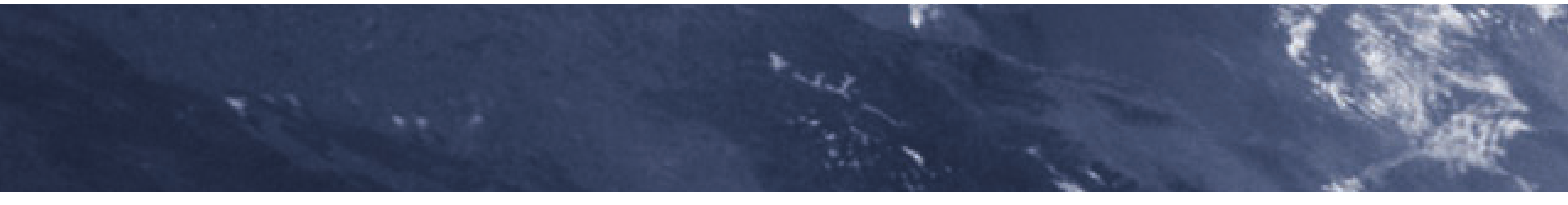
Amlin plc Annual Report 2007

Continuity in an uncertain world

AMLIN



Contents

Amlin is a leading independent insurer operating in the London and Bermuda markets. We specialise in providing insurance cover to commercial enterprises and provide reinsurance protection to other insurance companies around the world.

We have a diverse portfolio of risk and employ specialist underwriters with expertise in over 30 different business classes. Our insurance operations are organised into five businesses:

Non-marine
Marine
Aviation
UK Commercial
Amlin Bermuda

We continually seek to improve our offering to brokers and clients and are at the forefront of significant change in the London market.

Financial highlights

Income statement

- Record return on equity of 37.8% (2006: 34.0%).
- Weighted average return on equity over past five years of 32.0% (2006: 27.9%).
- Profit before tax up 29.9% at £445.0 million (2006: £342.7 million).
- Strong underwriting contribution up 32.5 % to £355.0 million (2006: £267.9 million).
- Combined ratio at record 63% (2006: 72%).
- Investment return increased by 36.4% to £157.0 million (2006: £115.1 million).

Balance sheet and capital management

- Net assets increased 12.4% to £1,052.2 million (£936.4 million).
- Record run-off profits from reserves of £109.0 million (2006: £68.9 million)
- £120.4 million return of capital via issue of B shares.
- Dividends (paid and proposed) increased by 25.0% to 15.0 pence per share.

Positive outlook

- Underpinned by net unearned premium reserve of £474.3 million (2006: £507.8 million).
- Underwriting margins remain good despite declining rates.
- Strong cash flow supports future growth in dividends.

	2007 £m	2006 £m	2005 £m	2004 £m	2003 £m
Gross premium written	**1,044.7**	1,113.8	993.5	945.6	937.4
Net premium written	**938.3**	1,013.5*	829.3*	790.2*	787.6*
Net earned premium	**972.3**	973.9*	822.1*	722.4*	701.1*
Profit before tax	**445.0**	342.7	186.7	119.7	117.8
Return on equity	**37.8%**	34.0%	29.6%	21.0%	26.6%
Net assets	**1,052.2**	936.4	784.8	449.2	380.5
Net tangible assets	**983.2**	870.4	718.8	383.2	317.3
Per share amounts (in pence)					
Earnings	**66.3**	50.4	34.3	20.7	21.0
Net assets	**220.6**	175.6	148.7	113.7	98.7
Net tangible assets	**206.2**	163.2	136.2	97.0	82.3
Dividend under IFRS**	**20.8*** **	10.4	9.0	4.7	2.1
Dividends (paid and proposed final) in respect of the calendar year**	**15.0**	20.0***	10.2	8.0	2.5
Capital return via B shares	**22.4**	–	–	–	–
Group operating ratios					
Claims ratio	**36%**	41%	57%	50%	50%
Expense ratio	**27%**	31%	25%	32%	36%
Combined ratio	**63%**	72%	82%	82%	86%
Amlin Bermuda Ltd combined ratio	**46%**	48%	–	–	–
Syndicate 2001 combined ratio	**69%**	76%	82%	82%	86%

* Excluding premiums associated with the reinsurance to close of increased share of capacity.
** All per share dividends are the actual dividends paid or proposed for each share in issue at the time.
*** Includes special dividend of 8.0p per share.

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 or finance costs. Combined ratio is the total of the claims and expense ratio.

Amlin in brief

Amlin is a leading insurance group operating through Syndicate 2001 at Lloyd's and Amlin Bermuda Limited. Our insurance operations are organised into five divisions writing some 30 classes of business, providing a diverse portfolio of risk:

- Non-marine
- Marine
- Aviation
- UK Commercial
- Amlin Bermuda

Amlin writes policies on both a subscription and stand alone basis. Our principal geographic markets are the UK and US, although business is written worldwide. The majority of business is sourced through independent insurance brokers.

We are recognised for our:

- Strong focus on client service and underwriting profitability.
- Strategy and underwriting philosophy, common across all businesses so that we optimise our allocation of capital according to the relative strengths of each market.
- Bias towards short tail business.
- Very experienced and stable team with a strong performance record.
- Risk driven investment management approach aligned to underwriting.

Syndicate 2001 at Lloyd's

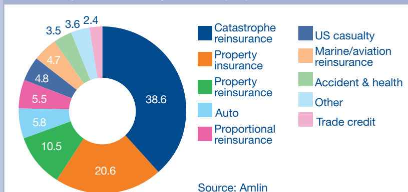
Ratings: AM Best – A+ (Superior), Moody's – A1 (Stable), Standard & Poor's – 4 (Stable).

Non-marine

Key statistics for 2007

- Gross premium written of £500.6 million
- Net earned premium of £426.2 million
- Combined ratio of 59%
- Number of senior underwriters*: 14
- Senior underwriter turnover+: 0%

Gross premium by class (%)



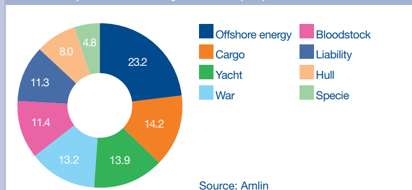
Source: Amlin

Marine

Key statistics for 2007

- Gross premium written of £187.2 million
- Net earned premium of £157.1 million
- Combined ratio of 81%
- Number of senior underwriters*: 9
- Senior underwriter turnover+: 11%

Gross premium by class (%)



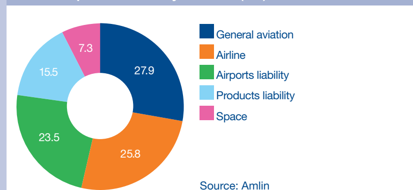
Source: Amlin

Aviation

Key statistics for 2007

- Gross premium written of £63.6 million
- Net earned premium of £47.0 million
- Combined ratio of 68%
- Number of senior underwriters*: 7
- Senior underwriter turnover+: 0%

Gross premium by class (%)



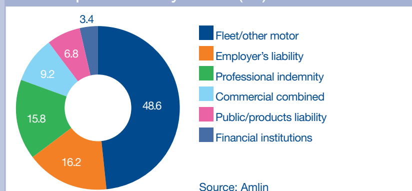
Source: Amlin

UK Commercial

Key statistics for 2007

- Gross premium written of £149.2 million
- Net earned premium of £130.3 million
- Combined ratio of 85%
- Number of senior underwriters*: 16
- Senior underwriter turnover+: 22%

Gross premium by class (%)



Source: Amlin

Amlin Bermuda

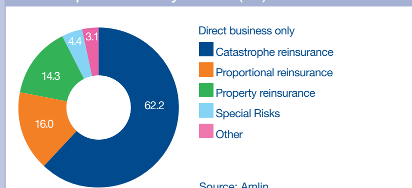
Ratings: AM Best – A (Excellent), Moody's – A2 (Stable), Standard & Poor's – A (Stable).

Amlin Bermuda

Key statistics for 2007

- Gross premium written of £232.8 million
- Net earned premium of £216.2 million
- Combined ratio of 46%
- Number of senior underwriters*: 2
- Senior underwriter turnover+: 0%

Gross premium by class (%)



Source: Amlin

*Senior underwriters are leading class underwriters and class underwriters.
+Senior underwriter turnover represents voluntary turnover.

Lloyd's of London is the world's leading specialist insurance market, with 66 syndicates and capacity of £16.1 billion in 2007. It is the largest property and casualty reinsurance market in the world and the second largest surplus lines market for US risk.

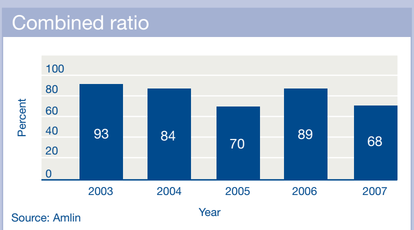
Non-marine underwrites a diverse portfolio of property and casualty insurance and reinsurance classes although the focus remains short tail. It is a major lead reinsurer of property catastrophe exposures. This is complemented by more attritional lines including casualty, auto and medical expenses.

The division leads 49% of the business it writes. 63% of the business emanates from the US, where it is written on an insurance (typically surplus lines) and reinsurance basis.

The division's main competitors are other syndicates in the Lloyd's market, major European reinsurers, US property and casualty companies and the Bermudian market.

Marine writes a mixture of volatile classes, like energy and war, and more attritional classes, such as hull and cargo. 41% of business is written on a lead basis. Business is worldwide, reflecting the nature of the risk. However, yacht and bloodstock have a greater UK focus.

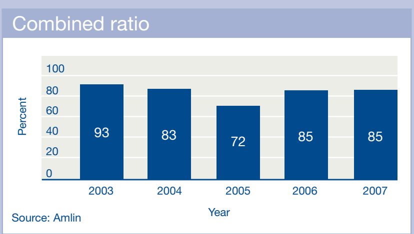
The global marine market consists of Lloyd's, European reinsurers and specialist markets. In terms of specialist markets, the Norwegian marine (Cefor) hull market has competed strongly in this sector over the last decade and now challenges Japan as the second world market to London for this business.



Aviation classes are exposed to large aviation disasters and potentially catastrophic losses. The line size required in this area is large and a comprehensive reinsurance programme is fundamental to writing this business.

The division leads 44% of business written. Business is predominately written in US dollars. In 2007, 44% of premium was sourced from the US, with the UK and Europe contributing a further 39% of business.

The global aviation market consists of the Lloyd's market, European reinsurer's and specialist markets around the world. The market includes a number of major participants, such as Global Aerospace and the AIG Group.



The UK commercial market underwrites UK motor, property and casualty business. The market includes companies such as Royal & Sun Alliance, Norwich Union and Axa.

UK Commercial underwrites mainly UK based clients, with the majority of risks written on a 100% basis. The portfolio consists of well managed motor, liability and property insurance risks. The property book is growing steadily particularly in relation to specialist scheme business.

Bermuda hosts 15 of the top 35 reinsurers worldwide, and approximately 1,200 international insurance companies, more than 40 of which hold US$1 billion or more in capital and surplus. Bermuda's insurance business is dominated by excess property, excess casualty and property catastrophe reinsurance.

The Bermudian market specialises in large commercial risks and reinsurance. It has grown to be a significant market, particularly for US risks.

Amlin Bermuda began trading in December 2005. It is capitalised in excess of US$1 billion and competes in the specialist reinsurance market.

Amlin Bermuda sources much of its business through global brokers operating in the London subscription market.

The business writes predominantly catastrophe reinsurance and property reinsurance similar to that written in London. 62% of business was generated from the US in 2007.

Chairman's statement

Roger Taylor Chairman

"The Group has attained a market leadership position and strength that is so valuable in challenging times."

I am delighted to report another year of excellent progress for Amlin. The financial results are exceptional, a product of strong underwriting and investment returns. The last few years have represented a period of sustained delivery, with our weighted average return on equity since 2002 now standing at 32.0%.

Importantly for our business the senior underwriting team has again remained stable. Their exceptional underwriting skills have delivered the performance of recent years and places us in an excellent position to continue this into a more difficult underwriting climate.

The strength of our business is now recognised by strong financial ratings from all of the rating agencies that we deal with. During the year AM Best upgraded both the Syndicate and Amlin Bermuda to A+ and A respectively. This places the Syndicate as the only current Lloyd's operation with this higher rating and Amlin Bermuda at a level that is ahead of many of its Class of 2005 Bermudian peers.

Results and dividend

Our profit before tax of £445.0 million (2006: £342.7 million) is a record result. It reflects strong underwriting returns, with a remarkable combined ratio of 63% (2006: 72%) following a second year of benign catastrophe events. The investment return of 6.6% across our portfolio was equally impressive given the volatile market environment. Our weighting towards high grade and government bonds helped, together with a reduction in our equity exposure in the autumn, as the extent of the credit market problems began to become apparent.

The Board proposes a final dividend of 10.0 pence per share making total dividends declared for the year of 15.0 pence per share (for each share in issue at the time). This is a 25.0% increase on the 2006 ordinary dividend. Looking forward we would expect to be able to steadily grow the dividend and deliver healthy income returns for our shareholders.

Additionally the Board has authorised a buy back programme for our ordinary shares in order to continue to efficiently manage our equity capital. This, combined with the return of £120.4 million of capital at the end of the year and the special dividend announced this time last year, delivers on our commitment to actively manage our capital.

Strategic progress

The Board has continued to review the Group's strategic direction to ensure that Amlin builds upon its strengths and long term potential. We strive to lead change in the London market with a view to enhancing the service that our clients receive and our appeal to them. Good progress has been made. A solid foundation has also been built at our new Bermudian operation. While only modest growth was achieved in the year, in a competitive market, with an expanded team of underwriters, we look to the future with some confidence.

With Amlin's core business in a good position we have examined the changing face of distribution in our markets during the year. The UK, global specialty and reinsurance markets are all evolving rapidly and we intend to be alert to the opportunities that are presented to us.

During the year we purchased a UK insurance operation, Allied Cedar, with the intention of strengthening our UK property offering. We also set up Amlin Singapore to bring a local presence to the thriving Asia-Pacific region with a view to writing energy and property business.

Outlook

Undoubtedly, rating conditions became more challenging in 2007 and into the start of 2008. Nevertheless, our Non-marine, Marine and Bermuda businesses continue to enjoy good market conditions with the potential to deliver acceptable returns to shareholders. However, we have reduced our risk appetite as margins have fallen.

In our other two areas of underwriting we believe that we are towards the trough of the cycle. The aviation market has been disappointing, with competitors seemingly happy to expand their underwriting with little prospect of an adequate return for the risk assumed. The UK commercial market has also been highly competitive with only limited signs to date of a return to more rational behaviour. However it is increasingly likely that these business areas will start to turn to provide a source of future growth.

While conditions may now be more difficult, this is when we would expect our outperformance against our peers to grow. Our team shares a well understood underwriting philosophy that focuses on profitability, we are well reserved and we are constantly striving to improve our risk management and management information to enable us to steer a steady course.

Board

The Board welcomed Mr Marty Feinstein as a new non-executive Director in December 2007. Marty, as one of our US directors, brings considerable insurance industry experience to our deliberations, after a distinguished career at Farmers Group Inc., where he was CEO for 10 years.

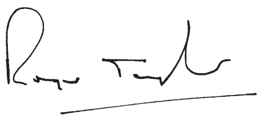
Tom Kemp, another of our US directors, retired from Amlin at our AGM in May 2007 after serving as a director since 1998. We received excellent advice from him throughout this period and thank him for his service to the company.

At our AGM in April 2008, Roger Joslin will be retiring. Roger, who was previously Vice Chairman at State Farm, joined the Board in 2001 and has taken a keen interest in the development of Amlin for which we are very grateful.

Tony Holt, Amlin's Underwriting Director is currently absent from work undergoing medical treatment. We wish him a speedy return. In his absence Simon Beale and Brian Carpenter have jointly assumed his Group Underwriting Director role.

The Amlin team

A record breaking profit has been produced in 2007. The continued effort of Charles Philipps, his management colleagues and all our employees has allowed the Group to attain a market leadership position and strength that is so valuable in challenging times. I would like to thank them all for their skill and hard work.



Roger Taylor
Chairman

A vision to deliver long term value to shareholders

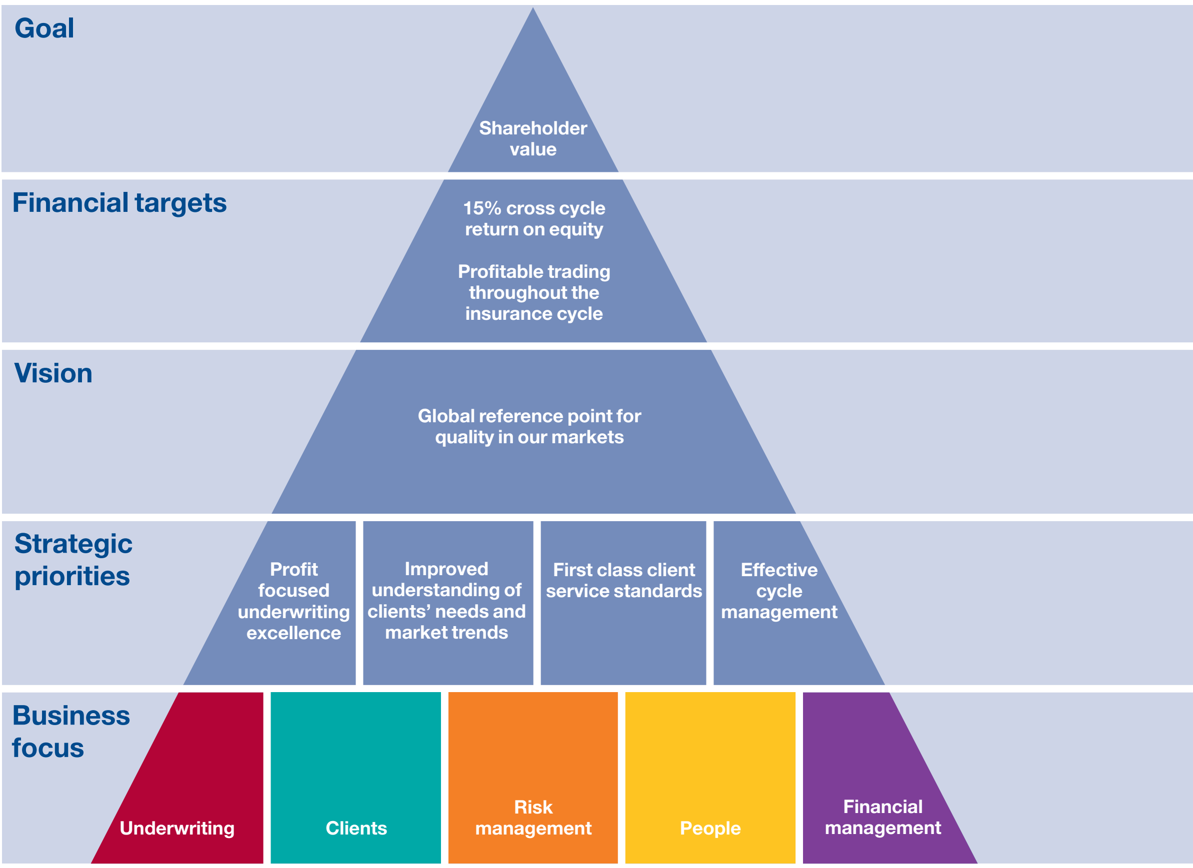
Amlin's goal is to **deliver long term value to shareholders.**

In delivering long term value to shareholders, we aim to:
- Achieve an average cross cycle return on equity of at least 15%
- Deliver profitable trading throughout the insurance pricing cycle

To help achieve this, in 2004, we established our vision for 2009 to be the **global reference point for quality in our markets.**

Our vision is founded upon four strategic priorities:
- To deliver profit focused underwriting excellence
- To improve our understanding of clients' needs and market trends
- To deliver first class client service standards
- To achieve effective cycle management

We achieve our goal, vision and priorities by developing detailed plans and objectives across five areas of business focus.



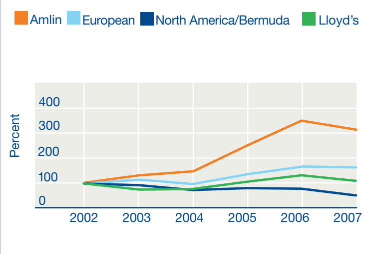
Measuring our delivery

We monitor our overall success in delivering value to shareholders through three key performance indicators:

- Total shareholder return
- Return on equity
- Dividend per share

Leading total shareholder returns in the non-life insurance industry worldwide over the past 5 year

Total shareholder return



Source: Datastream

Total shareholder return combines share price performance and cash returns to shareholders to provide a dynamic measure of value delivered to shareholders. It is calculated over a five year period and indexed for comparative purposes across peer groups.

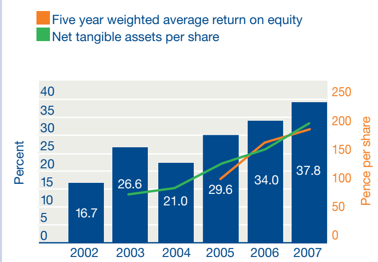
Amlin continues to deliver one of the highest total shareholder returns in the global non-life insurance industry across 1, 2, 3, 4 and 5 year periods.

PEER GROUPS

European	North America/ Bermuda	Lloyd's
AXA	Ace	Atrium
Hannover Re	AIG	Brit
Munich Re	Argo Group	Beazley
RSA	Chubb	Catlin
Scor	Everest Re	Chaucer
Swiss Re	IPC	Hardy
ZFS	Markel Corp	Highway
	Max Re	Hiscox
	Odyssey Re	Kiln
	Partner Re	Novae
	Renaissance Re	
	St Paul Travellers	
	Transatlantic	
	White Mountains	
	WR Berkley	
	XL Capital	

Weighted average return on equity over the past 5 years of 32.0%

Return on equity



Source: Amlin

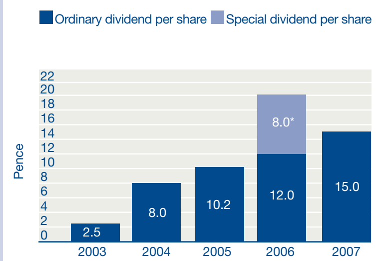
Return on equity is calculated by taking after tax profit divided by opening shareholders' equity, adjusted for any capital raisings or returns. It provides a measure of how effectively we use our capital to the benefit of shareholders.

Our record return on equity for 2007 was 37.8%. Weighted average return on equity over the past five years is 32.0%, set against a cross cycle target of 15% and an estimated cost of equity of 10%.

Amlin believes that its shares and those of similar insurers are generally valued in relation to net tangible assets per share. Multiples applied to net tangible assets per share are closely correlated with return on equity which is a proxy for the rate of growth in net assets per share. Amlin's net tangible assets per share have increased steadily over the past five years.

Continuous growth in dividend per share

Dividend per share (declared basis)



Source: Amlin

We measure dividend per share on a declared basis in contrast to IFRS which measures dividend per share on a paid or approved basis.

Cumulative dividends have continued to grow, with a total of 15.0 pence per share declared for 2007.

For 2006 and 2007 we have returned surplus capital to shareholders through a special dividend of £42.7 million (8.0 pence per share) and a further £120.4 million B share issue (equivalent to 22.4 pence per share). The latter is not shown in the above chart.

More detailed key performance indicators are employed across the five areas of business focus to reflect overall progress towards our financial targets and vision. These are described in more detail on page 11 within the section of 'Delivering our strategy'.

Our vision is to become the global reference point for quality in our markets.

Chief Executive's statement

Charles Philipps Chief Executive

- Exceptional financial performance for 2007.
- Commitment to capital management evident in 2007, with £163.1 million approved for return to shareholders in excess of normal dividends.
- Divergence in cyclical patterns between business areas expected to help performance over coming years.
- Singapore office opened.
- Continued improvement in risk management.
- Sound succession planning in place.
- Impressive staff retention levels maintained for the sixth consecutive year.

