in excess of the actuarial best estimate.

The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risks already underwritten which cannot be re-priced until renewal at the end of the policy period.

The Group is exposed to the impact of large catastrophe events such as windstorms, earthquakes or terrorist incidents. Exposure to such events is controlled and measured through loss modelling, but the accuracy of this exposure analysis is limited by the quality of data and the effectiveness of the modelling. The Group's broad risk appetite guidelines are set out on page 44. It is possible that a catastrophe event exceeds the maximum expected event loss. This is particularly the case for the direct property proportion of the loss exposure where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values from a particular scenario. Errors, or incorrect assumptions in the damage factor calculation can result in incurred catastrophe event claims higher, or lower, than predicted due to unforeseen circumstances or inadequacies in data or the models used. As explained on page 118 reinsurance is purchased to protect against the impact of any individual or series of severe catastrophes. However, the price and availability of such cover is variable and the amount of loss retained by the Group may therefore also increase or reduce. The Group will alter its insurance and reinsurance exposures to take account of changes in reinsurance availability, capital levels and profitability in order to remain within the risk appetite guidelines.

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

The Group has recently acquired coverage for US hurricane, US earthquake and European windstorm perils of up to \$150 million from a Bermudian special purpose insurer, Tramlane Re Ltd, which in turn has placed a catastrophe bond into the capital markets.

This transaction provides the Group with fully collateralised protection over a three year period from 1 January 2012 and is in addition to the protection the Group purchases through the traditional reinsurance marketplace.

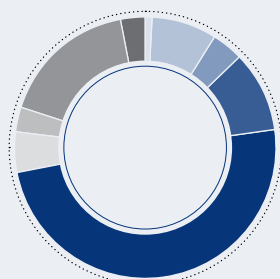
The bond provides significant protection against a remote aggregation of catastrophe events for the Group. Through the use of an aggregate trigger it protects against both severity and frequency of losses.

Sections A to E below describe the business and the risks of Amlin London, Amlin UK, Amlin France, Amlin AG, which includes Amlin Re Europe and Amlin Bermuda, and Amlin Corporate Insurance.

A. Amlin London

The geographic spread of all Amlin London classes is shown below:

Gross premium by geography Amlin London



Africa	1%	Oceania	5%
Asia	8%	South & Central America	3%
Caribbean	4%	UK	17%
Europe	10%	Other	3%
North America	49%		

A. (i) Property reinsurance risks Reinsurance property classes

	2011 Gross premium £m	Current maximum line size £m	2011 Average line size £m
Catastrophe reinsurance (per programme)	257	62	4.9
Per risk property reinsurance (per programme)	69	25	2.3
Proportional reinsurance	41	5	1.6

Notes:

- (1) Limits are set in US dollars converted to sterling at a rate of exchange of £1=US\$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.
- (2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.
- (3) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.

Catastrophe reinsurance protects insurance companies against catastrophic losses, such as windstorm or earthquake, which may impact more than one risk written by the client.

This portfolio is a key part of the insurance risk written by the Group. Programmes are placed on a layered or excess of loss basis. Territorial exposures, from a number of programmes, are much higher, but are carefully recorded and analysed through loss simulations or realistic disaster scenarios.

Per risk property reinsurance is also written on an excess of loss basis but covers loss or damage to any single risk within the reinsured's portfolio. This portfolio protects insureds against large individual property losses and will also be affected by large catastrophes.

Proportional reinsurance covers a proportional share of a reinsureds portfolio of business subject to payment of commission and/or profit commission. Almost all proportional reinsurance written by the Group in this class is property business and risk exposure is limited to US\$7.5 million for any one risk. Proportional reinsurance is normally written with an occurrence limit.

The portfolio of reinsurance business is written with the aim of achieving territorial diversification. However, as experienced in 2011, a severe catastrophe to a major economic zone in Europe, Japan, Australasia or the US is likely to result in an overall loss to the portfolio prior to retrocessional reinsurance. Amlin London operates to a maximum loss limit applicable to refined scenarios which is an allocation of a total Group tolerance.

A. (ii) Other reinsurance risks

Amlin London also writes other reinsurance classes which contribute diversified exposure to the portfolio. The main classes with the maximum sum insured lines are shown below:

Aviation, marine and special risks reinsurance classes

	2011 Gross premium £m	Current maximum line size £m	2011 Average line size £m
Aviation reinsurance (per programme)	2	33	2.2
Marine reinsurance (per programme)	20	81	2.4
Special risks	20	41	4.2

Notes:

- (1) Limits are set in US dollars converted to sterling at a rate of exchange of £1=US\$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.
- (2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.
- (3) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.

The reinsurance team also write a portfolio of aviation and marine reinsurance risk which protects insurers against losses to their direct portfolios of business. This is written on an excess of loss basis.

The special risks account is mostly terrorism excess of loss and nuclear reinsurance emanating from all parts of the world and written without excess of loss reinsurance protection.

A. (iii) Property insurance risks Property classes

	2011 Gross premium £m	Current maximum line size £m	2011 Average line size £m
Direct and facultative property	84	23	2.8
Binding authorities	28	2	0.4

Notes:

- (1) Limits are set in US dollars converted to sterling at a rate of exchange of £1=US\$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.
- (2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.
- (3) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.

Property cover is provided to large commercial enterprises with high value locations and/or many locations, and also for small commercial property. The perils covered include fire, flood, wind and earthquake damage. Business interruption cover is also provided for loss of earnings sustained due to the perils and properties covered but may also be extended to connected enterprises. Terrorism cover is given on a limited basis particularly where required by local regulation, but nuclear and bio-chemical coverage is excluded from standard property cover in most territories.

Direct and facultative property insurance is written for the full value of the risk, on a primary or excess of loss basis, through individual placements, or by way of delegated underwriting facilities given to coverholders ('binding authorities'). Binding authority arrangements delegate the day to day underwriting to underwriting agents working on our behalf and therefore, for these contracts we are reliant on coverholders exercising underwriting judgement on our behalf. Coverholders must have local regulatory approval, be Lloyd's registered and also approved by the Amlin Binding Authority Committee. For all binding authorities facilities we receive a monthly or quarterly bordereau which is checked by our underwriting staff. The underwriting is controlled by setting clear authority levels for coverholders stipulated within the binding authority agreement, regularly monitoring performance and periodically carrying out underwriting visits and/or commissioning third party audits. The coverholder is incentivised to produce an underwriting profit through the payment of profit commission. However, with the day to day underwriting not controlled by the Group, there is a risk that coverholder underwriting, or claim decisions, are made which would not have been made by Amlin underwriters or claims staff. The maximum value insured under the Binders class is currently limited to US\$3 million at any one location.

The property portfolio is also exposed to an above average frequency of individual fire, explosion or weather related claims. The premium charged for the coverage given may not be sufficient to cover all claims made in any year, particularly in a year in which there is an abnormal frequency of claims. This account is mainly situated in the US and is therefore exposed to large catastrophe events such as California earthquake and hurricane losses.

A. (iv) US casualty risks

The US casualty portfolio of business provides insurance and reinsurance cover to individuals, or companies, in order to indemnify them against legal liability arising from their activities and actions or for incidents occurring on their property. The account is currently written to a maximum liability of US\$6 million on any one claim but average lines are US\$0.8 million on any one claim. 2011 gross premium was £53 million.

The portfolio is made up of specialist general casualty, professional indemnity, medical malpractice and errors and omissions cover. Small amounts of directors' and officers' liability and auto liability are also written. In 2011 the professional lines liability portfolio has increased following the appointment of a dedicated underwriter. This class includes professional indemnity cover given to US lawyers, accountants, architects and engineers. It is written to a maximum liability of US\$10 million on any one claim.

The casualty portfolio is mostly written on a claims notified basis (responding to all claims made during a defined period) except for small amounts of general liability business which may be written on a losses occurring basis (the policy responds to losses which occur during the period even if reported after the policy has expired).

Claims from this class emanate from professional error, negligence or an accident which causes injury, damage or financial loss. The account is vulnerable to a high frequency of claims, but not individual large losses as the cost to the Group of any individual claim is small. Claims frequency may be impacted by a generic claim type which impacts many individuals and (re)insurance policies such as poor housing design or bad medical practice. The size of many individual claims is subject to the decisions arising from the US court system which can be higher than anticipated. There is also the potential for US courts to impose a 'bad faith' judgement on insurers if it is deemed that the insurer has acted improperly in trying to avoid contractual obligations. Such awards can, in exceptional circumstances, be much higher than the value of the insurance claim.

A. (v) Accident and health, auto and special risks

Amlin London also writes other property and casualty classes which contribute diversified exposure to the portfolio.

The main classes with the maximum sum insured lines are shown below:

Property and casualty other classes

	2011 Gross premium £m	Current maximum line size £m	2011 Average line size £m
Accident & health	28	3	1.2
Auto	27	3	0.5
Special risks	5	67	5.7

Notes:

- (1) Limits are set in US dollars converted to sterling at a rate of exchange of £1=US\$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.
- (2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.
- (3) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.

The accident and health class is written through medical expense schemes in the US and direct personal accident cover, or personal accident reinsurance, worldwide. Medical expense cover is subject to a high frequency of claim and significant medical cost inflation. Personal accident insurance and reinsurance could be impacted by a single or series of accidents to high value insured individuals or from a multiple death and injury event such as an air crash or natural catastrophe.

The auto class covers property damage only (fire, theft and collision) in the US and property damage and third party motor liability combined cover in other international territories. This class could be impacted by unexpected claim frequency, a multi vehicle event such as a severe flood and also large bodily injury award claims emanating from an accident.

The special risks class is made up of insurance of nuclear installations, contingency business and film finance risk.

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

A. (vi) Marine risks

The Division writes a broad account of marine risks with maximum lines as follows:

Marine classes

	2011 Gross premium £m	Current maximum line size £m	2011 Average line size £m
Hull	37	10	2.0
Cargo	29	17	4.6
Energy	64	25	4.6
War and terrorism	36	50	10.2
Specie	12	24	6.4
Bloodstock/ livestock	27	4	1.0
Yacht (hull and liability)	32	5	1.3
Liability	33	57	6.3

Notes:

- (1) Limits are set in US dollars converted at a rate of exchange of £1=US\$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.
- (2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.
- (3) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.

The hull and cargo account is worldwide, covering property damage to ships and loss, or damage, to a large variety of cargo or goods in transit. The hull account can include machinery breakdown and the portfolio written includes lower value tonnage, smaller 'brownwater' vessels and fishing boats as well as larger 'blue water' ocean hull risks such as cruise liners, tankers and bulk carriers. These accounts can be impacted by attritional claims of a small size as well as a single individual large claim. The cargo account in particular could also be involved in a major natural catastrophe loss. In an economic recession, it is expected that premium income will fall as trade reduces and hull values are impacted by reduced freight rates. It is also possible that claims frequency could increase due to increased economic pressures affecting fraud and theft claims.

The energy portfolio is mainly offshore rig and construction policies which may be impacted by large individual claims from construction fault or property damage such as fire or explosion, but is also exposed to severe catastrophe losses, for example in the North Sea and Gulf of Mexico. The account includes control of well to limit loss of oil and avoid pollution and also some business interruption cover which indemnifies companies for loss of production.

War business includes aviation, marine and on land terrorism coverage. The account is exposed to single incidents or a series of losses arising from concerted action. Political risk, confiscation and contract frustration business is also written.

Specie business consists of the insurance against damage or theft to fine art, the contents of vaults and other high value goods including jewellers' block and cash in transit. The fine art may be shown at exhibitions which have very high aggregate values at risk. The class is therefore exposed to the potential for a frequency of small claims and also large individual losses. Some specie is written in catastrophe zones e.g. California.

The bloodstock account provides coverage for death, illness or injury to horses mainly in the UK. Business from the US, Australia and South Africa is also written. This covers racing or eventing horses and breeding studs. The average value insured is below £1 million but there is the potential for an aggregate loss, such as a stable fire, which could cause multiple claims.

Crowe Livestock, a leading Lloyd's coverholder for the insurance of livestock writes a broad portfolio of protection for livestock and specialist products such as zoo animals, with a maximum line of any one policy of US\$10 million. The company also writes employers' liability cover for livestock business up to a limit of £10 million. Again, an event affecting several animals across many policies such as disease could result in a loss significantly higher than this.

Yacht business covers property damage and third party injury for small leisure boats and craft. The bulk of the account is smaller value yachts in the UK and Europe, although there are a number of binders written by coverholders elsewhere, such as Scandinavia, Canada and Australia. There is an expectation of a large number of small claims, as average values are low in comparison to other claims written in the Group. Third party liability yacht claims arise from injury or damage caused by one of our policyholders to third parties. There is also the potential for a large catastrophe loss such as a UK windstorm where there are large aggregate sums insured in coastal regions such as southern England. Following the acquisition of Lead Yacht in January 2011, the Group also writes a lead share of a portfolio of large private yachts.

The marine liability portfolio is written to protect ship-owners, harbours, charterers and energy companies against damage or injury to third parties. This includes the potential for pollution

damage and clean up claims. The account could suffer a large catastrophe incident from a collision causing death of crew and passengers or an oil, or chemical, spill which could incur large clean up costs.

A. (vii) Aviation risks

The Group, through Syndicate 2001, underwrites direct and facultative aviation business domiciled in most parts of the world. Maximum lines are as follows:

Aviation classes

	2011 Gross premium £m	Current maximum line size £m	2011 Average line size £m
Airline (hull & liability)	21	84	31.2
General aviation (hull & liability)	13	57	17.5
Risk excess (hull & liability)	6	57	11.8
Airports liability	9	57	28.8
Products	6	50	22.4
Space (hull & liability)	5	46	8.8

Notes:

- (1) Limits are set in US dollars converted at a rate of exchange of £1=US\$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.
- (2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda.
- (3) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.

The airline account is exposed to large claims arising from property damage, death or injury arising from aircraft accidents. The domicile of the airline and passengers has a notable influence on the cost of claims, for example US court awards are generally higher.

The general aviation account covers smaller aircraft or cargo and covers owners or operators, against loss or damage and third party injury. The risk excess account is a book of general aviation reinsurance business written to protect a small number of insurers against large general aviation claims.

Airport liability insurance covers airport operators, refuellers and air traffic controllers against losses arising from injury caused by their activities or occurring on their premises. Product liability covers manufacturers against accidents arising from faulty parts or equipment, or poor servicing of aircraft. Both airport and product liability coverage is written on a losses occurring basis meaning that claims advices can be made after the policy has expired. Space insurance covers property and liability during launch and the operation of

satellites whilst in orbit for a limited period, normally of one year.

The aviation account is subject to both small and large claims. Claims involving loss of life or serious injury to high earning passengers or third parties are subject to the ongoing inflation of court awards particularly in the US. Large accidents involving the potential death of 500 or more passengers are feasible and could potentially result in a gross claim to the business of more than the vertical reinsurance programme if, for example, two large aircraft were to collide. Space losses are generally large single claim amounts caused by launch failure or operational failure in orbit. The principal aviation accounts are protected by a reinsurance programme on both a risk sharing (proportional) and excess of loss basis. The Group reinsurance arrangements are discussed on page 50. The space account is written with risks shared with Amlin Bermuda but is not protected by excess of loss reinsurance.

B. Amlin UK

B. (i) Non motor risks Non motor classes

	2011 Gross premium £m	Current maximum line size £m	2011 Average line size £m
Employers' liability	14	27	9.9
Public/products liability	19	12	3.8
Professional indemnity	24	7	2.0
UK commercial property/package	115	52	0.5
Financial institutions fidelity and liability	5	6	1.9

Notes:

(1) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.

Amlin UK writes three classes of UK liability business. The vast majority of the business emanates from the UK with the balance mainly from Ireland and Canada.

Employers' liability insurance protects employers against accident or injury to employees. This is written on a losses occurring basis (covering events that occurred in the policy period even if they are not notified until after expiry) for limits up to £27 million per employer.

Public liability insurance provides coverage, often written in conjunction with employers' liability, for accident or injury occurring to clients, customers or another third party as a

result of contact with the insured's personnel, property or products. This is written on a losses occurring basis currently, for limits up to £12 million per assured.

Professional indemnity covers liability which may arise from services provided by the assured, for example as a result of negligence or error which may lead to financial or physical loss. This includes, but is not limited to, services from architects, engineers, surveyors, advertising firms, medical professionals and financial advisors and is written on a claims made basis (covering losses notified in the policy period). A proportion of this income is generated by a single coverholder, Manchester Underwriting Management, which is also developing a portfolio of product recall business which indemnifies producers against the costs of replacement production for specific goods.

Amlin UK package policies combine one or more of the liability coverages mainly employers' and public liability with motor and/or property damage protection. Stand alone property protection is also written within this class, mainly on a 100% basis for small and medium commercial and household properties.

In January 2011 the Group acquired JR Clare Underwriting Agencies Limited, a managing general agent specialising in UK household and commercial property insurance.

The property owners account has continued to develop since the recruitment of an underwriting team in June 2009 and through the hiring of a specialist high value homes underwriting team in December 2011. This portfolio is exposed to eastern European weather conditions whereby a large windstorm, flood or winter freeze could result in a large number of small claims.

Through AUA Insolvency Risk Services Ltd, an FSA registered broker, Amlin UK writes a portfolio of UK insolvency practitioners which provides protection against fraud or negligence committed by the practitioners and also protects the property assets under their management.

The Group also writes a small account of financial institutions policies covering fidelity, professional indemnity and directors' and officers' liability for companies providing financial services. The current maximum line is £6 million. Approximately half of the income is from western European financial institutions with the balance spread broadly by territory. Coverage is given on a claims made basis.

The expected claims costs from these lines of business may be impacted by larger than anticipated damage awards to injured parties

as well as due to an unforeseen increase in generic claims such as industrial disease or other health hazards. It is expected that claims frequency will increase during an economic downturn as unemployment leads to an increase in action against employers and people are more likely to seek redress for third party advice or behaviour which may have led to financial loss or injury. It is also possible that many claims could arise under many policies from a common cause such as financial advice or generic building defect. The financial institutions account could be affected by a major fraud or a series of related liability claims arising from banking, investment activity, stockbroking or other practices. The property portfolio could sustain a large loss from the effects of a UK windstorm or flood event.

B. (ii) UK motor insurance risks

The Division's motor insurance risk is predominantly UK business covering fire, theft, collision and third party property and bodily injury liability. 2011 gross premium was £127 million. Under the requirements of UK law third party liability coverage is unlimited, but matching reinsurance is purchased. The account is biased towards commercial clients such as coach operators, haulage companies, commercial vehicle fleets and company executive fleets. The Division leads facilities for fleets involved in the transportation of hazardous waste. A small UK agriculture facility, a taxi book and a specialist private car account are also written.

Claims frequency has improved in recent years due to car and road safety measures but can fluctuate due to factors such as weather conditions. UK inflation is a key factor in determining the size of motor claims. Car values affect the size of theft claims and for physical damage claims size is linked to repair costs. Inflationary pressure on court awards within the UK and Irish legal systems impacts liability claim values. Government intervention such as liability award limit changes or expense recoveries for government bodies, including the National Health Service, will also impact claim size. For the motor account, severe bodily injury and catastrophe damage claims (e.g. UK flood) are limited through the purchase of a reinsurance programme, the highest layer of which is unlimited.

Motor insurance is a highly competitive area of insurance and pricing levels fluctuate. Whilst underwriters accept business subject to sufficient rates per vehicle, in a year where there is an unexpectedly high level of claims the total premium may not be sufficient to cover all the claims. There is also a risk that legal changes impact bodily injury payments

Notes to the accounts continued

For the year ended 31 December 2011

and result in a requirement to increase reserves for outstanding claims.

3. Risk disclosures continued

C. Amlin France

In May 2010 Anglo French Underwriters SAS (AFU) and the French operations of Amlin Corporate Insurance N.V. (ACI) were merged to form Amlin France. Prior to the merger AFU was the foremost managing general agent serving Lloyd's in France and ACI had started to build a property and liability co-insurance business in France. The merger has created a business with increased critical mass with greater recognition in the French market.

Drawing business from a large network of brokers across France, Amlin France is able to offer a wide range of direct and facultative insurance products designed to respond to the needs of both individuals and corporate clients. Amlin France's business is situated predominantly in France.

Amlin France writes a diverse book of business on behalf of Syndicate 2001 including property, cargo, professional liability and specie through a network of more than 1,350 independent retail brokers. Although the vast majority of these risks have been written on behalf of Syndicate 2001 or ACI, there continue to be a limited number of policies which do not involve the Group. The portfolio consists of the following classes with maximum and average line sizes:

Amlin France classes

	2011 Gross Premium €m	Current Maximum line size €m	2011 Average Line Size €m
Property			
– Synd 2001	28	20	3.5
– ACI	28	50	19.8
Marine			
– Synd 2001	5	10	2.5
Specie			
– Synd 2001	4	3	0.2
Professional indemnity			
– Synd 2001	3	7	1.5
Liability			
– Synd 2001	<1	10	0.8
– ACI	3	25	10.0

Notes:

- (1) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.
- (2) Maximum line size is shown after facultative reinsurance.

In respect of property, Amlin France acts as both a leading underwriter and co-insurer for industrial high hazard risks providing material

damage insurance for the industrial and commercial premises of small and medium sized enterprises. Amlin France also provides a comprehensive package, including liability cover for discotheques, bowling alleys, restaurants, bars and casinos. Perils offered include fire, lightning and associated risks, electrical damage, water damage, storm, tempest, hail, snow and glass breakage. Optional coverages include business interruption, indirect losses, theft from individuals and theft from break-ins. Building insurance is also offered for owners who are not occupiers.

In the marine class, Amlin France provides yacht insurance which includes cover for damage, theft and liability as well as for the costs of marine assistance and marine personal accident. Worldwide stock and transit insurance is also provided with All Risks coverage granted on a start to finish basis from the point of supplier to the point of delivery. Transit cover includes all periods when the goods are stocked, in whatever location and without any break in coverage.

Jeweller's block cover is provided for high value contents. All risks coverage is given for stock within the premises, including for break-in, hold-up, fire and water damage. Cover is also given for commercial retail premises such as gunsmiths, perfume and clothing shops and art galleries, including damage caused to art while on show at exhibitions and damage to art kept in private residences. A comprehensive multi-risk product is provided for retailers which includes an extension for fire and water damage within the premises, liability coverage and the preservation of goodwill or business interruption following a loss.

Professional indemnity and financial guarantee insurance is provided to insurance and banking intermediaries as well as financial advisers, real estate agents and financial and investment consultants. This is a multi-layered package which responds to the particular needs of several regulated professions which may require differing types of cover.

Amlin France also offers insurance for events, including cancellation cover, organisers' liability, all risks exhibition cover and all risks coverage on equipment belonging to, hired by or installed by the assured. Amlin France also provides personal accident insurance for professions involving risk and the practice of sporting activities which are deemed hazardous.

For ACI, Amlin France writes a portfolio of large property and liability risks. The property book is mostly written on a co-insurance basis for commercial or industrial premises. The liability

account provides general liability coverage for French industrial and commercial enterprises.

D. Amlin AG

In October 2010 the Group re-domiciled its wholly-owned subsidiary, Amlin Bermuda Ltd, from Bermuda to Switzerland following approval from the Swiss Financial Market Authority and the Bermuda Monetary Authority. The Zurich-based underwriting business (trading as Amlin Re Europe) writes all major non-life reinsurance classes. Amlin Bermuda Ltd, which was established in December 2005, has become a Bermuda-based branch of Amlin AG.

D. (i). Amlin Re Europe

	2011 Gross premium €m	Current maximum line size €m	2011 Average line size €m
Property	42	20	2.2
Engineering	14	20	1.5
Liability	27	20	1.2
Marine	3	20	0.9
Motor (limited)	36	20	6.7
Personal accident	2	20	1.5
Terrorism	1	20	5.3
Credit	<1	5	1.5

Notes:

- (1) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.
- (2) Lines are per programme.

The Zurich portfolio consists of both direct and intermediary produced business from Europe, Israel and a few other countries in Africa and the Middle East.

The book of business is predominantly treaty reinsurance with an emphasis on liability classes.

The motor portfolio is written on a proportional and excess of loss basis and is at risk from increases in frequency or severity of motor accident claims, bodily injury or third party property claims payments which may take several years to settle. Unlimited and limited motor business is written. Whilst the original premium and the investment income generated are expected to be more than sufficient to meet such claims, there is no guarantee that this will be the case, particularly due to inflation or super imposed inflation from changes to court awards. The aim is to diversify the portfolio across several territories in order to reduce the impact of a single legal jurisdiction changing claims policy.

The general third party liability book is mainly excess of loss reinsurance and protects companies against significant public or

products liability claims. The liability account also includes some professional liability reinsurance. Again this business is long-tail in nature.

The Zurich office also writes both property risk and catastrophe excess of loss business and a book of property proportional treaties. This portfolio is subject to European windstorm and flood events as well as earthquakes in zones such as Israel, Turkey, Italy and Portugal. A retrocessional reinsurance programme is purchased as discussed on page 50.

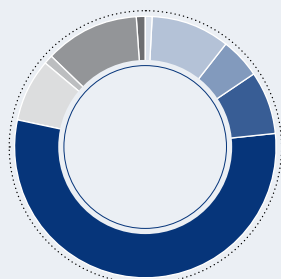
In 2011, through the appointment of a specialist underwriter, the construction and engineering portfolio was expanded. This provides property and liability reinsurance cover for construction projects which may be of several years' duration.

Amlin Re Europe has written a marine excess of loss account which includes maritime exposures across the world. There is also a book of personal accident reinsurance and smaller portfolios of terrorism and credit business.

D (ii). Amlin Bermuda

The geographic spread of all Amlin Bermuda classes is shown below:

Gross premium by geography Amlin Bermuda



Africa	<1%	Oceania	8%
Asia	10%	South & Central America	1%
Caribbean	5%	UK	12%
Europe	8%	Other	<1%
North America	56%		

Notes:

(1) Geographical split only includes direct business.

Amlin Bermuda has continued to write a portfolio of reinsurance business on a direct basis and to reinsure part of the Syndicate 2001 portfolio. The direct written portfolio consists of the following classes with maximum line sizes:

Amlin Bermuda direct business risks

	2011 Gross Premium US\$m	Current Maximum line size US\$m	2011 Average Line Size US\$m
Catastrophe reinsurance (per programme)	328	75	7.9
Proportional reinsurance	89	13	1.6
Per risk property reinsurance (per programme)	72	13	3.2
Special risks	47	40	4.4
Marine reinsurance	4	75	10.6
Accident & health	2	10	3.7
Casualty	12	5	1.3

Notes:

(1) Premium is stated gross of acquisition costs and excludes adjustments in respect of prior periods.

Amlin Bermuda's direct business has strong similarities to the portfolio of the Reinsurance business unit of Amlin London. All of the business written emanates from London broker markets and is frequently seasoned business already underwritten by Syndicate 2001. Risk balance is provided by a whole account quota share of Syndicate 2001. This is further supplemented by a number of specific variable quota share treaties on short tail classes such as property and energy.

Property reinsurance is written through treaty arrangements on a proportional, individual risk excess of loss, or catastrophe excess of loss basis. The catastrophe reinsurance portfolio is the largest class of insurance risk written by Amlin Bermuda. Exposures to each programme are currently limited to US\$12.5 million per risk and US\$75 million any one catastrophe programme. Overall catastrophe loss limits are applied in relation to specific scenarios as an allocation of total Group tolerances. The current highest modelled loss is US\$239 million at 1 January 2011.

Since 2011 Amlin Bermuda has bought a more significant reinsurance programme as discussed on page 50.

The special risks account includes small premium classes mostly relating to terrorism reinsurance but also includes nuclear, short-term trade credit and contingency which is written in all parts of the world. In 2010 the portfolio of special risks was expanded to include Trade Credit reinsurance which covers companies against the non-payment of monies due as goods or services from trade partners locally or overseas.

The accident and health class is written through medical expense schemes in the US and provides personal accident reinsurance worldwide. Personal accident reinsurance could be impacted by a single or series of accidents to high value insured individuals or from a multiple death and injury event such as an air crash or natural catastrophe.

The growth in the casualty class during 2011 reflects the appointment of a dedicated underwriter writing US casualty business, similar to the portfolio written by Syndicate 2001.

E. Amlin Corporate Insurance

In July 2009 Amlin acquired Fortis Corporate Insurance N.V., subsequently renamed Amlin Corporate Insurance N.V. (ACI), a leading commercial insurer operating in the Benelux. As described in Section C, ACI's French operation was merged with Amlin France in May 2010.

ACI writes four main classes of business; motor, liability, property and marine, mainly for commercial clients locally. Exposures are predominantly in Belgium, the Netherlands and France apart from marine transportation risks or where an insured has exposures overseas.

ACI classes

	2011 Gross Premium €m	Current Maximum line size €m	2011 Average Line Size €m
Property	81	50	4.5
Engineering	30	25	4.1
Hull	130	25	2.6
Cargo	136	25	1.3
P&I	62	50	18.9
Liability	95	13	2.3
Fleet Motor	46	unlimited	unlimited

Notes:

(1) This analysis excludes captive companies where there is little or minimum retention of risks.

(2) Maximum line size is shown after facultative reinsurance.

(3) Maximum line size for Builders risks and Yachts (both written in Hull) is €50 million.

(4) Premium excludes adjustments in respect of prior periods

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

ACI's property account is mainly large schedules of properties (e.g. for municipalities) written on a co-insurance basis in the Netherlands and larger commercial industrial clients in Belgium and France. The company is a leader in both territories. Overseas exposure is written mainly from the large commercial industrial portfolio where there are client operations overseas. The engineering book includes contractors all risks, machinery breakdown and some computer equipment.

The marine portfolio covers general cargo, a large commodities book for Belgian and French trading corporations, hull, land equipment, shipbuilders' risk (where ACI are a recognised market leader), inland hull and large yachts. This portfolio is being re-underwritten due to high loss ratios in some sub-classes and the mix of business is therefore likely to change.

ACI also underwrites a range of marine products via an agency agreement with RaetsMarine including marine liability, cargo and hull.

The non-marine liability portfolio in the Netherlands is professional indemnity and general liability written on a claims-made basis, particularly for property related professions and miscellaneous professions such as travel operators. In Belgium, ACI are a recognised leader in medical liability and general liability is written on a losses occurring form.

Across the portfolio maximum and average line sizes are higher for ACI than those written in Amlin London. This reflects the leading position of the company in the local industrial, commercial and marine markets. Furthermore, there is limited aggregation between this portfolio and catastrophe reinsurance business written elsewhere in the Group and ACI's book is protected by reinsurance on a per risk and catastrophe excess of loss basis.

The commercial motor account is comprised of domestic company fleets including a large leasing and rental fleets portfolio written in the Netherlands and a smaller portfolio in Belgium. Over 70% of the account is cars, vans or commercial vehicles.

Captive business is written in Belgium as fronting for captive reinsurers of large industrial companies. ACI retain small amounts of these risks but receive a fronting fee. Analysis is carried out on captives to manage potential credit risk.

Reinsurance arrangements

Syndicate 2001 purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks, notably for aviation and large property risks. A part of the premium ceded under such facilities is placed with Amlin Bermuda and a separate proportional facility protects the excess of loss reinsurance portfolio through a Special Purpose Syndicate at Lloyd's, Syndicate 6106. Syndicate 2001 also purchases a number of excess of loss reinsurances to protect itself from severe frequency or size of losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

On large risks, individual facultative reinsurance may be bought which protects against a loss to that specific risk.

Specific risk excess of loss reinsurance is purchased for each class of business. The amount of cover bought depends upon the line size written for each class. The deductibles or amounts borne prior to recovery vary from class to class as do the amounts of co-reinsurance or unplaced protection. Specific programmes are purchased to deal with large individual risk losses, such as fire or large energy losses, and these programmes may be combined at a higher level into a general programme for larger losses.

UK and French direct property business is protected by a European wind programme which also protects ACI's Dutch and French exposures.

The combined claims to Syndicate 2001 from several losses which aggregate in a single catastrophe event are protected by catastrophe cover. A separate excess of loss programme is purchased to protect the excess of loss reinsurance portfolio against such losses. Since 2006, the amount of excess of loss reinsurance purchased is lower and in 2011 first loss cover responded to losses exceeding US\$135 million. The 2012 programme has been restructured to provide first loss protection in excess of US\$60 million for international catastrophe losses. In addition, the combined aggregate and catastrophe protection has been renewed to provide lower level cover in the event of multiple losses to the portfolio.

For 2012 the excess of loss programme purchased by Amlin Bermuda has also been restructured to provide first event cover for international losses at a similar level to the London placement (deductibles vary slightly by territory and peril). Enhanced first event cover for US losses and additional vertical protection has also been purchased. In addition the

combined aggregate and catastrophe excess of loss protection has been renewed.

Amlin Re Europe places quota share and catastrophe excess of loss reinsurance to protect the property portfolio. Motor excess of loss protection is also purchased.

ACI buys a comprehensive programme for each class of business. Specific cover is placed for engineering, personal accident, motor, liability and energy. A general programme protects the remaining marine exposures. The property account is protected by both per risk and catastrophe excess of loss programmes with the latter additionally protecting European property business written by Amlin UK and Amlin France.

There is no guarantee that reinsurance coverage will be available to meet all potential loss circumstances as, for very severe catastrophe losses, it is possible that the full extent of the cover bought is not sufficient. Any loss amount which exceeds the programme would be retained by the Group. It is also possible that a dispute could arise with a reinsurer which reduces the recovery made. The reinsurance programme is bought to cover the expected claims arising on the original portfolio. However, it is possible for there to be a mismatch, or a gap in cover, which would result in a higher than expected retained loss.

Many parts of the programme also have limited reinstatements and therefore the number of claims which may be recovered from second or subsequent major losses is limited. It is possible for the programme to be exhausted by a series of losses in one annual period and it may not be possible to purchase additional reinsurance at all or for an acceptable price. This would result in the Group bearing higher losses from further events occurring. It should also be noted that the renewal date of the reinsurance programmes does not necessarily correspond to that of the business written. Where business is not protected by risk attaching reinsurance (which provides coverage for the duration of all the policies written) this reinsurance protection could expire resulting in an increase in possible loss retained by the Group if renewal of the programme is not achieved.

Realistic Disaster Scenario (RDS) analysis

The Group has a defined event risk tolerance which determines the maximum net loss that the Group intends to limit its exposure with respect to major modelled catastrophe event scenarios. Currently this is a maximum of £350 million for Group. The Group Catastrophe Risk team are responsible for aggregating potential scenarios and as at 1 January 2012 levels of exposure are significantly below the potential maximum tolerance, the largest, the Japanese Earthquake scenario being £314 million for the Group. At present the Group is not utilising the full extent of its risk tolerance.

These scenarios are extraordinary events – with an occurrence probability of less than 1 in 100 years estimated for the natural peril or elemental losses. The Group also adopts risk tolerance maximum net limits for a number of other non-elemental scenarios, including aviation collision and North Sea rig loss.

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include changes in rates of exchange, non renewal or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements.

A detailed analysis of catastrophe exposures is carried out every quarter and measured against risk tolerance. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Group by insureds and ceding companies. This may prove to be incomplete, inaccurate or could develop during the policy period;
- The exposures are modelled using a mixture of stochastic models and underwriter input to arrive at ‘damage factors’ – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors may prove to be inadequate;
- The reinsurance programme as purchased is applied – a provision for reinsurer counterparty failure is included in the analysis but may prove to be inadequate; and
- Reinstatement premiums both payable and receivable are included.

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate.

Furthermore, there could also be a loss which exceeds these figures. The likelihood of such a catastrophe is considered to be remote, but the

most severe scenarios modelled are simulated events and these simulations could prove to be unreliable.

Insurance liabilities and reinsurance assets: Calculation of incurred but not reported (IBNR) and claims development

The Group adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish reserves which are expected to be at least adequate and that there is consistency from year to year. Therefore, the level of reserves are set at a level above the actuarial ‘best estimate’ position. However, there is a risk that, due to unforeseen circumstances, the reserves carried are not sufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

Process and methodology

The reserving process commences with the proper recording and reporting of claims information which consists of paid and notified or outstanding claims. For the London market business information is received through Xchanging (the London market bureau) and, in the case of Amlin UK business, service companies, ACI, Amlin Bermuda and Amlin Re Europe, directly from brokers and policyholders. Claims records are maintained for each policy and class. For notified or outstanding claims, a case reserve is established based on the views of underwriting management and claims managers, using external legal or expert advice where appropriate. This reserve is expected to be sufficient to meet the claim payment when it is finally determined. For some classes of business, particularly liability business, settlement may be several years after the initial notification of the claim, as it may be subject to complexities or court action. For claims received from Xchanging, the market reserve is generally set by the lead underwriter, but there are circumstances on larger claims where the Group will post higher reserves than those notified.

To establish a provision for IBNR claims, the underwriting and claims teams in the UK, Bermuda, France and Switzerland use their experience and knowledge of the class of business to estimate the potential future development of each class for every underwriting year. ACI adopt a different approach with Group Actuarial producing a set of best estimate reserves to which local management add additional prudence based on their knowledge of the business. Statistics are used in all cases to fully recognise the different potential development of each class of business. The development period varies by class, by method of acceptance and is also determined by the

deductible of each policy written. For casualty business, the policy form will determine whether claims can be made on a claims made (as advised) or as a losses occurring (determined by date of loss) basis. This has a significant impact on the reporting period in which claims can be notified. In setting the IBNR provision estimates are made for the ultimate premium and ultimate gross claims value for each underwriting year. Allowance is then made for anticipated reinsurance recoveries to reach a net claim position. Reinsurance recoveries are calculated for outstanding and IBNR claims, sometimes through the use of historical recovery rates or statistical projections, and provisions are made as appropriate for bad debt or possible disputes. The component of ultimate IBNR provision estimates and reinsurance recoveries that relates to future events occurring to the existing portfolio is removed in order to reflect GAAP accounting practice.

To assist with the process of determining the reserves, triangulation statistics for each class are produced which show the historical development of premium, as well as paid and incurred losses, for each underwriting year, from inception to the date of review. ACI has similar statistics based on the date of premium receipt and claim advice rather than policy inception. Each class triangulation is also independently analysed by the internal actuarial team using actuarial software as appropriate. The aim of the actuarial exercise is to produce ‘best estimate’ ultimate premium and claims amounts which can be compared to, or used to produce, the figures proposed by divisional management. Amlin London, Amlin UK, Amlin France and ACI meetings are held in which executive management, actuarial staff and business management discuss claims issues and analyse the proposed and independently generated reserves to conclude the provision to be carried.

For Amlin Bermuda, which commenced underwriting in 2005, historical statistics for Syndicate 2001’s relevant classes of business have been used as a guide for actuarial review in addition to Amlin Bermuda’s own data and the review discussion is conducted in conference or by email correspondence. The review process for Amlin Re Europe is conducted in a similar manner.

Final reserve submissions are provided for the approval of Boards, as required.

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

Areas of uncertainty

The reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit before tax of a 1% improvement/deterioration in the total net claims reserves would be £26.6 million gain/loss (2010: £22.5 million).

Large loss case reserves are determined through careful analysis of the individual claim, often with the advice of legal advisers. Liability claims arising from events such as the 11 September 2001 terrorist attacks in the US are examples of cases where there continues to be some uncertainty over the eventual value of claims.

Property catastrophe claims, such as earthquake or hurricane losses, can take several months, or years, to develop as adjusters visit damaged property and agree claim valuations. Until all the claims are settled it requires an analysis of the area damaged, contracts exposed and the use of models to simulate the loss against the portfolio of exposure in order to arrive at an estimate of ultimate loss to the Group. There is uncertainty over the adequacy of information and modelling of major losses for a period of several months after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased inflation or a change in law.

The long tail liability classes, for which a large IBNR has to be established, represent the most difficult classes to reserve because claims are notified and settled several years after the expiry of the policy concerned. This is particularly the case for US liability written on a losses occurring basis.

The use of historical development data, adjusted for known changes to wordings or the claims environment, is fundamental to reserving these classes. It is used in conjunction with the advice of lawyers and third party claims adjusters on material single claims.

The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made.

The estimated premium income in respect of facility contracts, for example binding

authorities and lineslips, is deemed to be written in full at the inception of the contract and may turn out to be more or less than initially estimated.

Internal capital modelling of risk

To improve the Group's risk management capability, and assessment of capital requirements, Amlin has developed a stochastic model covering all entities of the Group. This enables standalone modelling for each entity as well as a consolidated Group total position. The output from the model includes a distribution of outcomes of all material risks, giving distributions for: reserves for prior written liabilities, investment performance, and new business underwriting performance. The result is a combined view of the expected best estimate mean profitability and the range of possibilities around it.

The model requires the input of a large number of explicit parameters. Those inputs are based on many different sources of information including detailed historical data on premium and claims, forecast income and exposures, estimated rating levels and catastrophe loss data from proprietary models applied to the Group's portfolio. It enables projection of an estimated mean ultimate loss ratio and the distribution of results around it. The model explicitly recognises diversification credit, since class results are not all strongly correlated and thus individual classes are unlikely to all produce losses (or profits) in the same year. Due to the inherent uncertainty of predicting the key drivers of business performance, including in particular claims levels, any individual simulation of the model viewed in isolation cannot be relied upon as an accurate forecast. However, the output from many thousands of simulated results can provide a picture of the possible distribution of business results. This output is useful in developing an understanding of the losses which may be borne by the business at varying levels of probability.

There are a large number of uncertainties and difficulties in achieving accurate results from the model. Some of the key issues are:

- The model is based on a best estimate view of business volumes and rate expectations, which may not be borne out in practice;
- A significant change in the portfolio of business could result in the past not being a reliable guide to the future;
- Changing external environmental factors may not be assessed accurately;
- Model risk may be significant in such a complex and developing discipline;

- Key assumptions over levels of correlation between classes may over time prove to be incorrect; and
- Catastrophe model inputs, which estimate the severity and frequency of large catastrophes on the portfolio, may be incorrect.

The result reproduced in the table below represents the modelled loss sustained by the business from a single 1 in 200 bad year i.e. at the 0.5 percentile. This probability is the calculation benchmark required by the FSA and Lloyd's. However, it does not represent the level of capital required for the Group to support current and expected business levels, which should be considered over a longer period of modelling. Furthermore, the Group is required to carry higher levels of capital which are sufficient in the eyes of rating agencies and clients. This analysis includes the modelling of the Group.

2012 forecast	£m
Underwriting risk	(436)
Reserving risk	(240)
Credit (reinsurance counterparty risk)	(50)
Investment (market risk)	(20)
Liquidity risk	(3)
Operational risk	(28)
Currency risk	(43)
Diversified result	(820)

Notes:

- (1) All figures are based on business plan forecasts which are currently under review for changes in the trading environment, interest rate outlook and movements in rates of exchange.
- (2) These figures are derived from the Group DFA model and based on data as at the end of Q4 2011.
- (3) Capital has been allocated to risk categories using the Percentile Layer Capital Allocation approach. It should be recognised that allocating capital has a number of limitations and different allocations can be obtained by using alternative allocation approaches.
- (4) No dividend or tax is considered.
- (5) Investment (market) risk includes explicit modelling of currency risk.
- (6) Non-sterling amounts have been converted at market rates of exchange as at Q4 2011 (US\$1.55: CAN\$1.59: €1.20).
- (7) Figures include an allowance for investment returns generated on assets backing the insurance liabilities (i.e. discounting).
- (8) Investment income includes Group corporate (surplus) assets.
- (9) No credit has been taken for carried reserve margins.

Claims development

The tables below illustrate the development of the estimates of ultimate cumulative claims for the consolidated Group (excluding ACI), Amlin London, Amlin UK, Amlin France (excluding ACI France), Amlin Bermuda and Amlin Re Europe after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Tables for ACI, which include ACI France, have been constructed on an accident year basis. All tables are prepared excluding the effect of intra-group reinsurance arrangements and are prepared on an undiscounted basis. Non-sterling balances have been converted using 2011 exchange rates to aid comparability.

Group (excluding ACI)

Gross basis	2003	2004	2005	2006	2007	2008	2009	2010	2011
Underwriting year	£m	£m	£m	£m	£m	£m	£m	£m	£m
Current ultimate gross written premium	1,108.5	1,102.1	1,111.1	1,269.7	1,214.0	1,191.3	1,390.4	1,490.7	1,807.8
Current gross earned premium	1,108.5	1,102.1	1,111.1	1,269.7	1,214.0	1,191.3	1,390.4	1,432.3	974.7
Estimate of cumulative claims									
at end of underwriting year	632.3	729.3	1,016.3	610.5	642.9	898.4	703.5	912.1	1,204.0
One year later	503.3	721.1	1,054.0	504.8	566.1	758.9	671.6	1,263.7	
Two years later	428.3	681.8	1,017.9	481.5	516.4	728.6	645.2		
Three years later	407.4	654.2	982.8	455.8	501.9	726.4			
Four years later	401.1	639.2	965.5	444.7	495.6				
Five years later	392.1	634.8	945.0	442.8					
Six years later	380.5	632.2	944.0						
Seven years later	371.3	626.1							
Eight years later	363.8								
Cumulative payments	347.3	604.7	898.8	386.7	400.3	587.1	402.6	488.6	143.5
Estimated balance to pay	16.5	21.4	45.2	56.1	95.3	139.3	242.6	775.1	1,060.5

Net basis	2003	2004	2005	2006	2007	2008	2009	2010	2011
Underwriting year	£m	£m	£m	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims									
at end of underwriting year	528.9	586.3	624.4	554.8	575.7	738.8	633.9	820.3	1,025.2
One year later	419.2	533.4	611.6	451.1	511.7	632.2	601.5	1,075.7	
Two years later	357.6	491.7	590.4	438.2	466.7	598.6	579.5		
Three years later	338.3	471.0	561.6	415.1	453.8	599.2			
Four years later	330.0	453.9	548.6	403.9	446.9				
Five years later	322.1	448.4	528.3	401.8					
Six years later	312.7	441.8	525.8						
Seven years later	302.8	435.9							
Eight years later	297.9								
Cumulative payments	285.2	411.9	484.1	342.8	348.4	461.2	363.6	458.8	132.3
Estimated balance to pay	12.7	24.0	41.7	59.0	98.5	138.0	215.9	616.9	892.9

The Group's net aggregate reserve releases from all prior years amounted to £112.6 million (2010: £156.5 million). In part, this arises from the Group's reserving philosophy which aims to make the most recent years, with the greatest uncertainty of result, prudently reserved leaving a potential for subsequent release.

This differs from the £211.7 million increase in reserves stated in the claims development table above as the table above is on an underwriting year basis and the surpluses in this narrative are on an annually accounted basis. The table above excludes any net aggregate reserve releases from 2002 and prior years. Also the table above excludes ACI, which is accounted for on an accident year basis and for which net reserve releases are £6.6 million (2010: £43.4 million). The ACI table also excludes any net aggregate reserve releases from 2002 and prior years.

Further details on these reserve releases and other aspects of the underwriting performance are included in the Performance Section of this Annual Report.

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

Amlin London

Gross basis

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Current ultimate gross written premium	899.8	909.1	937.9	972.2	891.6	807.9	904.9	897.3	1,005.0
Current gross earned premium	899.8	909.1	937.9	972.2	891.6	807.9	904.9	868.3	534.6
Estimate of cumulative claims at end of underwriting year	486.6	602.4	900.4	463.6	468.5	624.8	453.9	536.4	658.8
One year later	372.7	608.1	941.5	372.7	407.6	517.2	423.9	730.6	
Two years later	325.1	576.4	913.8	349.3	366.4	475.2	388.7		
Three years later	309.9	561.8	892.4	334.2	352.7	476.2			
Four years later	303.4	551.3	875.1	325.9	347.8				
Five years later	303.9	546.9	864.2	321.6					
Six years later	299.8	542.3	859.9						
Seven years later	290.5	536.7							
Eight years later	285.0								
Cumulative payments	272.2	517.6	824.4	289.3	296.7	410.4	250.8	275.7	88.9
Estimated balance to pay	12.8	19.1	35.5	32.3	51.1	65.8	137.9	454.9	569.9

Net basis

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Estimate of cumulative claims at end of underwriting year	402.4	474.9	519.7	416.1	408.1	479.1	391.3	452.9	512.3
One year later	308.8	430.8	509.7	327.3	363.8	405.1	363.0	582.2	
Two years later	264.7	397.6	492.2	312.4	327.8	359.7	331.5		
Three years later	249.5	382.3	472.7	299.0	313.4	361.2			
Four years later	241.0	369.5	459.7	288.1	308.8				
Five years later	241.0	364.0	449.0	284.2					
Six years later	237.6	358.8	445.9						
Seven years later	228.4	353.4							
Eight years later	225.5								
Cumulative payments	215.8	338.8	414.8	251.9	252.6	285.6	213.6	245.9	77.8
Estimated balance to pay	9.7	14.6	31.1	32.3	56.2	75.6	117.9	336.3	434.5

Note: In the tables above, the increase on claims in the 2010 underwriting year is due to catastrophe losses incurred during 2011.

Amlin UK**Gross basis**

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Current ultimate gross written premium	208.7	193.0	172.0	151.8	147.5	160.0	210.9	259.4	316.2
Current gross earned premium	208.7	193.0	172.0	151.8	147.5	160.0	210.9	241.3	134.3
Estimate of cumulative claims at end of underwriting year	145.7	126.9	115.9	103.4	102.2	118.4	137.8	168.7	199.4
One year later	130.6	113.0	111.8	107.3	103.5	124.7	151.8	178.0	
Two years later	103.2	105.4	103.7	102.8	103.9	127.3	157.2		
Three years later	97.5	92.4	90.1	95.4	104.9	127.0			
Four years later	97.7	87.9	90.1	93.3	104.8				
Five years later	88.2	87.9	80.5	95.8					
Six years later	80.7	89.9	83.8						
Seven years later	80.8	89.4							
Eight years later	78.8								
Cumulative payments	75.1	87.1	74.1	73.2	67.8	64.9	82.3	69.0	18.6
Estimated balance to pay	3.7	2.3	9.7	22.6	37.0	62.1	74.9	109.0	180.8

Net basis

Underwriting year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Estimate of cumulative claims at end of underwriting year	126.5	111.4	104.7	95.2	95.4	104.5	130.8	160.4	192.5
One year later	110.4	102.6	101.2	99.0	92.9	111.1	142.6	169.8	
Two years later	92.9	94.1	97.8	96.4	91.8	112.8	149.5		
Three years later	88.8	88.7	88.6	89.9	96.1	114.8			
Four years later	89.0	84.4	88.6	90.3	95.1				
Five years later	81.1	84.4	79.0	92.2					
Six years later	75.1	83.0	79.6						
Seven years later	74.4	82.5							
Eight years later	72.4								
Cumulative payments	69.4	73.1	69.0	66.7	60.0	63.8	80.5	69.0	18.6
Estimated balance to pay	3.0	9.4	10.6	25.5	35.1	51.0	69.0	100.8	173.9

Note: In the tables above, on the 2010 underwriting year, the ultimate gross written premium recognised on the binder business was increased during 2011. This also resulted in an increase in associated claims.

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

Amlin France (excluding ACI France)

Gross basis

Underwriting year	2008 £m	2009 £m	2010 £m	2011 £m
Current ultimate gross written premium	2.1	24.3	32.1	33.8
Current gross earned premium	2.1	24.3	32.4	26.4
Estimate of cumulative claims at end of underwriting year	0.0	13.3	21.4	22.1
One year later	0.4	15.0	19.0	
Two years later	0.4	14.8		
Three years later	0.4			
Cumulative payments	0.3	13.4	13.0	2.7
Estimated balance to pay	0.1	1.4	6.0	19.4

Net basis

Underwriting year	2008 £m	2009 £m	2010 £m	2011 £m
Estimate of cumulative claims at end of underwriting year	0.0	13.3	21.4	22.1
One year later	0.4	15.0	19.0	
Two years later	0.4	14.8		
Three years later	0.4			
Cumulative payments	0.3	13.4	13.0	2.7
Estimated balance to pay	0.1	1.4	6.0	19.4

Note: In the tables above, business written prior to the acquisition of Amlin France in 2008, ceded to Syndicate 2001, is included in the Amlin London table.

Amlin Bermuda

Gross basis

Underwriting year	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Current ultimate gross written premium	1.2	145.7	174.9	221.3	250.3	299.2	350.1
Current gross earned premium	1.2	145.7	174.9	221.3	250.3	287.9	224.9
Estimate of cumulative claims at end of underwriting year	0.0	43.5	72.2	155.2	98.5	183.5	253.5
One year later	0.7	24.8	55.0	116.6	80.9	333.9	
Two years later	0.4	29.4	47.1	125.7	84.5		
Three years later	0.3	26.2	44.3	122.8			
Four years later	0.3	25.5	43.0				
Five years later	0.3	25.4					
Six years later	0.3						
Cumulative payments	0.3	24.2	35.8	111.5	56.1	130.4	31.6
Estimated balance to pay	0.0	1.2	7.2	11.3	28.4	203.5	221.9

Net basis

Underwriting year	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Estimate of cumulative claims at end of underwriting year	0.0	43.5	72.2	155.2	98.5	183.5	230.2
One year later	0.7	24.8	55.0	116.6	80.9	302.5	
Two years later	0.4	29.4	47.1	125.7	83.7		
Three years later	0.3	26.2	44.3	122.8			
Four years later	0.3	25.5	43.0				
Five years later	0.3	25.4					
Six years later	0.3						
Cumulative payments	0.3	24.2	35.8	111.5	56.1	130.4	31.6
Estimated balance to pay	0.0	1.2	7.2	11.3	27.6	172.1	198.6

Note: In the tables above, the increase in claims on the 2010 underwriting year is due to catastrophe losses incurred during 2011.