Amlin's financial performance in 2007 was exceptional. We also made solid progress towards our goal of becoming the "global reference point for quality" in our markets. In particular, the progress made in our Enterprise Risk Management helped both Syndicate 2001 and Amlin Bermuda to receive financial security rating upgrades; our long term succession planning was strengthened through review and a detailed assessment of senior people which confirmed the strength of potential internal successors for key roles; and good performance was delivered in two key areas of client service, contract certainty and claims turnaround, each areas where Lloyd's and the London market has been striving for improvement and where Amlin has been playing a leading role.

Both underwriting and investment markets are becoming more challenging. We nevertheless expect a further good year financially in 2008, and subject to catastrophe activity not being abnormally high, we should still be capable of delivering a return on equity above our average cross cycle target of 15%.

Financial results

We had high expectations for 2007 which were exceeded due to an exceptionally low level of claims incidence in a year where earned premiums recognised peak US catastrophe pricing and there were excellent investment returns. The record return on equity for 2007, of 37.8%, should be regarded as exceptional and unlikely to be repeated in the short term.

Gross premium written, at £1,044.7 million, was 6.2% lower than in 2006. Amlin Bermuda recorded 13.3% growth in its local currency gross premium. However the effect of a weaker US dollar, a 5% decline in renewal rates overall in 2007 and a reduction in exposure to classes where rates had become marginal more than offset this.

Profit before tax was a record £445.0 million, up 29.8% on 2006 with excellent underwriting performance across the Group. Our London operations increased their profit from underwriting by 20.1% to £238.8 million, while Amlin Bermuda's contribution from underwriting was up 68.4% to £116.2 million, reflecting its second full year, benefiting from a healthy opening unearned premium reserve. Run-off profits from reserves were again material, totalling £109.0 million (2006: £68.9 million), and we consider our reserving strength carried forward to be just as strong as it was going into 2007.The contribution from investments increased 36.4% to £157.0 million.

Capital strategy

We have consistently articulated that our key performance metric, that which we consider is most relevant to the delivery of shareholder value, is return on equity. This means that we will actively manage our capital over the insurance cycle. We currently expect that conditions for our London market business will soften over the next two years and that with this, in line with our underwriting strategy, we will reduce exposures. We therefore believe that for our existing business, our capital requirements are likely to have peaked for the time being.

The Group's success in generating significant levels of profit over recent years has resulted in very strong free cash flow and capital which is in excess of our requirements. Accordingly, in 2007 we started to deliver on our commitment to manage the balance sheet by paying £42.7 million in a special dividend and announcing a further £120.4 million return to shareholders by means of a B share issue which was completed in January this year.

In addition to the dividend and share buy-back referred to in the Chairman's statement, we will continue to keep under review our capital needs with the intention of managing our capital to enhance returns on equity.

Underwriting strategy

In 2007 we continued to operate with significantly less retrocessional reinsurance than we had in 2005 and previously. The expected overall profitability of the business, given the strength of pricing in our Marine and Non-marine lines of business, meant that we were very likely to be able to cover our largest modelled catastrophe loss without impairing the balance sheet. As it turned out, our largest catastrophe event, the California bushfires, cost us only US$26 million and we again saved on outwards reinsurance relative to 2005.

In line with our focus on underwriting profit, we again flexed the business according to underwriting conditions. We were pleased to grow our reinsurance income where pricing remained attractive, however we continued to reduce exposures in our airline account, where we considered pricing to be inadequate, and for our UK Commercial account where pricing was also considered poor, we focused on retaining accounts which continued to offer reasonable margin potential.

With rates now softening in a number of our Marine and Non-marine lines, it will become more difficult to maintain the excellent balance we have had over the last two years between the downside from a major catastrophe and our expected profit. For 2008 our modelling indicates that our mean expected profit will cover each of our modelled US single zone catastrophe events. The largest of these is currently a US$119 billion Florida windstorm for which the modelled occurrence probability is approximately one in one hundred years. However, it may not cover either very significant multi zone events, such as a major windstorm affecting each of the UK, France, the Low countries and Germany, or a very major Japanese earthquake. As rates soften further, we will look to maintain an acceptable balance by purchasing more reinsurance, including retrocessional reinsurance, which we have started to do.

The increased divergence in cyclical patterns between our UK Commercial and Aviation accounts on the one hand, and our Marine and Non-marine lines on the other, which we have witnessed since the 2005 hurricane season, gives us cause for hope that by 2009 our UK Commercial classes will be experiencing better margins, helping to offset the expected loss of margin in our Marine and Non-marine divisions. With this prospect we aim to be in a position to grow our UK Commercial business and to expand in UK property insurance where to date we have had only a small account. This aim was behind our acquisition of Allied Cedar which was completed in July 2007. We are also investing in our UK marketing capability and exploring means of increasing our alignment with a number of UK brokers.

We have expanded our underwriting team in Bermuda with the recruitment of two additional underwriters, doubling those with authority to commit lines. The business there now comprises of 22 people and, with the additional underwriters, Amlin Bermuda has been able to increase its marketing effort. With the AM Best rating upgrade to A which was achieved in October 2007 we are able to differentiate Amlin Bermuda from most of the other class of 2005 start ups.

We have continued to increase the granularity with which underwriting exposures can be analysed and monitored. As well as helping to ensure that we remain within our risk appetite, this helps the Group to use its balance sheet effectively. Good progress is also being made in reviewing and updating our technical pricing models. Amlin's underwriting team has a track record of increasing its out-performance in tougher market conditions and, with all the progress achieved over the last 5 years, we are well placed to manage the next phase of this cycle successfully.

Distribution

A number of trends relevant to the distribution of our products gathered momentum in 2007. First, in the UK, companies such as Towergate have been seeking to aggregate increasing volumes of business by consolidating the UK broking sector, and major companies such as Axa and Groupama have been actively buying UK regional brokers. Second, affecting our global specialty products, regional insurance hubs, such as Singapore, have continued to gain strength which is likely to result in some business, which has historically been underwritten in London, ceasing to come here. Thirdly, we have seen increased convergence between capital markets and the traditional reinsurance markets as evidenced by continued growth in catastrophe bond issuance.

In the UK, the emergence of Towergate and other similar companies is unlikely to have a meaningful impact on flows of business to Amlin in the short term. Our increased focus on marketing and interest in increasing our alignment with UK brokers is intended to help address the threat that further consolidation could have in the longer term.

The growth of regional insurance hubs, such as Singapore, is happening in areas of the world where there is strong economic growth. In 2007 we opened an office in Singapore to give us access to the opportunities of a fast growing economy as well as protection from the risk that the local market will reduce flows of business to London. Lloyd's have also applied for admitted reinsurance status in Brazil, recognising the growing strength of the Brazilian economy, and is exploring options for the establishment of a platform in the Middle East. We welcome these initiatives as an appropriately structured Lloyd's platform provides an extremely efficient means of widening our access to specialist business where we can use our expertise.

We are following developments in the insurance linked securities market closely in the belief that there will be opportunities for Amlin to either use the capital markets to lay off risk or to use its expertise to package risk for others.

We continue to hone the service we provide to both clients and insureds, in particular through the use of more effective systems and software. Our investment in work-flow systems is paying off as the delivery of contract certainty at the time of placement has become an everyday reality, and with the use of electronic claims files we are reducing claims turnaround times. We have made a point of staying in close touch with our top 20 London market brokers so that we can work with them to enhance service to the end customer as well as provide means of eliminating unnecessary expense from the placement and claims settlement processes.

Risk management

Expertise and sound risk management processes are critical to the success of the Group. It is also becoming increasingly important to be able to demonstrate the assessment and quantification of risk to both rating agencies and regulators, and with the advent of Solvency II, a new risk based capital standard that is expected to become mandatory Europe wide in 2012, this will be crucial.

Having appointed a Chief Risk Officer in 2006, good progress was made in 2007 in reviewing and enhancing our internal definitions of risk and improving our dynamic financial analysis model which now provides us with the ability to examine potential economic performance of the business and to consider the range and probability of outcomes around a mean expected return. This helps us assess the amount of catastrophe risk which we are prepared to accept.

During 2008, as well as implementing a new risk management and reporting system, we aim to improve our articulation of risk to stakeholders. As shareholders become comfortable with this, it should help lower our cost of capital.

People

We believe there is a strong correlation between effective people practices and shareholder value. We aim for strong alignment between the Group's vision and goals, and those of our employees, and between shareholders and employees. With the first award of shares under the Share Incentive Plan made in March 2007, 73% of employees now have an equity interest in Amlin.

Retention levels have remained within our annual target, although voluntary turnover has been closer to our target maxima than in recent years. Overall and senior underwriter voluntary turnover in 2007 was 14.4% and 8.3%, compared to target maxima of 15% and 10% respectively.

Two important pieces of work were completed in 2007 aimed at sustaining the long term success of the Group. First our values were rolled out across the Group with a healthy degree of positive employee engagement. These are now being embedded through incorporation into employee induction and appraisal processes and are aimed at promoting those aspects of the Group's culture which have contributed to its success. Secondly, with the help of outside consultants, 39 senior / high potential employees participated in a detailed personal assessment which was designed to test both management and technical potential. This helped us improve our succession plans and confirmed to us that we have internal candidates with considerable strengths who should be able, with tailored development, to fill most senior executive posts in the Group. Relevant employees are embarking on personally tailored development plans during 2008.

We are grateful to our employees for what they and their hard work has achieved in 2007.

Outlook for 2008

The underwriting environment in 2008 is softening as expected but good margins remain for selective underwriters. Rates remain adequate across our reinsurance, property and marine classes, with prices coming off historic peaks through 2007. The UK commercial market has been under strong competitive pressure for a number of years now. It is possible that later in 2008 we will witness improved trading conditions here, and if this occurs, it will help sustain good returns for longer.

With our stable team of high quality underwriters, who have a strong track record of out-performance in softer market conditions, and a significantly improved risk management capability since the last soft market, we are confident in our ability to trade successfully through more challenging times when they come. Our underwriting philosophy means that we will reduce exposures and be prepared to forego premium income if margins become unacceptable. If this happens, we will focus on retaining good margin business where we can, and we will continue to actively manage our balance sheet with a focus on delivering shareholder returns.

The investment markets remain very volatile with continuing concerns over the extent of damage that sub-prime lending will impart to the balance sheets of financial services companies. While we have limited exposure to sub-prime loans, and believe that most of the exposures we do have remain among the best credit quality, we are cautious about the outlook for returns this year. We have therefore adopted a conservative stance by reducing equities to 8.8% of our investments and have protected 25% of these against a diminution of year end value of more than 4.6%. We are also holding 28.8% of investments in short term liquid funds. However, there will come a point at which the upside for equities will outweigh the downside and we will be prepared, at that point to increase our equity exposure, especially given the lower return expectations that exist for bonds.

With this approach we expect to deliver acceptable returns on equity for the next few years although not at the levels seen in the last two. For 2008, we expect, subject to the level of catastrophe activity not being abnormally high, to deliver a return on equity of at least our 15% average cross cycle target.

Charles Philipps

Charles Philipps
Chief Executive

Delivering our strategy

- A clear vision which is recognised internally and externally.
- A robust process for delivery of our vision and a transparent mechanism. for measuring progress towards it.
- Good advancement towards our 2009 vision.

Understanding our strategy

We believe that a clearly articulated vision that is well understood by internal and external stakeholders is a key part of positioning Amlin to deliver shareholder value over the medium and long term. Our five business focus areas allow us to manage operations and work flow over a shorter time horizon in the context of our longer term goal.

Goal

Amlin's goal is simple: we aim to deliver value to our shareholders. As an organisation, everything that we do has this goal at its core.

Shareholder value

Financial targets

We set two over arching long term financial targets to measure our success in delivering our goal.

15% cross cycle return on equity

Profitable throughout the insurance cycle

Vision

Our vision for 2009 is to become the 'global reference point for quality in our markets'. This is a challenging mission, but one which has actively engaged our employees in positively differentiating Amlin from our competitors.

Global reference point for quality in our markets

Strategic priorities

These are the key things that we believe we need to deliver to be successful.

- Profit focused underwriting excellence
- Improved understanding of clients needs and market trends
- First class client service standards
- Effective cycle management

Business focus

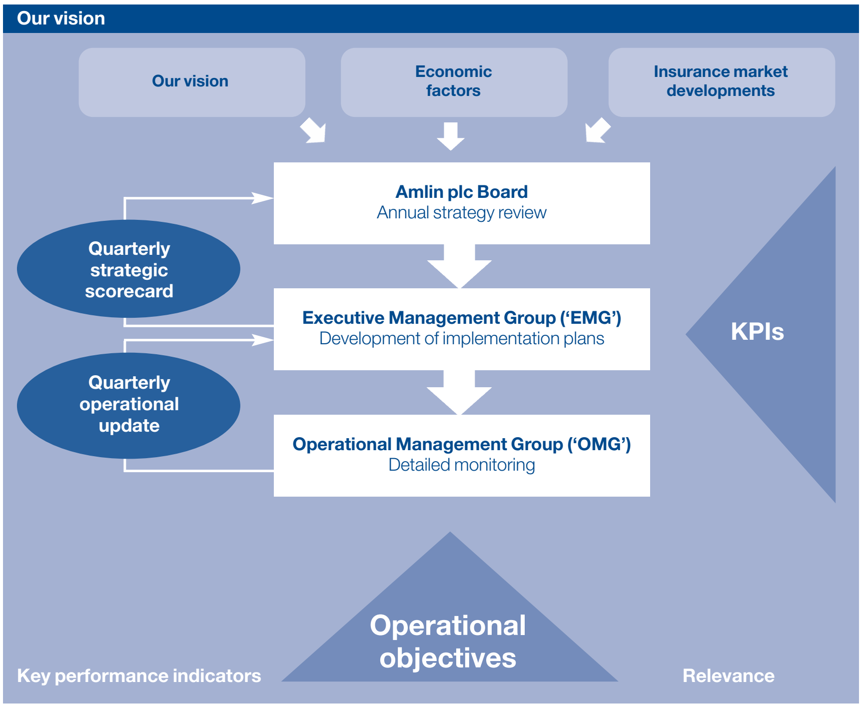
Underwriting
Pricing, portfolio and exposure management, and allocation of capital to classes of business over the underwriting cycle

Clients
Focusing on their needs and our ability to deliver the level of service to which we aspire.

Risk management
Clearly identifying risks to the achievement of our ambitions and successfully addressing them.

People
Having people with expertise, experience and motivation to meet the standards we require.

Financial management
Successfully balancing capital to support the business with the aim of beating our return on equity target and continuing to deliver superior total shareholder returns.



Delivering the strategy and measuring progress

Amlin's approach to strategy development, implementation and measurement is summarised in the adjacent diagram.

The starting point for the strategic process is the Board's annual strategy review which focuses on the strategic progress made in the past twelve months, significant internal and external developments, including economic, market and corporate events, and key strategic actions for the forthcoming period. The review provides the foundations to our strategic development.

EMG monitors market developments, considers options for delivery of the strategic direction agreed by the Board and develops implementation plans for actions. At a lower level, OMG and other business managers develop detailed complementary objectives generated within business and operational areas and these are agreed by EMG.

Strategic progress is tracked using a combination of key performance indicators and quarterly operational objective monitoring. More recently a strategic scorecard is being developed to provide a detailed quarterly strategic update to the Board.

Amlin Bermuda's Board independently considers any strategic actions on a quarterly basis.

Key performance indicators

At an operational level, we employ key performance indicators to measure performance within each area of focus. We set performance targets and monitor against these on a monthly basis. Our KPI hierarchy is summarised in the table below and other supporting measures are also employed across the different focus areas as referred to in the following sections of this Review. Actual KPI results are also shown in those sections.

Key performance indicators	Relevance
Shareholder value	
• Top quartile total shareholder return relative to peer groups. • Average cross cycle return on equity >15%. • Dividends per share growth.	• Measures the total value created for shareholders, including cash returns and share price performance. • Measures how effectively we use capital. • Reflects the cash returned to shareholders.
Underwriting	
• Gross written premium > plan. • Combined ratio < plan. • Rate movement within 2.5% of plan.	• Measures Amlin's gross underwriting income against expectations. • Measures Amlin's underwriting profitability against expectations. • Reflects the impact of price changes on Amlin's expected profitability.
Clients	
• Retention ratio > plan. • > 85% of policies contract certain. • 90% of claims turned around < 4 days.	• Indicates the level of customer satisfaction. • Indicates quality of service provided to customer. • Key driver of customer satisfaction.
Risk management	
• Incurred claims ratio within 5% variance from expectation. • Realistic disaster scenarios remain within risk appetite .	• Incurred ratios are a measure of variability of plan against actuarial best estimate. • RDS modelling and clear risk appetite principles control risk exposure.
People	
• Staff turnover < 15%. • Senior underwriter turnover < 10%. • Average years insurance experience of senior underwriters > 15 years. • Training expenditure targeted at 3% of salary costs.	• Measures staff motivation and retention of expertise. • Measures senior underwriter motivation and retention of expertise. • Shows depth and experience of underwriting resource. • Measures the extent of personal and professional development.
Financial management	
• Return on equity within 5% of plan. • Cash and investments at least double shareholders' equity.	• Measures how effectively we use capital. • Reflects profitable trading, liquidity and the ability to pay large claims quickly.

Operational objectives

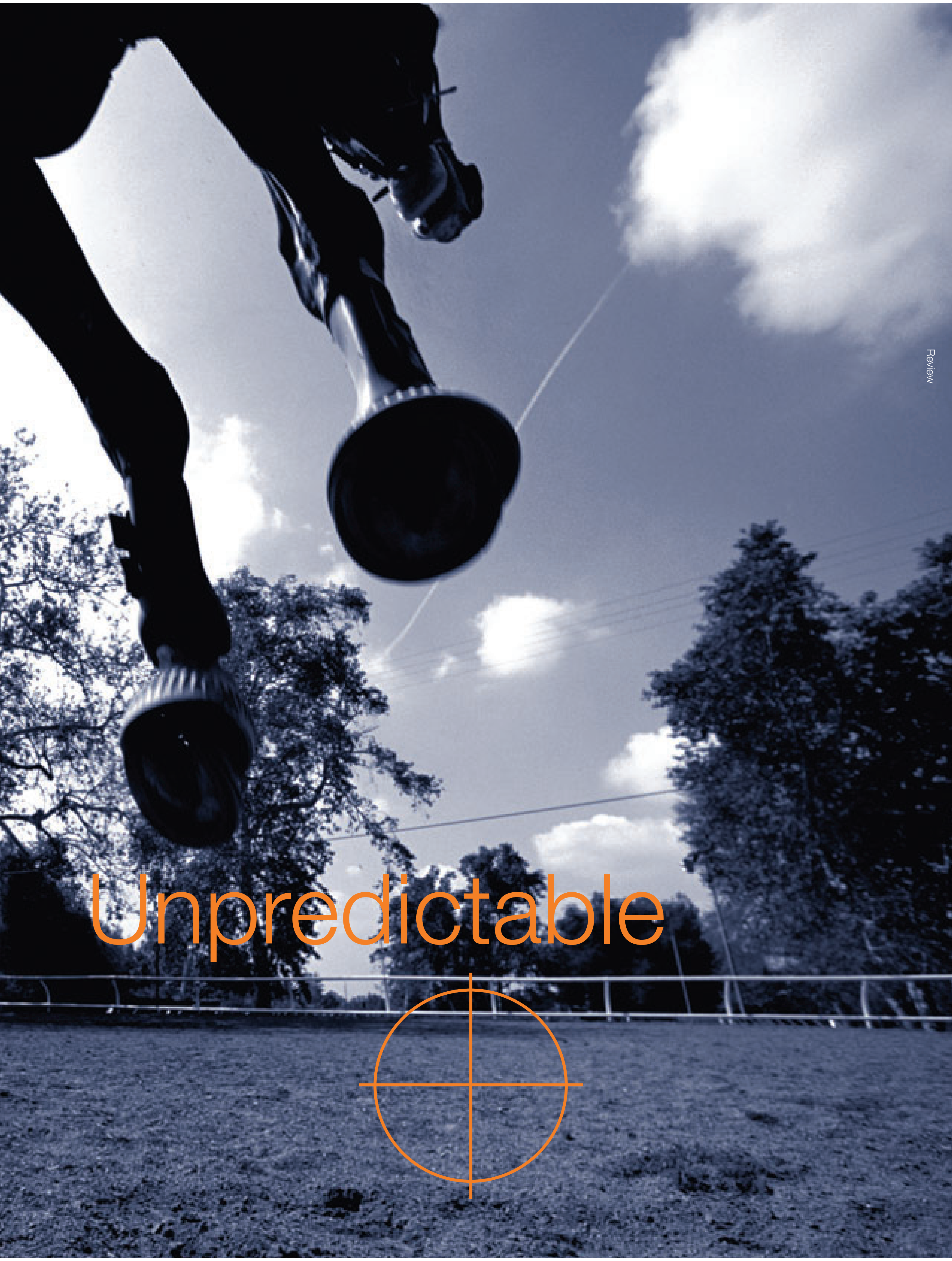
Each year we set shorter term objectives to support our strategic ambitions. Objectives are identified through a detailed planning process across business and operational areas. We track progress against these objectives on a quarterly basis through our Operational Management Group. Progress achieved against 2007 objectives and objectives set for 2008 are detailed in the relevant 'business focus' sections of this Review.

Delivering our strategy

Progress towards our vision for 2009

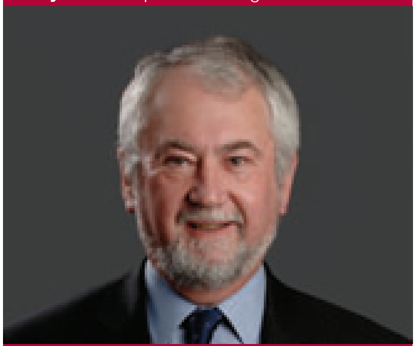
We believe we are making good progress towards our 2009 vision across each of our areas of business focus. The table below provides an overview of progress made in 2007, but more importantly it identifies those areas upon which we will focus our efforts in the next two years. Our four strategic priorities are shown in bold.

Vision for 2009 'Global reference point for quality in our markets'	Overview of progress in 2007	Areas of focus in 2008/09
Underwriting		
We will be renowned for profit focused underwriting excellence.	• Enhancement of technical pricing models. • Improved catastrophe modelling. • Improved management information capabilities for underwriters.	• Complete further review of technical pricing to standardise and improve methodologies where appropriate. • Implementation of Genus underwriting system to provide UK Commercial with materially enhanced underwriting information. • Complete system developments, eg. Data Warehouse and underwriter workbench, to provide faster, more reliable and more comprehensive underwriting management information.
Continuity is assured by a flexible business platform, with an ability to write business both in and out of Lloyd's.	• Continued growth of Amlin Bermuda. • Set up Amlin Singapore to gain exposure to Asian market. • Acquired Allied Cedar to facilitate growth of UK property business.	• Growth and development of Amlin Bermuda and Amlin Singapore. • Review select overseas markets for potential opportunities. • Continue to review capital market developments for potential opportunities.
Clients		
We will be renowned for a thorough understanding of client needs combined with an ability to identify market trends and opportunities ahead of our competitors.	• Formal review of underwriting and claims process with key brokers to confirm operational progress aimed at improving broker service.	• Review goals, plans and resourcing for UK sales and marketing, so that when the UK commercial market turns positive, we are able to grow the business successfully.
We will successfully leverage our expertise through maximising access to empowered underwriters, having the very best systems to support underwriting and claims and the effectiveness of our operational support.	• Contract certainty moved from project to business as usual mode. • Expanded electronic trading capability to wider London market brokers. • Successfully rolled out Electronic Claims Files (ECF) so that > 75% of London market claims are now handled using ECF.	• Expansion of UK Commercial's electronic trading capability through Genus. • Develop our online web presence for St. Margarets. • Continue to roll out ECF so that all London market claims are handled in this way by the end of 2008.
We will be renowned for consistently delivering first class client services.	• Continued strong relationships with key brokers and clients. • Independent consultants, Gracechurch, rank Amlin second in the London market for claims service. • Average 3.4 days for London market claims turnaround.	• Implementation of a management information system in support of our 'Treating Customers Fairly' policy. • Review synergies between our interface with brokers and clients of Amlin Insurance Services and our London Market Service Companies.
Risk management		
We will demonstrate first class enterprise wide risk management methodologies to identify, understand and govern risk.	• DFA model developed for the Group including Amlin Bermuda and investments. • Aggregate data capture and analysis capabilities have been enhanced. • Recruited new Head of Investment Risk. • Review and development of risk definitions.	• Develop risk appetite framework. • Improve aggregate capture across all relevant classes of business so that Amlin has an increased modelling capability and enhanced reporting against exposure limits. • Delivery of new risk assessment and reporting framework, including implementation of a new risk reporting tool. • Develop investment risk analytics.
People		
Amlin's achievements are underpinned by a culture which, together with our enviable business reputation and first class employment practices, make Amlin "the place to work". Staff are proud to belong to the organisation. They commit and align their long term career development to the ambitions of the Group.	• Roll out and reinforcement of Amlin Values. • Leadership assessment centres held for future succession candidates enabling development programmes to be established. • Defined and developed core competency frameworks for Finance and Underwriting. • Recruitment of additional underwriters for Amlin Bermuda and in selected other areas.	• Continued reinforcement of Amlin Values. • Continue roll out of Compass leadership programme and build a tailored development plans for key potential successors. • Complete competency frameworks for Wordings, Internal Audit, Information Services and Business Projects Group. • Design and procure training and development to support relevant competencies in competency frameworks. • Review resource in classes where we would like to grow market share when time is right.
Financial management		
Shareholders consider Amlin's cycle management, which combines underwriting, reinsurance, capital and investment strategies, as second to none.	• Leading industry return on equity achieved. • Returned capital to shareholders via special dividend and B shares issue. • Treasury management system developed, awaiting final implementation.	• Continue to review business opportunities for investment to broaden and develop the business. • Monitor levels of capital in the business against requirements and adjust as necessary.


Unpredictable

Underwriting – managing profitability through a changing

Tony Holt Group Underwriting Director



- Gross premium reduced 6.2% to £1,044.7 million.
- Overall renewal rate reduction of 5%, but 77% of existing business retained.
- Limited catastrophe loss activity experienced.
- Non-marine, Marine and Amlin Bermuda business remained well priced.
- Aviation and UK Commercial divisions continue to trade in difficult markets.

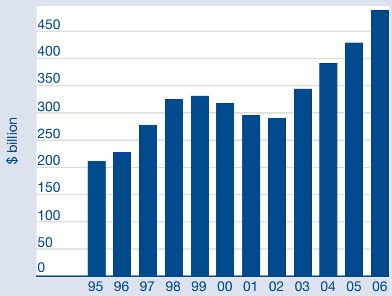
Key Performance Indicators

- Gross premium written of £1,044.7 million: 7% below plan
- Record combined ratio of 63%: 3% ahead of plan
- Average rate reduction of 5%: within 2.5% of plan

Trading environment in 2007

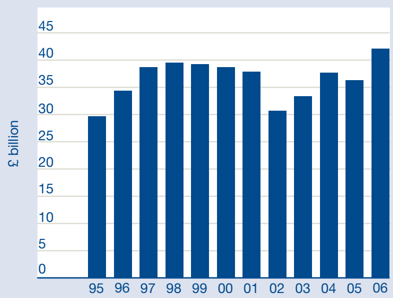
With levels of capital increasing to historic highs in all our markets, 2007 witnessed a softening of the pricing cycle across most classes, although rating levels remained favourable for many areas of our portfolio. Rates were coming off previous years' peaks but healthy margins were available, particularly in our Non-marine, Marine and Bermudian businesses which represented 79% of gross premium income in 2007. The more uniform trends across the insurance market were in contrast to 2006, when the pricing cycle was divergent with a strong rating environment for catastrophe exposed North American property and energy insurance and reinsurance but weakening prospects in a number of other classes of business. In 2007, our Aviation and UK Commercial businesses continued to trade in difficult markets.

US Capital & Surplus 1995 to 2006



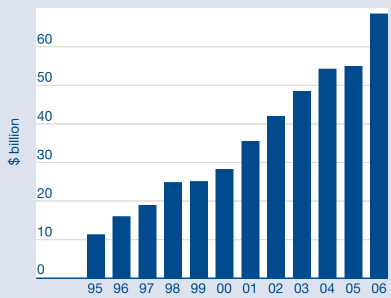
Source: AM Best

UK Capital & Surplus 1995 to 2006



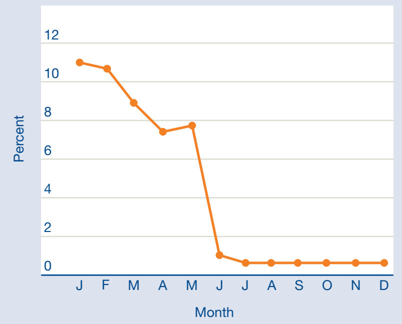
Source: ABI, AM Best, Lloyd's

Bermuda Capital & Surplus 1995 to 2006



Source: AM Best

Cumulative rate movement for 2007 US catastrophe renewals



Source: Amlin

In the first part of 2007, US catastrophe rates strengthened, towards the peaks reached in the middle of 2006. With few major catastrophes and surplus capital across the industry building, rates began to decline in the middle of the year. However, market discipline was evident. A good example of this was the reaction to the decision by the State of Florida to increase the State supported catastrophe fund. The increase in cover from the fund was less than originally stated, primary insurers purchased more cover and pricing remained firm, recognising the continued hurricane threat faced.

Pricing levels were more disappointing for international catastrophe reinsurance, risk excess of loss and direct and facultative property business. The US casualty market has softened steadily since 2005 as new entrants are attracted by the profits made in recent years. Our portfolio remains specialist and very selective.

Prices for marine classes remained generally healthy. Off shore energy witnessed rate reductions through the year, but continued to offer good margin potential. However, classes such as hull, cargo and yacht were more stable. War experienced more difficult pricing conditions, with limited loss activity and new capacity coming to market as a result.

Our UK Commercial business continued to experience challenging rating conditions across all classes through 2007. Competition is expected to continue into 2008, though there has been some sign that pricing pressure will begin to reduce in the motor, liability and property classes.

New competitors continued to enter the aviation market in 2007, adding further pressure to rates as they looked to acquire market share. This was particularly notable within the airline market, where despite the lack of a major airline disaster in the year, total claims, estimated at US$1.5 billion, were in excess of global airline premium of between US$1.3 billion and US$1.5 billion.

environment

2007 industry loss activity

Catastrophe loss experience in 2007 was benign. According to Swiss Re Sigma, total worldwide catastrophe insured losses have been estimated at US$28 billion, an increase on 2006 but far lower than 2004 or 2005 and below the long term trend. There were fifteen named Atlantic hurricanes in the year but only six landfall events, of which only one struck the US coast at hurricane force. Of these Felix and Dean were noteworthy as category 5 storms which caused significant damage and disruption to Caribbean and Central American countries. However, neither were major insurance losses.

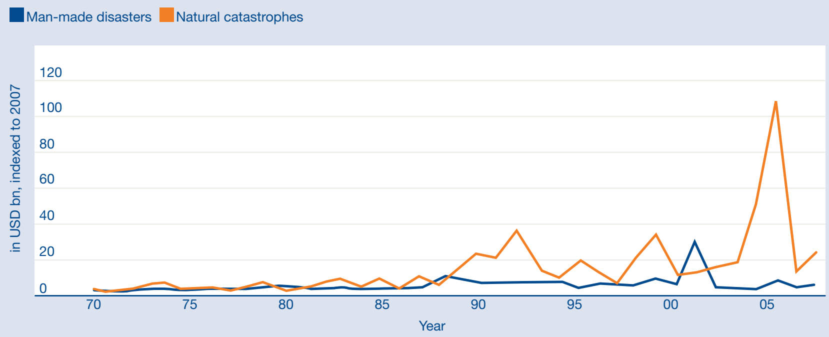
The largest US catastrophe loss in 2007 was the California bush fires in October for which the estimated total insured loss is US$1.0 billion. For Amlin, the loss is expected to be below US$26 million emanating mainly from catastrophe reinsurance programmes.

Elsewhere, there were severe storms in Europe, notably windstorm Kyrill in February which affected the Low Countries, Northern France and Germany causing US$5.9 billion of insured loss and the UK floods in June and July which caused an estimated US$4.7 billion of insured loss. Amlin's net claims for these events were a modest £14.2 million. The other major natural catastrophe loss was a large flood in Newcastle, Australia which has an estimated market loss of US$1.0 billion and which cost Amlin £4.2 million, again mostly from catastrophe reinsurance programmes.

For marine classes there were a number of small to medium sized losses to the energy, hull and specie markets. The hull losses, Bourbon Dolphin of US$75 million and MSC Napoli of US$60 million were not significant for Amlin but the loss of the world's largest dredger, WD Fairway (with an insured value of US$160 million), generated an estimated gross claim of £5.3 million for our account. An oil spillage in San Francisco bay, in November, when the container vessel Cosco Busan collided with the Golden Gate Bridge, and the loss of the Hebei Spirit tanker following a collision with a barge in December off the coast of South Korea, were stark reminders of the potential for a large pollution event.

It is widely anticipated that the sub-prime crisis and resulting credit squeeze will result in significant claims for the professional indemnity and directors' and officers' insurance markets. Some estimates of total claims amount to over US$9 billion, although it is very early to estimate claims arising from a set of problems which are still developing. Amlin's involvement is expected to be negligible. Our US casualty account contains little commercial company directors' and officers' insurance. Since 2001 we have avoided professional indemnity and directors' and officers' cover for US domiciled as well as the world's top 40 banks.

Insured catastrophe losses 1970-2007 (US$ billion)



Note: Insured losses from US natural catastrophes also include NFIP flood losses (since 1970)
Source: Swiss Re sigma No 1/2008

Reacting to market conditions

Amlin's diversity, combined with the strength of its underwriting teams continues to allow us to flex the business mix, taking account of market conditions and our risk appetite. We seek to optimise the risk-return relationship through the cycle and have historically allowed premium income levels to fluctuate in response to market conditions and prospects for each class of business.

A key aim of Amlin's underwriters is to produce a gross underwriting profit. Reinsurance is purchased to alleviate the impact of severe and infrequent loss experience, not to support inadequate original pricing. To achieve a gross profit, underwriters need to be able to calculate and achieve a technical price for coverage being given. In the current trading climate this stance results in reducing levels of income for many classes. There are a number of longstanding clients who wish to maintain Amlin as a leader or participant and recognise that they may have to pay more than others at this stage of the cycle. These clients remain the core part of our portfolio. In some instances, long term relationships are maintained by our underwriters continuing to participate with a reduced line.

The benefit of selectivity should also be reflected in the cost of reinsurance as reinsurers are willing to provide coverage at lower rates, underpinned by the knowledge that the underwriters are exercising underwriting discipline.

A good example of cycle management in action in recent years has been our airline portfolio, with the reduction in exposure to major airlines since the market peak in 2002. In 2002, the Aviation division underwrote 43 major airlines, leading on ten of these. By 2007, the division wrote ten major airlines and led on five. The reduction in the portfolio of risks has increased the potential for the division to avoid losses and still make a gross underwriting profit. During 2007 there were 20 large insurance loss events to the airline industry, each costing over US$10 million, which totalled an estimated US$1.1 billion in insured loss. Amlin were involved in two of these losses at a total cost of US$2.0 million. With a market share of approximately 4% of premium, a 0.1% share of losses is an impressive result.

Managing through 2007

Gross premium written reduced by 6.2% overall to £1,044.7 million, with 77% of 2006 business being renewed with an average 5% rate reduction across our business. Rating levels across a number of major classes of business are shown in the table below.

Rating indices in key classes

Class	2000	2001	2002	2003	2004	2005	2006	2007
US catastrophe reinsurance	100	115	146	150	143	144	185	188
International catastrophe reinsurance	100	120	157	161	145	131	138	131
Property reinsurance	100	122	189	191	170	146	170	144
Property insurance	100	125	171	163	143	136	165	143
US casualty	100	123	172	217	234	239	237	223
Marine hull	100	115	148	171	183	189	191	192
Offshore energy	100	140	172	189	170	175	262	243
War	100	250	288	244	220	206	191	175
Fleet motor	100	121	136	143	141	137	135	134
UK employers' liability	100	115	144	158	159	144	135	120
UK professional indemnity	100	110	149	178	181	165	154	141
Airline hull and liabilities	100	301	283	235	216	201	158	122

Source: Amlin

Review

Underwriting

Premium changes by business area for 2007 underwriting year (net of brokerage)

	Non-marine	Marine	Aviation	UK Commercial	Amlin Bermuda*	Total
Gross premium written (£m)	418	147	52	105	121	843
Change on 2006 (%)	(3.8)	(3.8)	(18.2)	(18.3)	18.5	(4.4)
Renewals (£m)	339	113	44	89	90	675
New (£m)	79	34	8	16	31	168
Retention (%)	80	76	80	71	76	77

* Amlin Bermuda is direct business only
Source: Amlin

Premium changes by business area for the 2007 underwriting year, alongside the renewal rates experienced, are provided above. The impact of our disciplined underwriting approach, whereby 2007 income reduced for the majority of classes in line with increased pricing pressure, is evident. The exceptions to this are small value businesses such as yacht, bloodstock and binders where the rating pressure is less evident and growth in the excess of loss reinsurance accounts due to the marketing efforts of Amlin Bermuda.

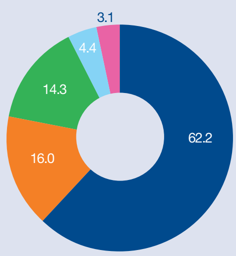
It is apparent from the chart below, showing line size maximums and average utilisation, that underwriters also exercised selectivity by reducing lines on some less attractive risks to achieve a better balance of exposure and income.

In managing their portfolios, our underwriters attempt to improve performance by selectively adding new business and reducing exposure to poorer quality business. Underwriting statistics for new and renewal business are analysed on a quarterly basis and have shown that for most classes the loss ratio for new business bears favourable comparison with the renewal book. The technical price for both new and renewal business is also captured to ascertain if rating levels differ markedly.

Progress of Amlin Bermuda

In 2007 Amlin Bermuda produced £232.8 million of gross premium, an increase of 4.2% on the prior year and a significant contribution to the overall Group result. In 2007, 1264 contracts were written for over 400 reinsurance clients. Catastrophe reinsurance continues to account for a large part of Amlin Bermuda's portfolio, generating 62% of direct premium income in 2007 (2006: 60%). The company continues to write a whole account quota share treaty of Syndicate 2001 which has been increased from a 10% to a 12.5% cession for 2008. Specific proportional facilities also exist which enable the Syndicate to write larger lines on individual risks in marine and property classes as required.

Amlin Bermuda gross premium written by class



Source: Amlin

The recent action of rating agency AM Best to upgrade Amlin Bermuda to a financial strength rating of A, the expansion of the underwriting team from 2 to 4 people, and a modest increase in risk appetite, will assist in the marketing efforts being carried out by the team, and continued controlled expansion of the portfolio is expected in 2008.

Managing exposures within risk appetite

The management of catastrophe exposure is a key area of our underwriting expertise. As explained previously the importance of diversity is core to our underwriting philosophy and this is also a feature of our aggregate exposure management whereby a broad spread of territorial exposures is underwritten and peak aggregations are carefully controlled.

This is especially the case where we have underwritten risks from several different classes of business, for example direct property, marine and reinsurance, which may aggregate and combine in a single loss event. Good systems for accurate data capture and modelling of potential scenarios are key elements in the discipline of exposure management.

There are areas of the world in which aggregate values are high and catastrophe exposure results in a high demand for coverage. The Board agrees a set of maximum net of reinsurance RDS limits or appetites for each of the major geographical peak zones.

This appetite is measured and flexed against the anticipated or planned underwriting profit generated by the business (from both catastrophe and non catastrophe writings) and by reference to the net assets of the Group. In circumstances where underwriting returns are expected to be high we are prepared to accept larger levels of net loss from a major event proportionate to net tangible assets. Conversely, when market conditions are weaker and underwriting returns are lower we would expect to reduce the net impact of a major event as a share of net tangible assets.

In line with this underwriting strategy we have increased or decreased our risk appetite as shown in the table below. As conditions have weakened since 2006, our appetite expressed as a percentage of net tangible assets has reduced.

Progression of risk appetite

	Net tangible assets (NTA) at prior year end £m	Largest modelled event appetite £m	Largest event appetite as a % of NTA %
2004	317	150	47
2005	383	170	44
2006*	719	325	45
2007*	870	364	42
2008*	983	341	35

Note: Largest event risk appetite is for our largest modelled losses, such as a $100 billion US windstorm or a $31 billion European windstorm affecting more than one geographical zone. *Amlin Bermuda limit converted at year end rates
Source: Amlin

Average line size by major class

Non-marine	2007 Gross premium £m	Current max line size £m	2007 Average line size £m
Catastrophe reinsurance*	158	50	4.0
Direct & facultative property	68	20	2.4
Per risk property reinsurance*	43	20	1.7
Proportional reinsurance	24	5	0.7
Binding authorities	20	2	0.3
Auto	28	4	0.2
US casualty	21	3	0.3
Marine reinsurance	15	67	1.7
Accident & health	15	2	1.0
Marine			
Energy	35	20	2.5
Cargo	22	17	2.6
Yacht	20	4	0.9
War & terrorism	18	17	7.3
Bloodstock	17	4	0.5
Liability	16	57	3.6

Aviation	2007 Gross premium £m	Current max line size £m	2007 Average line size £m
Airline (hull & liabilities)	15	84	19.3
Airports liability	12	57	21.9
Products	8	50	14.7
UK Commercial			
Professional indemnity	20	6	1.3
Employers' liability	15	27	10.0
UK Commercial package	10	27	1.0
Amlin Bermuda	$m	$m	$m
Catastrophe reinsurance*	150.1	75.0	6.0
Proportional reinsurance	38.5	7.5	1.4
Per risk property reinsurance*	34.3	12.5	2.8

Note:
1. Limits are set in US Dollars converted at a rate 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 Limited
3. Premiums are stated net of acquisition costs.

* Per programme basis
Source: Amlin

Development of pricing modelling and exposure management capability

During 2007 we invested further in our pricing capabilities with the recruitment of pricing actuaries within our Non-marine and Marine divisions. Increased sophistication in the methodology for calculating technical price will assist us in the next phase of the market where a larger proportion of the business offered to our underwriters may become marginally priced. Further review of our methodologies and the introduction of more advanced technical benchmarks are planned during 2008.

The catastrophe modelling team has been enhanced by the employment of new team members during 2007 and we have extended our modelling capability through the use of more than one model on certain classes of business.

The development of our location mapping software during 2007 included completion of the detailed mapping of our direct, non-facility catastrophe and terrorism exposures, enabling more accurate management of our exposures against agreed limits. We are nearing completion of a system to upload location data from delegated underwriting facilities, which are currently managed by broad aggregate limits. In 2008 we expect to complete the detailed location mapping of our direct account and be able to conduct our own stress testing and modelling on our direct portfolio.

A particularly valuable recent development has been the use of our dynamic financial analysis (DFA) model to compute the annual aggregate catastrophe costs and associated probability of occurrence. This has been done through feeds from the catastrophe models into the DFA model and is therefore subject to the inherent model error of the proprietary models themselves.

Use of reinsurance to manage peaks

Another key ingredient in the management of underwriting exposure is the availability and affordability of reinsurance. Following the severe events of 2004 and 2005, reinsurance for the Syndicate's reinsurance account became prohibitively expensive. A decision was made to purchase less cover and reduce peak exposures rather than to buy protection which provided little genuine risk transfer.

For our direct portfolio, however, coverage has remained available and we were able to increase the vertical coverage in 2007 by separating the Marine and Non-marine property damage programmes. This reduced the need for umbrella cover protecting both the direct account and excess of loss portfolios. In 2007, as more coverage has become available at an acceptable cost, we were also able to purchase more retrocessional cover for our excess of loss portfolio. We now have US$177 million of such coverage, albeit in excess of a higher deductible than that applicable in 2005. As a result of all the above changes, our risk appetite and the potential exposure to a major modelled loss has reduced as a share of our net tangible assets. This development is shown in the table on page 16.

A feature of the reinsurance market in recent years has been the development of alternative capital market solutions to risk transfer. The catastrophe bond market is the most mature of these alternatives. Catastrophe bonds enable reinsured companies to buy cover through the issuance of a security against which a recovery may be triggered by a pre-determined event, such as a Californian earthquake or series of events. This market has grown significantly in recent years but remains a small proportion of catastrophe reinsurance purchased. It is generally concentrated at the more remote end of the risk spectrum – in other words for very extreme and less probable events. The catastrophe bond solution offers longer term coverage than traditional annual reinsurance coverage, but typically offers less breadth of coverage and less certainty that a recovery can be made. We have carefully considered the potential for such instruments to be used for our own reinsurance protection but, to date, have not been convinced that they offer an attractive alternative, or addition, to existing arrangements.

A better alternative has been the development of reinsurance companies capitalised by new capital market investors that are able to commit to standard reinsurance contracts and even provide retrocessional coverage for reinsurers such as Amlin. This has become a valuable additional source of reinsurance capacity and we have purchased US$66 million of such coverage during 2007, which is supported by collateral provided by the reinsurance company. The development of this and the catastrophe bond markets continue to be watched carefully so that we understand the opportunities that materialise.

Progress against operational objectives

2007 priority	Achievement
Continue to develop our delegated authority underwriting management.	Procedures and system enhancements have been made to improve the capture of agents' premium information and dedicated resource is now in place in both our Non-marine and Marine divisions to assist with continued improvement in this area .
Revisit our technical pricing methodology in a number of classes with a view to being at the forefront of industry expertise and capability.	Non-marine and Marine appointed divisional actuaries during 2007 who undertook full reviews of technical pricing and developed the pricing models as a result. Aviation implemented an actuarial tool to aid technical pricing.

2008 priorities

- Complete further review of technical pricing to standardise and improve methodologies where appropriate.
- Implementation of Genus underwriting system to provide UK Commercial with materially enhanced underwriting information.
- Complete systems developments (eg. Data Warehouse, underwriter workbench) to provide faster, more reliable and more comprehensive underwriting management information.

Clients – understanding and responding to their needs

David Harris Chief Operating Officer

- Strong continuity of relationships within our client base.
- Responding to changes in distribution.
- At the forefront of change in the London market to meet our client needs.

Key Performance Indicators

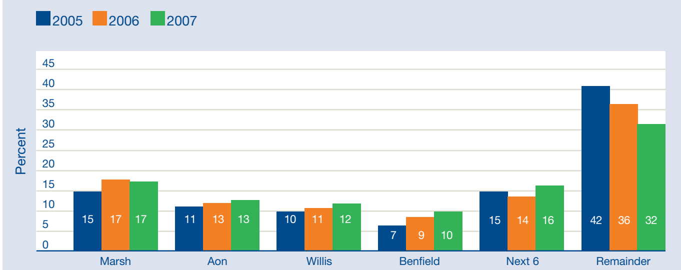
- Retention ratio of 77%: within 1% of plan
- Average 3.4 days for London market claims turnaround
- 85% contract certainty, but 100% for lead business

Our client profile

Amlin provides insurance solutions to a diverse range of clients worldwide, with the majority of business sourced through brokers. Brokers provide a global distribution network and, because of their knowledge of Amlin's products and standards, working together provides an efficient channel for business.

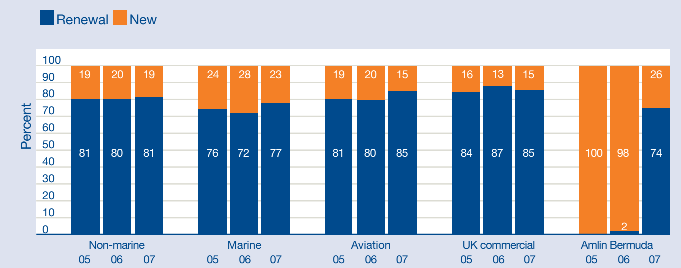
The graphs below show the continuity of broker relationships year-on-year, the significant percentage of renewal business generated each year and the market leadership role that Amlin maintains in each area. We aim to be flexible in our broker relationships. We prefer specific direct risk and treaty reinsurance, where we have full control over the acceptance of risk and tend to have a relationship with the ultimate insured, or reinsured. However, we are prepared to partner managing general agents, or brokers, in underwriting where their controls are perceived to be good and our ability to influence the business accepted is high.