Amlin Re Europe**Gross basis**

Underwriting year	2010 £m	2011 £m
Current ultimate gross written premium	2.7	102.7
Current gross earned premium	2.4	54.5
Estimate of cumulative claims at end of underwriting year	2.1	70.2
One year later	2.2	
Cumulative payments	0.5	1.7
Estimated balance to pay	1.7	68.5

Net basis

Underwriting year	2010 £m	2011 £m
Estimate of cumulative claims at end of underwriting year	2.1	68.1
One year later	2.2	
Cumulative payments	0.5	1.6
Estimated balance to pay	1.7	66.5

**Amlin Corporate Insurance
(including ACI France)****Gross basis**

Accident year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Current ultimate gross written premium	429.1	466.0	484.8	497.8	547.0	635.5	590.3	657.4	531.4
Current gross earned premium	423.9	457.0	484.4	493.3	526.5	617.1	618.9	569.0	562.3
Estimate of cumulative claims at end of accident year	215.8	234.2	258.4	294.0	326.8	525.8	418.7	416.3	418.1
One year later	244.8	268.5	357.5	307.7	340.2	516.3	429.6	490.1	
Two years later	231.5	249.4	343.0	308.3	364.9	507.4	430.1		
Three years later	227.6	244.7	326.7	295.3	354.2	508.2			
Four years later	220.0	236.1	318.0	292.5	343.4				
Five years later	217.8	211.8	310.9	290.4					
Six years later	217.0	210.1	309.0						
Seven years later	215.8	206.7							
Eight years later	213.4								
Cumulative payments	192.4	183.5	283.1	250.0	290.7	395.2	278.2	239.4	76.7
Estimated balance to pay	21.0	23.2	25.9	40.4	52.7	113.0	151.9	250.7	341.4

Net basis

Accident year	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m	2008 £m	2009 £m	2010 £m	2011 £m
Estimate of cumulative claims at end of accident year	181.5	175.0	210.2	240.3	287.9	404.1	389.6	382.1	372.6
One year later	194.1	203.0	226.2	254.5	287.7	401.4	401.7	428.8	
Two years later	183.8	188.2	209.7	248.4	298.5	392.5	407.1		
Three years later	180.0	183.7	196.0	243.3	279.9	380.7			
Four years later	168.4	173.2	193.2	236.6	263.3				
Five years later	166.4	170.3	184.3	233.5					
Six years later	165.5	174.5	180.4						
Seven years later	156.9	170.4							
Eight years later	154.8								
Cumulative payments	138.5	151.3	160.5	203.4	231.2	300.1	250.6	225.3	67.7
Estimated balance to pay	16.3	19.1	19.9	30.1	32.1	80.6	156.5	203.5	304.9

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

3.2 Financial investment risk

Market risk

Risk management

The following section describes the Group's investment risk management from a quantitative and qualitative perspective.

The Group has two main categories of assets:

Underwriting assets. These are premiums received and held to meet future insurance claims.

Capital assets. These are the capital required by the regulators to support the underwriting business plus working capital and surplus funds. Apart from the outstanding borrowings, these assets do not have specific current liabilities attached to them.

Investment governance

The Group manages its investments in accordance with investment frameworks that are set by the Boards of Amlin plc and its subsidiaries. These frameworks determine investment governance and the investment risk tolerance. They are reviewed on a regular basis to ensure that the Boards' fiduciary and regulatory responsibilities are being met. Day to day management of the investments is delegated to the Investment Management Executive or members of the relevant subsidiary's executive, who are advised by the Chief Investment Officer.

The Investment Management Executive comprises the Chief Executive, Group Finance Director and Chief Investment Officer, and meets at least quarterly to consider whether the strategic asset allocation and tactical asset allocation ranges are appropriate to optimise investment returns within the risk tolerances set by the Boards. Group Investments, led by the Chief Investment Officer, is responsible for tactical asset allocation and the appointment of external investment managers and custodians.

The Investment Advisory Panel, which consists of external investment professionals as well as members of the Investment Management Executive, meets quarterly. The Panel provides challenge to the Group's view of future economic activity and asset class performance. In addition, Group Compliance and external lawyers provide advice on investment regulations.

Risk tolerance

Investment risk tolerances are set by the Board of Amlin plc and its subsidiaries. The investment process is driven from the risk tolerance which is determined by reference to factors such as the underwriting cycle and the requirements of the capital providers. In a hard underwriting market capital preservation is paramount in order to support the insurance business and, therefore, the risk tolerance for the capital assets will be low. Conversely, the risk tolerance for the underwriting assets under these circumstances will be relatively high due to the strong cash flow. In a soft underwriting market the opposite applies.

Investment risk is independently monitored by the Risk Assessment and Monitoring department using a bespoke investment risk model. The Head of Investment Risk reports regularly to the Investment Management Executive and to the Group Risk Committee.

Strategic asset allocation

Each of the Group's principal subsidiaries has its own strategic asset allocations which are set according to its risk tolerance and liabilities.

The strategic asset allocation for capital assets are set by using a Value at Risk (VaR⁽¹⁾) model, to determine the optimum asset allocation for the current risk tolerance which ensures that appropriate solvency levels are maintained.

The expected timescale for future cash flows in each currency is calculated by the Group Actuarial team. The average durations are the neutral position for the strategic asset allocation for the policyholders' funds.

Tactical ranges around these strategic asset allocations provide flexibility to ensure that an appropriate risk/reward balance is maintained in changing investment markets.

Investment management

The investments are run on a multi-asset, multi-manager basis. Exposure to the asset classes is achieved using physical or derivative instruments and may be managed by Group Investments or by outsourced managers, on a segregated, pooled or commingled basis⁽²⁾. The manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers have discretion to manage the funds on a day to day basis within investment guidelines or prospectuses applicable to their funds that ensure that they comply with the investment frameworks. The managers performance, compliance and risk is monitored on an ongoing basis.

(1) VaR is a statistical measure, which calculates the possible loss over a year, in normal market conditions. As VaR estimates are based on historical market data this should not be viewed as an absolute gauge of the level of risk to the investments.

(2) Segregated funds are managed separately for the Group. Pooled funds are collective investment vehicles in which the Group and other investors purchase units. Commingled funds combine the assets of several clients.

The managers as at 31 December 2011 were as follows:

Manager	Asset class
Segregated funds	
Aberdeen Fund Management Ltd	US Dollar bonds
Artemis Investment Management LLP	Global equities
CB Richard Ellis Collective Investors Limited	Global property
Insight Investment Management (Global) Ltd	Sterling and Euro bonds
Townsend Group Europe Ltd	Global property
Veritas Asset Management (UK) Ltd	Active global equity
Wellington Management International Ltd	US and Canadian Dollar bonds
Pooled vehicles	
BlackRock Inc.	Sterling, Euro and US Dollar liquidity funds
BlueBay Asset Management Ltd	Euro bonds
BNP Paribas Investment Partners	Sterling, Euro and US Dollar liquidity funds
Citibank	NZD and AUD cash management
Goldman Sachs Asset Management International	Sterling, Euro and US Dollar liquidity funds and LIBOR plus fund
HSBC Asset Management	US Dollar and Euro liquidity funds; NZD and AUD cash management
H2O AM LLP	LIBOR plus funds
Insight Investment Management (Global) Ltd	Sterling liquidity fund
JP Morgan Asset Management	US Dollar liquidity funds
Leadenhall Capital Partners LLP	Insurance linked securities
PIMCO	Sterling and US Dollar bonds
Western Asset Management	US Dollar liquidity fund
Commingled funds	
Corporation of Lloyd's Treasury Services	US Dollar, Canadian Dollar, Australian Dollar, South African and Japanese bonds
Union Bank of Switzerland	Canadian and US Dollar liquidity funds

The funds under management with each manager are shown below:

	Aberdeen £m	Artemis £m	Black rock £m	BlueBay £m	BNP Paribas £m	CBRE £m	Citibank £m	Corporation of Lloyd's £m	Goldman Sachs £m	H2O £m	HSBC £m	ING £m
Total as at 31 December 2011	259.2	46.4	355.7	315.9	1.2	43.5	24.9	146.7	661.0	195.6	46.4	–
%	6.3	1.1	8.6	7.6	–	1.1	0.6	3.5	16.0	4.7	1.1	–
Total as at 31 December 2010	253.6	–	119.5	337.5	130.4	–	–	84.3	734.0	–	241.7	43.9
%	5.9	–	2.8	7.8	3.0	–	–	2.0	17.1	–	5.6	1.0
	Insight £m	JP Morgan £m	Leadenhall Capital £m	PIMCO £m	Townsend £m	THS £m	UBS £m	Veritas £m	Wellington £m	Western £m	Total £m	
Total as at 31 December 2011	672.5	190.4	75.4	417.7	85.7	–	47.8	169.5	353.9	25.1	4,134.5	
%	16.3	4.6	1.8	10.1	2.1	–	1.2	4.1	8.6	0.6	100.0	
Total as at 31 December 2010	776.6	54.1	74.9	605.6	30.7	244.9	27.3	130.0	390.4	20.8	4,300.2	
%	18.1	1.3	1.7	14.1	0.7	5.7	0.6	3.0	9.1	0.5	100.0	

Note: The table above excludes the Group's directly held securities of £44.5 million (2010: £25.4 million) comprising index linked bonds £24.7 million (2010: £20.3 million), insurance linked securities £7.5 million (2010: £3.3 million), unlisted equities £4.0 million (2010: £nil) and other liquid investments £8.3 million (2010: £1.8 million).

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

Asset allocation

The total value of investments in the following tables is reconciled to note 17 financial assets and liabilities as follows:

	2011 £m	2010 £m
Net financial investments per note 17	4,069.4	4,300.4
Assets/(liabilities) shown separately in the notes to the accounts:		
Accrued income	11.2	14.8
Net unsettled payables for investments purchased	(5.1)	(5.1)
Cash funds held by financial institutions	112.0	35.7
Assets not analysed in the investment asset allocation tables:		
Liquid investments	0.6	(10.3)
Unlisted equities	(0.2)	(9.0)
Margin and collateral relating to derivative instruments	(8.9)	(0.9)
Total investments in asset allocation tables below	4,179.0	4,325.6

The asset allocation of the Group's investments is set out below.

	31 December 2011				31 December 2010			
	Underwriting assets £m	Capital assets £m	Total assets £m	Total %	Underwriting assets £m	Capital assets £m	Total assets £m	Total %
Global equities	–	208.0	208.0	5.0	–	347.1	347.1	8.0
Bonds								
Government securities	543.8	215.4	759.2	18.2	513.6	211.3	724.9	16.8
Government index-linked securities	–	24.7	24.7	0.6	–	20.4	20.4	0.5
Government agencies/guaranteed	92.5	17.7	110.2	2.6	91.7	9.3	101.0	2.3
Supranational	13.8	3.5	17.3	0.4	41.6	–	41.6	1.0
Asset backed securities – Home equity	–	2.4	2.4	0.1	–	6.0	6.0	0.1
Asset backed securities – Autos	16.6	5.8	22.4	0.5	32.1	8.3	40.4	0.9
Asset backed securities – Cards	1.6	6.7	8.3	0.2	7.0	11.9	18.9	0.4
Asset backed securities – Other	10.8	6.2	17.0	0.4	6.1	1.0	7.1	0.2
Mortgage backed securities – Prime	58.9	101.3	160.2	3.8	105.5	42.9	148.4	3.4
Mortgage backed securities – Alt A	–	0.8	0.8	–	–	0.8	0.8	–
Corporate bonds – Asset backed	0.4	–	0.4	–	–	–	–	–
Corporate bonds – Basic resources/materials	–	3.0	3.0	0.1	–	3.7	3.7	0.1
Corporate bonds – Consumer goods	8.2	6.4	14.6	0.4	4.0	0.9	4.9	0.1
Corporate bonds – Consumer services	9.2	4.7	13.9	0.3	7.3	6.5	13.8	0.3
Corporate bonds – Financials	90.7	64.4	155.1	3.7	84.8	22.4	107.2	2.5
Corporate bonds – Healthcare	3.4	5.2	8.6	0.2	3.6	1.9	5.5	0.1
Corporate bonds – Industrials	9.5	7.6	17.1	0.4	9.0	6.4	15.4	0.4
Corporate bonds – Miscellaneous	0.9	0.8	1.7	–	0.7	–	0.7	–
Corporate bonds – Oil & Gas	9.6	10.3	19.9	0.5	7.8	7.4	15.2	0.3
Corporate bonds – Technology	5.0	1.4	6.4	0.2	6.0	0.9	6.9	0.2
Corporate bonds – Telecoms	4.9	4.3	9.2	0.2	3.7	3.2	6.9	0.2
Corporate bonds – Utilities	4.4	6.0	10.4	0.2	4.5	6.9	11.4	0.3
Pooled vehicles	940.0	408.7	1,348.7	32.3	943.7	579.8	1,523.5	35.2
Insurance linked securities	7.5	–	7.5	0.2	3.3	52.2	55.5	1.3
	1,831.7	907.3	2,739.0	65.5	1,876.0	1,004.1	2,880.1	66.6
Property funds	–	117.3	117.3	2.8	–	60.2	60.2	1.4
Other liquid investments								
Liquidity funds and other liquid investments	595.7	519.0	1,114.7	26.7	747.0	291.2	1,038.2	24.0
	2,427.4	1,751.6	4,179.0	100.0	2,623.0	1,702.6	4,325.6	100.0

Government agencies/guaranteed bonds at 31 December 2011 include £48.1 million of corporate bonds (2010: £42.2 million) and £1.3 million of mortgage backed securities (2010: £4.2 million).

Pooled vehicles held are represented by 24.6% government/agency bonds (2010: 31.8%), 24.0% corporate bonds (2010: 36.0%), 26.2% mortgage backed and asset backed securities (2010: 20.0%), 5.6% insurance linked securities (2010: nil) and 19.6% other liquid investments (2010: 12.2%).

The industry and geographical splits were as follows:

Industry	31 December 2011			31 December 2010		
	Corporate bonds %	Global equities %	Total %	Corporate bonds %	Global equities %	Total %
Asset backed securities	0.1	–	0.1	–	–	–
Oil & Gas	6.4	14.6	9.7	6.4	13.3	10.5
Basic materials	0.9	1.2	1.0	1.6	3.0	2.4
Industrials	5.4	8.3	6.5	6.5	10.0	8.6
Consumer goods and services	9.0	18.2	12.7	7.9	23.0	16.9
Healthcare	2.7	15.7	8.0	2.3	11.3	7.7
Miscellaneous	0.5	0.4	0.5	0.3	–	0.1
Government guaranteed	15.2	–	9.1	17.7	–	7.2
Mortgage backed securities	–	–	–	0.1	–	0.1
Telecommunications	3.0	15.2	7.9	2.9	15.3	10.2
Utilities	3.3	0.4	2.1	4.8	1.8	3.0
Financials	51.5	15.2	36.8	46.6	17.4	29.2
Technology	2.0	10.8	5.6	2.9	4.9	4.1
	100.0	100.0	100.0	100.0	100.0	100.0

Note: The table above excludes government bonds but includes £48.1 million (2010: £42.2 million) of corporate bonds with government guarantees and £1.3 million (2010: £4.2 million) of mortgage backed securities.

Region	31 December 2011			31 December 2010		
	Bonds %	Global equities %	Total %	Bonds %	Global equities %	Total %
United Kingdom	7.5	20.9	9.3	7.0	18.7	13.6
US and Canada	48.3	34.0	46.5	54.2	32.4	44.4
Europe (excluding United Kingdom)	36.7	21.7	34.7	35.7	33.3	32.0
Far East	6.6	14.7	7.7	2.2	10.4	8.6
Emerging markets	0.9	8.7	1.8	0.9	5.2	1.4
	100.0	100.0	100.0	100.0	100.0	100.0

Note: The table above includes all bond and equity investments.

Valuation risk

The Group's earnings are directly affected by changes in the valuations of the investments held in the portfolios. These valuations vary according to the movements in underlying markets. Factors affecting markets include changes in the economic and political environment, risk appetites, liquidity, interest rates and exchange rates. These factors have an impact on the Group's investments and are taken into consideration when setting strategic and tactical asset allocations. The price of holdings can also vary due to specific risks, such as the corporate strategy and companies' balance sheet structure, which may impact the value of individual equity and corporate bond holdings. This is mitigated by holding diversified portfolios.

Group assets are marked to market at bid price. Prices are supplied by the Group's custodians whose pricing processes are covered by their published annual audits. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources. These pricing sources use closing trades, or where more appropriate in illiquid markets, pricing models. These prices are reconciled to the fund managers' records to check for reasonableness. Mark to market valuations for over the counter derivatives are supplied by the custodian and checked to the relevant counterparty and Bloomberg. Property funds are based on the most recent price available, which in some instances may be a quarter in arrears. Where a property transaction has taken place the transaction price is used if it is the most recent price available.

As an additional check, where available, prices as at 31 December 2011 have been verified by the Group using available quoted prices on Bloomberg to verify that the prices used are a good estimation for fair value. As at 31 December 2011, a limited number of stale prices were identified, the overall value of which are considered immaterial. Further details on the fair value measurement of financial assets and financial liabilities are included in note 3.3.

The valuation of investments is sensitive to equity risk. The impact on profit before tax of a 1% improvement/deterioration in the total market value of shares and other variable yield securities would be a £2.0 million gain/loss (2010: £3.5 million). Sensitivities in relation to other risks are considered in the remainder of note 3.2.

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

Interest rate risk

Investors' expectations for interest rates will impact bond yields⁽³⁾. Therefore, the value of the Group's bond holdings is subject to fluctuation as bond yields rise and fall. If yields fall the capital value will rise, and visa versa. The sensitivity of the price of a bond is indicated by its duration⁽⁴⁾. The greater the duration of a security, the greater its possible price volatility. Typically, the longer the maturity of a bond the greater its duration. The maturity bands of the Group's bond holdings at year end are shown below.

	31 December 2011			31 December 2010		
	Underwriting assets £m	Capital assets £m	Total £m	Underwriting assets £m	Capital assets £m	Total £m
Less than 1 year	197.7	73.6	271.3	84.5	52.8	137.3
1-2 years	102.5	101.8	204.3	166.4	69.4	235.8
2-3 years	172.8	94.2	267.0	174.1	81.6	255.7
3-4 years	141.5	16.9	158.4	195.5	26.0	221.5
4-5 years	129.8	32.5	162.3	166.3	52.8	219.1
Over 5 years	147.3	179.7	327.0	145.5	89.5	235.0
	891.6	498.7	1,390.3	932.3	372.1	1,304.4

Note: The table above excludes pooled investments of £1,348.7 million (2010: £1,523.5 million).

The duration of underwriting assets is set with reference to the duration of the underlying liabilities. It should be noted that the liabilities are not currently discounted and therefore their value is not impacted by interest rate movements. Cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise and therefore capital values will fall.

The average durations of the bond and cash portfolios for the underwriting assets and associated insurance liabilities of Syndicate 2001, Amlin AG and Amlin Corporate Insurance N.V. (ACI) at year end were as follows:

Underwriting assets	31 December 2011		31 December 2010	
	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Sterling	0.4	3.5	1.4	3.9
US Dollars	1.2	2.7	0.9	1.9
Euro	0.9	3.2	1.9	4.7
Canadian Dollars	1.7	3.8	2.5	3.8

Note: The table above includes pooled investments.

The average duration of assets and liabilities in Japanese yen and New Zealand dollars are currently not separately modelled.

The asset durations above are calculated by the custodian. Some differences occur between custodian durations and those reported by the fund managers due to the use of different prepayment assumptions. Using fund manager calculations for 31 December 2011, the following asset year durations would result: sterling 0.4; US dollars 1.0; euro 0.9; and Canadian dollars 1.7. As an additional check, where available, durations as at 31 December 2011 have been verified by the Group using Bloomberg data. In all instances, the duration differences are within the ranges permitted by the investment guidelines. Liabilities durations are calculated by the Group actuarial team.

An indication of the potential sensitivity of the value of the bond and cash funds to changes in yield is shown below.

Shift in yield (basis points)	Syndicate 2001						Amlin AG		ACI		Net (reduction)/ increase in value £m	
	U/wtg Sterling %	U/wtg US\$ %	U/wtg CAN\$ %	U/wtg Euro %	U/wtg NZD %	U/wtg JPY %	Capital Sterling %	U/wtg %	Capital %	U/wtg %		Capital %
100	(1.4)	(3.1)	(2.0)	(1.2)	0.5	0.2	(0.7)	0.2	(1.9)	(2.2)	(1.0)	(58)
75	(1.0)	(2.3)	(1.5)	(0.5)	0.4	0.1	(0.5)	0.1	(1.5)	(1.7)	(0.7)	(41)
50	(0.7)	(1.6)	(1.0)	(0.3)	0.3	0.1	(0.3)	0.0	(1.0)	(1.2)	(0.5)	(28)
25	(0.3)	(0.8)	(0.5)	(0.2)	0.1	0.0	(0.2)	0.0	(0.5)	(0.7)	(0.3)	(15)
-25	0.3	0.8	0.5	0.2	(0.1)	(0.1)	0.2	(0.0)	0.5	0.7	0.3	15
-50	0.6	1.6	1.1	0.3	(0.3)	(0.3)	0.4	(0.0)	0.7	1.2	0.5	27
-75	1.0	2.3	1.6	0.5	(0.4)	(0.4)	0.6	(0.1)	1.0	1.6	0.7	38
-100	1.3	3.1	2.2	0.6	(0.5)	(0.5)	0.8	(0.2)	1.2	2.1	0.9	49

(3) The yield is the rate of return paid if a security is held to maturity. The calculation is based on the coupon rate, length of time to maturity and the market price. It assumes coupon interest paid over the life of the security is reinvested at the same rate.

(4) The duration is the weighted average maturity of the security's cash flows, where the present values of the cash flows serve as the weights.

Foreign exchange risk

The exposure to translation, revaluation and asset liability currency matching risk, combine to form the Group's overall exposure to foreign exchange risk. The Group's reporting currency is sterling and significant subsidiary functional currencies are sterling, euro and US dollar. The Group holds assets and liability balances in base currencies of sterling, euro, US dollar, Canadian dollars, New Zealand dollars and Japanese yen.

Translation risk

Foreign exchange translation risk exposure arises when business is written in non-functional currencies. These transactions are translated into the functional currency of the relevant Group entity at the prevailing spot rate once the premium is received. Consequently, there is exposure to currency movements between the exposure being written and the premium being converted. Payments in non-functional currencies are converted back into the policy currency at the time a claim is to be settled, therefore, the Group is exposed to exchange rate risk between the claim being made and the settlement being paid.

Revaluation risk

The Group is subject to revaluation risk as a result of the translation into the Group's sterling reporting currency of the balance sheets of the Group companies that have a non-sterling functional currency. At 31 December 2011 the material balance sheets that have a non-sterling functional currency were Amlin AG's Bermuda branch with net assets of US\$1,360.9 million, Amlin Corporate Insurance with net assets of €226.1 million and the Solo Absolute Bonds and Currency Fund with net assets of €234.8 million (2010: US\$1,573.9 million, €320.5 million and €nil respectively). Foreign exchange gains and losses on investments in overseas subsidiaries are recognised in other comprehensive income in accordance with IAS 21 'The effects of changes in foreign exchange rates'. The loss recognised in other comprehensive income for the year ended 31 December 2011 was £38.9 million (2010: £17.6 million gain). This reflects the movement in the US dollar rate from 1.56 at the start of the year to 1.55 at the balance sheet date and the movement in the euro rate from 1.17 at the start of the year to 1.20 at the balance sheet date. In order to mitigate the impact of these currency fluctuations, the Group adopts a policy of hedging up to 50% of the net currency exposure resulting from the net investments in these subsidiaries. For this purpose, the Group uses options that are accounted for as hedges of net investments in overseas subsidiaries, in accordance with the hedge accounting requirements of IAS 39. Consequently all realised and unrealised fair value gains and losses on the hedging instruments are taken to reserves to match the underlying movement in the valuation of the net investment in overseas subsidiaries, which includes applicable fair value adjustments and goodwill. At the year end, hedges were in place for US\$589.0 million (2010: US\$729.0 million) and €164.0 million (2010: €204.0 million). These were in the form of long sterling calls/US dollar puts funded by short sterling puts/US dollar calls and long sterling calls/euro puts funded by short sterling puts/euro calls. The net valuation of these trades was a £0.8 million liability (2010: £1.4 million asset) at the year end. The net realised and unrealised gain from hedging options recognised in reserves at the year end was £2.4 million (2010: £4.2 million loss).

In relation to revaluation of overseas subsidiaries, if the USD/GBP exchange rates were to improve by 10%, this would result in a decrease of £97.7 million in exchange loss recognised in other comprehensive income. This decrease would be offset by a valuation loss of £22.7 million on the designated portion of the hedging instruments. The same exchange rate deterioration would result in an additional £79.3 million exchange loss through consolidated reserves. This loss would be offset by a valuation gain of £14.0 million on the designated portion of the hedging instruments.

If the EUR/GBP exchange rate were to improve by 10%, this would result in a decrease of £84.0 million in exchange loss recognised in other comprehensive income. This decrease would be offset by a valuation loss of £6.4 million on the designated portion of the hedging instruments. The same exchange rate deterioration would result in an additional £3.9 million exchange loss through consolidated reserves. This loss would be offset by a valuation gain of £10.2 million on the designated portion of the hedging instruments.

Asset liability matching by currency risk

If a liability in a currency, other than the functional currencies of sterling, euro and US dollars, is considered to be sufficiently large following a major event, for example such as the 2010 and 2011 New Zealand earthquakes, that currency will be bought and held as a base currency to cover the potential liability.

Underwriting assets are held in the base currencies of sterling, euros, US dollars, Canadian dollars, New Zealand dollars and Japanese yen, which represent the majority of the Group's liabilities by currency, thus limiting the underwriting asset liability matching currency risk.

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

The Group's assets and liabilities by currency are presented in the table below:

Currency risk	31 December 2011						31 December 2010			
	Sterling	US\$	CAN\$	Euro	NZ\$	JPY	Sterling	US\$	CAN\$	Euro
Cash and cash equivalents	27.4	56.6	–	136.7	148.9	508.1	23.4	59.1	–	23.7
Financial assets	719.9	2,720.3	117.1	1,551.0	368.0	6,695.6	1,011.9	3,060.2	115.0	1,471.6
Reinsurance assets	(102.0)	899.3	17.8	198.8	35.0	104.2	(79.4)	513.2	15.4	207.8
Loans and receivables and deferred acquisition costs	208.7	972.8	37.5	374.0	55.8	744.6	178.7	897.0	28.1	346.6
Current income tax assets	1.2	15.5	2.5	1.2	–	–	(10.4)	14.8	1.5	1.4
Deferred tax assets	1.2	–	–	39.2	–	–	(0.5)	–	–	17.4
Property and equipment	13.7	2.7	–	5.4	–	–	8.3	0.4	–	4.6
Intangibles	130.3	–	–	106.0	–	–	170.7	–	–	16.1
Investment in associates and joint venture	8.3	–	–	–	–	–	2.2	–	–	–
Total assets	1,008.7	4,667.2	174.9	2,412.3	607.7	8,052.5	1,304.9	4,544.7	160.0	2,089.2
Insurance liabilities	724.6	2,797.1	103.0	1,489.2	655.1	13,478.7	589.1	2,552.0	91.7	1,468.5
Other payables	(24.7)	374.5	25.1	123.7	–	89.5	(4.0)	339.0	18.3	186.9
Financial liabilities	3.0	0.8	–	9.0	–	–	8.3	2.3	–	–
Current income tax liabilities	(4.3)	6.6	–	0.2	–	–	17.7	6.6	–	0.1
Borrowings	228.6	248.5	–	–	–	–	228.3	99.7	–	30.0
Retirement benefit obligations	10.2	–	–	24.8	–	–	–	–	–	17.7
Deferred tax liabilities	30.1	–	–	14.7	–	–	71.4	–	–	19.2
Total liabilities	967.5	3,427.5	128.1	1,661.6	655.1	13,568.2	910.8	2,999.6	110.0	1,722.4
Net assets/(liabilities)	41.2	1,239.7	46.8	750.7	(47.4)	(5,515.7)	394.1	1,545.1	50.0	366.8

Note: The table above includes New Zealand dollars and Japanese yen to reflect the increased liabilities denominated in these currencies in 2011.