Gross premium income by broker



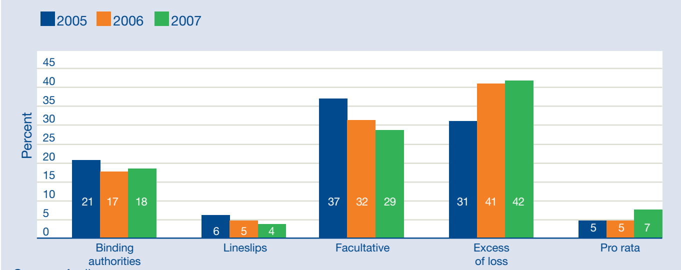
Source: Amlin

Business source by division



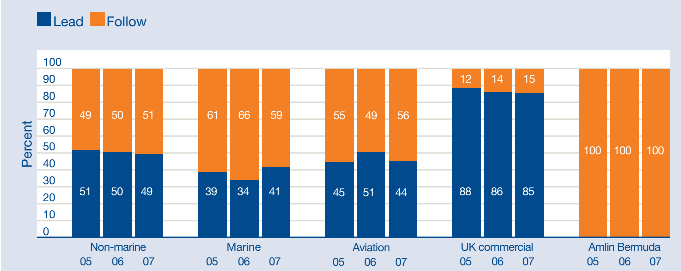
Source: Amlin

Method of acceptance



Source: Amlin

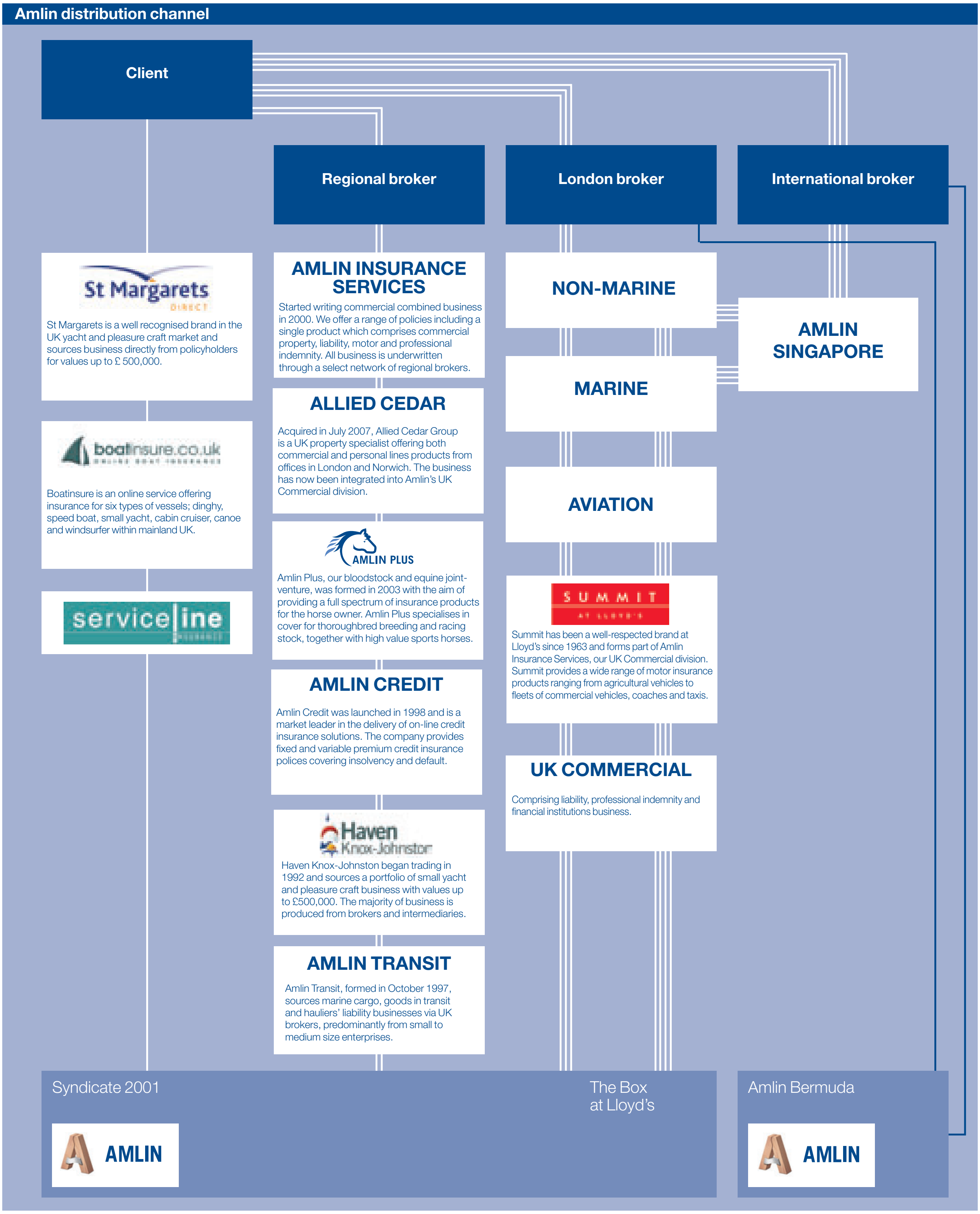
Business led



Source: Amlin

Our distribution channels

The following flowchart shows the different distribution channels used by our businesses.



Clients

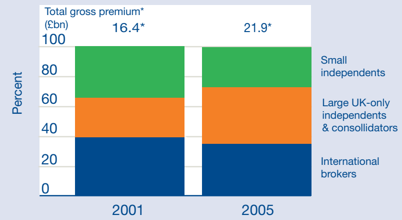
Amlin accepts commercial business from Lloyd's brokers, regional brokers, managing general agents via binding authorities and a small amount of personal lines business on a direct basis.

The relationships are varied and subject to varying competitive pressures. However a common thread is the pressure for change, albeit to varying degrees, across the distribution chain. The causes of pressure are varied but require Amlin to be flexible in its approach to meeting brokers' needs.

To understand the changes it is necessary to split our markets into three distinct categories; the UK insurance market, the global speciality insurance market and the reinsurance market.

In the UK, the pace of retail broker consolidation has been extraordinary. Consolidation dynamics originate from consolidators of brokers into networks, such as Towergate. Greater control over distribution has given the larger, emerging groups market power over traditional insurance carriers, pressurising margins. Subsequently we have witnessed insurance carriers buying material stakes in independent brokers to defend their position. Much of this activity has been in mainstream insurance, away from our specialist markets. However, it is inevitably putting greater pressure on wholesale brokers introducing business to the London market.

UK commercial lines by type of broker



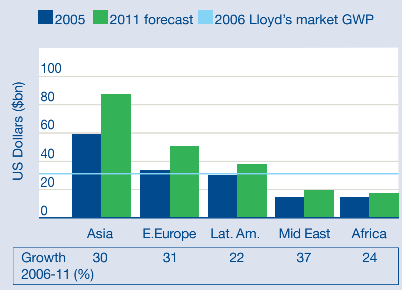
* Total gross premium (£bn) reported by ABI members only for commercial motor, commercial property, pecuniary loss, general liability and accident & health (may include personal insurance).

Source: ABI, Cornell Consulting, L.E.K

Amlin is well respected and recognised as a leader in its markets. For UK commercial insurance we have historically focused on commercial motor and liability insurance. For retail insurance we have a strong franchise in yacht and bloodstock insurance. Using these strengths we have begun to improve our local engagement with regional brokers and to adopt a more clearly defined sales and marketing approach. A strategic aim for the UK Commercial business is to increase its commercial property account into the next hardening insurance cycle in the UK. Consequently, in July 2007, we acquired Allied Cedar Group, with the aim of expanding our UK property account, developing new SME business and selected new niche personal lines property products.

Affecting our global speciality lines, we are seeing the emergence of stronger local markets which are being developed to service increased local needs resulting from strong economic growth. This provides both a risk to the flow of business into London as well as an opportunity to use Amlin's expertise to capture new business overseas.

Real non-life forecast premium growth in emerging markets (2005-2011 forecast)*



* Expressed in 2005 prices
Source: Swiss Re economic research & consulting; L.E.K.

Singapore has been a good example of this development, with the Singaporean authorities, determined to develop Singapore as an Asian insurance hub. In November, we opened our Singapore office operating as part of the Lloyd's Asia platform which allows risks sourced by our Singapore office to be carried by our Lloyd's syndicate in London, a very efficient means of operating. Amlin Singapore will provide regional clients, many of whom would not take their business to the London market, with coverage in marine energy, cargo, property and terrorism business. However , we expect that the larger and more complex risks will continue to be underwritten in London.

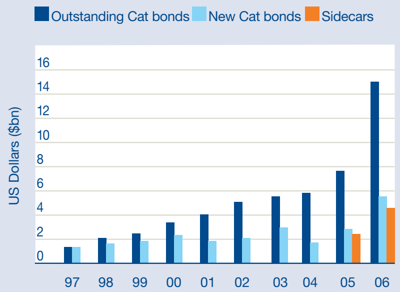
The reinsurance market has seen continual structural change over recent years, first with the emergence of the Bermudian markets and latterly with the pick up in capital markets activity. Fundamental to these changes has been the desire for investors to marry up capital and risk more efficiently.

The traditional response of investment markets to opportunities in reinsurance markets, typically arising due to capital depletion following a catastrophic event or series of events, has been to invest permanent capital in the industry. This was evident in the initial start up of Bermudian companies in the 1980s in response to a lack of available capacity for casualty insurance and reinsurance. Similarly, following the 11 September terrorist attacks a number of new reinsurance companies were set up to provide property catastrophe cover. However the hurricane events of 2005 exposed the mismatch of risk and capital within many of these companies, largely due to the lack of diversification of perils written.

While a number of new companies were set up post 2005, capital market investment has begun to take a structurally different and less permanent form. There are many possible routes to transfer catastrophe insurance risk to capital markets including pure financial instruments (catastrophe bonds, industry loss warranties and catastrophe swaps) or hybrid instruments which require an insurer, such as the so called sidecar.

We believe that a key structural trend in the reinsurance market will be further convergence with the capital markets. The graph above shows the growth in value of catastrophe linked transactions.

Value of catastrophe linked transactions outstanding and issued (1997-06)



Source: Goldman Sachs

To date, capital markets products have not provided protection to clients at a level which we believe would materially reduce demand for our traditional reinsurance products. However, we are maintaining a close watch on developments.

Kevin Allchorne Leading Class Underwriter

Innovation brings rewards for our clients

Mountain States Insurance Group provides property and casualty insurance products and services to business owners through an expanding network of professional independent agents in Colorado, New Mexico, Texas and Utah. The company approached Amlin, through Lloyd's broker Towers Perrin Claytons, in search of an innovative solution to a problem which was making it difficult for them to compete in the property insurance market. The company had repeatedly to approach and solicit the facultative property reinsurance market for coverage limits that exceeded the amounts covered by property treaties. This affected around 50% of the business they were attempting to write and, due to the particular nature of the facultative property reinsurance market, these approaches were time-consuming, frustrating and often unsuccessful.

In 2007 Amlin structured a risk excess programme, tailored specifically for Mountain States' portfolio, which allows the company to cede business as required on a "pay as you go" basis with preset rates for property and inland marine business. This enables Mountain States to provide certainty of cover in support of their agents and insureds.

Glen A. Walters, Vice President of Mountain States Insurance Group explained: "since Amlin devised this program, the company has been able to increase property premiums by 74.2%. In addition, 98% of the property risks now fall within the coverage limits of the property treaties and the Coded Property and Inland Marine Per Risk Excess of Loss Reinsurance Program, reducing the need for us to use the facultative property reinsurance market to 2% of risks submitted. Other benefits of the new approach have been a substantial growth in the hit ratio, growth and profitability of the property book, together with decreased administrative expenses."

How we appeal to our clients

We believe that there are a number of common attributes that are critical in our service proposition for many classes of insurance written within the Group. With much of the insurance written being large and complex in nature, financial strength, experience of our teams and access to decision makers are differentiating factors for many of our clients.

The increased focus on client service across the market has led several of our brokers to institute insurer service measures, such as the Willis Quality Index. In response, Amlin has engaged with brokers to share and compare data. These discussions have proved invaluable in identifying exactly where processes can be improved and in helping gain traction for implementing new technology.

We have continued to work hard during 2007 to improve the operational performance of our service to ensure that we become easier for our clients to deal with. During the year, we also strengthened relationships with our key brokers by instituting formal reviews of the main elements of the underwriting placement and claims process with our key brokers.

Financial strength

Strong financial strength ratings are important to all counterparties, but particularly in the area of reinsurance. In October 2007 AM Best upgraded both Syndicate 2001 and Amlin Bermuda to A+ (Superior) and A (Excellent) respectively. These upgrades, together with our existing strong ratings from Moody's and Standard & Poor's, mean that our clients can be confident in our ability to manage their risks and pay their claims.

The capital base, including regulatory debt capital, of the Group is in excess of £1 billion. We have shown our ability to access capital in order to provide capacity to our clients in times of insurance market crisis; for example with the set up of Amlin Bermuda in November 2005. Importantly, our risk management practices have ensured that in these times of crisis our balance sheet strength has not been materially eroded and we have been able to provide a consistent strong financial performance. This underpins the security offered to our policyholders.

Experience and leadership

Specialist insurance requires a depth of knowledge which is borne of years of experience. Hence, as explained in the people section of this review, the experience of our teams is a key performance indicator for the Group.

Amlin continues to lead a significant proportion of the risks that we underwrite in the London market, which gives us primary control of the quality and speed of the placement and claims service we provide to brokers and to their clients.

Underwriting access

Underwriting access and speed of decision making are two criteria which regularly feature in London market surveys. Direct broker feedback indicates that Amlin provides good access to underwriters, who are empowered to underwrite. All underwriters have authority to bind risks, within agreed limits, without the need to refer to an underwriting committee. Our wordings specialists work within the underwriting teams to provide flexibility and a fast response on placement and endorsements.

Given the focus that Amlin places on underwriter service, we were pleased that Syndicate 2001 won "Underwriter of the Year 2007" at the Insurance Day London Market Awards. This award is given in recognition of the strength and expertise of both underwriting and management and is particularly satisfying given that we were nominated by our market peers.

Policy issuance

The quality of wordings and speed of policy issuance had historically been poor across the London market, leading to the FSA demanding significant and rapid improvement in this area in December 2004. The FSA's challenge to the market was to achieve a position of full "contract certainty", defined as the complete and final agreement of all terms between the insured and insurer before inception of the risk.

Amlin tracks each stage of the underwriting and claims processes using workflow systems, but we have targets for contract certainty which contribute to the speed of contract documentation. Our 2007 objective was to move contract certainty from its 2006 project status to business as usual. Our operational statistics show we have successfully achieved this.

The client service proposition for our UK commercial and service company clients is different. Since we underwrite 100% of these risks and issue our own policies, there is no reliance on external third parties in getting contracts agreed or issued. We issue quotes or renewal offers at least three weeks before the expiry of the policy, which sets out our terms so we are normally contract certain before inception.

Peer to peer processing

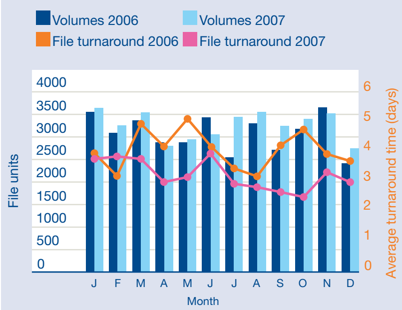
In 2007 we have made further progress with developing peer to peer electronic messaging capability as a way of streamlining the risk placement process. Benefits arising out of this change include savings in time and expense for brokers and underwriters and an improved audit trail of information passed before the underwriting of a policy. Working originally as part of the G6 market reform group and now, on a bilateral basis with each broker, we are ensuring that our systems are compatible in order to improve speed and accuracy of service to our mutual clients. While we have developed our capability in this area, we have been disappointed by the level of take up among brokers to the streamlining offered by peer to peer processing. Nevertheless, in the recent January renewal season Aon placed a significant percentage of its reinsurance risks, using RI3K, an electronic hub with which we have electronic connectivity.

Claims service

As the lead manager of 47% of the London market business we wrote in 2007, Amlin also takes lead responsibility for a high volume of claims. Amlin is committed to efficient and timely claims management and we constantly seek improvements to our claims handling models to ensure that our brokers and clients receive a focused and competitive service.

Despite a 5% increase in volumes over 2006, the average claims file turnaround time (from initial notification to agreement with the broker) has improved from 4.1 working days in 2006 to 3.4 working days in 2007. We do not control the claims process from start to finish, being dependent on brokers and market shared services for some elements. We therefore view the speed of our claims turnaround as the key measure of Amlin's claims service.

Lead claims volumes and average turnaround times



Source: Amlin

There remains huge scope for further improving the claims service by changing market practices and enhancing the quality and timeliness of shared services. We are pushing Lloyd's and others hard to move on this area.

Review

Clients

Matthew Maxwell Leading Class Underwriter

Claims service makes the difference

In 1999, Amlin assumed the lead and restructured a programme to provide cover to franchised dealers supplying heavy equipment to the logging industry in the United States. They are thus able to offer point-of-sale physical damage insurance for forestry and construction equipment, extended service contracts for heavy equipment and loss damage waivers for rental equipment.

Logging is a major US industry and this programme covers around 25% of the physical damage cover to heavy equipment in that industry. Logging is also highly sensitive to economic change and runs on tight margins.

Our insureds, both individuals and companies, are often highly leveraged and, with machines costing between US$50,000-US$250,000 each, plant represents a significant proportion of their assets.

Income is measured by the hour and they need to operate machinery around the clock in order to realise acceptable profits.

Amlin's underwriting and claims professionals, in consultation with specialist Lloyd's broker, EPG Insurance Services, constructed a coverholder programme through EPG Memphis in which the speed and efficiency of the claims service was a primary driver. From the outset, the team appointed a specialist advisor, Southern States Claims Services, to handle all claims on the programme following pre-agreed procedures.

The entire claims process is handled electronically, with underwriter, broker and adjuster able to access a common system at any time. This avoids duplication and saves some 4-5 days over the traditional serial method of claims advice. New claims can be reviewed within 24 hours, a full report with recommendations prepared within 10 days and settlement achieved in 12-14 working days. Amlin lodges funds with Southern States so that adjusted claims can be paid locally and quickly, thereby saving around 5-7 days in transfer time. Finally, the policyholder can track the status of the claim via a dedicated website. The programme is flexible and the Amlin underwriting and claims teams are required to research new vehicle types and make frequent adjustments for new units and new insureds. Both EPG and Southern States Claims Services play an active role in industry risk management including operator and safety training, and theft prevention, to the benefit of all programme participants.

John Shepherd, Chief Executive of EPG Insurance Services Limited explained: "Insurance of heavy equipment which is in continual use in some hostile and inaccessible regions has traditionally proved a volatile market. In Amlin, the programme has a specialist risk carrier with the skill, strength and portfolio diversity to manage this volatility, coupled with a real understanding of the industry."

T. Gillis Morgan III, President of Tidewater, the world's largest Tigercat dealer, comments: "EPG's physical damage insurance program has been very beneficial to both Tidewater and its customers. It meets a definite need for our customers and the claims processing has been very smooth. When downtime costs our customers money, EPG and Amlin's commitment and speed of response to claims has made this a service second to none."

There remains huge scope for further improving the claims service by changing market practices and enhancing the quality and timeliness of shared services. We are pushing Lloyd's and others hard to move on in this area.

Historically, London market claims have been managed by brokers and underwriters using paper files and manual agreements. Clearly with technology advances in recent years this was a sub-optimal process. The London market has targeted a move to the use of electronic claims files (ECF) to improve this situation, making use of a central market claims repository.

During 2007 we have continued our move to ECF technology, piloted in 2006 and which links to our bespoke claims workflow system implemented in 2005. The move from paper-based to electronic processing reduces the total time taken from initial advice to final settlement and brokers are able to reduce costs. It also facilitates greater sharing of information with other participant underwriters where Amlin is the lead underwriter on a risk and vice versa.

Our 2007 objective was to handle electronically 75% of new claims within a targeted range of business classes and we achieved 94%. Amlin has been heavily involved in the drive to handle claims electronically within the London market and in 2008 we are accepting this same business 100% electronically.

In 2007 we participated in the second Claims Performance Study conducted by Gracechurch Consulting, which tracked service performance against the first study undertaken in 2005. Once again, 100 brokers were interviewed, 85 of whom were specialist claims brokers and 15 of whom were placing brokers who deal directly with the claims functions of London market insurers.

The survey indicated that claims service has increased in importance since 2005. 61% of respondents now formally monitor claims performance (2005: 47%), with 48% rating it as very influential in their decision on where to place business (2005: 39%). Amlin's claims service was ranked second overall for the 25 Lloyd's and London market insurers participating in the survey and was highly rated in relation to the quality of our third party claims specialists. Whilst we broadly tracked the market average on each service criteria, we have identified areas for improvement, notably the lower than average score for our commitment to paying fair claims, as we seek to regain the market leader status we attained in 2005.

The majority of claims on our UK business are handled in-house from initial notification to issuing the settlement cheques. We use a 24-hour help line service run by a third party to take initial calls on motor claims and to deal with the immediate issues, but thereafter each case is managed internally. We maintain the case files, monitor the workflow on each claim and focus on keeping the client informed of progress.