If the base currencies were to deteriorate/improve by 10%, the movement in the monetary net underwriting assets and liabilities and borrowings of the Group, excluding overseas subsidiaries, would result in the following gains/(losses) in the Group income statement at 31 December 2011:

Currency	31 December 2011		31 December 2010	
	10% Deterioration £m	10% Improvement £m	10% Deterioration £m	10% Improvement £m
US Dollars	5.3	(3.3)	13.7	(12.5)
Canadian Dollars	5.3	(4.3)	1.0	(0.8)
Euro	10.1	(8.3)	3.9	(3.5)
New Zealand Dollars	17.8	(14.5)	–	–
Japanese Yen	3.2	(2.6)	–	–
	41.7	(33.0)	18.6	(16.8)

Further foreign exchange risk arises until non-sterling profits or losses are converted into sterling. Foreign exchange risk is mitigated by converting the subsidiaries' functional currency profits into the Groups reporting currency. Given the inherent volatility in some business classes, a cautious approach is adopted on the speed and level of sales, but the Group seeks to extinguish all currency risk on earned profit during the second year after the commencement of each underwriting year. This approach avoids the inherent dangers of 'lumpier' sales. It is not the intention to take speculative currency positions in order to make currency gains.

At 31 December 2011 the investment managers held some forward foreign exchange contracts in their portfolios to hedge non-base currency investments. These were transacted with banks with a short term rating of at least A1 and are marked to market in investment valuations.

Liquidity risk

It is important that the Group's companies can pay their obligations as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Group's assets, which may result in realising prices below fair value, especially in periods of below normal investment market liquidity.

The Group funds its insurance liabilities with a portfolio of cash and debt securities exposed to market risk. The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts as of 31 December 2011:

31 December 2011	No stated maturity £m	Contractual cash flows (undiscounted)				Carrying amount £m
		0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	
Financial assets						
Shares and other variable yield securities	207.5	0.5	–	–	–	208.0
Debt and other fixed income securities	1,348.7	286.6	633.3	360.7	150.1	2,739.0
Property funds	117.3	–	–	–	–	117.3
Liquidity funds and other liquid investments	1,112.1	6.1	–	–	–	1,118.2
Derivative financial instruments, net	(2.9)	–	(0.6)	–	–	(3.5)
Total	2,782.7	293.2	632.7	360.7	150.1	4,179.0
Insurance liabilities						
Expected cash flows (undiscounted)						
	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Insurance contracts	–	1,208.7	1,044.4	644.8	382.5	3,273.6
Less assets arising from reinsurance contracts held	–	(350.3)	(313.7)	(212.9)	(134.7)	(617.0)
Total	–	858.4	730.7	431.9	247.8	2,656.6
Difference in contractual cash flows	2,782.7	(565.2)	(98.0)	(71.2)	(97.7)	1,522.4

31 December 2010	No stated maturity £m	Contractual cash flows (undiscounted)				Carrying amount £m
		0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	
Financial assets						
Shares and other variable yield securities	346.5	0.6	–	–	–	347.1
Debt and other fixed income securities	1,575.8	231.4	580.3	439.7	139.2	2,880.1
Property funds	60.2	–	–	–	–	60.2
Liquidity funds and other liquid investments	1,033.6	(0.1)	–	–	–	1,033.5
Derivative financial instruments, net	4.7	–	–	–	–	4.7
Total	3,020.8	231.9	580.3	439.7	139.2	4,325.6
Insurance liabilities						
Expected cash flows (undiscounted)						
	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Insurance contracts	–	671.1	557.4	198.4	137.7	1,564.6
Less assets arising from reinsurance contracts held	–	(87.9)	(82.2)	(38.6)	(29.9)	(238.6)
Total	–	583.2	475.2	159.8	107.8	1,326.0
Difference in contractual cash flows	3,020.8	(351.3)	105.1	279.9	31.4	2,999.6

The expected cash flows and carrying amount for the ACI insurance liabilities, in respect of 2010, was not available and have not been included in the table above. The carrying amount of these liabilities was £922.8 million.

Liquidity, in the event of a major disaster, is tested regularly using internal cash flow forecasts and realistic disaster scenarios. In addition pre-arranged revolving credit facilities are available (note 31). If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the assets.

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For the year ended 31 December 2011

3. Risk disclosures continued

Credit risk

Credit risk is the risk that the Group becomes exposed to loss if a specific counterparty fails to perform its contractual obligations in a timely manner impacting the Group's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. The Group is exposed to credit risk in its investment portfolio and with its premium and reinsurance receivables. The table below shows the breakdown at 31 December 2011 of the exposure of the bond portfolio and insurance and reinsurance receivables by credit quality⁽⁵⁾.

31 December 2011	Debt securities		Liquidity funds		Insurance and reinsurance receivables		Reinsurers' share of outstanding claims	
	£m	%	£m	%	£m	%	£m	%
AAA	987.9	36.1	989.2	100.0	1.2	0.1	40.1	6.5
AA	1,104.8	40.3	–	–	11.7	1.3	190.7	30.9
A	516.9	18.9	–	–	82.2	8.8	324.9	52.7
BBB	31.3	1.1	–	–	0.2	–	0.5	–
Other	98.1	3.6	–	–	838.2	89.8	60.8	9.9
	2,739.0	100.0	989.2	100.0	933.5	100.0	617.0	100.0

Note: Other relates to non-rated and rated lower than BBB.

31 December 2010	Debt securities		Liquidity funds		Insurance and reinsurance receivables		Reinsurers' share of outstanding claims	
	£m	%	£m	%	£m	%	£m	%
AAA	1,060.8	36.8	988.3	100.0	–	–	1.1	0.3
AA	1,398.8	48.7	–	–	–	–	84.3	21.0
A	333.7	11.5	–	–	–	–	249.5	62.1
BBB	26.7	0.9	–	–	–	–	0.2	–
Other	60.1	2.1	–	–	777.0	100.0	66.6	16.6
	2,880.1	100.0	988.3	100.0	777.0	100.0	401.7	100.0

(5) Credit ratings on debt securities are State Street composite ratings based on Standard & Poor's, Moody's and Fitch, depending on which agency/agencies rate each bond.

Insurance and reinsurance

The table includes premium receivables, representing amounts due from policyholders. The quality of these receivables is not graded, but based on historical experience there is limited default risk relating to these amounts. Premium credit risk is managed through a number of controls that include broker approval, annual financial review and internal rating of brokers and regular monitoring of premium settlement performance.

Also included are reinsurance receivables, which represent the amounts due at 31 December 2011, as well as amounts expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned risks. These are stated net of provisions for bad and doubtful debts. The credit risk in respect of reinsurance receivables including reinsurers' share of outstanding claims is primarily managed by review and approval of reinsurance security by the Group's Reinsurance Security Committee, prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on the Group's own ratings for each reinsurer and Standard & Poor's ratings. The Group holds collateral from certain reinsurers including those that are non-rated. At 31 December 2011 the Group held collateral of £226.5 million (2010: £124.5 million) as security against potential default by reinsurance counterparties. Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The impact on profit before tax of a 1% variation in the reinsurance assets would be £6.7 million (2010: £4.4 million). The details of overdue reinsurance assets and insurance receivables are provided in notes 18 and 19.

Investments

As well as failure of a counterparty to perform its contractual obligations, the price of government and corporate bond holdings will be affected by investors' perception of a borrower's creditworthiness. Credit risk within the investment funds is managed through: restrictions on the exposures by credit rating, as determined by the rating agencies, the credit research carried out by the investment managers and by holding diversified portfolios. £21.0 million of bonds held at 31 December 2011 were subject to downgrades during the year (2010: £2.5 million).

The Group's largest non-government counterparty as at 31 December 2011, excluding liquidity funds, has an AA rating and is valued at £63.7 million (2010: £46.8 million). The investment comprises cash of £53.8 million (2010: £24.1 million), corporate bonds of £9.4 million (2010: £7.4 million), asset backed securities of £0.5 million (2010: £nil) and £nil mortgage backed securities (2010: £15.3 million).

The tables below show the credit rating of the Group's non-government bonds and the Group's exposure to sovereign debt.

Non-government bonds 31 December 2011	Total £m	AAA	AA	A	BBB	Other
Corporate – Financials	155.1	16.4%	39.3%	41.7%	2.6%	–
Corporate – Other	105.2	–	14.7%	60.8%	22.5%	2.0%
Mortgage backed securities	162.3	90.7%	4.8%	0.6%	0.1%	3.8%
Asset backed securities	50.1	83.8%	12.2%	1.0%	–	3.0%
Insurance linked securities	7.5	–	–	–	–	100.0%

Non-government bonds 31 December 2010	Total £m	AAA	AA	A	BBB	Other
Corporate – Financials	107.2	8.9%	41.8%	48.9%	0.4%	–
Corporate – Other	84.4	–	17.9%	58.2%	23.9%	–
Mortgage backed securities	153.4	90.3%	4.2%	0.4%	–	5.1%
Asset backed securities	72.4	82.3%	10.4%	3.4%	1.0%	2.9%
Insurance linked securities	55.5	–	–	–	–	100.0%

The table excludes £48.1 million (2010: £42.2 million) of corporate bonds with explicit government guarantees. The table includes £1.3 million (2010: £4.2 million) of government agency mortgage backed securities.

A breakdown of the Group's exposure to sovereign debt is set out below:

	2011 £m	2010 £m
Investments in sovereign debt		
US	433.7	507.3
Germany	316.0	314.5
Canada	60.8	–
Australia	45.6	–
UK	–	83.1
Netherlands	–	71.7
Other	191.1	283.7
Investments in sovereign debt issued by Italy, Republic of Ireland, Portugal, Spain and Greece		
Italy	62.7	13.6
Ireland	–	8.3
Portugal	–	2.0
Spain	52.6	1.8
Greece	–	2.9
	1,162.5	1,288.9

Sovereign debt is included in the asset allocation table under government securities, government index-linked securities, government agencies/guaranteed assets, supranational bonds and within the underlying holdings of pooled vehicles.

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

3.3 Fair value methodology

For financial instruments carried at fair value the Group has categorised the measurement basis into a fair value hierarchy as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level 2 – Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

Shares and other variable yield securities

Listed equities traded on a primary exchange are classified as Level 1. Unlisted equities are valued using internal models, based principally upon management's assumptions, and are classified as Level 3.

Debt and other fixed income securities

The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets.

Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1. This is typically the case for government bonds. Level 1 also includes exchange-traded bond funds, where fair value is based upon quoted market prices and the funds are actively traded. Where the market is inactive or the price is adjusted, but significant market observable inputs have been used by the pricing sources, then these are considered to be Level 2 inputs. This is typically the case for government agency debt, corporate debt, mortgage and asset backed securities and catastrophe bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Property funds

The fair value is based upon valuations provided by the fund manager. The inputs into that valuation are primarily unobservable and, as such, these assets are classified as Level 3.

Participation in investment pools

These are investment funds and the value is based upon unadjusted, quoted and executable prices provided by the fund manager. These are classified as Level 1, except where there is evidence these are not being actively traded at the fund manager's price.

Derivatives

Listed derivative contracts, such as futures, that are actively traded are valued using quoted prices from the relevant exchange and are classified as Level 1. Margin or collateral relating to derivatives are classified as Level 1. Over-the-counter currency options are valued by the counterparty using quantitative models with multiple market inputs. The market inputs are observable and the valuation can be validated through external sources. These are classified as Level 2. Certain derivatives for which prices or other market inputs are unobservable, are classified as Level 3. This is typically the case for catastrophe linked instruments.

	Fair Value Hierarchy			Total 2011 £m	Restated Fair Value Hierarchy			Total 2010 £m
	Level 1 £m	Level 2 £m	Level 3 £m		Level 1 £m	Level 2 £m	Level 3 £m	
Assets								
Financial assets held for trading at fair value through income								
Shares and other variable yield securities	204.0	–	–	204.0	347.2	–	–	347.2
Debt and other fixed income securities	2,122.2	615.8	0.6	2,738.6	2,268.1	597.4	20.5	2,886.0
Property funds	–	–	117.3	117.3	–	–	60.2	60.2
Derivative instruments	6.3	13.1	–	19.4	0.5	0.1	–	0.6
Other financial assets at fair value through income								
Participation in investment pools	1,000.2	–	–	1,000.2	987.4	–	–	987.4
Deposits with credit institutions	–	–	–	–	18.3	–	–	18.3
Other	1.1	–	1.6	2.7	–	0.9	5.7	6.6
Available for sale financial assets								
Unlisted equities	–	–	4.2	4.2	–	–	9.0	9.0
Other								
Derivative instruments in designated hedge accounting relationships	3.5	1.7	–	5.2	–	9.6	–	9.6
Total assets	3,337.3	630.6	123.7	4,091.6	3,621.5	608.0	95.4	4,324.9
Liabilities								
Financial liabilities held for trading at fair value through income								
Derivative instruments	(1.5)	(7.0)	–	(8.5)	(0.2)	–	(1.2)	(1.4)
Other								
Derivative instruments in designated hedge accounting relationships	–	(2.5)	–	(2.5)	–	(8.3)	–	(8.3)
Total liabilities	(1.5)	(9.5)	–	(11.0)	(0.2)	(8.3)	(1.2)	(9.7)
Net financial assets	3,335.8	621.1	123.7	4,080.6	3,621.3	599.7	94.2	4,315.2
Assets shown separately in the notes to the accounts								
Accrued income				(11.2)				(14.8)
Net financial investments (note 17)				4,069.4				4,300.4

Improvements have been made to the disclosure of 2010 comparative values for derivative financial instruments, previously included within other financial assets at fair value through income, in order to better reflect their classification under IFRS. There is no impact on the total value of derivative financial instruments and net financial assets at fair value at 31 December 2010.

Notes to the accounts continued

For the year ended 31 December 2011

3. Risk disclosures continued

The table below analyses the movements in assets and liabilities classified as Level 3 investments during 2011 calendar year:

	Debt and other fixed income securities £m	Property funds £m	Derivative instruments £m	Other £m	Unlisted equities £m	Total £m
At 1 January 2011	20.5	60.2	(1.2)	5.7	9.0	94.2
Total net gains/(losses) recognised in investment return in the income statement	–	4.5	–	–	(0.2)	4.3
Sales	–	(36.7)	–	(3.9)	–	(40.6)
Purchases	0.6	89.8	–	–	–	90.4
Assets of operation subject to deemed disposal	(20.6)	–	1.2	–	–	(19.4)
Investments recognised as associates	–	–	–	–	(4.6)	(4.6)
Foreign exchange gains/(losses)	0.1	(0.5)	–	(0.2)	–	(0.6)
At 31 December 2011	0.6	117.3	–	1.6	4.2	123.7
Total gains for the period included in income for assets and liabilities held at the end of the reporting period						4.3

A transfer of £26.0 million from Level 2 to Level 1 was made during the year relating to an investment fund within debt and other fixed income securities, as quoted prices became available. There were no significant transfers into or out of Level 3 during the year.

The table below analyses the movements in assets and liabilities classified as Level 3 investments during 2010 calendar year:

	Debt and other fixed income securities £m	Property funds £m	Derivative instruments £m	Other £m	Unlisted equities £m	Total £m
At 1 January 2010	6.2	125.7	–	8.5	8.9	149.3
Total net losses recognised in investment return in the income statement	(0.1)	(2.2)	–	–	–	(2.3)
Sales	(5.3)	(93.7)	–	(2.7)	–	(101.7)
Purchases	–	33.8	–	0.2	0.1	34.1
Assets of operation previously classified as held for sale	20.5	–	(1.2)	–	–	19.3
Transfers out of Level 3	(0.6)	–	–	–	–	(0.6)
Foreign exchange losses	(0.2)	(3.4)	–	(0.3)	–	(3.9)
At 31 December 2010	20.5	60.2	(1.2)	5.7	9.0	94.2
Total losses for the period included in income for assets and liabilities held at the end of the reporting period						(0.5)

The majority of the Group's investments are valued based on quoted market information or other observable market data. The Group holds 3.0% (2010: 2.2%) of its assets at a fair value based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions would not change the fair value significantly.

4. Segmental reporting

Management has determined the Group's operating segments based on the management information reviewed by the Board of Directors of the Company that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8, 'Operating segments'.

The Group is organised into seven operating segments. Segments represent the distinct units through which the Group is organised and managed. These segments are as follows:

- Amlin London, consisting of the Reinsurance, Property & Casualty, Marine and Aviation business units, underwritten via Syndicate 2001;
- Amlin UK, underwriting commercial insurance in the UK domestic market, via Syndicate 2001;
- Amlin France, which writes a diverse book of specialty business in France, via Syndicate 2001 and Amlin Corporate Insurance N.V.;
- Amlin Bermuda, which writes predominantly property reinsurance business, via Amlin AG, including reinsurance ceded by Syndicate 2001;
- Amlin Re Europe, which writes continental European non-life reinsurance business, via Amlin AG;
- Amlin Corporate Insurance, a leading provider of marine, corporate property and casualty insurance in the Netherlands and Belgium; and
- Other corporate companies, comprising all other entities of the Group including holding companies.

Included within the intra group items column are consolidation adjustments.

Amlin Re Europe was established in October 2010 to write Continental European non-life reinsurance business. The business written by Amlin Re Europe in 2010 was not material to the Group and was reported within the Amlin Bermuda segment in the annual financial statements. As a result of its increased contribution to the Group's financial position and performance in the current period, Amlin Re Europe has been identified as a separate reportable segment in accordance with IFRS 8. Additionally, to ensure continued consistency with the management information provided to the Board of Directors, each operating segment now includes the insurance intermediary and service entities, which generate income and expenses directly related to that respective segment, and intra-group commission income and certain operating expenses have been reclassified as acquisition costs and underwriting expenses respectively. Accordingly, the information for the year ended 31 December 2010 has been restated to reflect these changes.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with that in the income statement and revenues are allocated based on the country in which the insurance risk is located. Management considers its external customers to be the individual policyholders, and as such the Group is not reliant on any individual customer.

Notes to the accounts continued

For the year ended 31 December 2011

4. Segmental reporting continued

Segmental information provided to the Board of Directors of the Company for the reportable segments of the Group is as follows:

Income and expenses by business segment	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
Year ended 31 December 2011									
Analysed by geographic segment									
UK	151.2	283.2	–	220.0	9.0	–	–	(185.2)	478.2
North America	544.5	8.3	–	201.8	2.2	–	–	(0.7)	756.1
Europe	81.4	14.9	59.6	25.8	90.3	249.5	–	(0.9)	520.6
Worldwide	17.1	0.7	–	0.1	–	279.6	–	–	297.5
Other	160.7	5.3	–	79.8	5.9	–	–	–	251.7
Gross written premium	954.9	312.4	59.6	527.5	107.4	529.1	–	(186.8)	2,304.1
Net written premium	675.3	261.3	43.8	503.8	98.3	436.3	–	(5.6)	2,013.2
Gross earned premium	938.2	280.3	58.3	499.8	58.3	561.9	–	(173.6)	2,223.2
Reinsurance premium ceded	(268.7)	(49.1)	(14.7)	(21.2)	(7.4)	(105.7)	–	171.0	(295.8)
Net earned premium	669.5	231.2	43.6	478.6	50.9	456.2	–	(2.6)	1,927.4
Insurance claims and claims settlement expenses	(751.2)	(205.7)	(45.5)	(504.7)	(38.3)	(452.4)	–	128.2	(1,869.6)
Reinsurance recoveries	300.3	45.3	7.6	54.5	1.8	92.0	–	(131.3)	370.2
Expenses for the acquisition of insurance contracts	(172.1)	(52.8)	(6.9)	(66.5)	(7.6)	(85.0)	–	10.7	(380.2)
Underwriting expenses	(60.4)	(25.9)	(9.4)	(20.0)	(9.4)	(66.8)	–	(1.9)	(193.8)
Loss attributable to underwriting	(13.9)	(7.9)	(10.6)	(58.1)	(2.6)	(56.0)	–	3.1	(146.0)
Investment return	17.5	5.0	0.3	4.5	0.1	(15.4)	29.0	(0.5)	40.5
Other operating income ⁽¹⁾	24.8	6.4	1.5	0.6	–	0.4	11.2	(36.1)	8.8
Agency expenses ⁽²⁾	(20.2)	(5.3)	(0.7)	–	–	–	–	26.2	–
Other non-underwriting expenses	(0.6)	(0.2)	(0.3)	(4.4)	(1.9)	(25.9)	(49.0)	13.1	(69.2)
Result of operating activities	7.6	(2.0)	(9.8)	(57.4)	(4.4)	(96.9)	(8.8)	5.8	(165.9)
Finance costs ⁽³⁾									(27.8)
Share of loss after tax of associates and joint venture									(0.1)
Loss before taxation									(193.8)
Combined ratio	102%	103%	124%	112%	105%	112%			108%

Included within the gross written premium of Amlin Bermuda is premium ceded from Amlin London, Amlin UK and Amlin France amounting to £182.8 million on reinsurance contracts undertaken at commercial rates (2010: £153.4 million).

Investment return in other corporate companies includes £3.2 million loss (2010: £23.4 million gain) generated from investments in Funds at Lloyd's that support the business reported in the Amlin London, Amlin UK and Amlin France segments.

(1) Other operating income is mainly agency fees payable by Syndicate 2001 to Amlin Underwriting Limited and external commission income earned by service companies;

(2) Agency expenses allocated to segments represent fees and commission payable to Amlin Underwriting Limited;

(3) Finance costs are incurred in support of the entire business of the Group and have not been allocated to particular segments.

Assets and liabilities by business segment	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
At 31 December 2011									
Assets	2,160.3	476.0	85.4	1,846.8	101.8	1,583.9	3,519.6	(3,271.7)	6,502.1
Liabilities	(2,136.8)	(476.0)	(97.8)	(971.1)	(108.6)	(1,383.3)	(1,744.6)	1,836.5	(5,081.7)
Total net assets	23.5	–	(12.4)	875.7	(6.8)	200.6	1,775.0	(1,435.2)	1,420.4

Amlin AG consists of a Bermudian branch and a Zurich based underwriting unit, which are reported as Amlin Bermuda and Amlin Re Europe segments respectively, therefore the net assets for Amlin Bermuda and Amlin Re Europe should be analysed on a combined basis.

Other corporate companies' segmental assets include £563.1 million (2010: £416.3 million) of investments in Funds at Lloyd's that support the business reported in the Amlin London, Amlin UK and Amlin France segments.

Included in assets are the following:

At 31 December 2011	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
Investments in associates and joint venture	–	–	–	–	–	–	8.3	–	8.3
Additions to non-current assets	–	–	0.2	1.8	1.3	8.0	27.6	16.4	55.3

The Group's non-current assets, consisting of property and equipment and intangible assets, are £238.8 million (2010: £197.0 million) of which £214.7 million (2010: £181.9 million) is located in the UK and £24.1 million (2010: £15.1 million) is located in foreign countries such as Bermuda, the US, Continental Europe and Canada.

Depreciation has been charged on property and equipment for the year amounting to £5.3 million (2010: £3.5 million) of which £1.1 million (2010: £0.8 million) has been charged to Amlin London, £1.2 million (2010: £0.8 million) to Amlin UK, £0.1 to Amlin France (2010: £nil), £0.4 million to Amlin Bermuda (2010: £0.3 million), £0.3 million to Amlin Re Europe (2010: £nil), £1.7 million to Amlin Corporate Insurance (2010: £0.9 million) and £0.5 million to Other corporate companies (2010: £0.7 million).

No impairment losses in respect of intangible assets have been recognised during the year (2010: £nil).

Restated

Income and expenses by business segment

Year ended 31 December 2010

Analysed by geographic segment	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
UK	137.3	261.6	–	188.9	0.7	–	–	(152.9)	435.6
North America	489.7	7.0	–	177.0	–	–	–	–	673.7
Europe	93.4	18.9	48.6	24.7	2.0	289.5	–	–	477.1
Worldwide	12.5	0.7	–	–	–	367.1	–	–	380.3
Other	156.5	3.6	–	45.7	–	–	–	–	205.8
Gross written premium	889.4	291.8	48.6	436.3	2.7	656.6	–	(152.9)	2,172.5
Net written premium	641.1	240.2	39.5	417.2	2.7	558.3	(3.6)	14.9	1,910.3
Gross earned premium	882.6	232.5	46.0	428.9	0.5	567.5	–	(155.6)	2,002.4
Reinsurance premium ceded	(254.7)	(42.1)	(8.9)	(14.5)	–	(88.3)	(3.5)	157.7	(254.3)
Net earned premium	627.9	190.4	37.1	414.4	0.5	479.2	(3.5)	2.1	1,748.1
Insurance claims and claims settlement expenses	(427.0)	(148.8)	(25.7)	(266.6)	(0.4)	(410.0)	4.5	105.4	(1,168.6)
Reinsurance recoveries	152.1	26.9	3.8	–	–	46.6	(0.6)	(119.3)	109.5
Expenses for the acquisition of insurance contracts	(170.6)	(42.7)	(3.8)	(55.9)	(0.1)	(78.7)	–	12.7	(339.1)
Underwriting expenses	(58.8)	(20.2)	(10.9)	(17.3)	(2.1)	(56.7)	(2.2)	3.9	(164.3)
Profit attributable to underwriting	123.6	5.6	0.5	74.6	(2.1)	(19.6)	(1.8)	4.8	185.6
Investment return	36.8	18.5	–	41.4	–	54.0	101.4	(77.1)	175.0
Other operating income ⁽¹⁾	21.6	8.8	3.2	0.2	–	1.3	(4.5)	(24.9)	5.7
Agency expenses ⁽²⁾	(18.5)	(4.1)	(0.7)	–	–	–	–	23.3	–
Other non-underwriting expenses	(1.0)	(0.4)	(0.4)	(9.1)	(1.6)	(19.1)	(76.5)	28.4	(79.7)
Result of operating activities	162.5	28.4	2.6	107.1	(3.7)	16.6	18.6	(45.5)	286.6
Finance costs ⁽³⁾									(27.4)
Profit before taxation									259.2
Combined ratio	80%	97%	99%	82%	520%	104%			89%

(1) Other operating income is mainly agency fees payable by Syndicate 2001 to Amlin Underwriting Limited and external commission income earned by service companies;

(2) Agency expenses allocated to segments represent fees and commission payable to Amlin Underwriting Limited;

(3) Finance costs are incurred in support of the entire business of the Group and have not been allocated to particular segments.

Notes to the accounts continued

For the year ended 31 December 2011

4. Segmental reporting continued

Restated

Assets and liabilities by business segment

At 31 December 2010

	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
Assets	1,859.9	522.1	54.4	1,675.4	6.2	1,720.3	3,443.8	(3,167.5)	6,114.6
Liabilities	(1,626.4)	(502.7)	(53.4)	(595.1)	(9.2)	(1,440.7)	(2,035.7)	1,878.5	(4,384.7)
Total net assets	233.5	19.4	1.0	1,080.3	(3.0)	279.6	1,408.1	(1,289.0)	1,729.9

Included in assets are the following:

	Amlin London £m	Amlin UK £m	Amlin France £m	Amlin Bermuda £m	Amlin Re Europe £m	Amlin Corporate Insurance £m	Other corporate companies £m	Intra group items £m	Total £m
At 31 December 2010									
Investments in associate and joint venture	–	–	–	–	–	–	2.2	–	2.2
Additions to non-current assets	–	–	–	0.2	–	9.8	13.5	–	23.5

5. Net earned premium

	2011 £m	2010 £m
Gross earned premium		
Gross written premium	2,304.1	2,172.5
Change in unearned premium provision	(80.9)	(170.1)
	2,223.2	2,002.4
Reinsurance premium ceded		
Reinsurance premium payable	(290.9)	(262.2)
Change in unearned reinsurance premium provision	(4.9)	7.9
	(295.8)	(254.3)
Net earned premium	1,927.4	1,748.1

6. Investment return

	2011 £m	2010 £m
Investment income		
– dividend income	12.2	5.8
– interest income	42.8	54.0
– cash and cash equivalents interest income	5.7	0.5
	60.7	60.3
Net realised gains/(losses) on assets held for trading		
– equity securities	12.8	(13.8)
– debt securities	29.2	64.0
– property funds	2.6	(22.9)
– derivative instruments	(8.7)	3.7
on assets classified as other than trading		
– participation in investment pools	2.4	–
	38.3	31.0
Net unrealised gains/(losses) on assets held for trading		
– equity securities	(29.4)	40.6
– debt securities	(35.1)	18.4
– property funds	1.7	20.1
– derivative instruments	4.1	(2.0)
on assets classified as other than trading		
– participation in investment pools	0.2	–
– assets of operations previously classified as held for sale	–	6.1
– liability to purchase non-controlling interest in Amlin France Holdings SAS	–	0.5
	(58.5)	83.7
	40.5	175.0

7. Net insurance claims

	2011 £m	2010 £m
Insurance claims and claims settlement expenses		
Current year insurance claims and claims settlement expenses	1,948.1	1,313.6
Reduced costs for prior period insurance claims	(78.5)	(145.0)
	1,869.6	1,168.6
Insurance claims and claims settlement expenses recoverable from reinsurers		
Current year insurance claims and claims settlement expenses recoverable from reinsurers	(336.1)	(98.0)
Additional costs for prior period claims recoverable from reinsurers	(34.1)	(11.5)
	(370.2)	(109.5)
Net insurance claims	1,499.4	1,059.1

8. Expenses for the acquisition of insurance contracts

	2011 £m	2010 £m
Expenses for the acquisition of insurance contracts	401.7	378.7
Changes in deferred expenses for the acquisition of insurance contracts	(21.5)	(39.6)
	380.2	339.1

Notes to the accounts continued

For the year ended 31 December 2011

9. Other operating expenses

	2011 £m	Restated 2010 £m
Expenses relating to underwriting		
Employee expenses, excluding employee incentives	95.1	88.7
Lloyd's expenses	18.3	17.7
Other administrative expenses	74.5	52.1
Underwriting exchange losses (note 15)	5.9	5.8
	193.8	164.3
Other expenses		
Employee expenses, excluding employee incentives	15.7	10.5
Employee incentives	9.5	27.7
Asset management fees	6.8	6.2
Other administrative expenses	16.1	12.2
ACI integration costs	16.8	16.6
Non-underwriting exchange losses (note 15)	4.3	6.5
	69.2	79.7
	263.0	244.0

Employee and other administrative expenses not relating to underwriting represent costs associated with the corporate activities of the Group.

As a result of changes to the Group's segmental information in note 4, comparative information has been restated to reflect the reclassification of insurance intermediary and service entities' employee and other administrative expenses, totalling £16.5 million, from non-underwriting to underwriting expenses. There is no impact on the total value of operating expenses in 2010.

10. Directors' remuneration

The aggregate remuneration of the directors of the Company, including amounts received from subsidiaries, was:

	2011 £m	Restated 2010 £m
Remuneration of executive directors	2.5	2.7
Remuneration of non-executive directors	0.6	0.6
Amounts (excluding equity settled share options and awards) receivable under long term incentive schemes	1.1	2.9
	4.2	6.2
Pension contributions	0.2	0.2
	4.4	6.4

Amendments have been made to the comparative information in respect of remuneration receivable by directors for their participation in the Group's long term incentive schemes in 2010.

Details of directors' remuneration and pension benefits, including those of the highest paid director, are included in the Remuneration Report in the Governance section of the Annual Report. Payments were made to both a defined benefit pension scheme and stakeholder defined contribution scheme for two (2010: one) executive directors and to stakeholder defined contribution schemes for two (2010: two) other executive directors.

11. Employee benefit expenses

The average number of persons employed by the Group, including individuals on fixed term contracts and directors, were:

	2011	Restated 2010
Underwriting divisions		
Underwriting, claims and reinsurance	672	631
Administration and support	371	336
Central functions		
Operations	258	193
Finance	152	117
Internal audit and compliance	16	12
	1,469	1,289

	2011	Restated 2010
By location		
UK	909	791
Bermuda	40	33
Continental Europe (excluding UK)	510	457
Singapore	10	7
US	–	1
	1,469	1,289

Comparative information for 2010 has been restated to reflect the use of average headcount figures instead of average full-time equivalents for Amlin Corporate Insurance N.V., to ensure consistency with the information reported by the rest of the Group.

The aggregate payroll costs incurred by Group companies are analysed as follows:

	2011 £m	2010 £m
Wages and salaries	114.6	93.6
Employee incentive and related social security costs	9.5	28.3
Equity settled share options and awards granted to directors and employees (note 28)	3.8	3.1
Social security costs	13.8	11.1
Pension costs – defined contribution schemes (note 32)	6.4	5.4
Pension costs – defined benefit schemes (note 32)	4.2	1.9
	152.3	143.4

12. Finance costs

	2011 £m	2010 £m
Letter of credit commission	2.2	2.1
Subordinated bond interest	20.3	21.7
Other similar charges	5.3	3.6
	27.8	27.4

13. Loss/profit before tax

Loss/profit before tax is stated after charging the following amounts:

	2011 £m	2010 £m
Depreciation		
– owned assets (note 21)	5.3	3.5
Amortisation (note 22)	4.9	5.5
Operating lease expenditure (note 35)	9.0	9.7
Foreign exchange losses (note 15)	10.2	12.3

Fees paid to the Group's auditors during the year are set out below:

	2011 £'000	2010 £'000
Amounts charged to the income statement		
Audit of the Group's annual accounts	255.5	266.5
Audit of subsidiary companies	1,081.6	730.7
Taxation advice	151.8	108.8
Market research	–	268.7
Other non-statutory fees	217.7	100.4
	1,706.6	1,475.1

Notes to the accounts continued

For the year ended 31 December 2011

14. Tax

	2011 £m	2010 £m
Current tax – current year		
Corporation tax	25.5	81.0
Foreign tax	4.8	3.6
Double tax relief	(3.2)	(3.0)
	27.1	81.6
Current tax – adjustments in respect of previous years		
Corporation tax	(15.9)	(10.9)
Deferred tax – current year		
Movement for the year	(61.9)	(38.8)
Deferred tax – adjustments in respect of previous years		
Movement for the year	10.4	7.9
Effect of reduced tax rate on opening net liability	(4.0)	(2.5)
	6.4	5.4
Taxes on income	(44.3)	37.3

In addition to the above, tax of £6.4 million (2010: £4.6 million) has been credited directly to other comprehensive income as follows:

	2011 £m	2010 £m
Current tax on gains/(losses) on revaluation of hedge instruments	0.1	(5.3)
Current tax on foreign exchange losses on translation of overseas operations	(2.0)	(2.1)
Deferred tax on defined benefit pension fund actuarial (losses)/gains	(4.5)	2.8
Taxes credited to other comprehensive income	(6.4)	(4.6)

In addition to the above, tax of £1.0 million (2010: £0.4 million) has been charged directly to reserves as follows:

	2011 £m	2010 £m
Deferred tax on employee share option scheme	1.0	0.4
Taxes charged to reserves	1.0	0.4

Underwriting profits and losses are recognised in the technical account on an annual accounting basis, recognising the results in the period in which they are earned. UK corporation tax on Syndicate 2001's underwriting result is charged in the period in which the underwriting profits are actually paid by the Syndicate to the corporate member subsidiary. This creates a deferred tax position.

Deferred tax is provided on the underwriting result with reference to the forecast ultimate result of each of the years of account. Where this is a taxable loss, deferred tax is only provided on the movement on that year of account to the extent that forecasts show that the taxable loss will be utilised in the foreseeable future. Deferred tax (before netting off) has been provided on the underwriting result for this accounting period of £10.5 million (2010: £68.9 million).

Reconciliation of tax expense

The UK standard rate of corporation tax is 26.5% (2010: 28.0%), whereas the tax charged for the year ended 31 December 2011 as a percentage of loss before tax is 22.9% (2010: 14.4%). The reasons for this difference are explained below:

	2011 £m	2011 %	2010 £m	2010 %
(Loss)/profit before tax	(193.8)		259.2	
Taxation on (loss)/profit on ordinary activities at the standard rate of corporation tax in the UK	(51.4)	26.5	72.6	28.0
Non-deductible or non-taxable items	4.1	(2.1)	(0.7)	(0.2)
Tax rate differences on overseas subsidiaries	10.9	(5.6)	(29.7)	(11.5)
Over provision in respect of prior periods	(5.5)	2.8	(3.0)	(1.2)
Irrecoverable overseas tax	1.6	(0.8)	0.6	0.3
Deferred tax rate change	(4.0)	2.1	(2.5)	(1.0)
Taxes on income	(44.3)	22.9	37.3	14.4

The Group's reinsurance subsidiary, Amlin Bermuda Ltd, was re-domiciled from Bermuda to Switzerland during 2010 and renamed Amlin AG. The company now operates in Switzerland as Amlin Re Europe, with the Bermudian business operating as a branch. The Group's tax provision for 2011 has been prepared on the basis that Amlin AG is non-UK resident for UK corporation tax purposes and is exempt from the UK controlled foreign company regime. The corporation tax rate for profits earned by the Bermudian branch of Amlin AG is currently nil% (2010: nil%). The combined rate which is applicable to profits arising for the Swiss operation only, of Swiss cantonal and federal taxes is 21.2% (2010: 21.2%)

Deferred tax has been provided for at the local tax rate in force when the temporary differences are expected to reverse. The tax rates used are:

- UK – 25.0% (2010: 27.0%);
- Netherlands – 25.0% (2010: 25.0%);
- Bermuda – nil% (2010: nil%); and
- Switzerland – 21.2% (2010: 21.2%).

The Budgets in June 2010 and March 2011 announced a change in the main rate of UK corporation tax. The UK tax rate applied for deferred tax purposes (25.0%) was enacted in July 2011. Further reductions in the UK corporation tax rate have been announced, which will ultimately reduce the corporation tax rate to 23.0%. These subsequent reductions have not yet been enacted or substantively enacted and therefore the rate at which deferred tax is provided remains 25.0% in accordance with IAS 12. The estimated impact of the reduction from 25.0% to 23.0% will be a reduction in the net deferred tax liability of £4.2 million (2010: £2.6 million).

The Group is subject to US tax on US underwriting profits. No provision has been made in respect of such tax arising in 2011 (2010: £nil) as any net provision is likely to be immaterial.

Deferred tax

The deferred tax asset is attributable to temporary differences arising on the following:

	Provisions for losses £m	Other provisions £m	Pension provisions £m	Other timing differences £m	Total £m
At 1 January 2010	0.2	5.7	6.5	16.7	29.1
Movements in the year	13.6	(4.8)	(6.5)	(16.7)	(14.4)
At 31 December 2010	13.8	0.9	–	–	14.7
Movement in the year	24.6	4.2	8.0	(24.6)	12.2
At 31 December 2011	38.4	5.1	8.0	(24.6)	26.9

The deferred tax liability is attributable to temporary differences arising on the following:

	Underwriting results £m	Unrealised capital gains £m	Syndicate capacity £m	Other timing differences £m	Intangibles £m	Total £m
At 1 January 2010	96.5	4.4	6.1	0.7	17.3	125.0
Movements in the year	(53.0)	9.3	0.8	8.3	(2.6)	(37.2)
At 31 December 2010	43.5	13.7	6.9	9.0	14.7	87.8
Movement in the year	(33.0)	(6.2)	(0.2)	(2.7)	(3.3)	(45.4)
At 31 December 2011	10.5	7.5	6.7	6.3	11.4	42.4

A deferred tax asset of £23.9 million (2010: £26.6 million liability settled) is expected to be recovered after more than 12 months from the balance sheet date.

Notes to the accounts continued

For the year ended 31 December 2011

15. Net foreign exchange losses

The Group recognised net foreign exchange losses of £10.2 million (2010: £12.3 million) in the income statement during the year.

The Group writes business in many currencies and although a large proportion of the Group's balance sheet assets and liabilities are matched, minimising the effect of movements in foreign exchange rates on the Group's result, it is not practical to match exactly all assets and liabilities in currency. Accounting standards also require that certain classes of assets and liabilities be translated at different rates (see foreign currency translation accounting policy).

Included within the Group's foreign exchange losses in the income statement are:

	2011 £m	2010 £m
Net losses on underwriting transactions and translation of underwriting assets and liabilities at closing rates	(5.9)	(5.8)
Underwriting exchange losses	(5.9)	(5.8)
Losses on long-term US dollar borrowings	(0.2)	(2.0)
Net losses on non-underwriting transactions and translation of non-underwriting assets and liabilities at closing rates	(4.1)	(4.5)
Non-underwriting exchange losses	(4.3)	(6.5)
	(10.2)	(12.3)

The above excludes foreign exchange gains/(losses) in relation to financial instruments measured at fair value through profit or loss.

In addition, the following exchange movements have been charged directly to other comprehensive income:

	2011 £m	2010 £m
(Losses)/gains on translation of overseas operations:		
– Amlin Bermuda	(0.2)	27.8
– Amlin Singapore	(0.3)	0.2
– Amlin France	0.1	0.2
– Amlin Corporate Insurance N.V.	(6.4)	(7.7)
– Amlin Re Europe	0.6	–
– Solo Absolute Bonds & Currency Fund	(30.5)	–
	(36.7)	20.5
Gains/(losses) on derivative instruments that hedge investments in overseas operations	2.4	(4.2)
Losses on translation of intangibles arising from investments in overseas operations	(2.2)	(2.9)
	(36.5)	13.4

16. Cash and cash equivalents

	2011 £m	2010 £m
Cash and cash in hand	132.9	66.9
Short-term deposits	123.5	14.6
	256.4	81.5

Cash and cash equivalents represent cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments that are subject to insignificant risk of changes in fair value.

17. Financial assets and financial liabilities

	At valuation 2011 £m	Restated At valuation 2010 £m	At cost 2011 £m	At cost 2010 £m
Assets				
Financial assets held for trading at fair value through income				
Shares and other variable yield securities	203.3	347.1	194.1	306.5
Debt and other fixed income securities	2,728.1	2,876.9	2,896.2	2,811.2
Property funds	117.3	60.2	120.0	64.7
Derivative instruments	19.4	4.8	4.9	5.2
Other financial assets at fair value through income				
Participation in investment pools	1,000.2	984.7	1,000.3	976.0
Deposits with credit institutions	–	9.8	–	9.5
Other	2.7	8.0	2.7	7.9
Available for sale financial assets				
Unlisted equities	4.2	9.0	4.0	9.0
Other				
Derivative instruments in designated hedge accounting relationships	5.2	9.6	–	–
Total financial assets	4,080.4	4,310.1	4,222.2	4,190.0
Liabilities				
Financial liability held for trading as fair value through income				
Derivative instruments	(8.5)	(1.4)	–	(1.3)
Other				
Derivative instruments in designated hedge accounting relationships	(2.5)	(8.3)	–	–
Total financial liabilities	(11.0)	(9.7)	–	(1.3)
Net financial assets	4,069.4	4,300.4	4,222.2	4,188.7

Debt and other fixed income securities include pooled funds, and other fixed income securities. The valuation of these funds is £1,348.7 million (2010: £1,523.5 million). Included in these funds at 31 December 2011 is £75.4 million (2010: £nil) in respect of the Leadenhall Value Insurance Linked Investments Fund and the Leadenhall Diversified Insurance Linked Investments Fund. The Group ceased to consolidate these funds with effect from 1 June 2011 and 2 August 2011 respectively, with additional external investment resulting in the disposal of the Group's controlling interests by way of dilution.

Participation in investment pools includes units held in money market funds.

The Group holds hedged and non-hedged derivatives. Hedged derivatives are designated at inception and qualify for hedge accounting under IAS 39. Non-hedged derivatives either do not qualify for hedge accounting or the option to hedge account has not been taken. Improvements have been made to the disclosure of 2010 comparative values for derivative financial instruments, previously included within other financial assets at fair value through income, in order to better reflect their classification under IFRS. There is no impact on the total value of derivative financial instruments and net financial assets at 31 December 2010.

Derivative instruments include margins and collateral of £10.9 million (2010: £1.2 million). Details are included in note 29.

The reconciliation of opening and closing financial investments is as follows:

	2011 £m	2010 £m
At 1 January	4,300.4	3,965.0
Exchange gains/(losses)	7.1	(47.0)
Net (sales)/purchases	(215.9)	214.1
Net realised gains on assets held for trading or other than trading	38.3	31.0
Net unrealised (losses)/gains on assets held for trading or other than trading	(58.5)	77.1
Net unrealised gains on assets designated as available for sale	0.2	–
Assets of operation previously classified as held for sale	–	64.4
Asset recognised as associate	(4.6)	–
Net realised and unrealised gains/(losses) on derivative instruments in designated hedge accounting relationships	2.4	(4.2)
At 31 December	4,069.4	4,300.4

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18. Insurance liabilities and reinsurance assets

	2011			2010		
	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m
Claims reserves						
At 1 January	2,631.9	383.1	2,248.8	2,431.4	421.1	2,010.3
Claims incurred during the current year	1,948.1	336.1	1,612.0	1,313.6	98.0	1,215.6
Movements arising from prior year claims	(78.5)	34.1	(112.6)	(145.0)	11.5	(156.5)
Claims paid during the year	(1,234.1)	(119.3)	(1,114.8)	(977.3)	(147.0)	(830.3)
Novation of liability	–	–	–	(2.0)	(0.4)	(1.6)
Accretion of fair value adjustment	4.8	0.8	4.0	4.0	0.7	3.3
Other movements	9.4	(10.5)	19.9	–	3.2	(3.2)
Exchange adjustments	(8.0)	(7.3)	(0.7)	7.2	(4.0)	11.2
At 31 December	3,273.6	617.0	2,656.6	2,631.9	383.1	2,248.8

Further information on the calculation of claims reserves and the risks associated with them is provided in the risk disclosures in note 3. Claims reserves are further analysed between notified outstanding claims and incurred but not reported claims below:

	2011			2010		
	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m
Claims reserves						
Notified outstanding claims	2,288.4	385.8	1,902.6	1,892.4	271.0	1,621.4
Claims incurred but not reported	985.2	231.2	754.0	739.5	112.1	627.4
Insurance contracts claims reserve	3,273.6	617.0	2,656.6	2,631.9	383.1	2,248.8

The current and non-current portions for claims reserves are expected to be as follows:

	2011			2010		
	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m
Claims reserves						
Current portion	1,175.0	189.6	985.4	1,047.2	129.6	917.6
Non-current portion	2,098.6	427.4	1,671.2	1,584.7	253.5	1,331.2
	3,273.6	617.0	2,656.6	2,631.9	383.1	2,248.8

	2011			2010		
	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m
Unearned premium reserves						
At 1 January	914.4	55.3	859.1	744.8	52.8	692.0
Premiums written during the year	2,304.1	290.9	2,013.2	2,172.5	262.2	1,910.3
Premiums earned during the year	(2,223.2)	(295.8)	(1,927.4)	(2,002.4)	(254.3)	(1,748.1)
Other movements	(0.5)	0.1	(0.6)	–	(4.0)	4.0
Exchange adjustments	3.2	(0.1)	3.3	(0.5)	(1.4)	0.9
At 31 December	998.0	50.4	947.6	914.4	55.3	859.1

The current and non-current portions for unearned premium reserves are expected to be as follows:

	2011			2010		
	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m	Insurance contract liabilities £m	Reinsurance share £m	Net liabilities £m
Unearned premium reserves						
Current portion	870.2	39.0	831.2	865.3	45.5	819.8
Non-current portion	127.8	11.4	116.4	49.1	9.8	39.3
	998.0	50.4	947.6	914.4	55.3	859.1

In connection with the purchase accounting for the acquisition of Amlin Corporate Insurance N.V., the Group adjusted claims reserves and related reinsurance recoveries to fair value on acquisition. The reduction to the original carrying value of £39.1 million and £6.4 million to claims reserves and reinsurance recoveries respectively is being recognised through a charge to the income statement over the period the claims are settled. This net charge is £4.0 million in 2011 (2010: net charge £3.3 million).

The fair value was based on the present value of the expected cash flows with consideration for the uncertainty inherent in both the timing of, and the ultimate amount of, future payments for losses and receipts of amounts recoverable from reinsurers. The nominal amounts were discounted to their present value using an applicable risk-free discount rate.

The total reinsurers' share of claims reserves and unearned premium reserves is set out in the table below:

	2011 £m	2010 £m
Reinsurers' share of insurance liabilities	686.8	454.4
Less provision for impairment of receivables from reinsurers	(19.4)	(16.0)
Reinsurance assets	667.4	438.4

The Group assesses its reinsurance assets for impairment on a quarterly basis by reviewing counterparty payment history and credit grades provided by rating agencies. The credit ratings of the Group's reinsurance assets are shown in note 3.2. As at 31 December 2011 there were no reinsurance assets greater than 3 months overdue (2010: £4.0 million, which were fully provided for). The Group holds collateral of £226.5 million (2010: £124.5 million) in relation to reinsurance assets. Details are included in note 29.

The Group has recognised a total net impairment loss of £0.1 million (2010: £11.4 million) on reinsurance assets and insurance and reinsurance receivables.

The carrying amounts disclosed are reasonably approximate to the fair value at the reporting date.

19. Loans and receivables, including insurance and reinsurance receivables

	2011 £m	2010 £m
Receivables arising from insurance and reinsurance contracts	953.5	820.1
Less provision for impairment of receivables from contract holders and agents	(20.0)	(24.5)
Insurance and reinsurance receivables	933.5	795.6
Other receivables	51.6	39.4
Prepayments and other accrued income	17.4	48.7
Other loans and receivables	69.0	88.1
	1,002.5	883.7

The current and non-current portions are expected to be as follows:

	2011 £m	Restated 2010 £m
Current portion	932.5	857.1
Non-current portion	70.0	26.6
	1,002.5	883.7

Comparative information for 2010 has been restated to reflect the correct classification of certain non-current reinsurance receivables, which were incorrectly disclosed within the current portion of loans and receivables in the prior period. There is no impact on the total value of loans and receivables at 31 December 2010.

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For the year ended 31 December 2011

19. Loans and receivables, including insurance and reinsurance receivables continued

Receivables arising from reinsurance contracts are comprised principally of amounts recoverable from reinsurers in respect of paid claims and premium receivables on inward reinsurance business, including reinstatement premium.

The Group assesses its insurance and reinsurance receivables for impairment on a quarterly basis by reviewing counterparty payment history and for circumstances which may give rise to a dispute or default. As of 31 December 2011 insurance and reinsurance receivables at a nominal value of £50.5 million (2010: £117.2 million) were greater than 3 months overdue and provided for on the basis of credit rating to the value of £11.3 million (2010: £24.2 million).

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

The ageing analysis of insurance and reinsurance receivables overdue, before impairment provision, is as follows:

	2011 £m	2010 £m
3 to 6 months	10.9	18.9
6 to 9 months	14.6	14.0
Greater than 9 months	25.0	84.3
	50.5	117.2

The Netherlands and Belgium business of Amlin Corporate Insurance N.V. does not currently produce an ageing report for insurance receivables due to the interaction of local market practice and the office's internal systems. The total level of insurance receivables in the Netherlands and Belgium is £88.4 million (2010: £90.3 million). The provision for non-recovery is £5.0 million (2010: £3.2 million).

Other receivables comprise principally of amounts receivable from investment managers for financial investments sold, input VAT and other sundry receivables.

20. Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:

	Restated £m
At 1 January 2010	145.8
Expense deferred	378.7
Amortisation	(339.1)
Exchange adjustment	0.4
At 31 December 2010	185.8
Expense deferred	401.7
Amortisation	(380.2)
Exchange adjustment	0.4
At 31 December 2011	207.7

The current and non-current portions are expected to be as follows:

	2011 £m	2010 £m
Current portion	182.1	176.0
Non-current portion	25.6	9.8
	207.7	185.8

The comparative information for 2010 in respect of expenses deferred and amortisation has been restated to more appropriately reflect the pattern of deferral and amortisation of acquisition costs. There is no impact on the total value of deferred acquisition costs at 31 December 2010.

21. Property and equipment

	Freehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improvements £m	Total £m
Cost					
At 1 January 2011	4.1	0.2	30.9	11.3	46.5
Foreign exchange losses	–	–	(0.3)	(0.1)	(0.4)
Additions	2.7	0.1	6.3	3.6	12.7
Acquisition through business combination	–	–	0.1	0.2	0.3
Disposals	–	(0.2)	(0.1)	(0.6)	(0.9)
At 31 December 2011	6.8	0.1	36.9	14.4	58.2
Accumulated depreciation					
At 1 January 2011	0.3	0.1	24.9	8.7	34.0
Foreign exchange gains	–	–	–	(0.2)	(0.2)
Charge for the year	–	–	4.0	1.3	5.3
Disposals	–	(0.1)	(0.1)	(0.6)	(0.8)
At 31 December 2011	0.3	–	28.8	9.2	38.3
Net book value					
At 31 December 2011	6.5	0.1	8.1	5.2	19.9
At 1 January 2011	3.8	0.1	6.0	2.6	12.5

	Freehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improvements £m	Total £m
Cost					
At 1 January 2010	4.1	0.2	26.8	9.9	41.0
Foreign exchange losses	–	–	(0.2)	–	(0.2)
Additions	–	–	4.7	1.5	6.2
Disposals	–	–	(0.4)	(0.1)	(0.5)
At 31 December 2010	4.1	0.2	30.9	11.3	46.5
Accumulated depreciation					
At 1 January 2010	0.3	0.1	22.7	8.0	31.1
Foreign exchange gains	–	–	(0.2)	–	(0.2)
Charge for the year	–	–	2.8	0.7	3.5
Disposals	–	–	(0.4)	–	(0.4)
At 31 December 2010	0.3	0.1	24.9	8.7	34.0
Net book value					
At 31 December 2010	3.8	0.1	6.0	2.6	12.5
At 1 January 2010	3.8	0.1	4.1	1.9	9.9

There were no assets held under finance lease and hire purchase contracts at 31 December 2011 (2010: £nil).