2007 claims performance study

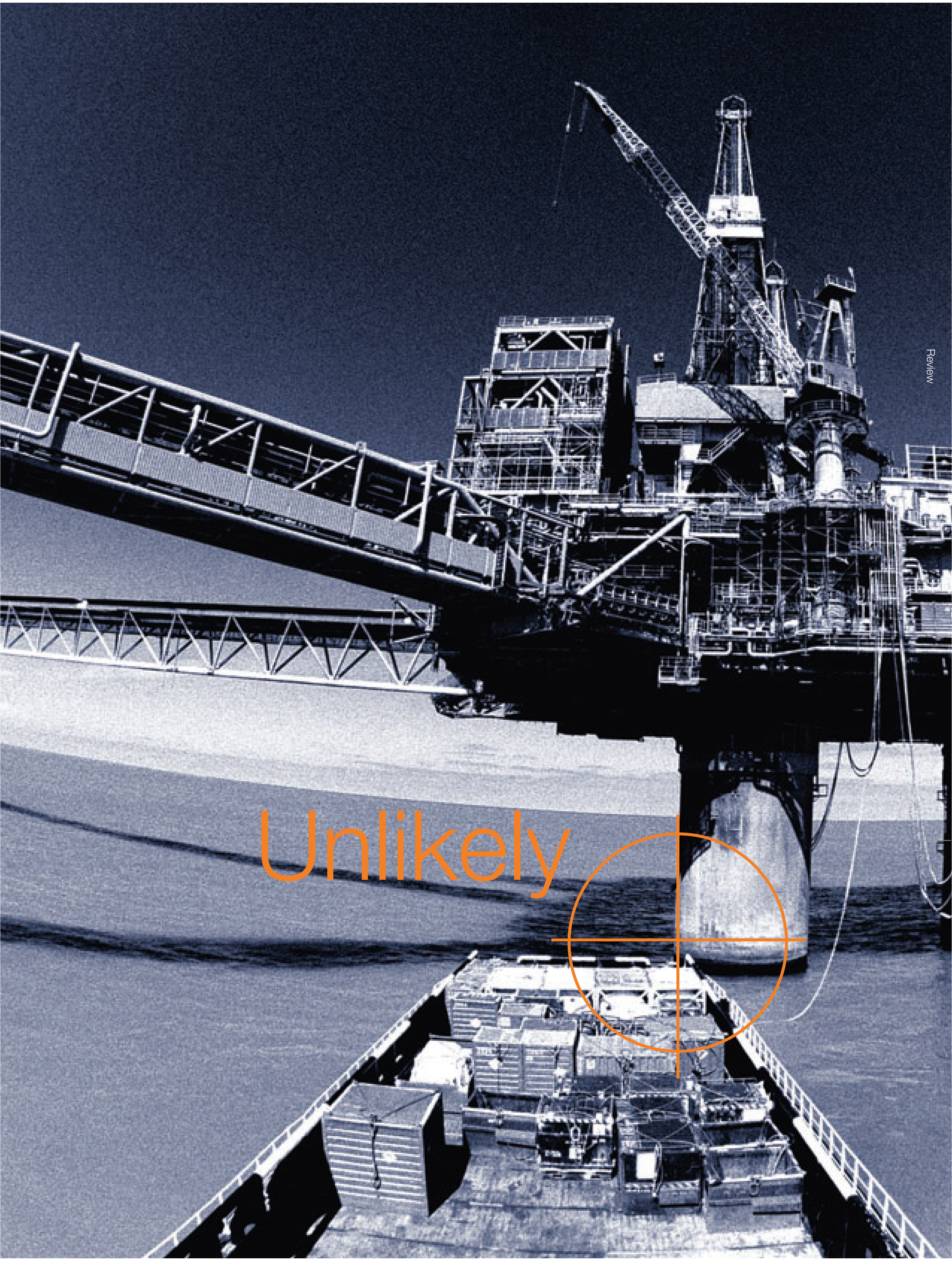
Source: Gracechurch Consulting

Progress against operational objectives

2007 priority	Achievement
Build upon interoperability to develop two way trading using peer to peer data transmission.	Our underwriters are capable of trading electronically on a peer to peer basis and we are live with a number of key brokers.
Move contract certainty from project status to business as usual.	Contract certainty has been operative in the business since H1 and targets continue to be met with 99% of risks written to date having wording agreed either prior to inception or at the time of writing.
Optimise use of ECF and build its use to cover 75% of all new claims.	94% of claims processed by ECF for targeted classes at 31 December 2007.

2008 priorities

- Expansion of UK Commercial electronic trading capability through Genus.
- Develop our online presence for St. Margarets.
- Roll out ECF so that all London market claims are handled in this way by the end of 2008.


Unlikely

Risk management – effectively understanding and

James Illingworth Chief Risk Officer

- Progress with Enterprise Risk Management capability has been significant in 2007.
- Group wide economic modelling now able to assist in risk and return evaluation.
- Development of an improved risk appetite framework and the mechanism for risk reporting is a key aim for 2008.

The management of risk is a core skill that ensures that the Group offers both sustainable risk transfer solutions to its clients and attractive returns to shareholders.

In a dynamic market place where levels of risk are fluctuating, competition for business is variable and financial security critical, the maintenance of ever improving risk evaluation and monitoring techniques is an ongoing challenge. This can clearly be seen in the management of our underwriting through the cycle and the adoption of improving technical underwriting methods.

The management and identification of risk is a day to day responsibility of many of our staff and is a feature of all our business activities.

The Risk Assessment and Monitoring team (RAM) are responsible for the evaluation, analysis and monitoring of the major risks faced by the Group. Under a Chief Risk Officer, the team includes actuarial, compliance, business intelligence, insurance and risk management skills. The purpose of the team is to promote better understanding and governance of risk, to ensure that we operate within agreed risk appetites and to monitor economic capital requirements.

Risk governance and reporting structure

The chart below outlines our structure for the governance and reporting of risk.

Key developments in 2007 included:

- Review of our risk framework in conjunction with the Group Risk Committee. This includes changes to our methodology for risk definition and evaluation, as well as a more detailed methodology for the analysis of our controls. These changes will result in clearer evaluation of our risks and enhanced governance and transparency over the operation of our controls.
- A review of our risk management software and commissioning of a replacement system for implementation in 2008.
- Development of an economic modelling capability across the entire Group, whereas previously it existed only for the Syndicate.
- Independent review of the quality and accuracy of our underwriting price monitoring and recording.
- Development of an improved risk appetite definition, which will be completed in 2008.

Risk categories

Amlin categorises risk closely to that laid out by the FSA. The risk categories are as follows:

Underwriting risk: The risk of loss arising from the inherent uncertainties in the occurrence, amount and timing of insurance liabilities and premiums. The scope of insurance risk covers underwriting, reserving, claims and reinsurance (excluding credit risk). The Underwriting Director is the primary risk owner but underwriting is delegated through senior management to class underwriters in Syndicate 2001 and Amlin Bermuda. Risk management is exercised through careful planning and monitoring, the setting of maximum risk liability and catastrophe exposure limits and through the day to day pricing and risk selection activities of our underwriters.

Credit risk: The risk of loss if a counterparty fails to perform its obligations or fails to perform them in a timely fashion. These counterparties include reinsurers, brokers, insured and reinsured clients, coverholders and investments. Credit risk falls under the ownership of the Finance Director and is

Risk management governance structure

Board
- Responsible for approval of risk governance structure.
- Approves high level risk appetite.
- Receives reports from Audit Committee on risk and internal controls.

Audit Committee
- Considers adequacy of risk management and internal control framework.
- Receives and reviews reports on risk management issues from Risk Committee.
- Receives and reviews reports from risk management function and internal audit on status of internal controls.

Risk Committee
- Approves risk management framework.
- Reviews risk evaluation against appetite.
- Includes Chief Executive, Finance Director, Chief Operating Officer, Underwriting Director, Chief Risk Officer and Head of Internal Audit.
- Considers actions to improve management of risk.
- Considers new or emerging risk.

Risk Assessment and Monitoring team
- Chief Risk Officer reports on matters to Chief Executive.
- Reviews and reports on risk status to Risk Committee.
- Conducts rolling review of risk and risk controls in conjunction with risk owners.
- Proposes levels of capital to be held for non-modelled operational risk.

Risk owners and managers
- Required to evaluate status of risk and effectiveness of risk mitigation.
- Responsible for day to day oversight of risk and design or operation of risk mitigation.
- Required to carry out risk management improvement as necessary.

Key Performance Indicators

- Claims ratio of 36% favourably compares to expectation of 55%
- Maximum RDS represents 89% of risk appetite

managed by the Broker Committee through the Credit Risk team, Reinsurance Security Committee, Reinsurance collection team and Investments team.

Market risk: The risk arising from fluctuations in values of, or income from, assets, in interest rates or in exchange rates. The Finance Director is responsible for market risk and day to day management is delegated to the Chief Investment Officer. From March 2008 market risk will be monitored by a newly appointed Head of Investment Risk reporting to the Chief Risk Officer.

Liquidity risk: The risk arising from insufficient financial resources being available to meet liabilities as they fall due. The scope of liquidity risk includes managing unexpected changes in funding sources, market conditions and cash flow planning. Liquidity risk is owned by the Finance Director and is managed within the Finance and Treasury teams.

Operational risk: Risk resulting from inadequate or failed internal processes, people and systems, or from external events, including regulatory control failures. Our approach is to split operational risk into (a) the control failure part of risk, which is covered within each specific risk area and (b) external risk events or internal generic risk such as fraud, which are handled as a separate risk category. Operational risk is owned by the Chief Operating Officer and managed by operational managers and the Human Resources Director. There are regular operational management reports on the status of key controls. Business continuity risk and planning is regularly reviewed and tested.

Strategic risk: Risk associated with the appropriateness of business strategy in the face of the current and future political, legislative and economic environment. Strategic risk is owned by the Chief Executive and is discussed and reviewed by the Executive Management Group and by the Amlin plc and operating subsidiary boards.

The detailed risk disclosures for underwriting, credit and market risk are set out in detail starting on page 51 of the accounts.

Risk management processes

The risk management framework makes it clear who has the responsibility for ownership and management of risks and their associated controls. The RAM team are responsible for ensuring that all risks are captured, that their status is recorded on the risk management system and that there is an appropriate evaluation of the potential size and frequency of a risk event occurring. Meetings are held with risk owners on a quarterly or half yearly basis to discuss the status of risks, adequacy of design and performance of controls, and any loss event or near misses.

The Group has over 90 separate risks identified, all of which are defined by event, cause and effect. These are managed and controlled in a number of ways:

Pre-event treatments include:
- Transferred, for example by way of insurance.
- Prevented by physical means.
- Controlled by way of policies, procedures and guidelines.

Post-event treatments include:
- Detection, for example by way of exception reporting.
- Mitigation through action taken to reduce financial impact such as debt recovery or business continuity.

During 2008 we are developing the risk management framework so that we are able to evaluate risk net of the effectiveness of both the design and performance of controls and other risk mitigation actions.

Development of Enterprise Risk Management

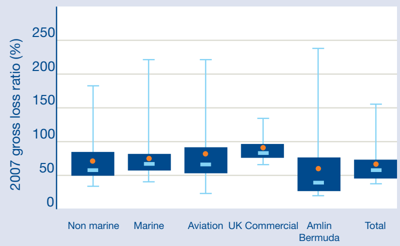
The economic, or dynamic financial analysis (DFA), model is a key enterprise wide stochastic tool which enables us to analyse the potential economic performance of the business. The resulting output allows us to consider the best estimate result for the various components of our business (such as individual insurance risk classes) and also to consider the range of possibilities around the mean. This is an invaluable tool in the assessment of business risk. Using the best estimate reserve levels for historical performance and detailed claims data, and through predicting the levels of premium income and rating, the model is used to forecast business performance for future years.

For the past five years the model has been used to evaluate and score the business planning forecasts provided by the underwriting divisions. The model recognises the value of diversification inherent in writing a number of non-correlating classes of business. A key benefit of this approach is to enable us to understand what the changes to one component of business or asset class mix, has on the overall potential of the business.

From the DFA model, we are able to run simulations of potential underwriting result outcomes. The box whisker chart above shows the loss ratio distribution of each Syndicate division, for Amlin Bermuda and the Group as a whole. The combination of the divisions shows the benefit of diversification with the volatility of the Group result less than the volatility of any one divisional result.

The RAM team are also responsible for reviewing and reporting on the Group's realistic disaster scenarios. Every quarter the underwriting divisions

DFA whisker plots



50% of modelled scenarios will fall within the box, and 99% will be between the two whiskers. The red dot indicates the modelled mean result and the middle bar is the median. Illustrative graph based on the 2007 plan.

Source: Amlin

(using in house catastrophe modelling capability and proprietary models as appropriate) conduct a stress test of approximately 30 major catastrophe events. These events, which include, but are not limited to, those prescribed by the Lloyd's Franchise Performance Department, are used to examine our gross and net exposure to major catastrophe events.

The actuarial team also conduct a quarterly assessment of reserving risk comparing carried reserves with their best estimate outcome. This analysis is used to compare year on year reserving and provide assurance on the consistency of carried reserves. Furthermore, using a methodology known as 'bootstrapping', a broad assessment of the risk and probability of reserve inadequacy is carried out.

Plans for further development of risk management

In 2008 we aim to have completed the implementation of the new risk management system and the adoption of a new framework for analysis. This will include a further evaluation of risk pre and post mitigating controls and it will enable us to more quickly report on the status of risk against a more detailed appetite.

In 2008 we will commence more detailed risk based analysis of our investments.

The development of our economic model will include regular enterprise wide reporting of the key measures of profit and risk.

Progress against operational objectives

2007 priority	Achievement
Develop the DFA model to cover the whole Group including Amlin Bermuda and all investment assets.	Successfully completed so that economic analysis is possible over whole enterprise.
Continue to develop our catastrophe risk aggregation and modelling.	Aggregate data capture and analysis capabilities have been enhanced with the development of a flexible tool. A number of classes, including direct property and terrorism, are already reporting detailed aggregates on a regular basis.

2008 priorities

- Deliver new risk assessment and reporting framework including new risk reporting tool.
- Develop Enterprise Risk Management benchmarking reporting from new risk reporting tool and DFA model.
- Improve aggregate data capture across all relevant classes of business so that Amlin has an increased capability and enhanced reporting against exposure limits.
- Develop investment risk management capability following recruitment of Head of Investment Risk.

People – sustaining and developing superior performance

Mark Farrow Human Resources Director

- Core values communicated and embedded across the Group.
- Group and local actions identified in response to 2006 MORI employee survey and implementation commenced.
- Leadership programme delivered to identify and develop current and future leaders.

Key Performance Indicators

- Staff turnover below 15% for sixth consecutive year
- Senior underwriter turnover at 8.3%: higher than previous five years but within target
- An average 22 years' industry experience per senior underwriters.
- Training expenditure represents 2.1% of salary costs

Amlin's success is driven by our ability to attract, develop, motivate and retain talented staff. We strongly believe that our intellectual property and competitive advantage resides in our employees and that there is a strong correlation between effective people practices and delivery of shareholder value.

Our ambition is to be "the place to work". In managing our human capital, our objective is to create a strong alignment between the Group's vision and goals, and employee interests. We aim to sustain and where necessary raise the performance of the business by developing staff to their full potential, by motivating staff appropriately and by planning ahead so that we are capable of properly addressing succession issues.

Our key objectives remain:
- Creation of a working environment where employees are well motivated and have a strong belief in the Group, its strategy and its core values.
- The development of loyalty between the Group and employees.
- Continual improvement in:
  - the effective management of people;
  - the skills and competency of staff at all levels and across all disciplines; and
  - the retention and growth of key skills which are critical to the business.
- Well constructed and fair reward systems which incentivise superior performance and align employee and shareholder interests.
- The development and use of first class employment practices throughout the Group.

Embedding core values in the business

One of the key features of the Amlin team is that our achievements are underpinned by an appropriate culture and set of core values. During 2006, the Executive Management Group (EMG) finalised work to identify the underlying values that were believed to contribute to sustaining the success of the business, and then, in 2007, put a programme in place to communicate and embed these across the Group.

Throughout the year, employees attended presentations or workshops to help communicate and embed Amlin's core values across the business. These gave staff the opportunity to understand the values that have been developed and also provided a forum to discuss and determine how they can be applied meaningfully on a day-to-day basis, in their own jobs. Half-day workshops are also run quarterly for new employees.

Moving forward, future employee opinion surveys will incorporate a section on core values to measure adherence to our values. Core values have also been incorporated into our induction programme, the performance and development review process (PDR) and the Group Business Ethics policy.

Development of first class employment practices

Employee engagement

One of the major initiatives in 2007 was to feedback the results of the MORI employee survey carried out in 2006 and, from discussions with staff in local focus groups, to identify the key actions, that moving forward, would make the most significant improvement or impact across the organisation.

The survey collected staff views in a number of areas and in many cases the Amlin result scored within the MORI top 10 norm. For overall job satisfaction Amlin scored the highest score (81%) of any organisation surveyed by MORI in the previous five years. However, a number of areas for improvement were identified including:
- A more consistent calculation of annual bonus payments for all employees across the Group.
- More effective and earlier management of poor performance by line management.
- Improved communication, specifically across the Group as opposed to within individual business units.
- Better career development opportunities and more recognition of personal development.

In response, the EMG has agreed a number of key actions which are in the process of being implemented. For example, the structure of the Group Bonus Scheme was reviewed during the year and the completion rate for performance development reviews was improved. A number of other changes to address the issues raised by staff have been approved and will be implemented with effect from 2008.

In addition to the employee opinion survey, the Amlin Consultation Forum (ACF) meets on a quarterly basis and provides a valuable opportunity for staff to feed back views to management.

Amlin's core values

Integrity	We are fair and honest and we deliver on our commitments.
Superior performance	We seek to excel in both the levels of service and the results we achieve.
Leadership	We take a clear and considered view of the future. We communicate our objectives and empower our team to achieve them.
Professional excellence	We are professional in all we do, continually developing our skills and expertise.
Teamwork	We work together to deliver excellent performance, taking responsibility, holding ourselves accountable and respecting the contribution of others. We communicate effectively and give each other the space to do the job.
Focus on sustainability	We take a measured approach in our business strategy and in our acceptance and management of risk to secure the long term viability of the business.

The ACF represents all employees and encourages active participation in the affairs of the Group by providing a forum where new ideas, policy changes and business matters can be discussed freely and proactively. The ACF was established in 2004 and during the last three years has been actively involved in discussions on a wide range of topics affecting staff.

Employee reward and well being

The Group has also carried out a review of its core and flexible benefits in 2007 to ensure that our current arrangements remain competitive and in line with market practice. The review confirmed that the levels of benefit provided by the Group are still competitive and therefore, save for some market adjustments on car allowances, no changes were required.

Core staff benefits

- Pension
- Death in service benefits
- Permanent health insurance
- Private medical insurance
- Personal accident
- Car allowance
- Season ticket loan
- Annual leave
- Sabbaticals
- Employee assistance programme
- Flexible options

The Group made a further grant under the Capital Builder Long Term Incentive Plan to approximately 50 senior underwriters in 2007. The plan is designed to retain and reward the long term commitment of key underwriters by giving them the opportunity to build personal capital over a sustained period of success, as they might have if they owned equity in a small underwriting business. This has proved to be an effective reward arrangement to drive superior performance and retain key staff with critical business skills.

A review of reward arrangements relating to Amlin Bermuda Ltd (ABL) was carried out during the year to ensure that remuneration levels in ABL were competitive against the local market. The same remuneration policy has been adopted by the ABL Board in Bermuda as in all other parts of the Group, namely to have regard to market median salaries, but with the potential for top quartile remuneration if top quartile performance is achieved.

In addition to the above, as far as possible we construct our reward arrangements in Bermuda to be consistent with our Group arrangements, unless legislation or local market practice dictate otherwise.

The review confirmed good overall alignment with Group practices and with the local market generally, although some enhancements to bonus levels and to additional voluntary pension contributions were required and have now been implemented. The improvements in remuneration levels in Bermuda will further consolidate ABL's position as an employer of choice. ABL received the Employees' Choice Award for 2007, awarded to the organisation which is nominated by its own employees for practicing equal opportunities, i.e. hiring and promoting fairly, training, mentoring and investing in Bermudians and for making outstanding efforts to promote the upward mobility of black Bermudians.

Employee turnover and experience at 31 December 2007

Class	Senior underwriters	Other underwriters	Underwriting support	Claims staff	Claims support	Operational	Operational support	Admin & finance	Total/ Average
Number of employees	**48**	**75**	**167**	**138**	**37**	**47**	**18**	**143**	**673**
Turnover	10.4%	13.0%	23.8%	12.3%	12.8%	20.5%	17.7%	17.6%	16.9%
Voluntary turnover	8.3%	13.0%	20.0%	9.4%	12.8%	18.0%	11.8%	15.2%	14.4%
Mean age of employees	44.7	39.7	34.3	39.9	41.2	38.4	38.2	37.7	39.2
Mean service of employees	12.5	5.9	5.6	7.7	6.4	4.8	5.5	5.3	6.7

Source: Amlin

Employee appointments and recruitment

In the UK, a number of key internal appointments were made, confirming our commitment to develop and promote from existing staff. These included the appointments of Managing Director for the London Market Service Companies, Group Operations Director and Group Financial Controller. During the year we also made a number of key external appointments which provides the opportunity to recruit fresh talent and bring outside experience into the organisation. These included the Head of Group Finance, Group General Counsel,
Head of Internal Audit, the Managing Director of Amlin Singapore Pte Ltd and a number of underwriters in both London and Bermuda.

In addition, we have been working in partnership with two universities, the London School of Economics (LSE) and University College London (UCL) to ensure that we continue to attract high calibre graduate entrants to the Group. LSE and UCL were selected as preferred universities as both achieve top 10 rankings in degree subjects which closely match the requirements of the business, specifically mathematics, geography, economics, business studies and geology. This campaign has involved attending careers fairs and hosting skills workshops on "insurance risk management" at both colleges. Our dedicated 'Amlin4graduates' microsite has also attracted considerable interest and we have joined the LSE patron scheme to increase our access to LSE students through publications and advertisements.

Employee retention

Amlin employed a total of 673 people at 31 December 2007 (2006: 620) and the number of new staff joining the Group during 2007 was 158 (2006: 93). Of the increase in headcount, 31 people came with the acquisition of Allied Cedar. Underwriting expertise and a consistent approach to underwriting risk management and control is critical to the success of Amlin, making the retention of skilled and experienced underwriters a business priority. Our senior underwriters have on average 22 years experience in the insurance industry and an average of 12.5 years service with the Amlin Group.

Total employees

	At 31 December 2007	At 31 December 2006
London market business	241	239
UK Commercial business	248	221
Amlin Bermuda	22	14
Amlin Singapore	2	–
Group functions	160	146
Total	673	620

Source: Amlin

One of our principal objectives is to maintain voluntary turnover, excluding retirements, of our senior underwriters below 10% per annum and our overall employee turnover below 15%. On this basis during 2007 turnover of senior underwriters was 8.3% with overall staff turnover being 14.4%.

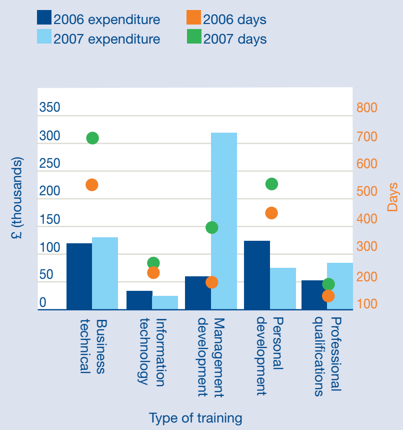
Performance & development

We place significant emphasis on the staff committing and aligning their long-term career development to the ambitions of the Group. We take the development of our staff seriously and work hard to help staff realise their full potential.

The Amlin Academy provides the foundation for training and development initiatives across the Group. The Academy's objective is to provide a core curriculum of training for employees and to encourage professional and personal development at every level throughout the organisation.

The Academy supports regulatory and compliance requirements and also provides a broad range of initiatives including technical training and management and personal development. Whether the need is a technical requirement to help increase an individual's specialist know-how or a developmental requirement to facilitate and support behavioural change, the most appropriate solution can be sourced via the Academy.

Total expenditure and days incurred on training in 2007



Source: Amlin

People

Leadership and management development

The major development in 2007 was the launch of Compass, a leadership and talent development programme designed to meet the needs of the Group succession plan. This is to support delivery of our vision and also underlines our commitment to our core values of Leadership and Focus on Sustainability. Compass has been designed in conjunction with leading organisations in the field of leadership and talent development, specifically to ensure that we develop our current and future leaders and that we identify and prepare the right people for the opportunities and challenges that lie ahead. It represents Amlin's unwavering commitment to develop and invest in our most talented people which is fundamental to our long-term future.

The initial stage for each individual is a 24 hour off site assessment – essentially a diagnostic phase to identify future potential and to provide a basis for future development. The centres have been designed and run by a firm of leading business psychologists, Kiddy & Partners, who specialise in assessment and talent management and have over 30 years experience of working with top organisations. Individual development plans are then agreed for each delegate to address identified development needs, based on the detailed feedback. For most participants this will include attending a core leadership development programme delivered by ASK Europe, who provide leadership programmes for some of the world's most successful companies. 39 individuals attended the assessment centre during the year.

In conjunction with the above initiative, the Group succession plan has been reviewed and updated this year. The primary objective is to improve business continuity and performance by promoting a more planned and strategic approach to the resourcing and development of key staff.

We believe that succession planning is a combination of talent acquisition and retention, employee engagement, career management and successful personal development. These are not separate, unconnected processes. The latest review confirms that we have immediate or potential successors for the vast majority of the key roles across the Group.

Management development is one of the core offerings provided by the Academy and we run two flagship programmes in partnership with external providers. The Roffey Park programme, which focuses on improving management skills, ran its seventh cohort this year and over 90 individuals from across the business have now attended since the programme was first introduced in July 2003. A further 17 staff attended the Coverdale programme this year, which focuses on working effectively with others to generate a more common approach to delivering against objectives, particularly across functional boundaries.

Performance management

The PDR process remains the primary framework for managing and developing staff. A structured but flexible framework enables managers to provide clarity around business objectives, to assess individual competency and to identify career and personal development plans. An on-line PDR system has been in use for a number of years and further developments have been introduced this year to improve functionality and performance.

The 2006 employee opinion survey conducted by Ipsos MORI identified some dissatisfaction amongst staff with the management of poor performance by some managers. From the feedback sessions held with focus groups across the business, there was a view that some managers were reluctant to tackle difficult conversations and address performance issues until they had escalated to the extent that action was unavoidable.

As a result, the "Grasping the Nettle" programme was designed and introduced across Amlin for all supervisors and line managers to attend. This is a one-day bespoke interactive workshop, facilitated by external training provider Leornian, which covers both the legal implications of poor performance management as well as equipping managers with the necessary skills to handle difficult and sensitive issues. The programme was launched in Autumn 2007 and will continue to be rolled out during 2008.

To further support line managers, "Managing Performance under Pressure" workshops were also launched during the year. These half-day workshops are facilitated by ICAS, who also provide our 24 hour Employee Assistance Programme (EAP), and aim to equip managers with the necessary tools to recognise and deal with stress related issues. Within the first year over half of all identified participants have attended the workshop.

Another key initiative during 2007 was the development of competency frameworks for Finance staff which incorporates both a set of bespoke behavioural competencies and a comprehensive technical know-how matrix covering all job functions within the departments. This is a showcase piece of work and will be used as a template for developing other competency frameworks across the business including Internal Audit and Wordings. A technical competency framework for underwriters has also been under development and will be completed in early 2008.

Professional partnerships

With the increased emphasis on technical competence and ethical awareness, the Chartered Institute of Management Accountants (CIMA) has developed a continuous professional development scheme called "CIMA Development". This is designed to encourage employers to continue to support their members in maintaining and developing their professional competence through relevant, planned and continuous development. Amlin has recently been awarded the Approved Employer status by CIMA.

In addition, Amlin has also been awarded Approved Employer status by the Association of Certified Chartered Accountants (ACCA) for both professional development and trainee development. Among the key benefits of Approved Employer status is exemption of Amlin Finance professionals from providing continuous professional development returns, since our own combination of PDR, objective setting and in-house training has been assessed as of sufficiently high quality to render this unnecessary.

The Association of Chartered Insurance Institute continues to be the most popular professional examination at Amlin and during this year 87 staff have commenced or continued studying for at least one CII Exam and four staff have become fully ACII qualified.

Progress against operational objectives

2007 priority	Achievement
Complete rollout of Amlin's core values across the Group. Reviewing and updating HR processes to help embed values.	Core value briefings held with staff. Values embedded into performance development review system, induction programme and Group Business Ethics policy.
Design and implement leadership development programme to support the Group succession plan.	Compass leadership development programme rolled out.
Further development of 'core-curricula' matrices, to include know-how capability and competency requirements.	Competency framework implemented for Finance. Underlying framework developed for implementation in 2008.
Draw up action plans for further improvement in our employment practices arising from the 2006 MORI survey.	Group and local actions identified and implementation commenced.
Review and benchmark the core and flexible benefits package.	Completed. Identified amendments to be implemented in 2008.

2008 priorities

- Continue roll out of Compass leadership programme and build tailored development programmes for key potential successors.
- Complete competency frameworks for underwriting, wordings, Internal Audit, Information Services and Business Projects Group.
- Design and procure training and development to support relevant competencies within these frameworks.
- Design and implement team leader and entry level development programmes.
- Implement Group-wide employment law awareness training for line managers.
- Review flexible working initiatives.


Unforgiving

Financial Management – balancing financial risk and return

Richard Hextall Group Finance Director

Active financial management is fundamental to delivering the financial strategy of the business. We focus on:

- Understanding the level of capital required to operate.
- Adjusting the level of equity and debt that is employed in order to enhance returns.
- Enhancing cash flow.
- Effective investment management.
- Prudently measuring the liabilities of the business.

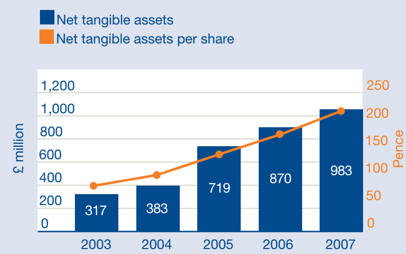
Key Performance Indicators

- Return on equity of 37.8%> plan by more than 5%
- Cash and investments multiple of 2.5 times shareholders' equity, in excess of target of 2

Active and flexible capital management has played a critical part in enhancing Amlin's shareholder return over recent years. Management of the balance sheet has focused on the level of capital required, the type of capital employed, improved cash and investment management and the quality of assets held.

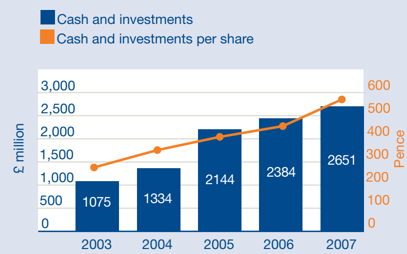
The following graphs show the performance of net tangible assets per share and cash and investments per share since 2003.

Net asset growth



Source: Amlin

Growth in cash and investments



Source: Amlin

Understanding the level of capital

The first stage in effectively managing the balance sheet is understanding the level of capital required to run the business. To facilitate this Amlin has invested in developing its dynamic financial analysis (DFA) model in recent years. The DFA model predicts a range of possible financial outcomes for each area of our business, incorporating underwriting and investments, and for the business as a whole, by running thousands of simulations through a stochastic model which is derived from historic and expected variability around mean expectations.

The initial focus of DFA modelling was for the London operations where the model supports our regulatory capital assessment. Amlin is required to submit an annual Individual Capital Assessment (ICA) to Lloyd's, which sets out the level of capital that is required to contain the risk of insolvency in any year to no greater than a probability of 0.5%. This is equivalent to a BBB insurance financial strength rating level. Lloyd's reviews the submissions for all syndicates in the market with the intent of bringing all ICAs to an equivalent level. At that point the ICA figure is currently uplifted by 35% to bring the capital to a level to support a higher financial strength rating.

During 2007 the Syndicate model has been built upon by developing a similar model for Amlin Bermuda. Additionally, a Group model has been completed which models the expected correlations of the London and Bermuda businesses – an important feature given the overlap of business between the two.

For Syndicate 2001, our uplifted ICA is 42% of the expected premium income, after deduction of brokerage, for 2008. This ratio has increased by 7% on the modelled ratio since 2007, although for regulatory capital purposes this was previously uplifted to the Lloyd's minimum ratio of 40%. The increase reflects the expected reductions in profit margins across the business as market conditions soften. However, due to an expected reduction in exposure, as our underwriters withdraw into a softening market, the absolute level of regulatory capital required for 2007 fell to £348.7 million (2006: £428.2 million).

The Bermudian business is still developing in scale and we hold net assets in Bermuda of around US$1.5 billion. We continue to believe that US$1 billion is the minimum amount of capital required to trade with our preferred client base.

In addition to regulatory capital requirements we believe that we 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.

Adjusting the debt capital deployed

The second stage to effective balance sheet management is to consider the mix of equity and debt employed to meet medium and long term needs. Our approach to financial leverage is well established. When underwriting margins are strong, debt capital will form a significant proportion of our overall capital deployed. When margins weaken, the proportionate level of debt capital employed will fall back.

The approach is driven by the amount of underwriting risk to which we believe the balance sheet is exposed. Our underwriting strategy has cycle management at its core. If margins increase we will want to expand our business, particularly in attritional classes. In such circumstances, whilst the level of underwriting risk increases, the expected underwriting margin grows too and the income statement is better placed to absorb volatility from catastrophic events. The risk of financial loss is therefore lower, and we would use debt to fund the business expansion.

Over recent years our debt to total capital ratios have fluctuated in line with this philosophy. For example, in 2005 debt increased in order to allow us to open Amlin Bermuda and increase our catastrophe underwriting risk. Margins were very strong and we believed that funding growth through debt was appropriate. During 2006 and 2007 the debt ratio has fallen as profits have been reported. At the end of 2007 the debt to total capital ratio stands at 20.9% (2006: 22.9%). We believe that this is an appropriate reduction as margins fall in the underlying portfolio. Net of free cash, the ratio drops to zero (2006: 4.6%).

Following the move to a stricter FSA solvency capital regime in 2005 Amlin issued long term subordinated debt in 2004, 2005 and 2006. The subordinated debt, which now totals £278 million, is regulatory compliant, longer term, unsecured and contains no financial covenants that could lead to early forced repayment. Additionally, the debt is recognised as capital by a number of the ratings agencies if structured correctly. We also have £250 million of unutilised banking facilities which, together with the long term debt, provides significant future flexibility.

Returning excess equity capital to shareholders

Finally, in order to enhance our return on equity, as actual levels of capital in the business exceed our capital requirements, we look to return surplus capital to shareholders. The amount of capital returned will depend on maintaining levels of capital that support regulatory capital requirements, that are commensurate with financial strength ratings assigned by rating agencies, that provide clients with necessary assurance as to our ongoing financial strength, and that supports medium and long term growth ambitions.

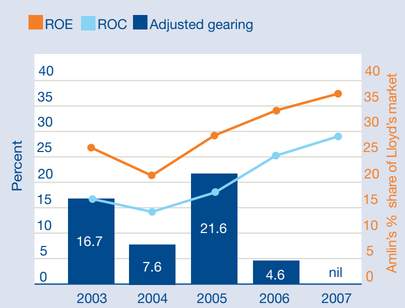
Our commitment to return of capital has been clearly demonstrated. In May 2007 Amlin paid a special dividend of £42.7 million (equating to 8.0p per share). More recently, in December shareholders approved the Board's proposal to return a further £120.4 million to shareholders (equating to 22.4p per share) through the issue of B shares.

The B share mechanism, combined with a consolidation of Amlin's existing ordinary shares, was used to ensure that the capital return was executed with certainty and equity.

The share consolidation was designed to leave the net tangible asset per share after the distribution at approximately the level that it was before the distribution. This was an important feature because most analysts' valuations of insurance companies are based upon a multiple of net tangible assets.

The enhancement of return on equity achieved by active capital management in recent years is shown in the graph below.

ROE, ROC and adjusted gearing



Notes
1. Debt includes term debt, subordinated debt, letters of credit, finance leases and bridging loan
2. Adjusted gearing is defined as debt less cash divided by total capital
3. Cash includes free cash and undistributed accrued profit in the Lloyd's premium trust fund (PTF)
4. Capital is defined as shareholders' funds plus debt

Source: Amlin

Liquidity and cash management

The Group's cash and investments have increased by £266.3 million as highlighted in the graph opposite. The growth represents further profitable trading in 2007. Cash and investments represent a multiple of 2.5 times (2006: 2.5 times) shareholders' equity.

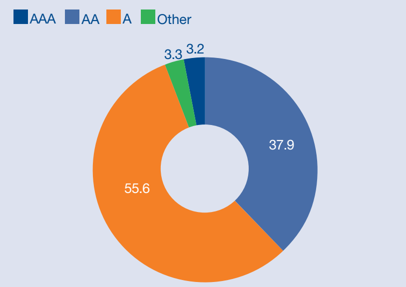
The strong level of these funds illustrates our ability to respond quickly to claims in the event of a large catastrophic loss which is fundamental to our proposition as insurer of choice. In particular the Group can readily absorb the losses from the worst of our realistic disaster scenarios.

Additionally a US$200 million secured LOC facility is available for Syndicate regulatory funding purposes and Amlin Bermuda has a US$200 million LOC facility to provide collateral to clients when required. These funding facilities add to the working capital strength of the Group for funding future catastrophe losses.

Efficient cash flow management is an important source of value to an insurer. On average we retain premium for around three years before claims are settled. On large claims where reinsurance recoverables are due, we have to pay out the claim before collection is made from reinsurers and rapid reinsurance response is important. Accordingly, strong credit management of premiums and reinsurance collectibles improves our performance.

Overall reinsurance balances have reduced to £372.8 million from £417.5 million at the prior year end. The credit quality of the debt remains good, as shown in the chart below.

Reinsurance debtors after bad debt (%)



Source: Amlin. ratings from Standard and Poor's and Moody's

Investment management

Our approach to investment management is consistent with our approach to underwriting, being based on experience, diversity, risk management and management of market cycles.

We believe that investment management can provide Amlin with a competitive advantage through:

- Setting a strategic asset allocation commensurate with our risk appetite and changing it through time.
- Taking short-term tactical asset allocation positions around the strategic asset allocation and managing these positions through time.
- Identifying skilled investment managers and managing allocations to those managers.

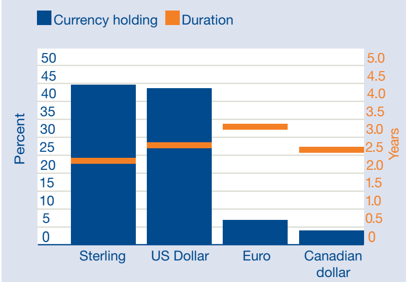
In essence, we look to optimise returns from available asset classes for a given level of modelled investment risk. Diversification is expected to reduce risk and help to optimise returns. We also believe that the investment strategies should be transparent. This disciplined approach has been important in light of the volatile market conditions experienced during 2007.

In setting strategy we distinguish between two parts of our investments, for both London and Bermuda, because of the different levels of risk we are willing to accept for each part. Distinction is drawn between capital assets, which support the underwriting business, and policyholders' funds, which are premium received and used to meet future claim expenses.

For policyholders' funds, our risk appetite is relatively low. We hold assets in the major liability currencies and endeavour to make funds available to meet claims as they fall due. The short tail nature of our business means average durations of claims are also relatively short. This, together with regulatory constraints, leads us to invest in short term bonds and cash funds. The bonds are benchmarked against government bond indices with a similar duration to that of our liabilities. The investment managers, all of whom are external asset management companies, can invest away from the core government bond benchmark into securities such as corporate debt and asset/mortgaged backed securities or overseas bonds.

The currency mix and duration of assets for London policyholders' funds at 31 December 2007 is set out below.

Currency and duration



Source: Amlin

For Group capital, the investment horizon is longer term and this allows investment in more volatile asset classes such as equities and property although our underlying criterion of transparency remains. The strategic benchmarks for capital are set using a combination of efficient frontier[1] and value at risk[2] models.

(1) An Efficient Frontier is related to the Markowitz Model of constructing a diversified portfolio. In a graph showing expected return and risk of different portfolios, the Efficient Frontier is the line along which the optimal portfolios lie. That is those showing the best return for a given level of risk.

(2) Value at risk (VaR) is a technique which uses the statistical analysis of market returns, correlations and volatilities to estimate the likelihood that a given portfolio's losses will exceed a certain amount under usual circumstances. The Amlin model uses market data from Watson Wyatt Investment Consulting. The model calculates the VaR over a 12 month period at different confidence levels. The confidence level is the degree of assurance that a specific loss is not exceeded. A 99% confidence level (VaR99) is used to set the strategic benchmarks, which means that the loss should only be exceeded once in a hundred years, in normal market conditions.

Financial Management

The progression of the Group's capital asset mix during the year was as follows.

Asset allocation for capital assets during 2007

	31 Dec 2007	30 Jun 2007	1 Jan 2007
Equities*	20%	29%	25%
Bonds	48%	51%	51%
Property	6%	0%	0%
Other liquid investments	26%	20%	24%
	100%	100%	100%

*This does not take into account the equity hedges covering 25% of the portfolio at the year end.

Markets in 2007 were volatile as investors reacted to the slowing US housing market and sub-prime mortgage crisis. In the face of an increasingly uncertain economic outlook, particularly with liquidity issues being experienced by the banking system, the Board decided to reduce its investment risk appetite in August. Consequently the equity weighting of Group assets was reduced, and option strategies were put in place covering the remaining 25% of equity holdings. The latter provided protection for that proportion of the equity portfolio against a fall in major indices of more than 5% from 19 September to 31 December 2007, at a cost of limiting gains over the same period to approximately 4%. This option strategy was rolled over on 5 December to 31 March 2008.

On the whole, our bond portfolios were conservative in nature. The tables above show the breakdown of our portfolios by asset type, our asset/mortgage backed securities and corporate bond by credit quality, and the geographic make up of the bond portfolio.

Most sub-prime debt is included in the asset backed securities category. Amlin has limited exposure to sub-prime mortgages, with most of our mortgage bond exposure focused on the prime end of the market. Just 0.9% of the Group's assets were in bonds backed by sub-prime mortgages and of these 92% and 8% were still rated AAA and AA respectively as at 31 December. We also have £28.2 million of assets in short duration auto loans, all AAA rated, which are designated sub-prime.

The sub-prime mortgage market remains an area of concern. However, all our bond managers are confident about the holdings in our portfolio.

Currency management

The Group reports in sterling but manages a sterling business in the UK and a US dollar business in Bermuda. For the UK operations we sell trading currency profits into sterling as they crystallise to mitigate the impact of fluctuating exchange rates.

Amlin Bermuda manages its US dollar trading position and holds its balance sheet mainly in US dollars reflecting its global underwriting profile.

At Group level we have put in place a policy to hedge up to 50% of the net dollar asset exposure to the Group of Amlin Bermuda. During 2007 we recorded an exchange loss of £8.2 million (2006: £77.2 million) through consolidated reserves.

Investment disposition at 31 December 2007

	Policyholders' assets £m	Capital assets £m	Total assets £m
Type of asset			
Equities	–	232.1	232.1
Bonds	1,018.4	559.8	1,578.2
Property	–	75.4	75.4
Other liquid investments	461.4	301.0	762.4
	1,479.8	1,168.3	2,648.1
Type of bond			
Government securities	585.6	252.1	837.7
Government index-linked securities	3.0	–	3.0
Government agencies	76.4	8.0	84.4
Supranational	44.5	2.1	46.6
Asset backed securities	25.2	55.5	80.7
Mortgage backed securities	18.0	67.6	85.6
Corporate bonds	212.4	53.1	265.5
Pooled vehicles	53.3	121.4	174.7
	1,018.4	559.8	1,578.2
Bonds (excluding pooled vehicles) by region			
United Kingdom	179.5	85.7	265.2
USA and Canada	544.8	315.2	860.0
Europe (ex UK)	212.8	34.9	247.7
Far East	18.2	–	18.2
Emerging markets	9.4	–	9.4
Other	0.4	2.6	3.0
	965.1	438.4	1,403.5
Credit rating of asset/mortgage backed securities and corporate bonds			
AAA	210.9	133.1	344.0
AA	45.1	13.3	58.4
A	43.7	9.3	53.0
BBB	16.6	28.6	45.2
	316.3	184.3	500.6

Note: Credit rating includes £68.8 million of government agencies assets that are mortgaged backed.
Source Amlin

Outstanding claims reserves

The estimation of the Group's outstanding claims is a key aspect of effective financial management. Not only does is have a direct impact on overall profitability, but it also impacts investment as different approaches are taken for capital and policyholders' funds.

Insurance is an inherently uncertain business and much of Amlin's business is large commercial insurance which can be volatile. Our reserve estimation is completed on a regular quarterly basis at individual class level. The subjectivities which 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 reasonableness of the valuation of the claim. At any time there are a range of different possible outcomes at which the claims reserves could ultimately settle. As time passes the uncertainty surrounding likely claims settlement reduces and the level of caution is reduced.

Given this uncertainty we reserve prudently. However, to ensure that the reserving levels are consistent, we compare the accounted reserves with actuarial estimates that are set at a 'best estimate' level.

On an underwriting year basis, net claims reserves are at least £200 million above the actuarial best estimate.

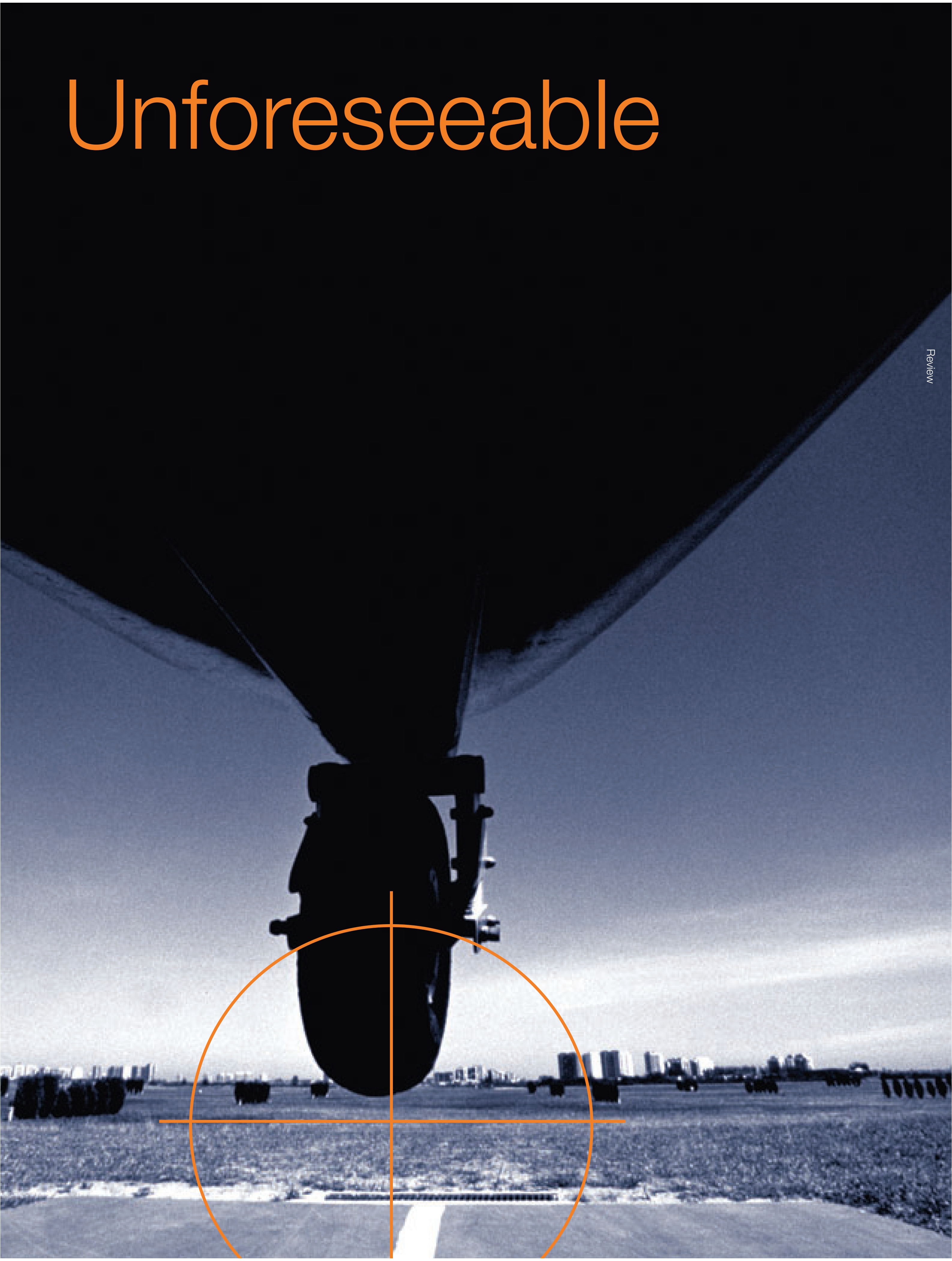
Progress against operational objectives

2007 priority	Achievement
Optimise financial operational processes.	Significant work commenced in 2007 to improve quality and timeliness of outputs, process and control for financial management and regulatory reporting. Key deliverables are expected to be implemented in 2008.
Develop and deliver a treasury system.	New system developed and awaiting full implementation.
Implement a new expense management system and purchasing workflow approach.	Analysis and development progressed but implementation delayed until 2008 due to third party supplier issues.

2008 priorities

- Introduce a revised investment framework.
- Complete finance programme of work for reporting and ensure benefits realised.
- Review and document finance control framework.
- Implement new expense management system and purchasing workflow approval.
- Conduct preliminary planning and analysis for IFRS 4 Phase 2 "Accounting for Insurance Contracts".