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22. Intangible assets

	Goodwill £m	Syndicate participations £m	Broker and customer relationships £m	Computer software £m	Other intangibles £m	Total £m
Cost						
At 1 January 2011	62.2	63.2	51.1	17.4	2.5	196.4
Additions	–	–	–	25.7	–	25.7
Acquisition through business combination	16.3	–	–	–	–	16.3
Adjustments to prior acquisitions	(0.5)	–	–	–	–	(0.5)
Foreign exchange losses	(1.0)	–	(0.8)	(0.5)	–	(2.3)
At 31 December 2011	77.0	63.2	50.3	42.6	2.5	235.6
Accumulated amortisation						
At 1 January 2011	0.4	–	10.3	–	1.2	11.9
Charge for the year	–	–	4.4	–	0.5	4.9
Foreign exchange gains	–	–	(0.1)	–	–	(0.1)
At 31 December 2011	0.4	–	14.6	–	1.7	16.7
Net book value						
At 31 December 2011	76.6	63.2	35.7	42.6	0.8	218.9
At 1 January 2011	61.8	63.2	40.8	17.4	1.3	184.5

	Goodwill £m	Syndicate participations £m	Broker and customer relationships £m	Computer software £m	Other intangibles £m	Total £m
Cost						
At 1 January 2010	64.3	63.2	39.3	–	2.5	169.3
Additions	–	–	–	17.4	–	17.4
Acquisition through business combination	–	–	13.0	–	–	13.0
Adjustments to prior acquisitions	(0.4)	–	–	–	–	(0.4)
Foreign exchange losses	(1.7)	–	(1.2)	–	–	(2.9)
At 31 December 2010	62.2	63.2	51.1	17.4	2.5	196.4
Accumulated amortisation						
At 1 January 2010	0.4	–	5.4	–	0.7	6.5
Charge for the year	–	–	5.0	–	0.5	5.5
Foreign exchange gain	–	–	(0.1)	–	–	(0.1)
At 31 December 2010	0.4	–	10.3	–	1.2	11.9
Net book value						
At 31 December 2010	61.8	63.2	40.8	17.4	1.3	184.5
At 1 January 2010	63.9	63.2	33.9	–	1.8	162.8

Additions to goodwill during the year of £16.3 million relate to the acquisitions of J R Clare Underwriting Agencies Limited (£4.8 million) and Lead Yacht Underwriters Limited (£11.5 million). Further details on these acquisitions are provided in note 39.

Syndicate participations represent the ongoing rights to trade on Syndicate 2001 within the Lloyd's insurance market.

Broker and customer relationship intangibles include those acquired in relation to AUA Insolvency Risk Services Limited, Amlin Corporate Insurance N.V. (ACI) and Amlin France Holdings SAS, the net book value being £11.0 million (2010: £12.1 million), £21.7 million (2010: £24.0 million) and £3.0 million (2010: £4.7 million) respectively. These intangibles are being amortised over a period of 13, 15 and 5 years respectively, and their remaining amortisation life is 12, 13 and 2 years respectively.

Computer software represents the costs that the Group has incurred on internally developed software relating to a new underwriting platform for ACI. It is expected that this software will be amortised over ten years from the date that it is completed.

Goodwill and the intangible asset in relation to syndicate participations are considered to have an indefinite life. As such, they are tested for impairment annually. Computer software is also tested for impairment annually on the basis that it is not yet ready for use. All other intangible assets are tested for impairment only if an indication exists that the asset may be impaired at the reporting date.

For the purpose of impairment testing, intangible assets are allocated to the Group's cash-generating units (CGUs), identified according to the way in which management operates and monitors the business. The intangible asset relating to the syndicate participations supports the underwriting in Amlin London, Amlin UK and Amlin France. In 2010 this intangible asset was not allocated to these three CGUs and the impairment testing was performed based on aggregate Syndicate 2001 profit forecasts. In 2011, following improvements to the Group's impairment testing methodology, the syndicate participations intangible asset has been allocated to the three CGUs on the basis of the benefit expected to be derived from the asset.

The analysis of goodwill and indefinite life intangible assets by CGU is shown below:

	2011 £m					2010 £m			
	Amlin London ⁽¹⁾	Amlin UK	Amlin France	Amlin Corporate Insurance	Total	Amlin London	Amlin France	Amlin Corporate Insurance	Total
Goodwill	19.2	4.8	24.0	28.6	76.6	7.6	25.0	29.2	61.8
Syndicate participations	51.7	10.7	0.8	–	63.2	–	–	–	63.2
	70.9	15.5	24.8	28.6	139.8	7.6	25.0	29.2	125.0

(1) The Amlin London goodwill balance comprises the goodwill from three cash-generating units. The largest individual balance is the goodwill from the acquisition of Lead Yacht Underwriters Limited totalling £11.5 million (2010: £nil).

When testing for impairment, the recoverable amount of a CGU is determined based on value in use calculations. Value in use is calculated for each CGU using a discounted cash flow projection based on business plans and growth assumptions approved by management and discounted at an appropriate discount rate.

Key assumptions used in the calculation are as follows:

- Cash flow projections are based on the budgeted operating profit for each CGU contained within the most recent business plans approved by management, and adjusted for non-cash items such as depreciation. As such, these forecasts reflect the best estimate of future cash flows based on historical trends and expected growth rates. The period covered by the projections is 5 years. The most significant assumptions used to derive the operating profit include an assessment of the market cycle, retention rates, claims inflation, outwards reinsurance expenditure and long-term investment return.
- In order to extrapolate future cash flows beyond the business plan period, a long term average growth rate of 2.5% has been assumed for all CGUs, based on historical growth rates and management's estimates of future growth.
- A risk adjusted pre-tax discount rate of 8.5%, has been applied to each CGU's cash flow projection, which reflects a combination of factors including the Group's expected return on equity and costs of borrowing.

In each case, the results of this exercise indicate that the recoverable amount exceeds the intangible asset's carrying value and would not be sensitive to reasonable possible changes in assumptions.

23. Associates and joint venture

a) Associates

i) Miles Smith Holding Limited (MS Holding)

During 2011, Amlin Corporate Services Limited's (ACS) investment in Miles Smith Limited (MS Limited) of 19.9% was transferred to MS Holding, via a share swap agreement. At the same time MS Holding acquired the entire share capital of MS Limited. MS Holding subsequently increased its share capital through a rights issue in which ACS acquired an additional 12,552 of voting and non-voting shares for £1.1 million, thereby increasing its shareholding to 25.8% of the voting shares and the total value of the investment to £5.6 million. MS Limited is an insurance broker, and MS Holding operates as a holding entity.

Summary consolidated financial information for MS Holding at 31 December 2011 is as follows:

	2011 £m
Assets	27.0
Liabilities	(23.7)
Revenues	4.6
Loss for the year	(0.3)
Group's share of loss	(0.1)
Group's carrying value of investment	5.6
GWP sourced by entity on behalf of Syndicate 2001	24.1
Group's net insurance receivables from the associate	0.6
Group's loans to the associate	0.5
Loan stock issued to the Group by the associate	0.7

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23. Associates and joint venture continued

The loan to MS Holding is repayable in three instalments, with the final instalment due on 31 December 2014. Interest is charged at 4.0% over the 3 month LIBOR. The £0.7 million loan stock was issued by the associate during 2011 in place of an existing £0.7 million loan. The conversion date is 31 December 2015. Interest is accrued at 5% over 5 year gilts.

No amounts were provided for doubtful recovery of these receivables and no expense was recognised during the year in respect of bad or doubtful debts from MS Holding.

ii) Manchester Underwriting Management Limited (MUM)

During 2010 Amlin Corporate Services Limited invested £0.5 million to acquire a 25.0% share of the voting rights in MUM. MUM was established as a managing general agent and is initially underwriting professional indemnity insurance. The majority of the business written by MUM is underwritten by Amlin UK.

Summary financial information for MUM at 31 December is as follows:

	2011 £m	2010 £m
Assets	0.4	0.5
Liabilities	(0.4)	(0.1)
Revenues	0.6	0.2
Loss for the year	(0.5)	(0.6)
Group's share of loss	(0.1)	–
Group's carrying value of investment	0.5	0.5
GWP sourced by entity on behalf of Syndicate 2001	3.2	1.1
Group's net insurance receivables from the associate	–	0.2
Group's loans to the associate	0.2	–

The loan to MUM is repayable in full on 31 December 2014. Interest is charged at 5.1% above the Bank of England base rate. No amounts were provided for doubtful recovery of this receivable and no expense was recognised during the year in respect of bad or doubtful debts from MUM.

b) Joint venture

Amlin Corporate Services Limited has an investment of £2.2 million (2010: £1.7 million) in a joint venture, Leadenhall Capital Partners LLP (LCP). LCP was established in 2008 as a new asset management company focused on insurance linked investments. LCP is incorporated in England and Wales. The Group holds 50.0% of the voting rights. The Group has a contractual commitment to pay up to US\$7.0 million to support the operations of the agency. At 31 December 2011 £2.5 million (2010: £2.0 million) has been drawn.

Summary financial information for LCP at 31 December is as follows:

	2011 £m	2010 £m
Assets	5.3	4.8
Liabilities	(2.2)	(1.9)
Revenues	2.9	2.6
Profit for the year	0.7	0.6
Group's share of profit	0.1	–
Group's carrying value of investment	2.2	1.7
Group's funds under management of LCP	75.4	74.9
Management fees charged to Group	2.3	2.6
Service agreement charged by Group	0.5	0.4
Group's receivables from LCP	1.6	1.2

All of LCP's assets and liabilities are classified as current.

No amounts were provided for doubtful recovery of the receivable from LCP and no expense was recognised during the year in respect of bad or doubtful debts from LCP.

24. Share capital

Authorised share capital

	2011 Number	2011 £m	2010 Number	2010 £m
Allotted, called up and fully paid ordinary shares				
At 1 January issued ordinary shares of 28.125p each (2010: 28.125p)	502,076,006	141.2	502,076,006	141.2
At 31 December issued ordinary shares of 28.125p each (2010: 28.125p)	502,076,006	141.2	502,076,006	141.2

The Company transferred 488,309 shares out of treasury at a cost of £1.2 million (2010: 1,228,723 shares at a cost of £3.3 million). The shares have been transferred to meet exercises of employee share options, leaving 5,387,392 shares in Treasury at 31 December 2011 (2010: 5,875,701 shares).

25. Earnings and net assets per share

Basic and diluted earnings per share are as follows:

	2011	2010
(Loss)/profit attributable to equity holders of the Parent Company	(£149.9m)	£221.8m
Weighted average number of shares in issue	494.1m	493.0m
Dilutive shares ⁽¹⁾	–	6.6m
Adjusted average number of shares in issue	494.1m	499.6m
Basic earnings per share	(30.3p)	45.0p
Diluted earnings per share	(30.3p)	44.4p

(1) 5.8 million potential ordinary shares have not been treated as dilutive as their conversion to ordinary shares would decrease the loss per share.

Net assets and tangible net assets per share are as follows:

	2011	2010
Net assets	£1,420.4m	£1,729.9m
Adjustments for intangible assets	(£218.9m)	(£184.5m)
Tangible net assets	£1,201.5m	£1,545.4m
Number of shares in issue at end of the year	502.1m	502.1m
Adjustment for ESOT and treasury shares	(7.6m)	(8.7m)
Basic number of shares after ESOT and treasury shares adjustment	494.5m	493.4m
Basic net assets per share	287.2p	350.6p
Basic tangible net assets per share	243.0p	313.2p

26. Other comprehensive income

All items of other comprehensive income in 2011 and 2010 are charged to 'Other reserves'.

Other reserves are comprised of £45.7 million (2010: £45.7 million) being the cumulative amount of goodwill written off to reserves on acquisitions prior to January 1999, a capital redemption reserve, charges for share options issued, deferred tax and current tax (see note 14), cumulative foreign exchange gains of £65.1 million (2010: £104.0 million) on investments in overseas operations and £47.2 million (2010: £49.6 million) cumulative losses on hedges of investments in overseas operations.

Notes to the accounts continued

For the year ended 31 December 2011

27. Dividends

The amounts recognised as distributions to equity holders are as follows:

Group	2011 £m	2010 £m
Final dividend for the year ended:		
– 31 December 2010 of 15.8 pence per ordinary share	78.0	–
– 31 December 2009 of Amlin Plus Limited to minority shareholders	–	0.1
Interim dividend for the year ended:		
– 31 December 2011 of 7.2 pence per ordinary share	35.6	–
– 31 December 2010 of 7.2 pence per ordinary share	–	35.6
Second interim dividend for the year ended:		
– 31 December 2009 of 13.5 pence per ordinary share	–	66.8
	113.6	102.5

The final ordinary dividend of 15.8 pence per ordinary share for 2011, amounting to £78.1 million, payable in cash, was agreed by the Board on 2 March 2012, subject to shareholder approval at the AGM 17 May 2012, and has not been included as a liability as at 31 December 2011.

28. Share options and share-based incentive awards

During the year ended 31 December 2011 the Group operated a number of long-term employee incentive schemes. The total cost recognised in the income statement under IFRS 2: 'Share-based payment' for the Group's share-based payment arrangements is shown below:

	2011 £m	2010 £m
Equity settled schemes	3.8	3.1
Cash settled scheme (Capital Builder Plan)	(6.2)	–
Total (income)/expense arising from share-based payments	(2.4)	3.1

a) Equity settled schemes

i) Share options

Details of the Group's executive and all employee share option schemes are set out in the Directors' Remuneration Report.

A summary of the status and the changes to new or treasury shares under option during the year were as follows:

	Number of shares 2011	Weighted average exercise price per share (pence)	Restated number of shares 2010	Restated weighted average exercise price per share (pence)
Outstanding at 1 January	2,463,133	267.00	3,384,274	244.00
Granted during the year	1,108,929	247.00	448,975	334.00
Exercised during the year	(488,309)	227.00	(1,288,723)	228.00
Expired during the year	(7,770)	108.00	(16,959)	293.00
Forfeited during the year	(403,177)	318.00	(64,434)	280.00
Total shares outstanding at 31 December	2,672,806	258.00	2,463,133	267.00
Total shares exercisable at 31 December	940,818	246.00	1,184,572	238.00

The weighted average share price at the date of exercise for share options exercised during the year was 360.00 pence (2010: 407.00 pence).

The following table summarises information about options outstanding at the end of the year:

Range of exercise prices	Number of outstanding shares under option 2011	Weighted average remaining contractual life (years)	Restated number of outstanding shares under option 2010	Restated weighted average remaining contractual life (years)
£0.76 – £1.11	29,096	0.90	89,688	1.70
£1.12 – £1.62	268,038	2.80	348,776	3.70
£1.63 – £2.46	216,455	1.60	457,682	2.20
£2.47 – £2.93	1,817,551	4.00	872,135	4.70
£2.94 – £3.34	341,666	2.80	694,852	3.90

Corrections have been made to the comparative information in respect of the total shares outstanding and exercisable in 2010, which have been restated by 6,430 and 13,870 shares respectively. The comparative information for 2010 in respect of the numbers of shares under option and the weighted average remaining contractual life has also been restated accordingly.

ii) Share awards

Details of the Group's share awards are set out in the Directors' Remuneration Report in the Governance section.

At 31 December 2011, the total awards over new or treasury shares outstanding, or committed to be met by the Group's Employee Share Ownership Trust (ESOT), or shares held in Trust under these schemes are summarised below:

	Number of shares under conditional award 2011	Vesting period	Number of shares under conditional award 2010	Vesting period
LTIP grants	3,592,717	2011 to 2014	2,887,977	2011 to 2013
PSP grants	2,549,456	2011 to 2016	2,216,940	2011 to 2015
SIP grants	1,899,117	2010 to 2014	1,803,998	2010 to 2013
Amlin Special	74,167	2012 to 2014	61,470	2011 to 2013

The comparative information on SIP grants have been restated by 257,239 shares.

iii) Modifications to share-based payment arrangements

LTIP and PSP awards are normally exercisable from three and five years after grant respectively. During 2010, the period for rewards exercised following these vesting periods was extended from 6 to 30 months. The effect of these modifications on the fair value of awards granted was not material. There have been no modifications to share-based payment arrangements in 2011.

iv) Options from the ESOT

The trustee of the ESOT held 2,179,168 ordinary shares as at 31 December 2011 (2010: 2,811,679 ordinary shares) to meet potential future exercises of executive awards and long term incentive plans. The ESOT shares are valued at the lower of cost and net realisable value. The market value of Amlin plc ordinary shares on the last trading day of the year being 30 December 2011 was 313.9 pence per share (2010: 408.9 pence per share).

The assets, liabilities, income and costs of the ESOT are incorporated into the consolidated financial statements. The ESOT waives the right to dividends on ordinary shares in excess of 0.01 pence per each share ranking for an interim or final dividend.

v) Fair value of options and awards

At 31 December 2011, the weighted average fair values of options and awards granted during the year were 29.49 pence per option and 163.22 pence per award respectively (2010: 56.17 pence and 189.02 pence).

The 'Black Scholes' option pricing model has been used to determine the fair value of the option grants and share awards listed above. The assumptions used in the model are as follows:

	2011	2010
Weighted average share price on grant (pence)	346.66	249.63
Weighted average exercise price (pence)	271.86	194.21
Expected volatility	30.00%	30.00%
Expected life (years)	3.00 – 7.50	3.00 – 7.50
Risk free rate of return	1.50% – 5.00%	2.00% – 5.00%
Expected dividend yield	2.00% – 7.00%	2.00% – 7.00%

Volatility

The volatility of Amlin plc's share price is calculated as a normalised standard deviation of the log of the daily return on the share price. In estimating 30% volatility, the volatility of return for six months, one year and three year intervals are considered. As a guide to the reasonableness of the volatility estimate similar calculations are performed on a selection of Amlin's peer group.

Notes to the accounts continued

For the year ended 31 December 2011

28. Share options and share-based incentive awards continued

Interest rate

The risk free interest rate is consistent with government bond yields.

Dividend yield

The assumptions are consistent with the information given in the report and accounts for each relevant valuation year.

Staff turnover

The option pricing calculations are split by staffing grades as staff turnover is higher for more junior grades. Furthermore historical evidence suggests that senior employees tend to hold their options for longer whereas more junior levels within the organisation appear to exercise earlier. In addition, senior employees hold a larger proportion of the options but represent a smaller group of individuals.

Market conditions

The Group issues options that include targets for the Group's performance against a number of market and non-market conditions. Failure to meet these targets can reduce the number of options exercisable. In some circumstances no options may be exercised. Assumptions are made about the likelihood of meeting the market and non-market conditions based on the outlook at the time of each option grant.

b) Cash settled scheme

The Group rewards senior underwriters through payments under the Capital Builder Plan (the Plan) if they achieve performance below the target loss ratio for their class(es) of business or business area over the five year period of each award under the Plan. Under the scheme rules, the Group has the option to settle the awarded bonus in the shares of the Company as an alternative to cash payment. In accordance with IFRS 2, the Plan is deemed to be a cash-settled share-based payment arrangement.

Provision for payments of an award under the Plan is calculated every year where actual profits exceed the target profit on a cumulative basis over the performance period to date under the Plan. The rate of accrual for each five year performance period is determined at the start of the period reflecting the share of the excess return payable and committed under the terms of the Plan.

Under this approach, the services received and the related liability are recognised as the services are rendered, in that the liability at any point in time for the Plan reflects the level of actual performance by underwriters in relation to the target.

The carrying amount and the intrinsic value of the liability under this Plan at the end of 2011 are £3.4 million (2010: £8.7 million) and included in note 30 for other payables.

The income in the year arising from the cash settled scheme reflects the movement in the provision of payments under the Capital Builder Plan, following performance below the Plan's target.

29. Restricted funds held/placed by the Group

At 31 December 2011, the Group holds restricted funds in the form of trust fund investments, letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments and collateral received from reinsurance counterparties.

Trust funds

Syndicate 2001 holds gross assets of £3,131.2 million (2010: £2,839.8 million), matched by gross liabilities of £2,642.7 million (2010: £2,240.3 million), which are held within individual trust funds. The Group cannot obtain or use these assets until such time as each Syndicate underwriting year is closed and profits are distributed, or an advance profit release is made. Furthermore, £11.5 million (2010: £6.6 million) of Amlin Singapore and Amlin Labuan's assets are held within trust funds and restricted from use within the working capital of the Group until settlement has been made to Syndicate 2001.

Money market funds

At 31 December 2011 Amlin AG recognises US\$150.0 million (2010: US\$nil) of money market funds in relation to the sale of catastrophe linked instruments. The use by the Group of the funds is restricted. Details of the corresponding liability are included in note 31.

LOC facilities

At 31 December 2011, US\$211.8 million (2010: US\$181.7 million) of Amlin Bermuda's assets are restricted for use by the Group. These assets are collateral for the LOC facility drawn at the end of the year. Details are included in note 31.

Financial assets and liabilities

Derivative instruments traded across the Group give rise to collateral being placed with, or received from, external counterparties. At 31 December 2011 the Group placed £3.4 million (2010: £0.1 million held) of collateral in relation to over the counter options and £7.5 million (2010: £1.3 million) in relation to listed futures.

Insurance and reinsurance collateral received

At 31 December 2011 Syndicate 2001 recognised £0.9 million (2010: £1.9 million) of cash drawn down from LOC facilities as a liability on the balance sheet. This has been received from reinsurance counterparties as a guarantee for business written and is included within total funds held by Syndicate 2001. Collateral of £161.4 million (2010: £228.1 million) and £162.0 million (2010: £120.2 million) is held in third party trust funds to guarantee Syndicate 2001 against insurance and reinsurance counterparties respectively. Furthermore, collateral of £45.7 million (2010: £37.2 million) and £17.1 million (2010: £nil) is held in third party trust funds as a guarantee against reinsurance counterparties to Amlin Bermuda and Amlin Re Europe respectively. Collateral held in third party trust funds is not recognised as assets pertaining to the Group but is available for immediate drawdown in the event of a default.

Funds withheld as premium/claim deposits

At 31 December 2011 the Group had placed funds totalling £3.5 million (2010: £15.5 million) as premium deposits and £2.5 million (2010: £1.2 million) as claim deposits. These funds are held by external brokers.

Funds in escrow

At 31 December 2011 the Group holds £5.0 million (2010: £nil) of funds in an escrow account to meet any potential funding requirements of the Lloyd's Superannuation Fund. Further details are provided in note 32.

30. Other payables, including insurance and reinsurance payables and deferred income

	2011 £m	2010 £m
Insurance and reinsurance payables	218.8	245.9
Trade payables	48.3	53.9
Accrued expenses	62.3	79.3
Social security and other tax payables	7.9	6.5
Other payables	118.5	139.7
	337.3	385.6

The current and non-current portions are expected to be as follows:

	2011 £m	Restated 2010 £m
Current portion	239.3	280.0
Non-current portion	98.0	105.6
	337.3	385.6

Comparative information for 2010 has been restated to reflect the correct classification of certain non-current payables, which were incorrectly disclosed within the current portion of other payables in the prior period. There is no impact on the total value of other payables at 31 December 2010.

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

Insurance payables are comprised principally of premium payable for reinsurance, including reinstatement premium.

31. Borrowings

	2011 £m	2010 £m
Subordinated debt	292.8	318.0
Catastrophe linked instrument	95.7	—
	388.5	318.0

The borrowings in the above table are all non-current.

a) Subordinated debt and credit facilities

Details of the Group's three issues of subordinated debt are as follows:

Issue date	Principal amount	Reset date	Maturity date	Interest rate to reset date %	Interest rate from reset date to maturity date %
23 November 2004 ⁽¹⁾	US\$50m	November 2014	November 2019	7.11	LIBOR + 3.48
15 March 2005 ⁽¹⁾	US\$50m	March 2015	March 2020	7.28	LIBOR + 3.32
25 April 2006 ⁽¹⁾	£230m	December 2016	December 2026	6.50	LIBOR + 2.66

(1) Debt issued by Amlin plc

The subordinated debt will be redeemed on the maturity dates at the principal amounts, together with any outstanding accrued interest. The Group has the option to redeem the bonds in whole, subject to certain requirements, on the reset dates or any interest payment date thereafter at the principal amount plus any outstanding accrued interest. In March 2011, Amlin plc purchased the rights and obligations in respect of the €30 million subordinated debt issued by Amlin Corporate Insurance N.V. (ACI).

The directors' estimation of the fair value of the Group's subordinated debt is £368.3 million (2010: £384.6 million). The aggregate fair values are based on a discounted cash flow model. This model uses a current yield curve appropriate for the remaining terms to maturity. The discount rate used was 1.05% (2010: 2.80%).

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For the year ended 31 December 2011

31. Borrowings continued

On 3 September 2008 the Company and certain of its subsidiaries entered into a renegotiated debt facility with its banks which is available for five years from the date of signing and provides an unsecured £250 million multicurrency revolving credit facility available by way of cash advances and a secured US\$200 million letter of credit (LOC). The facility is guaranteed by the Company's subsidiaries Amlin Corporate Services Limited and Amlin (Overseas Holdings) Limited. The secured LOC is secured by a fixed charge over a portfolio of assets managed by Insight Investment Management (Global) Limited with State Street Bank and Trust Company as custodian. As at 31 December 2011 the facility was undrawn (2010: undrawn).

Amlin AG has a secured US\$250 million LOC facility with Lloyds TSB Bank plc and the Royal Bank of Scotland plc as lead arrangers. The facility is secured by a registered charge over a portfolio of assets managed by Aberdeen Asset Management Inc with State Street Bank and Trust Company as custodian. As at 31 December 2011, US\$194.7 million of LOC were issued (2010: US\$174.6 million). The total value of restricted assets as at 31 December 2011 was US\$211.8 million (2010: US\$181.7 million).

In June 2009, ACI entered into a credit facility with Fortis Bank Nederland N.V. as arranger. The facility provides a guarantee to a third party of up to €10.0 million and a guarantee/standby LOC for up to £22.5 million. As at 31 December 2011, €28.5 million of guarantees were issued (2010: €28.7 million). There are no restricted assets to secure the facility.

b) Catastrophe linked instrument

In December 2011 the Group issued a catastrophe linked instrument, which provides it with \$150 million fully collateralised protection against extreme severity and/or frequency of US perils and European windstorm events above a pre-set scale and in the aggregate in a calendar year. The instrument has a duration of three years and will be redeemed on 31 December 2014. The carrying amount disclosed above is reasonably approximate to the fair value at 31 December 2011.

32. Retirement benefit obligations

The Group participates in a number of pension schemes, including defined benefit, defined contribution and personal pension schemes. The total charge to the income statement for these schemes is shown in the table below:

	2011 £m	2010 £m
Defined contribution schemes	6.4	5.4
Defined benefit schemes:		
– Lloyd's Superannuation Fund	(1.1)	(0.2)
– Amlin Corporate Insurance N.V. (ACI) defined benefit schemes	4.5	2.1
– Amlin Re Europe (ARE) defined benefit schemes	0.8	–
	4.2	1.9
	10.6	7.3

a) Defined benefit schemes

i) The Lloyd's Superannuation Fund funded defined benefit scheme

Scheme description

The scheme is operated as part of the Lloyd's Superannuation Fund (the Fund).

Historically the Fund has catered for a number of employers in the Lloyd's market. As a consequence of the consolidation in the market, employers closing final salary schemes and some companies failing, there are now only two (2010: three) employers with active members in the Fund. A large proportion of the liability of the Fund relates to employers no longer participating in the Fund. The assets of the Fund are pooled and the current active employers are responsible collectively for the funding of the Fund as a whole.

For the purposes of determining contributions to be paid, the Trustee has split the Fund into a number of notional sections. This is a notional split and has no legal force. Previously this notional split allowed for separate sections in respect of each employer's active members and one combined section for non-employed members of all current and former employers.

With effect from 31 December 2002, the Trustee altered this notional split so that, from that date, the active employers contributing to the Fund, including the Amlin Group, have individual notional sections comprising the notionally allocated assets in respect of their active employees, deferred pensioners and pensioners, and their corresponding liabilities. A separate notional fund is maintained for members whose former employers no longer contribute to the Fund (Orphan Schemes). The Group is also liable for a proportion of the Orphan Schemes' liabilities.

Since this alteration and the exit of other employers the Group has been able to more clearly identify its expected contribution requirement to the Fund and to ascertain its share of the assets and liabilities with sufficient certainty to account for the pension as a defined benefit scheme and bring the assets and liabilities of the scheme onto the balance sheet of the Group.

During the year the number of active employers participating in the Fund was reduced to two. It is uncertain how the Trustee will allocate the revised Orphan Schemes' liabilities between the two remaining employers. However, the Group's share of the assets and liabilities of the Fund will increase and an actuarial estimate of the allocation has been included at 31 December 2011. This has resulted in an increase in the defined benefit obligations of £34.0 million and an increase in the plan assets of £34.2 million, which are included in actuarial (gains)/losses recognised in the Consolidated Statement of Comprehensive Income.

Fund contributions

Contributions are paid to provide for the cost of benefit accrual. The rate of contribution agreed with the Trustee is 16% (2010: 19%) paid by the employer plus 5% (2010: 5%) member contributions, in each case of pensionable earnings, and totalled £2.8 million (2010: £0.9 million).

The expected contribution to the fund for the year ending 31 December 2012 is £2.6 million by the Group and £0.2 million by plan participants.

The total amounts paid in respect of the Fund are analysed in the table below:

	2011 £m	2010 £m
Contributions relating to:		
Annual top up payment	2.0	–
Ongoing funding	0.6	0.7
Group share of total payment	2.6	0.7

Funding assessment assumptions

The funding position of the Fund is assessed every three years by an independent qualified actuary. Contributions are made at the funding rates recommended by the actuary, which vary across different sections of the Fund reflecting the notional sections then adopted, and typically include adjustments to amortise any funding surplus or shortfall over a period. Amounts paid under the scheme are charged to Syndicate 2001 or other Group companies. Actuarial amounts quoted below are for the Group's notional share of the scheme.

The last completed formal valuation of the Fund was as at 31 March 2010 and was completed in June 2011 by Mr R N Wharmby, Fellow of the Institute of Actuaries, and used the projected unit credit actuarial method.

On 30 June 2011, the Group agreed a schedule of contributions with the Trustee. The schedule requires seven separate payments of £2.0 million to the Fund over a period of seven years. The first payment was made in July 2011, with six further annual payments commencing on 31 March 2012. The present value of the future payments has been recognised as a liability at 31 December 2011, to the extent that the contributions will not be available after they are paid into the Fund, as the Fund's rules do not allow the Group to receive a refund of contributions in any circumstances.

The Group has also entered into an agreement with the Trustee to hold certain funds within an escrow account. These funds would be transferred to the Trustee in full for the purpose of defined benefit funding if any one of a number of enforcement events within the agreement were to occur. The Group made a payment of £5.0 million to the escrow account in July 2011. Two further payments to the escrow account of £5.0 million and £4.0 million will be made in June 2012 and June 2013 respectively. The Group considers it unlikely that any one of the enforcement events defined within the agreement will occur. In both cases, the additional defined benefit funding is in respect of the Group's notional section of the notionally allocated assets and liabilities of the Fund.

For the purpose of providing disclosure in accordance with IAS 19, the Group has requested the actuary to update the 2010 valuation to 31 December 2011 using appropriate techniques and the following assumptions:

	2011 % pa	2010 % pa
Price inflation	3.2	3.6
Rate of increase in pensions payment:		
– LPI (maximum 5% pa)	3.1	3.5
– LPI (minimum 3% pa, maximum 5% pa)	3.3	3.8
– LPI (maximum 3% pa)	2.5	2.6
Rate of increase of statutory revaluation on deferred pension	2.2	2.9
Discount rate	4.8	5.4

During 2005 the Group reviewed its remaining defined benefit arrangements and made a number of changes to the schemes' operations, which were implemented during 2006. In particular, in order to remove much of the risk associated with salary inflation, the scheme was changed to allow members to continue accruing additional years' service under the schemes, but these accruals would be generally based on March 2006 pensionable salaries. Future salary increases are pensionable through the defined contribution schemes. Therefore the salary inflation assumption used for the ongoing valuation is now nil% (2010: nil%).

In 2010 the UK Government announced that inflation measured by the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) would be used as the measure for minimum increases to occupational pensions. In accordance with the Fund's revaluation rules, CPI has been used as an assumption in valuing the defined benefit obligation at 31 December 2011.

Notes to the accounts continued

For the year ended 31 December 2011

32. Retirement benefit obligations continued

The mortality assumptions used in the latest valuation included the following life expectancies:

Life expectancy (years) at age 60 for a member currently:	31 December 2011		31 December 2010	
	Male	Female	Male	Female
Aged 60	27.7	29.2	25.5	28.5
Aged 45	29.7	30.8	26.8	29.6

The table below shows the impact on the defined benefit obligation that a change in certain key assumptions would have:

Assumption change	Defined benefit obligation impact £m
(Increase)/decrease in discount rate by 0.25%	(14)/16
(Decrease)/increase in inflation rate by 0.25%	(7)/7
Increase in floor mortality improvements for males of 1.5% and females of 1.25% per annum	4

ii) ACI defined benefit plans

Scheme description

ACI operates defined benefit pension plans covering the majority of its employees. These plans are funded partly by means of employee contributions. Under these plans, benefits are based on years of service and level of salary. Pension obligations are determined based on mortality, employee turnover, wage increases and economic assumptions such as inflation, value of plan assets and discount rate. The discount rate is set on the basis of the yield (on the valuation date) of debt securities issued by blue-chip companies.

In addition to pension charges, costs of defined benefit plans also include other post-employment benefits such as reimbursement of part of the health insurance premiums and favourable conditions on financial products (e.g. mortgage loans), which continue to be granted to employees after retirement.

Funding assessment assumptions

The table below shows the actuarial assumptions used:

	The Netherlands		Belgium	
	2011 %	2011 %	2010 %	2010 %
Discount rate for pension benefits	4.5	3.9	5.15	4.7
Discount rate for Jubilee benefits	3.8	3.4	4.0	3.8
Discount rate for farewell premium	–	3.6	–	4.4
Discount rate for post retirement medical	–	4.8	–	5.1
Expected return on plan assets	4.5	4.0	5.15	4.0
Expected wage increases – general	2.0	2.0	2.0	2.0
Expected wage increases – merit	0-6.75	1.5	0-6.75	1.5
Inflation	2.0	2.0	2.0	2.0
Indexation for active employees	2.0	–	2.0	–
Indexation for formerly active employees	2.0	–	2.0	–
Medical trend rate	–	4.0	–	4.0

The mortality assumptions used in the latest valuation included the following life expectancies:

Life expectancy (years) at age 60 for a member currently:	31 December 2011				31 December 2010			
	The Netherlands		Belgium		The Netherlands		Belgium	
	Male	Female	Male	Female	Male	Female	Male	Female
Aged 60	24.5	27.4	22.1	25.9	24.5	27.4	22.1	25.9
Aged 45	26.6	28.4	22.1	25.9	26.6	28.4	22.1	25.9

The table below shows the impact on the defined benefit obligation that a change in certain key assumptions would have:

Assumption change	Defined benefit obligation impact £m
(Increase)/decrease in discount rate by 0.25%	(2.7)/2.9
(Decrease)/increase in inflation rate by 0.25%	(2.4)/1.9
Increase in floor mortality improvements for males of 1.5% and females of 1.0% per annum	0.2

Fund contributions

The expected contribution to the funds during 2012 is £3.1 million (2011: £3.1 million) by the Group, and £0.6 million (2011: £0.5 million) by the plan participants.

iii) ARE defined benefit plans

Scheme description

In Switzerland, ARE operates a pension scheme which meets the classification of a defined benefit plan under IAS 19. In accordance with Swiss legislation, ARE provides for occupational pension insurance, the regulations of which, as may be amended from time to time, apply to both ARE and the employee. The insured salary is based on the agreed compensation exclusive of bonus and/or other benefits granted by ARE. The employees pay a portion of the premiums determined in the applicable pension fund regulations.

Funding assessment assumptions

The table below shows the actuarial assumptions used:

	2011 % pa
Price inflation	1.5
Expected return on plan assets	2.5
Expected wage increases	2.5
Discount rate	2.5

The mortality assumptions used in the latest valuation included the following life expectancies:

Life expectancy (years) at age 60 for a member currently:	31 December 2011	
	Male	Female
Aged 60	26.0	28.7
Aged 45	27.5	30.1

The table below shows the impact on the defined benefit obligation that a change in certain key assumptions would have:

Assumption change	Defined benefit obligation impact £m
(Increase)/decrease in discount rate by 0.25%	(0.2)/0.2
(Decrease)/increase in inflation rate by 0.25%	(0.1)/0.1

Fund contributions

The expected contribution to the funds during 2012 is £0.6 million by the Group, and £0.2 million by the plan participants.

iv) Amounts recognised in the Group's financial statements for defined benefit schemes

Amounts recognised in the income statement in respect of the defined benefit schemes are as follows:

	2011 £m	2010 £m
Current service cost	3.7	2.5
Interest cost	19.4	19.7
Expected return on scheme assets	(19.0)	(18.8)
Reversal of provision for additional pension payments	–	(1.5)
Other	0.1	–
Total debited to income statement (included in staff costs)	4.2	1.9

Notes to the accounts continued

For the year ended 31 December 2011

32. Retirement benefit obligations continued

Amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	2011 £m	2010 £m
Recognition of net losses/(gains)	18.1	(11.9)
Ceiling limit on asset gains	0.2	6.0
Losses/(gains) recognised in the Consolidated Statement of Comprehensive Income	18.3	(5.9)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2011 £m	2010 £m
Present value of defined benefit obligations	446.0	364.9
Fair value of scheme assets	421.4	355.6
Deficit in schemes	(24.6)	(9.3)
Restriction to defined benefit asset due to asset ceiling	(6.2)	(6.0)
Liability recognised in the balance sheet	(30.8)	(15.3)

A schedule of contributions has been agreed with the Trustee of the Lloyd's Superannuation Fund, as explained above. The Fund's rules do not allow the Group to receive a refund of contributions in any circumstances. As such, a liability has been recognised to the extent that asset gains arising from the contributions will not be available after they are paid into the Fund. At 31 December 2010 the ceiling limit on asset gains is attributable to the Fund being in surplus at that date.

Movements in the present value of defined benefit obligations during the year are as follows:

	2011 £m	2010 £m
At 1 January	364.9	359.0
Employer service cost	3.7	2.5
Interest cost	19.4	19.7
Contributions from scheme members	1.0	0.7
Actuarial losses/(gains)	72.5	(2.1)
Benefits paid from plan assets	(16.4)	(13.4)
Other movements	3.2	–
Foreign exchange gains	(2.3)	(1.5)
At 31 December	446.0	364.9

The expected total benefit payments to plan participants during 2012 is £14.8 million for the Lloyd's Superannuation Fund (LSF), £1.7 million for the ACI defined benefit schemes (2011: LSF £12.5 million and ACI schemes £1.2 million) and £0.4 million for the ARE defined benefit scheme.

Movements in the fair value of scheme assets during the year are as follows:

	2011 £m	2010 £m
At 1 January	355.6	334.5
Expected return on scheme assets	19.0	18.8
Difference between expected and actual return	21.0	19.3
Other actuarial gains	34.2	–
Employer contributions	6.3	5.4
Plan participant contributions	1.0	0.7
Benefits paid	(16.4)	(13.4)
Administrative expenses	(0.5)	–
Foreign exchange losses	(1.3)	(1.3)
Other movements	2.5	(8.4)
At 31 December	421.4	355.6

Other movements for the year ended 31 December 2011 include an increase of £2.5 million in scheme assets and an increase of £3.0 million in defined benefit obligations in respect of the ARE defined benefit scheme for the year ended 31 December 2010, during which the scheme was accounted for as a defined contribution scheme due to materiality.

The analysis of the plan assets and the expected rate of return at the balance sheet date are as follows:

	Asset mix		Long term rate of return	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
	LSF	LSF	LSF	LSF
Equities	12.0%	28.0%	7.3%	8.1%
Bonds	68.8%	64.0%	3.7%	4.9%
Property	8.0%	8.0%	6.8%	7.5%
Diversified growth funds	12.0%	–	7.3%	–

The long term rates of return are estimated by the directors based upon current expectations of future investment performance.

The analysis of the plan assets and the expected rate of return by asset class are not provided for the ACI or ARE defined benefit schemes as the investment decisions are at the discretion of the third parties to whom ACI and ARE have ceded investment risk under the insurance policies taken out to meet their obligations.

The five-year history of experience adjustments is as follows:

LSF	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
<i>Asset experience</i>					
Fair value of scheme asset	374.0	320.0	295.0	256.0	318.0
Asset gain/(loss) during period	50.9	18.7	30.3	(71.5)	(9.0)
Asset gain/(loss) as percentage of plan assets	13.6%	5.8%	10.3%	(27.9%)	(3.0%)
<i>Liability experience</i>					
Present value of defined benefit obligations	(378.0)	(314.0)	(315.0)	(260.0)	(295.0)
Liability (loss)/gain during period	(34.0)	0.5	–	(6.7)	5.0
Liability loss/(gain) as percentage of defined benefit obligations	9.0%	(0.2%)	–	2.6%	(2.0%)
<i>Liability assumptions</i>					
Liability (loss)/gain over period	(30.6)	6.0	(51.0)	47.0	15.0
Liability loss/(gain) as percentage of defined benefit obligations	8.1%	(1.9%)	16.2%	(18.1%)	(5.0%)

ACI	2011 £m	2010 £m	2009 £m
<i>Asset experience</i>			
Fair value of scheme asset	41.4	35.6	39.5
Asset gain/(loss) during period	3.7	(7.8)	0.2
Asset gain/(loss) as percentage of plan assets	8.8%	(21.8%)	1.0%
<i>Liability experience</i>			
Present value of defined benefit obligations	(60.8)	(50.9)	(44.0)
Liability gain during period	0.2	0.2	–
Liability gain as percentage of defined benefit obligations	(0.4%)	(0.3%)	–
<i>Liability assumptions</i>			
Liability (loss)/gain over period	(7.2)	(4.2)	2.6
Liability loss as percentage of defined benefit obligations	11.9%	8.2%	5.9%

Notes to the accounts continued

For the year ended 31 December 2011

32. Retirement benefit obligations continued

ARE	2011 £m
<i>Asset experience</i>	
Fair value of scheme asset	6.0
Asset loss during period	0.0
Asset loss as percentage of plan assets	0.0%
<i>Liability experience</i>	
Present value of defined benefit obligations	(7.2)
Liability loss during period	(0.5)
Liability loss as percentage of defined benefit obligations	7.1%
<i>Liability assumptions</i>	
Liability loss over period	(0.2)
Liability loss as percentage of defined benefit obligations	2.5%

The cumulative amount of actuarial losses recognised in other comprehensive income for all defined benefit schemes is £49.7 million (of which £5.5 million relates to the acquisition of ACI).

b) The stakeholder defined contribution scheme

The defined contribution schemes operated by the Group are stakeholder arrangements. The total contributions for the year ended 31 December 2011 to the schemes were £6.4 million (2010: £5.4 million).

The estimated amounts of contributions to the Group's defined contribution pension schemes for the year ending 31 December 2012 are approximately £7.6 million (2011: £5.7 million).

c) Other arrangements

Other pension arrangements include an occupational money purchase scheme which provides Death In Service protection for all employees. Regular contributions, expressed as a percentage of employees' earnings, are paid into this scheme and are allocated to accounts in the names of the individual members, which are independent of the Group's finances. There were no outstanding contributions at 31 December 2011 (2010: £nil).

33. Principal exchange rates

The principal exchange rates used in translating foreign currency assets, liabilities, income and expenditure in the production of these financial statements were:

	Average rate		Year end rate	
	2011	2010	2011	2010
US dollar	1.60	1.55	1.55	1.56
Canadian dollar	1.59	1.59	1.59	1.55
Euro	1.15	1.17	1.20	1.17
New Zealand dollar	2.03	2.14	2.00	2.00
Japanese yen	127.88	135.46	119.54	126.69

34. Contingent liabilities

Aside from the escrow account entered into with the Trustee of the Lloyd's Superannuation Fund defined benefit pension scheme, the Group has no contingent liabilities at 31 December 2011 (2010: £nil). Further details are provided in note 32.

35. Commitments

a) Capital commitments

There were no capital commitments at the end of the financial year except the commitments made to Leadenhall Capital Partners LLP as described in note 23.

b) Operating lease commitments – where Group companies are the lessees

The Group leases various offices under cancellable operating lease agreements. The Group is required to give various notice for the termination of these agreements. The lease expenditure charged to the income statement during the year is disclosed in note 13.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2011 £m	2010 £m
No later than 1 year	7.1	7.4
Later than 1 year and no later than 5 years	22.5	16.8
Later than 5 years	3.3	6.4
	32.9	30.6

36. Cash generated from operating activities

	Notes	2011 £m	2010 £m
(Loss)/profit on ordinary activities before taxation		(193.8)	259.2
Adjustments:			
Depreciation charge	13	5.3	3.5
Amortisation charge	13	4.9	5.5
Finance costs	12	27.8	27.4
Interest income	6	(48.5)	(54.5)
Dividends income	6	(12.2)	(5.8)
Losses/(gains) on investments realised and unrealised	6	20.2	(114.7)
Other non-cash movements		2.8	6.6
Movement in operating assets and liabilities:			
Net sales/(purchases) of financial investments	17	215.9	(214.1)
Exchange (gains)/losses on investments	17	(7.1)	47.0
Assets of operations previously classified as held for sale	17	–	(64.4)
Decrease in assets of operation classified as held for sale		–	63.7
Decrease/(increase) in loans and receivables		3.1	(63.8)
Increase in insurance and reinsurance contract assets		(366.8)	(94.2)
Increase in insurance contract liabilities		698.2	353.7
(Decrease)/increase in other payables		(40.7)	7.2
Decrease in retirement benefits		(2.7)	–
Exchange losses on long term borrowings		1.1	1.1
Exchange (gains)/losses on other non-operating assets and liabilities		(36.4)	20.2
Cash generated from operating activities		271.1	183.6

Notes to the accounts continued

For the year ended 31 December 2011

37. Principal subsidiary companies

The principal subsidiary undertakings at 31 December 2011 which are consolidated in these financial statements, all of which are wholly owned unless otherwise stated, operate in the UK, Belgium, Bermuda, France, the Netherlands, Singapore and Switzerland:

Subsidiary undertakings	Principal activity	Registered in
Amlin Underwriting Limited	Lloyd's managing agency	England and Wales
Amlin Corporate Services Limited	Group service, employing and intermediate holding company	England and Wales
Allied Cedar Insurance Group Limited	Intermediate holding company	England and Wales
Amlin Underwriting Services Limited	Lloyd's coverholder	England and Wales
Amlin Plus Limited*	Lloyd's coverholder	England and Wales
Amlin Corporate Member Limited	Corporate member at Lloyd's	England and Wales
Amlin (Overseas Holdings) Limited	Intermediate holding company	England and Wales
AUA Insolvency Risk Services Limited	Regulated broker	England and Wales
Amlin AG	Reinsurance company	Switzerland
Amlin Singapore Pte Limited	Lloyd's service company	Singapore
Amlin Corporate Insurance N.V.	Insurance company	Netherlands
Amlin France Holdings SAS**	Intermediate holding company	France
Amlin France SAS**	Lloyd's coverholder	France
Crowe Livestock Underwriting Limited	Lloyd's coverholder	England and Wales
JR Clare Underwriting Agencies Limited	Lloyd's coverholder	England and Wales
Lead Yacht Underwriting Limited	Lloyd's coverholder	England and Wales
Solo Absolute Bonds & Currency Fund	Investment fund	France

Some subsidiaries have been omitted from this statement to avoid providing particulars of excessive length but none materially affects the results or net assets of the Group.

* 60.0% owned by the Group

** 96.5% owned by the Group

38. Related party transactions

a) Transactions and balances with related parties

i) Amlin Plus

Amlin Underwriting Limited and Lycetts Holdings Limited, the owners of Lycett, Browne-Swinburne and Douglas Limited and Lycetts Hamilton Limited, own 60% and 40% respectively of the share capital of Amlin Plus Limited (Amlin Plus). The business of Amlin Plus (bloodstock insurance) is written under a binding authority agreement with Syndicate 2001, some of which is sourced through a single broker, Lycett, Browne-Swinburne and Douglas Limited. Syndicate 2001 is managed by Amlin Underwriting Limited. The capacity on Syndicate 2001 is underwritten by a fellow subsidiary in the Amlin Group. All transactions between Amlin Plus and its related parties are conducted on an arm's length basis.

During the year Amlin Plus wrote £14.0 million (2010: £12.3 million) of premium under the binding authority agreement, of which £5.1 million (2010: £5.8 million) was produced by Lycett, Browne-Swinburne and Douglas Limited earning brokerage commission of £0.8 million (2010: £1.0 million) on this business. At the year end, Syndicate 2001 was owed £2.6 million (2010: £2.8 million) by Amlin Plus and Lycett Browne-Swinburne and Douglas Limited owed £1.1 million (2010: £1.6 million) to Amlin Plus.

ii) Leadenhall Capital Partners LLP

At 31 December 2011, the Group had a balance receivable from Leadenhall Capital Partners LLP of £1.6 million (2010: £1.2 million). The Group enters into transactions with its joint venture in the normal course of business. The sales to and purchases from related parties are made at normal market prices. Details of the Group's joint venture are given in note 23.

iii) Miles Smith Holding Ltd (MS Holding) and Manchester Underwriting Management Ltd (MUM)

At 31 December 2011, the Group had a net receivable from MS Holdings of £0.6 million and a net receivable from MUM of £nil (2010: £0.2 million). The Group enters into transactions with its associates in the normal course of business. The sales to and purchases from related parties are made at normal market prices. Details of the Group's associates are given in note 23.

iv) Syndicate 6106

For the 2011 underwriting year of account the Special Purpose Syndicate (S6106), managed by Amlin Underwriting Limited, wrote a 12.9% (2010: 15.0%) quota share contract of the excess of loss reinsurance account of Syndicate 2001. The transactions provide external members' capital to support 2011 underwriting, enabling Syndicate 2001 to take advantage of strong opportunities in peak zones in the US, Japan and Europe. All transactions with S6106 are undertaken on an arm's length basis.

b) Compensation of key management personnel

Key management personnel are those directors and Group Management Committee members responsible for planning and control of the activities of the Group. Key management comprises twelve executive directors and employees and seven non-executive directors (2010: eleven and seven respectively). Compensation during the year to key management personnel is analysed below:

	2011 £m	Restated 2010 £m
Short term employee benefits	6.4	6.1
Long term employee benefits	1.8	4.0
Post-employment benefits	0.3	0.5
Equity-settled share-based payments	1.2	1.0
Cash-settled share-based payments	0.3	–
	10.0	11.6

Amendments have been made to the comparative information in respect of remuneration receivable by directors for their participation in the Group's long term incentive schemes in 2010.

c) Transactions with directors

Certain directors of the Company are also directors of other companies, as described in the directors' biographical details on page 60 of the Annual Report. Such other companies (and/or their subsidiaries) may, and in some cases do, conduct business with companies in the Amlin Group, including GeoVera Insurance Holdings Ltd (of which Mr Feinstein is a non-executive director) and TrygVesta A/S (of which Mrs Bosse was Chief Executive Officer until 31 January 2011), which both purchase reinsurance (or whose subsidiaries purchase reinsurance) from the Amlin Group. In all cases transactions between the Amlin Group and such other companies are carried out on normal arm's length commercial terms.

d) Internal reinsurance arrangements

During the current and prior year, there were a number of reinsurance arrangements entered into in the normal course of trade between various group companies, i.e. the reinsurance contracts between Syndicate 2001 and Amlin Bermuda, Syndicate 2001 and Amlin Corporate Insurance N.V. (ACI), Amlin Re Europe and ACI and between Amlin Bermuda and ACI.

The related results of these transactions have been eliminated on consolidation.

39. Business Combinations**a) JR Clare Underwriting Agencies Limited**

On 25 January 2011 Amlin Corporate Services Limited acquired the entire share capital and voting rights of JR Clare Holding Company Limited and its subsidiary undertaking JR Clare Underwriting Agencies Limited, which is a managing general agent of UK household and commercial insurance.

The fair values of the assets acquired and liabilities assumed, the consideration paid and the resulting goodwill have been revised from those disclosed in the subsequent events note of the Annual Report 2010, following the completion of the acquisition accounting for the business combination.

The revised purchase consideration is an initial £1.3 million with two further amounts of £1.0 million payable 24 months and 36 months after the acquisition date. The revised fair value of the assets and liabilities acquired is £1.8 million net liability and the fair value of the consideration is £3.0 million, resulting in the recognition of £4.8 million of goodwill on acquisition. The goodwill arose from the premium paid for acquiring a new book of household and commercial insurance business. JR Clare Holding Company Limited was placed into voluntary liquidation in September 2011, with Amlin Corporate Services Limited becoming the new immediate parent company of JR Clare Underwriting Agencies Limited.

b) Lead Yacht Underwriters Limited

On 3 February 2011 Amlin Corporate Services Limited acquired the entire share capital and voting rights of Lead Yacht Underwriters Limited, an underwriting agency of yacht insurance.

The fair values of the assets acquired and liabilities assumed, the consideration paid and the resulting goodwill have been revised from those disclosed in the subsequent events note of the Annual Report 2010, following the completion of the acquisition accounting for the business combination.

The total revised consideration is £16.1 million, consisting of an initial £10.1 million paid on completion and a further £6.0 million payable between 2012 and 2016, subject to the financial performance of Lead Yacht Underwriters Limited. The revised fair value of the net assets acquired is £3.2 million and the fair value of the consideration is £14.7 million, resulting in the recognition of £11.5 million of goodwill on acquisition. The goodwill arose from the premium paid for acquiring a platform to further develop the Group's existing yacht business and diversify its underwriting portfolio.

40. Subsequent events

No subsequent events have been identified between the balance sheet date and the date on which the financial statements were authorised.

Independent Auditors' Report

To the members of Amlin plc

We have audited the parent company financial statements of Amlin plc for the year ended 31 December 2011 which comprise the Parent Company Balance Sheet, the Parent Company Statement of Comprehensive Income, the Parent Company Statement of Changes in Equity, and the Parent Company Statement of Cash Flows and the related notes 41 to 53. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 96, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Amlin Annual Report 2011 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Amlin plc for the year ended 31 December 2011.