Unforeseeable



Profitability and return – exceptional financial performance

- Record profit before tax of £445.0 million (2006: £342.7 million).
- Return on equity of 37.8%.
- The weighted average return on equity since 2002 is 32.0%, in excess of our estimated cost of equity of 10%.
- A record combined ratio of 63% (2006: 72%).

Financial performance

	2003 £m	2004 £m	2005 £m	2006 £m	**2007 £m**
Gross premium written	937.4	945.6	993.5	1,113.8	**1,044.7**
Net premium	787.6	790.2	829.3	1,013.5	**938.3**
Net earned premium	701.1	722.4	822.1	973.9	**972.3**
Underwriting contribution	117.1	106.6	137.1	267.9	**355.0**
Investment contribution	33.5	52.1	90.9	115.1	**157.0**
Other costs	32.8	39.0	41.3	40.3	**67.0**
Profit before tax	117.8	119.7	186.7	342.7	**445.0**
Return on equity	26.6%	21.0%	29.6%	34.0%	**37.8%**

Underwriting performance – Syndicate & Amlin Bermuda

	2003 £m	2004 £m	2005 £m	2006 £m	**2007 £m**
Gross premium written	1,097.5	942.2	992.9	1,113.8	**1,044.7**
Net earned premium	890.6	782.0	827.4	973.9	**972.3**
Claims ratio %	50	50	57	41	**36**
Expense ratio %	36	32	25	31	**27**
Combined ratio %	86	82	82	72	**63**
Combined ratio %*	84	80	85	70	**64**
Underwriting contribution	134.2	139.3	152.0	267.9	**355.0**

*Excluding the exchange difference on non monetary assets and liabilities

The financial performance of the Group has again been excellent with a record profit before tax of £445.0 million (2006: £342.7 million) and return on equity of 37.8% (2006: 34.0%). Returns from both underwriting and investments were strong. Our underlying profit before tax, after removing the positive effect of a £42.6 million swing in the foreign exchange translation of net non-monetary liabilities relative to 2006, increased by 16.1% to £430.3 million (2006: £370.6 million).

Underwriting contributed £355.0 million (2006: £267.9 million) to the pre tax result; £238.8 million (2006: £198.9 million) for London and £116.2 million (2006: £69.0 million) for Amlin Bermuda. The result reflects the relatively benign claims environment experienced in 2007.

The underwriting contribution includes run off profits from reserves of £109.0 million (2006: £68.9 million). This is the largest release that we have made. However, we have continued to maintain consistent levels of reserving strength for liabilities assessed at 31 December 2007 as in previous years, with reserves set at a level above an actuarial best estimate of possible outcomes. With this approach, if 'normal' claims development is experienced, releases will be made from reserves over time.

Investment return was an impressive £157.0 million (2006: £115.1 million) with strong returns made from all asset classes.

Over the longer term, our performance has been very strong with a weighted average return on equity since 2002 of 32.0% compared to our cross cycle target of 15% and our estimated cost of capital of 10.0%.

Underwriting performance

With a low level of catastrophe incidence in the year, a good underwriting result is to be expected but the Group's overall combined ratio of 63% (2006: 72%) is exceptional.

Gross premium written remained relatively unchanged in original currency, with growth in well priced classes such as US catastrophe reinsurance offset by further volume reductions in classes that have continued to come under pressure, such as UK Commercial motor. With 62% of gross premium written in US dollars, which weakened relative to sterling by 8% during the year, reported gross premium written of £1,044.7 million, is 6.2% less than in the prior year (2006: £1,113.8 million).

Overall, the renewal rate reduction across all business was 5% with a renewal retention ratio of 77%.

In 2006 we took the decision to operate with significantly less retrocessional reinsurance cover than we had in previous years on the basis that the price of cover had become uneconomic. In 2007 the price of retrocessional cover had became more reasonably priced and as a consequence Syndicate 2001 purchased more cover, albeit not as much as had been in force during 2005.

However reinsurance expenditure as a proportion of gross premium written has increased only modestly from 9.0% to 10.2%. This is due to two factors. Firstly, Amlin Bermuda now represents a larger part of the Group and has so far operated without the purchase of any reinsurance. Secondly, more reinsurance is bought for the Syndicate dollar account than for the sterling business. As the dollar weakens, this lowers the apparent reinsurance expenditure.

Net earned premium (excluding the premium associated with reinsurance to close) was marginally lower at £972.3 million (2006: £973.9 million), reflecting the earnings lag on premium income written in 2006, particularly with Amlin Bermuda in start up mode in the first part of that year, offset by the impact of a weakening US dollar.

2007 loss activity

The Group claims ratio for the year was 36% (2006: 41%). Natural catastrophe activity in the United States was again below long term averages. Our most significant loss was the California bush fires in October, where we currently estimate a net exposure of up to US$25.8 million. The UK and Australian floods in June and July (UK only) were also major losses to the international insurance industry together with Windstorm Kyrill, which swept across Northern Europe in January. Our exposures to these events has been limited, in part due to the reinsurance programmes we have in place and the risk retained by cedants, but also due to our comparatively small exposure to the UK direct household and small commercial sectors. Conservative estimates of the losses incurred from the UK, Australian floods and Windstorm Kyrill are £13.0 million, £4.2 million and £1.2 million respectively.

Elsewhere, there have been only a small number of risk losses. Our Aviation business, having become increasingly selective in the risks that it writes in the face of poor risk pricing, avoided exposure to the majority of airline losses experienced in the year.

Divisional performance

The following divisional combined ratios are after removing the exchange differences on the translation of non-monetary assets and liabilities.

Non-marine

Non-marine is the Group's largest division accounting for £500.6 million of gross premium written in 2007 (2006: £554.6 million). The business written is a mix of classes which are exposed to catastrophic loss (for example catastrophe reinsurance), large claim events (for example aviation reinsurance) and attritional claims (for example auto and casualty). In 2007 the catastrophe reinsurance and property classes wrote £371.4 million of premium, representing 74% of divisional gross premium written.

Geographically the division's largest market is the United States, which represented 63% of business written in 2007. Diversity is significant, however. In the United States our property catastrophe underwriting is centred on regional insurers and regional exposures are monitored closely. Internationally, our insurance and reinsurance programmes include windstorm cover in Europe, earthquake and windstorm exposure for Japan and earthquake protection in Australia and New Zealand.

The average rate of renewal for the division was a reduction of 5.4% (2006: increase of 11.5%). US catastrophe reinsurance pricing remained relatively strong with rates increasing by 1.5%. However this should be viewed in the context of the prior year when rates increased by 28.3% as a response to the hurricanes of 2005.

International catastrophe pricing was more disappointing with rates falling by 5.0% as more reinsurers looked to diversify their portfolios. However, pricing in more capacity constrained zones, such as Europe and the Caribbean remained adequate.

The renewal retention rate was 80% (2006: 80%).

A combined ratio of 60% is another excellent result (2006: 66%). The key driver was the low level of catastrophe losses in the year, aided by good claims development on prior years, resulting in a claims ratio of 29%. Run off profits from reserves of £50.0 million were made (2006: £21.9 million).

Marine

The Marine division contributed £187.2 million to gross premium written in 2007 (2006: £210.9 million). The division writes a combination of volatile classes including energy, specie and war, but also attritional classes such as hull, cargo and yacht. Business written is worldwide, however the bloodstock and yacht accounts have a UK bias.

Rating conditions remained relatively good in the year, with an average divisional renewal rate reduction of 4.1% (2006: 4.5% increase). The average rate reduction within the energy account was 7.5% and war continued to experience more challenging pricing conditions, with limited loss activity experienced in the year and increased competition as a result. Attritional classes, such as hull, cargo and yacht experienced more modest rate reductions. The renewal retention rate was 76% (2006: 79%).

The Marine division's combined ratio increased modestly to 83% (2006: 81%). Reserve release totalled £8.0 million (2006: £19.1 million).

Aviation

The division writes a mixture of classes including airline, general aviation, airport and product liabilities and satellite insurance. The classes are exposed to large loss events and potential catastrophic loss. As such, a comprehensive reinsurance programme is fundamental to writing this business.

The Aviation division accounted for £63.6 million of gross premium written in 2007, down 16% on the prior year (2006: £75.7 million). The largest contribution to written premium was provided by airline (hull and liabilities), general aviation and airport liability which together count for 77% of the portfolio. 33% of business was ceded to reinsurers.

With additional capacity entering the aviation market during the year, intense rating competition has continued to exist and disciplined underwriting has meant our portfolio has reduced as intended. The average divisional renewal rate reduction was 13.0% (2006: 19.0%). The overall renewal retention rate has remained steady at 80% (2006: 81%).

The combined ratio of 70% is a pleasing result (2006: 84%), the consequence of a falling claims ratio to 33%. Run off profits from reserves amounted to £15.9 million (2006: £8.0 million) with little claims development in the year.

UK Commercial

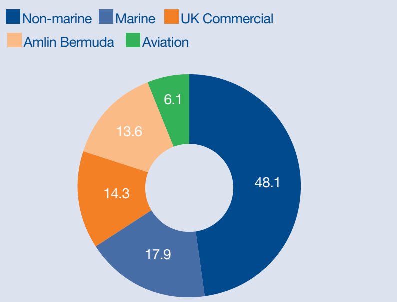
The UK Commercial division writes business principally for UK based clients and the majority of risks are not written in the subscription market but are assumed entirely by the division. The division underwrites a balanced portfolio of motor and liability business, combined with a small property account. Catastrophe risk is reinsured and, inherently, the divisional profile is attritional in nature.

£149.2 million of gross premium was written in the year (2006: £150.0 million). The division has continued to experience rating pressure in all classes and our team has focused its efforts on risk selection and underwriting profitability, together with delivery of high levels of client service to a core client base which has a strong record of continuity with the business.

The average renewal rate reduction was 5.2% (2006: 2.7%). Claims inflation also continues to erode margins. The relatively low renewal retention rate of 71% (2006: 68%) reflects our disciplined underwriting approach.

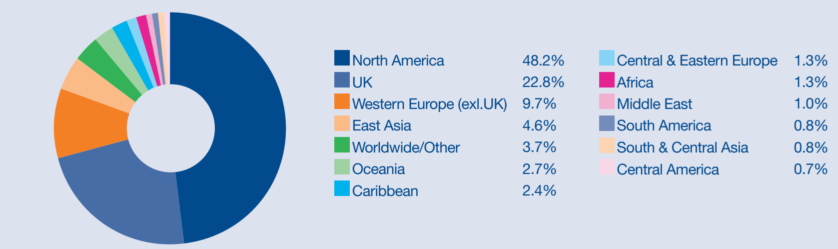
Within this challenging market, the combined ratio of 86% is a strong result (2006: 84%). Run off profits from reserves of £22.1 million (2006: £19.8 million) reflect the release of case reserves as claims settle below expectations.

Gross premium written by division



Source: Amlin

Gross premium written by geography



Source: Amlin

Profitability and return

Amlin Bermuda

Amlin Bermuda underwrites reinsurance in most areas of the world, but does not have the ability to write insurance as it does not hold relevant licenses. In order to gain exposure to the diversity offered by some non catastrophe insurance accounts, Amlin Bermuda has written specific class reinsurances plus a 10% quota share reinsurance of Syndicate 2001. During 2007 no third party reinsurance was purchased by Amlin Bermuda.

Amlin Bermuda wrote £232.8 million, or US$465.8 million, of gross premium in the year (2006: £223.5 million, or US$411.2 million). Of this £90.3 million, or US$180.6 million, of premium was attributable to quota share and other reinsurances of Syndicate 2001 (2006: £100.8 million, or US$185.5 million). The average renewal rate was a reduction of 7% and the average renewal retention rate was 76%.

Growth has been constrained as primary carriers have chosen to maintain our share of risk at levels consistent with the previous year, in the face of growing competition for lines. This is more satisfactory than fierce competition on price. Importantly, the quality and diversity of the book is good and we have not compromised standards simply to hit premium income targets.

The combined ratio of 46% is a strong result (2006: 48%). This reflects the low level of catastrophe losses and limited development on claims in the year, resulting in a claims ratio of 34%. Run off profits on reserves amounted to £13.0 million (2006: nil). The expense ratio of 12% is low relative to the London operations due to the high operational gearing of the reinsurance business written in Bermuda and the effect of intra-Group reinsurance.

Investment performance

The contribution to profit for the year from investments increased by 36.4% to £157.0 million (2006: £115.1 million). The return on average cash and investment balances of £2.4 billion was 6.6% (2006: £2.3 billion, 4.8%). The increase in assets under management was due to strong organic cash flows and profitable trading.

The investment environment in 2007 has been volatile as the potential economic cost of defaults from sub-prime borrowers in the United States and the weak US housing market, led to a liquidity crisis in the financial system. The diverse portfolio structure of the Group's assets helped to weather the storm through 2007. The global equity portfolio produced a return of 10.2% – our managers invested defensively and were not over exposed to the US market.

In August the investment risk appetite was reduced as explained on page 32.

The underlying performance of bond assets was markedly divergent with strong performance from the government portfolios, as investors factored in likely interest rate cuts in the anticipation that central banks would respond proactively to economic slowdown.

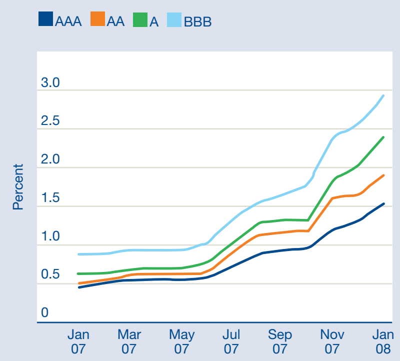
Investment mix and returns

	2007 Average Asset Allocation £m	2007 Return £m	2006 Average Asset Allocation £m	2006 Return £m
Equities	286	28	196	31
Bonds	1,598	96	1,440	50
Property	59	6	17	1
Other liquid investments	542	28	670	33
Total	**2,485**	**158**	**2,323**	**115**
Equities	12%	10.2%	8%	15.3%
Bonds	64%	6.3%	62%	3.3%
Property	2%	9.8%	1%	3.0%
Other liquid investments	22%	5.5%	29%	4.7%
Total	**100%**	**6.6%**	**100%**	**4.8%**

Note: The above table excludes a £1 million loss from derivative instruments
Source: Amlin

However, credit exposure, either through corporate bonds or structured bond portfolios such as mortgage backed securities, fared badly.

US corporate yields vs Treasuries (3-5 yrs)



Source: Bloomberg

The underperformance of our bond investment managers against their government benchmarks amounted to £19.8 million. This illustrates the impact of credit market dynamics on our portfolio.

Expenses

Total expenses, including underwriting, non-underwriting and finance costs, decreased to £332.9 million from £345.9 million in the prior year. This decrease is a result of a favourable swing in non monetary foreign exchange adjustments offset by an increase in staff incentive payments.

Business acquisition costs of £196.0 million, representing 18% of gross earned premium, were consistent with the prior year (2006: £195.4 million, 18%). These include an element of the foreign exchange translation of non-monetary assets and liabilities and other foreign exchange movements, which in total increased 2007 expenses by £5.1 million (2006: 0.4 million).

Non-underwriting costs (excluding finance costs) increased by £31.5 million to £49.8 million. Within this, total staff costs increased from £25.0 million to £42.3 million. Staff incentive plans accounted for £31.4 million of these costs (2006: £18.6 million).

Taxation

The effective rate of tax for the period is 20.7% (2006: 21.9%). The reduction is mainly attributable to the fall in the rate of UK corporation tax.

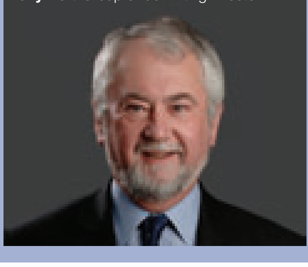
The effective rate is below the UK rate of corporation tax primarily due to Amlin Bermuda. We believe that Amlin Bermuda is exempt from the Controlled Foreign Corporation tax provisions of the UK tax regime. Accordingly, the Group will pay tax to the UK tax authorities only when distributions are made back to its UK holding companies. We have again provided for tax on possible future distribution through deferred tax of 9% of Amlin Bermuda's profit.

The standard rate of UK corporation tax is due to fall from 30% to 28% from 1 April 2008, which affects the deferred tax provision in two ways. Firstly, an adjustment was required to those elements of the deferred tax provision at 1 January 2007 which were expected to reverse after 31 December 2007. This adjustment generated a credit to the deferred tax charge of £1.7 million. Secondly, temporary differences arising in 2007 will affect the 2007 corporation tax charge at a rate of 30%, but will generate deferred tax at a rate of 28% or 28.5% (the effective corporation tax rate for 2008). This has generated a credit to the tax charge of £5.1 million.

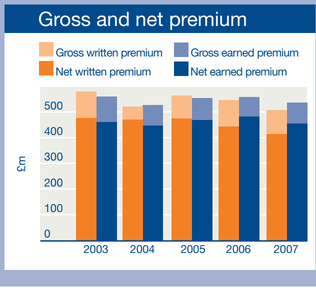
Dividends

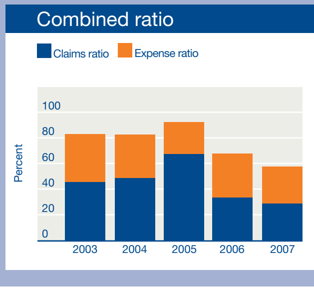
The Board proposes a final ordinary dividend of 10.0 pence per share. Taken together with the interim dividend of 5.0 pence per share and the return of capital under the B share scheme approved at the EGM in December 2007 of 22.4 pence per share, this gives total payments to shareholders for 2007 of 37.4 pence per share in issue at the time (equivalent to 34.4 pence per share following the consolidation of December 2007).

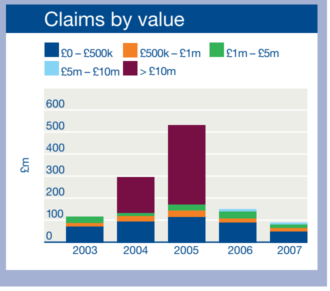
Non-marine



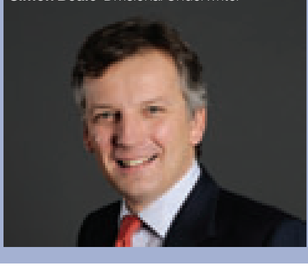
Tony Holt Group Underwriting Director



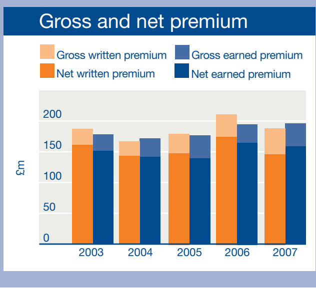


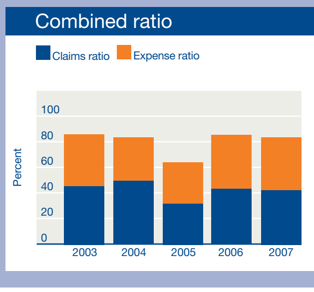


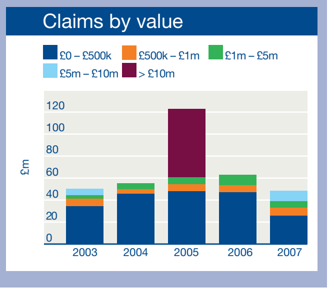
Marine



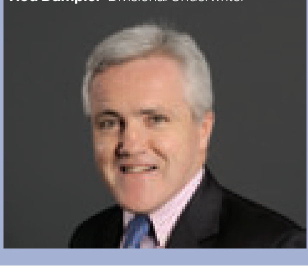
Simon Beale Divisional Underwriter



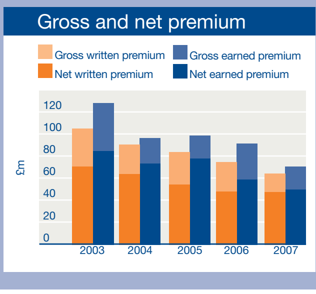


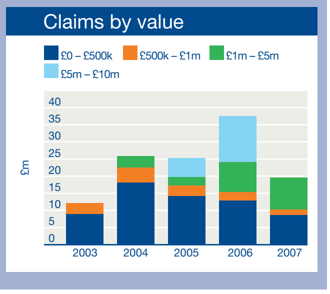


Aviation

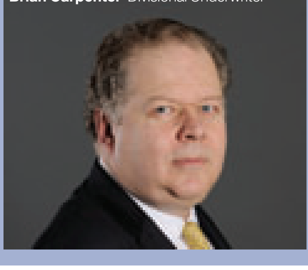


Rod Dampier Divisional Underwriter

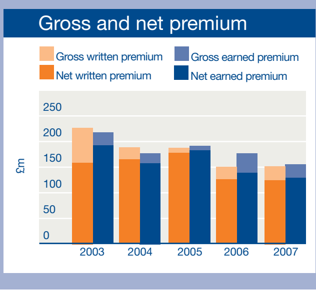


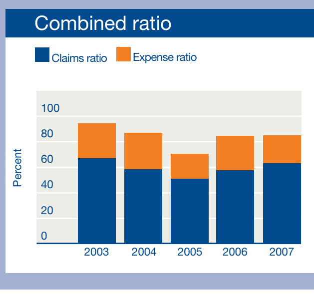


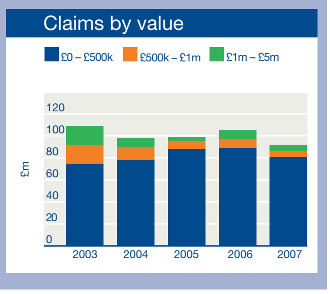
UK Commercial



Brian Carpenter Divisional Underwriter

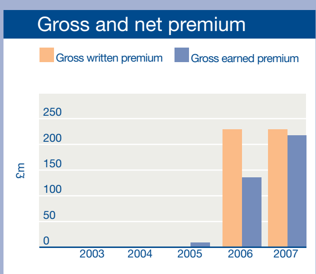


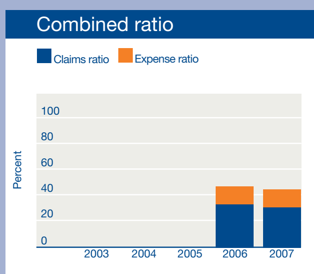


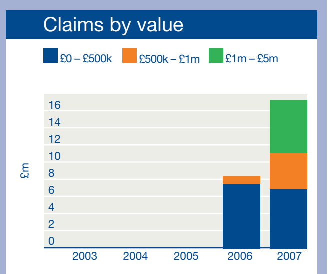


Amlin Bermuda

John Andrews Underwriting Director







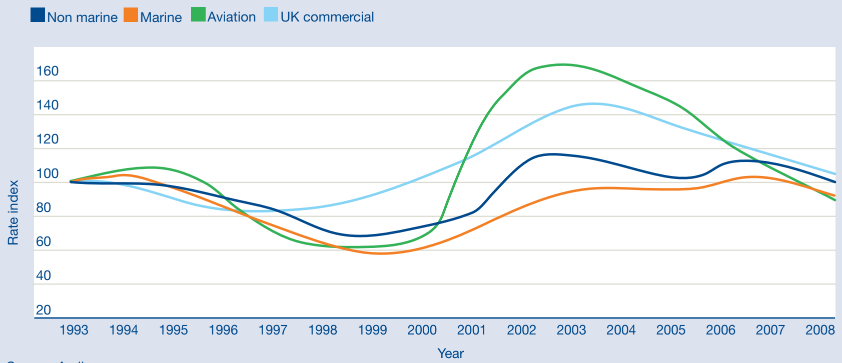
Combined ratios exclude the exchange difference on non monetary assets and liabilities. Figures are shown after taking account of cessions given by Syndicate 2001 to Amlin Bermuda.
Source: Amlin

Performance

Outlook for 2008

- Our financial outlook for 2008 remains good, although this is subject to the extent of major catastrophe activity.
- We expect a rate softening over the next twelve months.
- However rates are coming off exceptionally profitable peaks.
- Our stable team of underwriters have a strong track record of out performance in softer markets.
- We have an improved risk management capability since the last soft market.