Andrew Kail (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
2 March 2012

Parent Company Balance Sheet

At 31 December 2011

	Notes	2011 £m	2010 £m
Assets			
Cash and cash equivalents	42	5.0	0.1
Financial assets	43	32.1	66.7
Loans and receivables	44	1.1	1.6
Amounts due from subsidiary undertakings	44	669.3	518.2
Current income tax asset		31.9	55.7
Deferred tax asset		3.2	3.5
Investments in subsidiary undertakings	45	964.6	960.7
Property and equipment	46	3.7	3.8
Total assets		1,710.9	1,610.3
Equity			
Share capital	24	141.2	141.2
Share premium account		300.3	300.3
Other reserves		129.0	128.2
Treasury shares		(22.5)	(26.2)
Retained earnings		602.8	559.7
Total shareholders' equity		1,150.8	1,103.2
Liabilities			
Financial liabilities	43	2.5	8.3
Current income tax liabilities		–	3.4
Other payables	47	1.9	4.6
Amounts due to subsidiary undertakings	47	262.9	198.5
Borrowings	48	292.8	292.3
Total liabilities		560.1	507.1
Total liabilities and shareholders' equity		1,710.9	1,610.3

The attached notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 2 March 2012. They were signed on its behalf by:

Roger Taylor
Chairman

Richard Hextall
Group Finance Director

Parent Company Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 £m	2010 £m
Profit for the year	156.9	316.3
Total comprehensive income for the year	156.9	316.3
Attributable to:		
Equity holders of the Parent Company	156.9	316.3
	156.9	316.3

Parent Company Statement of Changes in Equity

For the year ended 31 December 2011

	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
For the year ended 31 December 2011						
Balance at 1 January 2011	141.2	300.3	128.2	(26.2)	559.7	1,103.2
Profit for the year	–	–	–	–	156.9	156.9
Total comprehensive income for the year	–	–	–	–	156.9	156.9
Employee share option schemes:						
– share based payment reserve	–	–	1.4	2.5	–	3.9
– proceeds from shares issued	–	–	–	1.2	(0.2)	1.0
Net purchase of employee share ownership trust	–	–	(0.6)	–	–	(0.6)
Dividends paid	–	–	–	–	(113.6)	(113.6)
Transactions with the owners of the Company for the year	–	–	0.8	3.7	(113.8)	(109.3)
At 31 December 2011	141.2	300.3	129.0	(22.5)	602.8	1,150.8

	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
For the year ended 31 December 2010						
Balance at 1 January 2010	141.2	300.1	129.4	(21.4)	346.4	895.7
Profit for the year	–	–	–	–	316.3	316.3
Total comprehensive income for the year	–	–	–	–	316.3	316.3
Employee share option schemes:						
– share based payment reserve	–	–	0.6	(8.1)	–	(7.5)
– proceeds from shares issued	–	0.2	–	3.3	(0.6)	2.9
Net purchase of employee share ownership trust	–	–	(1.8)	–	–	(1.8)
Dividends paid	–	–	–	–	(102.4)	(102.4)
Transactions with the owners of the Company for the year	–	0.2	(1.2)	(4.8)	(103.0)	(108.8)
At 31 December 2010	141.2	300.3	128.2	(26.2)	559.7	1,103.2

The attached notes form an integral part of these financial statements.

Parent Company Statement of Cash Flows

For the year ended 31 December 2011

	Notes	2011 £m	2010 £m
Cash generated from operating activities	50	107.9	187.9
Income tax paid		(38.7)	(56.1)
Net cash flows from operating activities		69.2	131.8
Cash flows from investing activities			
Interest received		0.1	0.1
Dividend received		72.8	0.1
Realised (losses)/gains on financial investments		(3.6)	1.1
Deferred payment for acquired subsidiary		(0.1)	(0.1)
Net cash (outflows)/inflows from investing activities		69.2	1.2
Cash flows used in financing activities			
Net proceeds from issue of ordinary shares		1.0	2.9
Dividends paid to shareholders	49	(113.6)	(102.4)
Interest paid		(20.3)	(20.8)
Purchase of ESOT and treasury shares		(0.6)	(12.7)
Net cash outflows used in financing activities		(133.5)	(133.0)
Net increase in cash and cash equivalents		4.9	–
Cash and cash equivalents at beginning of year		0.1	0.1
Effect of exchange rate changes on cash and cash equivalent		–	–
Cash and cash equivalents at end of year	42	5.0	0.1

Notes to the Accounts

For the year ended 31 December 2011

Accounting policies

Basis of preparation

Amlin plc (the Company), domiciled in the United Kingdom, is the ultimate parent company for the Amlin Group.

The separate financial statements of the Company are prepared as required by the Companies Act 2006. The balance sheet of the Company has also been prepared in accordance with IFRS as adopted for use in the European Union (EU). In accordance with the exemption permitted under section 408 of the Companies Act 2006, the income statement of the Company is not presented as part of these accounts. The profit after taxation for the year of the Company was £156.9 million (2010: £316.3 million). The financial statements have been prepared on the historical cost basis except for financial assets and liabilities, share options and cash and cash equivalents, which are measured at their fair value.

The accounting policies that are used in preparation of these statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of the Group as set out in those financial statements.

The additional accounting policies that are specific to the separate financial statements of the Company are set out below.

Investment in subsidiaries

Other financial investments in Group undertakings are stated at cost and are reviewed for impairment when events, or changes in circumstances, indicate the carrying value may be impaired.

Dividend income

Dividend income from investments in subsidiaries is recognised when the right to receive payment is established.

41. Employees and directors

All Amlin employees within the UK are employed by the Group service company Amlin Corporate Services Limited, and overseas employees are employed by the relevant overseas entities. Therefore the persons employed by the Company are nil (2010: nil).

The details of the Company's directors' remuneration are in note 10 to the Group accounts.

42. Cash and cash equivalents

	2011 £m	2010 £m
Cash and cash in hand	5.0	0.1

The cash and cash in hand balance includes £5.0 million (2010: £nil) held in an escrow account in accordance with the funding requirements set out in the agreement with the Trustee of the Lloyd's Superannuation Fund defined benefit pension scheme. Details of the arrangement are in note 32.

43. Financial assets and financial liabilities

The cost and valuation of the Company's investments are as follows:

	At valuation 2011 £m	At valuation 2010 £m	At cost 2011 £m	At cost 2010 £m
Assets				
Financial assets held for trading at fair value through income				
Debt and other fixed income securities	–	43.0	–	39.0
Derivatives	5.2	9.6	3.4	(0.1)
Other financial assets at fair value through income				
Participation in investment pools	22.9	10.1	22.9	10.1
Available for sale financial assets				
Unlisted equities	4.0	4.0	4.0	4.0
Total financial assets	32.1	66.7	30.3	53.0
Liabilities				
Financial liabilities held for trading at fair value through income				
Derivatives	(2.5)	(8.3)	–	–
Total financial liabilities	(2.5)	(8.3)	–	–
Net financial assets	29.6	58.4	30.3	53.0

44. Loans and other receivables

	2011 £m	2010 £m
Loans and receivables	1.1	1.6
Amounts due from subsidiary undertakings	669.3	518.2
	670.4	519.8
	2011 £m	2010 £m
Current portion	408.4	285.8
Non-current portion	262.0	234.0
	670.4	519.8

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

45. Investments in subsidiary undertakings

	2011 £m	2010 £m
At 1 January	960.7	877.2
Additions during the year	3.9	662.2
Write off of investments in subsidiaries	–	(578.0)
Impairment of investment in subsidiary	–	(0.7)
At 31 December	964.6	960.7

The Company increased investments in the following subsidiaries by a total of £3.9 million (2010: £3.2 million) to account for costs in providing share based payments to employees:

- Amlin Corporate Services Limited;
- Amlin AG;
- Amlin France SAS;
- Amlin Singapore Pte Ltd; and
- Amlin Corporate Insurance N.V.

There were no impairment losses to be recognised in the profit for the year (2010: £0.7 million loss).

In 2010 the Company wrote down its £577.3 million investment in Amlin Bermuda Holdings Limited (ABHL) subsequent to ABHL's investment in Amlin Bermuda Ltd (ABL) being transferred to the Company by way of an in specie dividend. ABL was re-domiciled from Bermuda to Switzerland and renamed Amlin AG, after which it operated both in Switzerland and through a branch in Bermuda.

For further details on investments in principal subsidiary undertakings refer to note 37 in the notes to the Group accounts.

46. Property and equipment

	Freehold land and buildings £m	Total £m
Cost		
At 1 January 2011 and 31 December 2011	4.1	4.1
Accumulated depreciation		
At 1 January 2011	0.3	0.3
Charge for the year	0.1	0.1
At 31 December 2011	0.4	0.4
Net book value		
At 31 December 2011	3.7	3.7
At 31 December 2010	3.8	3.8

Notes to the accounts continued

For the year ended 31 December 2011

47. Other payables

	2011 £m	2010 £m
Trade payables and accrued expenses	1.9	4.6
Amounts due to subsidiary undertakings	262.9	198.5
	264.8	203.1

The other payables in the above table are all current.

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

48. Borrowings

	2011 £m	2010 £m
Subordinated debt	292.8	292.3

The borrowings in the above table are all non-current.

For details of the Company borrowings refer to note 31 in the notes to the Group accounts.

49. Dividends

The amounts recognised as distributions to equity holders are as follows:

	2011 £m	2010 £m
Final dividend for the year ended:		
– 31 December 2010 of 15.8 pence per ordinary share	78.0	–
Interim dividend for the year ended:		
– 31 December 2011 of 7.2 pence per ordinary share	35.6	–
– 31 December 2010 of 7.2 pence per ordinary share	–	35.6
Second interim dividend for the year ended:		
– 31 December 2009 of 13.5 pence per ordinary share	–	66.8
	113.6	102.4

A final ordinary dividend of 15.8 pence per ordinary share for 2011, amounting to £78.1 million, payable in cash, was agreed by the Board on 2 March 2012, subject to shareholder approval at the AGM 17 May 2012, and has not been included as a liability as at 31 December 2011.

50. Cash generated from operating activities

	2011 £m	2010 £m
Profit on ordinary activities before taxation	150.7	299.7
Adjustments for:		
Depreciation charge	0.1	–
Write down and impairment of investments in subsidiaries	–	578.7
Finance costs	20.9	20.9
Interest income	–	(0.1)
Realised and unrealised (gains)/losses on investments	(1.0)	30.1
Foreign exchange (gains)/losses on revaluation	(0.4)	1.8
Dividends income	(186.7)	(929.1)
Net sales/(purchases) of financial investments	33.9	(26.4)
Decrease/(increase) in loans and receivables	0.5	(1.2)
Decrease in amounts due from subsidiary undertakings	28.4	293.8
Increase/(decrease) in amounts due to subsidiary undertakings	64.4	(83.4)
(Decrease)/increase in other payables	(3.2)	2.6
Other non-cash movements	0.3	0.5
Cash generated from operating activities	107.9	187.9

51. Related party transactions

Purchases of goods and services

The Company has purchased goods and services from fellow Group company Amlin Corporate Services Limited. All goods and services were purchased at cost and the values of these are disclosed below.

	2011 £m	2010 £m
Purchases of goods and services:		
– Amlin Corporate Services Limited	19.9	14.9

Year end balance with related parties

Cash resources are held centrally within the Group. This eliminates the need for many of the Group's subsidiary companies to maintain bank accounts and optimises the management of cash resources. As a result of this practice many transactions within the Group are accounted for through intercompany accounts.

The following table shows the balances outstanding at the year end between the Company and fellow subsidiaries of the Group. The balances are all unsecured and no provisions are required for bad or doubtful debts.

	2011 £m	2010 £m
Balances outstanding at the year end:		
– Syndicate 2001	7.3	(19.7)
– Amlin Investments Limited	(149.7)	(150.1)
– St Margaret's Insurance Services Limited	1.3	1.3
– Amlin Corporate Services Limited	372.0	252.0
– Amlin Corporate Member Limited	(2.3)	(5.6)
– AUT (1 – 10) Limited companies	(4.7)	(15.6)
– Delian (A – L) Limited companies	1.0	0.9
– Amlin (Overseas Holdings) Limited	258.3	255.4
– Amlin Underwriting Services Limited	0.5	2.4
– Amlin Underwriting Limited	–	0.3
– Amlin Insurance (UK) Limited (formerly Cedar Insurance Company Limited)	0.3	0.3
– Amlin Plus Limited	–	0.4
– Amlin France SAS	0.3	0.3
– Amlin Credit Limited	–	(2.8)
– Leadenhall Capital Partners LLP	–	(0.1)
– Amlin AG	(103.3)	0.3
– Amlin Corporate Insurance N.V.	25.4	–
	406.4	319.7

With the exception of specific loans which have a fixed repayment date all of the above intra-group debt is repayable on demand and corporation tax provisions reflect arm's length prices for the transactions between the Company and its subsidiaries.

The Company also has a loan to, and redeemable loan stock issued by, Miles Smith Holding Limited, an associate of the Group. The values of these are disclosed below:

	2011 £m	2010 £m
Loan issued to associate	0.5	1.2
Loan stock issued by associate	0.7	–
	1.2	1.2

Notes to the accounts continued

For the year ended 31 December 2011

52. Parent Company risk disclosures

The business of the Company is managing its investments in subsidiaries. Its risks are considered to be the same as those in the operations of the Group itself and full details of the risk management policies are given in note 3.

Its investments in subsidiaries are measured at cost in accordance with IAS 27 and are tested for impairment annually. Details of impairments are given in note 45.

Financial investments are measured at fair value, details of which are given in notes 3 and 43.

Financial assets, other than investments in subsidiaries and financial investments, largely consist of amounts due from subsidiaries. As at the balance sheet date, these receivable amounts were neither past due nor impaired.

Financial liabilities owed by the Company are largely in respect of long-term borrowings (details of which are provided in note 31) and amounts due to subsidiaries. Amounts due to subsidiaries were within agreed credit terms as at the balance sheet date.

Interest rate risk

Loans to and from subsidiaries are at floating rates of interest. The Company is therefore exposed to fluctuations in these rates.

Currency risk

The Company has entered into derivative contracts on behalf of the Group to hedge the net currency exposure, which results from the translation of the net assets of Amlin Bermuda and Amlin Corporate Insurance N.V. These derivative contracts in the form of options have been accounted for as hedges of net investments in overseas subsidiaries by the Group, under which fair value gains and losses are taken to other comprehensive income to match the underlying movement in the valuation of the net investment in the overseas subsidiaries. In the Company these gains and losses are taken to profit or loss.

The Company's amounts due from subsidiaries include a loan of €272.6 million (2010: €272.6 million) which forms part of the net investment in Amlin Corporate Insurance N.V. referred to above and hedged at a Group level. The Company is exposed to gains and losses on this loan in its profit or loss.

The Company faces exposure to foreign currency risk through its borrowings. At 31 December 2011, the Company had two subordinated loans of US\$50.0 million each. The resulting foreign exchange loss in the Company and the Group for the year was £0.2 million (2010: £2.0 million).

53. Contingent liabilities

The Company has no contingent liabilities at 31 December 2011 (2010: £nil), other than that in respect of a funding arrangement entered into with the Trustee of the Lloyd's Superannuation Fund defined benefit pension scheme. Further details are provided in note 32.

Information for shareholders

Financial Calendar

2012

10 April	Record date for proposed final dividend
17 May	Annual General Meeting
24 May	Payment of final dividend, subject to shareholder approval
20 Aug	Expected date of announcement of interim results and interim dividend for the six months ending 30 June 2012
Oct	Expected payment of interim dividend

2013

Feb/Mar	Announcement of 2013 results
May	Annual General Meeting

Electronic communications and voting

The Company has adopted electronic shareholder communication. This enables the Company to circulate hard copies of the Annual Report and other shareholder documents only to those who opt to receive them. Other shareholders may notify an email address to which a link is sent or, failing that, they receive a paper notification informing them as and when such reports become available on our website. If any shareholder wishes to opt back in to receiving printed shareholder documents, or wishes to notify their email address for the first time or amend a previous notification, they should contact our registrar Computershare. We also provide electronic proxy voting facilities for shareholders in respect of our AGM (and generally intend to do so for any other shareholders' meetings), for shares held in both CREST and certificated form.

Amlin shares

Amlin's ordinary shares have a premium listing on the London Stock Exchange. The share price is reported daily in the Financial Times and other UK newspapers with share price services as well as being on the Company's and many other websites.

The UK capital gains tax position regarding the B Shares issue (2007/2008)

The detailed UK and US tax position of all aspects of the return of capital and share consolidation that was completed early in 2008 was set out in a circular to shareholders dated 16 November 2007, copies of which are available from the Company Secretary and on the Amlin website. This involved the replacement of each nine ordinary shares of 25p each in the Company previously held by shareholders by nine B Shares of 22.4p each and eight consolidated ordinary shares of 28.125p each (New Shares). All of such B Shares have subsequently been redeemed.

Further to that circular, the market value of a New Share for UK tax purposes on the first day on which its price was quoted (17 December 2007) was 302.125p. The market value on the same date of a B Share for UK tax purposes was considered to be 22.3p. As the B Shares were not traded on any stock exchange, its value was calculated by reference to its redemption value of 22.4p on the first redemption date of 14 January 2008, with a discount applied to take account of the minimum period prior to redemption. Accordingly, shareholders subject

to UK taxation of capital gains may apportion the allowable expenditure in relation to their holdings of ordinary shares of 25p each prior to 17 December 2007 as follows:

- Holdings of new ordinary shares of 28.125p each: 92.333%
- Holdings of B Shares: 7.667%

Shareholder enquiries

Amlin's website is at www.amlin.com. Please call our Shareholder Enquiry Line on 020 7746 1111. For enquiries concerning share registration, call our Registrar, Computershare Investor Services PLC on 0870 703 6165.

Recent dividend payments to shareholders

Dividend and other payments on Amlin ordinary shares from 1 January 2008 to date have been as follows:

	Record date	Payment date	Amount per share
Return of capital ¹	14 Dec 2007	17 Jan 2008	22.4p ¹
2007 final	25 Mar 2008	30 Apr 2008	10.0p
2008 interim	12 Sep 2008	10 Oct 2008	6.0p
2008 final	27 Mar 2009	20 May 2009	11.0p
2009 interim	11 Sep 2009	8 Oct 2009	6.5p
2009 second interim	19 Mar 2010	31 Mar 2010	13.5p
2010 interim	10 Sep 2010	7 Oct 2010	7.2p
2010 final	25 Mar 2011	19 May 2011	15.8p

¹ In the absence of any contrary election, the return of capital was made by way of redemption of B shares. This was usually treated as a capital realisation for UK private shareholders. Dividends shown above from the 2007 final dividend onwards are per consolidated 28.125p ordinary share rather than per the previous 25p shares

Details of the proposed final dividend in respect of 2011 are set out in the Chairman's statement (pp.12).

Glossary of terms

Accident year

The calendar or accounting year in which a loss occurs.

Actuarial best estimate

The result projected from a statistical model in which the intention is to be neither prudent nor optimistic. Actuarial best estimate reserves should be enough to pay the expected average future liabilities but include no margin for the emergence of worse than expected experience.

AIR

Service providing up-to-date information and loss estimates for major natural catastrophes worldwide.

Beurs

The Dutch corporate co-insurance market.

Binders/Binding authority

An authority granted by an active underwriter to an intermediary whereby that intermediary is entitled to accept, within certain limits, insurance business on behalf of members.

Box at Lloyd's

Accommodation in the underwriting room at Lloyd's from which business may be transacted with Lloyd's brokers.

Capacity

The maximum amount of business which may be accepted by a Lloyd's syndicate.

Catastrophe bonds

Risk-based securities that pay high interest rates and provide insurance companies with a form of reinsurance to pay losses from a catastrophe. They allow insurance risk to be sold to institutional investors in the form of bonds, thus spreading the risk. Other financial instruments used to transfer catastrophe risk to capital markets include catastrophe swaps and industry loss warrants.

CDOs

Collateralised debt obligations. Entities owning cash generating assets, which sell the rights to the cash flows from those assets along with associated risks.

Cede

To transfer risk from a direct insurer to his reinsurers.

Claims ratio

Net claims plus claims expenses divided by net earned premium.

Co-insurance

In the context of the European insurance market, co-insurance is the joint assumption of risk between a number of insurers.

Combined ratio

Claims ratio plus expense ratio.

Commercial combined

Also known as 'Package'. Policies where several different types of insurance cover are combined into one policy.

Contingent capital

Contingent capital arrangements provide the option to raise capital during a defined commitment period based upon the occurrence of a qualifying event, such as a defined insurance loss.

Coverholder

A company authorised by a Lloyd's syndicate to enter into contracts of insurance and/or issue insurance documentation on their behalf.

DFA

Dynamic Financial Analysis uses a detailed modelling assessment of the key risks facing an insurer to help assess its financial position. Key areas of use include the assessment of capital requirements and understanding the possible impact of future plans and strategies.

Direct and facultative

Direct property insurance and facultative reinsurance of property.

Earned premium

Proportion of insurance premium recognised in the income statement based on the estimated risk period falling in the financial year.

ECF

Electronic claims file.

Efficient frontier

Represents the combinations of securities that produce the maximum expected return for a given level of risk.

Endorsement

Any addition to a policy, or addition to the printed wording, which changes or varies terms of, or parties to, the contract.

Excess of loss reinsurance (XL)

A reinsurance that covers that part of a loss paid by the reinsured which is in excess of an agreed amount and then pays up to the limit of the policy.

Expense ratio

Underwriting expenses divided by net earned premium.

Facultative

Where the insurer accepts risks on an individual basis.

'Gross' and 'net' underwriting

When referring to premium written or earned, losses or underwriting results, these terms denote before (gross) and after (net) the application of reinsurance.

IBNR

An estimate of claims or losses which have been incurred but not yet reported to the insurer.

IFRS

International Financial Reporting Standards.

Incurred loss

Paid claims plus claims advised by a policyholder but not paid. Does not include IBNR.

Incurred loss ratio

Incurred losses divided by earned premium.

Lead/non-lead

'Lead' denotes an underwriter in the subscription market who sets the terms and price of a policy. Following underwriters accept the policy on the same terms.

Letter of credit (LOC)

Written undertaking by a financial institution to provide funding if required.

Line size

The monetary limit of a policy for a first claim accepted by an underwriter.

Line slip

A facility operated by a Lloyd's broker whereby risks can be bound to a panel of insurers through the agreement of a leading underwriter plus one or two following markets (as specified on the slip at placement).

Loss ratio

See 'incurred loss ratio' and 'ultimate loss ratio'.

NFIP

The National Flood Insurance Programme is a US federal insurance programme providing property insurance as protection against flood losses in exchange for floodplain management regulations that reduce future flood damages.

Non-life

General insurance companies which sell policies other than life insurance, annuities or pension products.

Non-monetary assets & liabilities

Assets and liabilities that are accounting entries and are not expected to be exchanged for cash – such as unearned premium reserves.

Outstanding claims

Losses which have been reported to the insurer but not yet paid.

Package

See 'commercial combined'.

Personal lines

Property/casualty insurance products that are designed for and bought by individuals, including homeowners and automobile policies.

Proportional reinsurance

A type of reinsurance where the ceding insurer cedes to its reinsurer a predetermined proportion of the premium and liability of those policies subject to the reinsurance agreement.

Quantitative Impact Study (QIS5)

A field test of the proposed quantitative aspects of Solvency II, including the solvency capital requirement (SCR) under the standard formula, the minimum capital requirement (MCR) and the regulatory solvency balance sheet.

Quota share

A form of proportional reinsurance where the reinsurer receives a percentage of every risk, as defined by the reinsurance contracts, written by the ceding company.

Rating agency

Credit agencies which determine insurers' financial strength and company debt ratings.

Realistic disaster scenario (RDS)

Modelling of the probable loss which may arise from a defined catastrophic event.

Reinsurance

Insurance bought by insurers. A reinsurer assumes part of the risk and part of the premium originally taken by the insurer, known as the primary company.

Reinsurance to close

Premium paid by a closing year of account to a later year to cover its outstanding liabilities. A reinsurance to close is usually made three years after the commencement of a year of account.

Reserves

Funds that have been set aside to meet outstanding claims and IBNR.

Retention ratio

The percentage of the previous year's premium that is renewed.

Retrocession

The reinsurance of liability accepted by way of reinsurance.

Return on capital (ROCE)

After tax profit divided by opening shareholders' equity plus debt, adjusted for any capital raisings or returns.

Return on equity (ROE)

After tax profit divided by opening shareholders' equity, adjusted for any capital raisings or returns.

Risk-based capital

Risk-based capital is a method used to measure the minimum amount of capital that an insurance company needs to support its overall business operations taking into account the size and type of risk taken by the insurer.

RMS

Risk Management Solutions. Provider of catastrophic modelling software.

Run-off

Increase or decrease to claims on old years of account.

Service company

A company set up to operate a binding authority on behalf of the Syndicate to write business from non-Lloyd's brokers or policyholders directly.

Sidecars

Specialty reinsurance companies designed to provide additional capital to a specific reinsurance company. Investors, such as hedge funds, invest in a reinsurance company, the sidecar, to reinsure specific risks for a specific reinsurance company.

Solvency II

A proposed EU-wide regulatory regime which intends to align solvency capital to an insurers risk profile. Expected to be implemented in 2012/13.

Special purpose vehicle

Corporate entity designed to isolate financial risk, often to allow other investors to participate in that risk.

Specie

The insurance of high value items including deposits, bullion and fine art.

Subordinated debt

Subordinated debt is debt that takes a lower priority than other debt. If an issuer is liquidated then subordinated debt holders will only be paid after senior creditors have been fully paid.

Sub-prime

Mortgages provided to home buyers with lower credit scores. Nearly all sub-prime loans in the US are packaged into mortgage backed securities for sale to investors.

Subscription market

Insurance market, such as Lloyd's, whereby underwriters subscribe to proportions of risks.

Surplus

The amount by which the gross sum insured accepted by the insurance company exceeds its own retention.

Surplus lines

A reinsurance where the surplus of the reinsured's retention is ceded up to an agreed amount. Once accepted, both parties pay their proportion of losses arising.

Total shareholder returns

Returns combining share price performance and dividend payments.

Treaty

A reinsurance contract covering entire portfolios of risks.

Ultimate loss ratio (ULR)

Total forecast claims divided by total forecast premium expected to arise from a policy or class of business. Losses include those paid, those notified and IBNR.

Underwriting year

The year to which a policy is allocated and to which all premiums and claims in respect of that policy are attributed. Allocation is determined by the inception date of the policy.

Unearned premium

Proportion of insurance premium covering periods after the end of the financial year. Held in the unearned premium reserve.

US admitted market

The market provided by insurers who are licensed to do business in US States.

VaR

A statistical measure which calculates the possible loss over a year in normal market conditions. As VaR estimates are based on historical market data this should not be viewed as an absolute gauge of the level of risk to the investments.

XL

See 'excess of loss'.

Year of account (yoa)

The year for Lloyd's syndicates to which a policy is allocated and to which all premiums and claims in respect of that policy are attributed. Allocation is determined by the inception date of the policy.

Directors and advisers

Directors

Roger Taylor (Chairman)*
Simon Beale (appointed 12 May 2011)
Christine Bosse*
Nigel Buchanan+*
Brian Carpenter
Sir Alan Collins (appointed 14 November 2011)*
Richard Davey*
Marty Feinstein*
Richard Hextall (Finance Director)
Anthony Holt (resigned 12 May 2011)
Charles Philipps (Chief Executive)
Sir Mark Wrightson Bt*

+ Senior independent director

* non-executive

Audit Committee

Nigel Buchanan (Chairman)
Sir Alan Collins
Richard Davey
Marty Feinstein

Remuneration Committee

Sir Mark Wrightson Bt (Chairman)
Christine Bosse
Nigel Buchanan

Risk & Solvency Committee

Richard Davey (Chairman)
Sir Alan Collins
Nigel Buchanan
Roger Taylor

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