Rating movement by UK divisions



Source: Amlin

A softening market but off historic peaks

In 2007, the average renewal rate across our portfolio was a reduction of 5%, with a retention rate of 77%. The graph above illustrates the ratings experienced by each of our divisions over a 15 year period (excluding Amlin Bermuda).

1 January is a major renewal date for a number of key classes. Amlin has written total income (before deduction of brokerage) to 31 January 2008 of £324 million. This is a 5% reduction on the previous year. Overall renewal rates for Amlin have declined by 8% with a retention ratio of 86%. We believe that at these rating levels we continue to write business which will produce an acceptable return. Amlin Bermuda increased gross premium written by 25% to US$142 million (2007: US$114 million).

Amlin's objective is to deliver a market leading return on equity. Through the soft part of the underwriting cycle we seek to achieve this via disciplined underwriting, with a sustained focus on the acceptability of underwriting margin, rather than seeking growth in increasingly competitive markets.

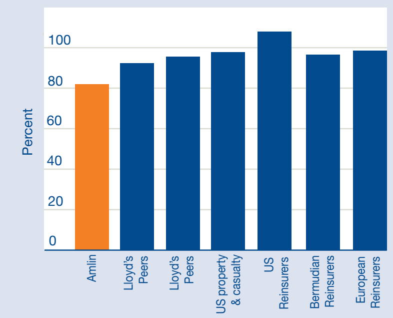
In recent years, we have established a track record of outperformance against many of our competitors, but historically the outperformance of the core syndicate has grown as market conditions soften. This has resulted from disciplined underwriting, with exposures reducing as rates fall. We intend to stick to our core successful underwriting principles in the coming period.

In 2008 we believe that our underwriting performance will be supported by healthy rates in reinsurance, areas of our property account and the Marine division. Rates in these classes have been near historic peaks through 2007 and our portfolio will remain capable of generating a satisfactory margin over the next twelve months.

Two of our divisions continue to experience significant pressure from poor pricing – Aviation and UK Commercial.

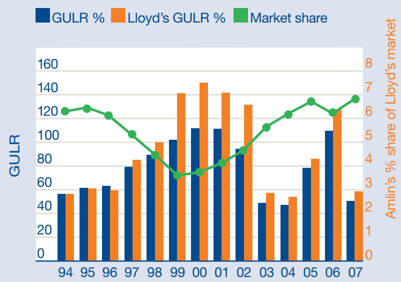
Most airlines renew in the fourth quarter, and in December 2007, there was still no sign of a change in direction of rates as competitors chase market share based on historic profitability.

Average combined ratio 2003-2006



Lloyd's peers are Beazley, Brit, Catlin and Hiscox.
Source: Company data, Lloyd's

Gross ultimate loss ratios (GULR) for Amlin vs Lloyd's



Figures on an underwriting year basis
Source: Amlin, Lloyd's

The UK commercial market is trading at low profit margins and, while we anticipate market conditions may remain competitive in 2008, we expect to see some signs of improvement towards the end of 2008 and into 2009.

Since Hurricane Katrina in 2005 we have experienced increased divergence in the cyclical patterns between our classes. It is very possible that we will experience an upturn in the UK commercial market as deterioration in marine, property and reinsurance markets takes place. If this occurs, it will provide the potential for better returns than previously envisaged during the next low in the London market insurance cycle.

On the whole, the financial outlook for 2008 is good, subject to the extent of major catastrophe activity in the year. We are well placed to perform in what will inevitably be a more challenging year.

Managing the next down cycle

A number of factors lead us to believe that both the market and Amlin are better placed to manage the next down cycle than in the period 1997-2000.

Positive developments since last down cycle

Market

There is an increased divergence in cyclical position between classes.

Rating agencies are scrutinising the industry more closely.

Lloyd's Franchise Performance regime should ensure the Lloyd's market as a whole is more disciplined.

The risk based capital regime in the UK will penalise underwriters writing for income and not margin.

Amlin

We have applied a consistent and well understood underwriting philosophy since our reorganisation in 2000. Previously, there were several philosophies and some underwriters had grown their portfolios into a softening market.

Our underwriting team is stable and has gained more experience than it had in the last soft market. We have proportionately larger catastrophe exposures following the start up of Amlin Bermuda.

We have largely exited from poorly performing classes, such as private motor.

Amlin's financial strength ratings are positively differentiated, strengthening our marketing capability.

We have significantly enhanced the quality, timeliness and availability of management information and have developed a stronger risk management function. This, should enable Amlin to manage the business better and spot issues earlier.

Our capital management strategy is aligned to the cycle and intended to optimise return on equity.

We are well reserved.

We have strong investment gearing, providing greater flexibility to our financial management.

Business development

Amlin Bermuda made a significant contribution to profit in 2007 in its second year of trading. Whilst written premium levels were below the level anticipated, overall profitability was strong. The diversity of the book is good.

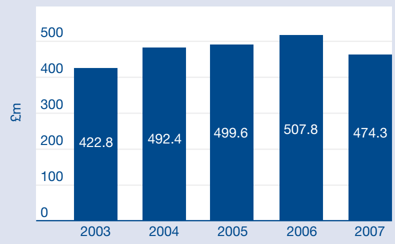
The business is well placed for some further growth in 2008. During the year, two additional underwriters were hired who will help broaden Amlin Bermuda's marketing capability. Additionally, in October Amlin Bermuda was upgraded from A- to A by AM Best and our expectation is that this will contribute to generating greater premium income through higher shares of clients' programmes.

We will consider acquisitions where strategically they will help build the diversity of the portfolio so that we can maintain a good balance of risk. In July we purchased the Allied Cedar Group in the UK, which whilst modest, will provide us with greater access to the UK property market, an area where we are keen to grow when conditions improve. In November, we opened Amlin Singapore to develop access to regional Asian business which typically is not seen in the London market. We anticipate building this business through 2008 and hope that in time it will make an important contribution to the Group.

Healthy unearned premium reserves

At 31 December 2007, net unearned premium reserves totalled £474.3 million. While 6.6% less than in the prior year (2006: £507.8 million) they contain a significant proportion of reinsurance and other income which was written at strong rates. This provides a sound base for 2008 earnings.

Net unearned premium reserves 2003-2007

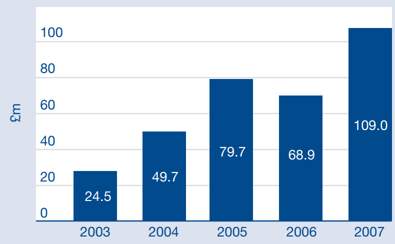


Source: Amlin

Continued prudently reserved balance sheet

Our policy of reserving above the level of actuarial best estimate has resulted in material run off profits from reserves in recent years. Assuming claims development which is no worse than normal expectations, this policy should deliver further run-off profits in 2008.

Run off profits 2003-2007



Source: Amlin

Catastrophe risks

The greatest risk to our performance in 2008 is a year with major catastrophe activity. With the purchase of more reinsurance cover in 2008, the Group's potential for major event losses has been reduced.

Our largest modelled event at 1 January 2008, being a European windstorm affecting both the UK and several continental countries, was a potential aggregate claim of £316 million, equivalent to 32% of net tangible assets at 31 December 2007. This compares with our largest modelled loss at 1 January 2007 of £364 million for the same scenario, which represented 42% of net tangible assets at 31 December 2006. It should be recognised that these are extreme events. All single zone events which we model are expected to incur losses materially less than these, in the most cases below £240 million.

Investment outlook

Markets continue to be volatile, reflecting the uncertainty created by events in the United States. As always we will monitor markets closely and adjust asset allocations to reflect potential returns and perceived risk.

January 2008 has proven to be a difficult month for investment markets with sharp falls in equity markets and further price falls for credit related bonds. The diversity of our asset allocation again proved helpful with the losses on equity and credit offset by good returns on government bonds and interest earned on cash. With the gain in value of the equity option, overall January 2008's returns were 0.4%.

Expenses

In line with the general market softening over the next twelve months we expect to see a reduction in our variable expense base.

Business acquisition costs are expected to fall in proportion to gross premium. If profit levels reduce, staff incentive payments will also reduce.

Summary

With an average level of catastrophe activity we are targeting a return on equity in excess of 15% for 2008, which is still ahead of our cross cycle target of 15%.

Directors' report

The directors of Amlin plc (the Company) present their report, the audited accounts of the Company and the consolidated accounts of the Company and its subsidiaries (the Group) for the year ended 31 December 2007.

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 and in Bermuda. A review of the Group's business, and developments during the year, is set out on pages 8 to 39 of the Annual Report (Review and Performance sections). Further information is provided in the Risk Disclosures note and the Accountability section of the Annual Report starting on pages 51 and 94 respectively. The Review and Performance sections, Risk Disclosure note and Accountability section together include the information and analysis required by section 234ZZB of the Companies Act 1985 to be included in a Business Review, including information on key performance indicators and on the Group's financial and other risk management and policies. Such information and analysis is hereby incorporated by reference into this report.

Share capital, return of capital and dividends

The Company's issued share capital comprises ordinary shares of 28.125p each, fully paid. Each issued ordinary share has one vote in general meeting and, in normal circumstances, the ordinary shares are the only voting shares of the Company. In addition, on 12 December 2007 shareholders approved at an Extraordinary General Meeting the issue of one redeemable non-cumulative preference share of 22.4p (B Share) to the holder of each ordinary share of 25p (Previous Share) held on 14 December 2007, taking effect on 17 December 2007. Other than in special circumstances such as a winding up, the B shares are non-voting. Also on 17 December 2007, each nine Previous Shares were subdivided and consolidated into eight ordinary shares of 28.125p each (Present Shares). As a result the 537,464,619 Previous Shares in issue on 14 December 2007 became 477,746,328 Present Shares in issue on 17 December 2007. Changes to the Company's share capital during the year are set out in more detail in note 22 to the Financial Statements but in summary a B Share entitled the holder to a return of capital of 22.4p on 14 January 2008 (Return of Capital), payable at the shareholder's choice either as a capital redemption (the default option in the absence of any election to the contrary) or as a B Share dividend. As a third option, shareholders could elect to retain the B Share for future redemption and, following the first redemption date of 14 January 2008, 11,379,418 B Shares remain in issue. The total value of the Return of Capital was £120.4 million, of which £117.85 million was paid to shareholders in January 2008 and £2.55 million now represents an entitlement to future redemption. The background and rationale of the Return of Capital is discussed in the Financial Management section of the Review.

In addition to the Return of Capital which became unconditional during the year, an interim dividend of 5.0p (2006: 4.2p) per Previous Share was paid on 19 October 2007 to shareholders on the register on 21 September 2007 and the directors now propose a final dividend of 10.0p per Present Share, equivalent to 8.9p per Previous Share (2006: 7.8p), to be paid on 30 April 2008 to shareholders on the register at the close of business on 25 March 2008. This makes total ordinary dividends in respect of the year of 15.0p per ordinary share in issue at the time, the equivalent of 13.9p per Previous Share (2006: 12.0p plus a special dividend paid in May 2007 of 8.0p) or the equivalent of 14.4p per Present Share. Those shareholders wishing to use any of these dividends on ordinary shares to purchase further shares were, or are, able to participate in a Dividend Reinvestment Plan in respect of such dividends. Details of the Plan are available on the Company's website and are being recirculated to shareholders at the same time as this Annual Report.

Directors

The biographical details of the present directors are set out on pages 34 and 35. Mr Martin Feinstein joined the Board on 1 December 2007. All of the other current directors served throughout the year. Mr Tom Kemp retired from the Board on 24 May 2007.

Messrs Joslin, Mylvaganam and Taylor were each re-elected for three year terms in 2005, expiring at the Annual General Meeting to be held on 24 April 2008 (AGM). Mr Joslin will retire as a director at the AGM and not seek re-election. Messrs Mylvaganam and Taylor, being eligible, offer themselves for re-election for further terms of office of one year and three years respectively. Mr Feinstein offers himself for election at the AGM for a three year term, this being the first AGM since his appointment.

Directors' interests

The interests, all of which are beneficial, of those directors and their related parties who have interests in the shares of the Company, were as follows:

	At 27 Feb 2008 and at 31 Dec 2007 No of Present Shares	At 31 Dec 2007 No of B Shares	At 31 Dec 2006 No of Previous Shares
N J C Buchanan	11,200	12,600	12,600
B D Carpenter	378,116	425,382	624,352
R A Hextall	159,336	179,153	146,362
A W Holt	2,167,818	2,757,114	2,756,084
R W Mylvaganam	4,369	4,916	4,610
C E L Philipps	476,313	535,752	434,722
R J Taylor	17,986	20,235	20,235
Sir Mark Wrightson Bt	8,888	10,000	10,000

The B Shares were not in issue on 31 December 2006 and, by 27 February 2008, all of the above B Shares held on 31 December 2007 had been redeemed other than the following numbers of B Shares retained by directors and/or their related parties: Mr Hextall, 137,052; Mr Holt, 91,780; and Mr Philipps, 164,000.

In the cases of the executive directors, Messrs Carpenter, Hextall, Holt, and Philipps, the above holdings include beneficial interests held through the Company's Share Incentive Plan (SIP). Details of their interests in share options and long term incentive plans are set out in the Directors' Remuneration Report in the Accountability section of the Annual Report, as are details of the total interests of the SIP and of the Group's Employee Share Ownership Trust. Details of any transactions between the Group and directors who served during the year are set out in note 34 to the Accounts.

No directors or their related parties have any other interests in the shares or any other securities of the Company or any of its subsidiaries.

Substantial shareholdings

At 27 February 2008 the Company had been notified of the following holdings of 3% or more of its issued ordinary share capital:

	Number of shares held*	% of shares in issue**
AMVESCAP PLC	47,561,712	10.0
J P Morgan Chase & Co companies	37,394,451	7.8
State Farm Mutual Automobile Insurance Company	26,235,626	5.5
Barclays PLC	23,777,056	5.0
Fidelity International Limited and FMR Corporation	22,881,776	4.8
Legal & General Group Plc companies	19,351,087	4.0

* Where there have been no new disclosures of holdings to the Company since the December 2007 ordinary share consolidation previously disclosed holdings have been adjusted on an 8 for 9 basis

** Based on the shares in issue as at 27 February 2008 of 478,031,457

Corporate governance

The Board Corporate Governance statement, reports from the Board's Nomination and Audit Committees, and the Directors' Remuneration Report are all set out with other reports in the Accountability section of the Annual Report. The section in the Board Corporate Governance Statement entitled 'Compliance with the Combined Code' includes in A.4 and D.2 respectively, details of the Company's rules in the appointment and removal of directors and in amendments to the Company's Articles of Association.

Employment policies

The People section of the Review provides commentary on the Group as an employer, including its commitment to keeping employees informed about the business and to seeking to develop their full potential by providing opportunities for training and professional development.

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 circumstances), receives less favourable treatment because of his/her sex, actual or perceived sexual orientation, gender (including gender reassignment), marital or family status, age, ethnic origin, disability, race, colour, nationality, national origin, creed, political affiliation, part-time status, or any other condition, unless it can be shown to be legally justifiable.

Copies of the Group's policies including on professional qualifications, family leave, sabbaticals and equal opportunities are available on the Company's website or from the Secretary on request. The Group's health and safety policy is publicised to staff through its intranet and on staff notice boards and is monitored by a staff Health and Safety Committee, which reports directly to the Chief Executive who makes an annual health and safety report to the Board.

Corporate responsibility and charitable donations

A report on the Group's corporate responsibility activities, including employee, environmental, and community aspects, is set out in a Corporate Responsibility report in the Accountability section of the Annual Report. The Group Chief Executive has direct responsibility at Board level for leading the Group's initiatives on all corporate responsibility related matters, with the relevant senior managers and advisory groups reporting to him. Relevant policies and terms of reference are available on the Company's website or from the Secretary on request.

The Group made charitable donations during the year of £65,492 (2006: £54,915), including donations in Bermuda by the Company's subsidiary, Amlin Bermuda Ltd (ABL). In addition, £2,922 was raised by Macmillan Cancer Support from the sale of Amlin shares representing fractions from the share consolidation in December 2007. This donation was agreed by shareholders as part of their approval of the return of capital.

The Group's charities budget (excluding ABL's) was managed in 2006 and 2007 by a Charities Committee of staff representatives (since superceded by a Charities and Community Panel). The ABL budget is managed in Bermuda under the direction of the ABL board. Further details of the Group's community and charitable activities are set out in the Corporate Responsibility report.

Political donations

The Group made no political donations during the year (2006: 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. Average trade creditors of the Group during 2007, which excludes insurance creditors, represented approximately 27 days (2006: 30 days), based on the ratio of Group trade creditors to the amounts invoiced during the year.

Annual General Meeting

The Notice of Annual General Meeting, to be held at noon on Thursday 24 April 2008 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 with this report.

Powers of directors regarding shares

The following are the current authorities granted by shareholders to the directors regarding shares:

(i) an authority under section 80 of the Companies Act 1985 (the "Act") to allot ordinary shares (relevant securities) up to an aggregate nominal amount of £44,513,470;

(ii) an authority, as if section 89(1) of the Act did not apply, to allot equity securities wholly for cash in correction with a rights issue and, otherwise than in connection with a rights issue, up to an aggregate nominal amount of £6,677,020; and

(iii) an authority for the purpose of section 166 of the Act to make market purchases of up to 47,760,381 Present Shares, subject to the usual restrictions regarding purchase price.

Each of these authorities expire at the conclusion of the 2008 Annual General Meeting, at which replacement authorities of the same nature, but for different amounts, will be proposed.

Directors' indemnities

The Company has made third party indemnity provisions for the benefit of its directors and certain directors of the Company's subsidiaries. These were made between 2006 and the date of this report, and remain in force at the date of this report.

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 the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

- the director has taken all the steps that he ought to have taken as a director in order to make himself 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 234ZA of the Companies Act 1985.

Going concern

The Board has satisfied itself that the Group has adquate resources to continue in operation for the foreseeable future. The Group financial statements therefore continue to be prepared on a going concern basis.

Auditors

A resolution is to be proposed at the Annual General Meeting for the re-appointment of Deloitte & Touche LLP as auditors to the Company and to authorise the directors to fix their remuneration.

By Order of the Board

C C T Pender Secretary
27 February 2008

Independent auditors' report to the members of Amlin plc

We have audited the group and parent company financial statements (the "financial statements") of Amlin plc for the year ended 31 December 2007 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the consolidated and parent company statements of changes in equity and the related notes 1 to 46. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Review and Performance sections that is cross referred from the Business Review section of the Directors' Report and that specific information presented in the Accountability section that is cross referred from the corporate responsibility and charitable donations sections of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Report reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Review and Performance sections, the Corporate governance section, the Accounting to shareholders section, the Corporate responsibility section and the unaudited part of the Directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors London
27 February 2008

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report, including the Directors' 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. The directors are required by the IAS Regulation to prepare the group financial statements under International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company 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 corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement
For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Gross premium earned	4,5	**1,088.0**	1,087.3
Insurance premium revenue from the receipt of reinsurance to close	5	**–**	78.8
Reinsurance premium ceded	4,5	**(115.7)**	(113.4)
Net earned premium revenue	5	**972.3**	1,052.7
Investment return	4,6	**157.0**	115.1
Other operating income		**2.8**	1.8
Total income		**1,132.1**	1,169.6
Insurance claims and claims settlement expenses	4,7	**(380.1)**	(460.7)
Insurance claims and claims settlement expenses relating to the receipt of reinsurance to close	7	**–**	(78.8)
Insurance claims and claims settlement expenses recoverable from reinsurers	4,7	**25.9**	58.5
Net insurance claims	7	**(354.2)**	(481.0)
Expenses for the acquisition of insurance contracts	8	**(196.0)**	(195.4)
Other operating expenses	9	**(116.9)**	(126.7)
Total expense		**(312.9)**	(322.1)
Results of operating activities		**465.0**	366.5
Finance costs	12	**(20.0)**	(23.8)
Profit before tax	13	**445.0**	342.7
Tax	14	**(92.2)**	(74.9)
Total recognised profit for the year		**352.8**	267.8
Attributable to:			
Equity holders of the Parent Company		**352.7**	267.5
Minority interests		**0.1**	0.3
		352.8	267.8
Earnings per share from continuing operations attributable to equity holders of the Parent Company			
Basic	28	**66.3p**	50.4p
Diluted	28	**65.5p**	49.8p

Consolidated Statement of Changes in Equity
For the year ended 31 December 2007

	Notes	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Minority interest £m	Retained earnings £m	Total £m
At 1 January 2007		133.5	347.6	(21.8)	(0.6)	0.3	477.4	936.4
Net purchase of treasury shares		–	–	–	(1.5)	–	–	(1.5)
Gains on revaluation of employee share ownership trust recognised directly in equity		–	–	(0.1)	–	–	–	(0.1)
Currency translation differences on overseas operations		–	–	(8.2)	–	–	–	(8.2)
Deferred tax		–	–	(1.3)	–	–	–	(1.3)
Profit for the financial year		–	–	–	–	0.1	352.7	352.8
Total recognised income for the year		–	–	(9.6)	(1.5)	0.1	352.7	341.7
Employee share option scheme:								
– share based payment reserve		–	–	1.2	–	–	–	1.2
– proceeds from shares issued		0.9	3.6	–	–	–	–	4.5
Dividends paid	29	–	–	–	–	–	(111.1)	(111.1)
Return of capital	22	–	(120.4)	–	–	–	–	(120.4)
		0.9	(116.8)	1.2	–	–	(111.1)	(225.8)
At 31 December 2007		**134.4**	**230.8**	**(30.2)**	**(2.1)**	**0.4**	**719.0**	**1,052.3**

	Notes	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Minority interest £m	Retained earnings £m	Total £m
At 1 January 2006		132.5	344.0	52.7	(1.7)	–	257.3	784.8
Net sale of treasury shares		–	–	–	1.1	–	–	1.1
Gains on revaluation of employee share ownership trust recognised directly in equity		–	–	0.2	–	–	–	0.2
Currency translation differences on overseas operations		–	–	(77.2)	–	–	–	(77.2)
Gain on defined benefit scheme		–	–	0.1	–	–	–	0.1
Deferred tax		–	–	1.3	–	–	–	1.3
Profit for the financial year		–	–	–	–	0.3	267.5	267.8
Total recognised income for the year		–	–	(75.6)	1.1	0.3	267.5	193.3
Employee share option scheme:								
– share based payment reserve		–	–	1.1	–	–	–	1.1
– proceeds from shares issued		1.0	3.6	–	–	–	–	4.6
Dividends paid	29	–	–	–	–	–	(47.4)	(47.4)
		1.0	3.6	1.1	–	–	(47.4)	(41.7)
At 31 December 2006		133.5	347.6	(21.8)	(0.6)	0.3	477.4	936.4

Consolidated Balance Sheet
At 31 December 2007

ASSETS	Notes	2007 £m	2006 £m
Cash and cash equivalents	16	**11.6**	16.5
Financial investments at fair value through income	17	**2,638.9**	2,367.7
Reinsurance assets	18		
– reinsurers share of outstanding claims		**270.2**	357.0
– reinsurers share of unearned premium		**27.5**	37.7
– debtors arising from reinsurance operations		**319.2**	300.6
Loans and receivables, including insurance receivables			
– insurance receivables	19	**183.1**	216.3
– loans and receivables	19	**36.8**	51.6
Current income tax asset		**4.0**	6.3
Deferred tax assets	14	**13.4**	20.9
Property and equipment	20	**5.8**	6.2
Intangible assets	21	**69.0**	66.0
Total assets		**3,579.5**	**3,446.8**

EQUITY	Notes	2007 £m	2006 £m
Share capital	22	**134.4**	133.5
Share premium	24	**230.8**	347.6
Other reserves	24	**(30.2)**	(21.8)
Treasury shares	24	**(2.1)**	(0.6)
Retained earnings	24	**719.0**	477.4
Equity attributable to equity holders of the parent		**1,051.9**	936.1
Minority interest	24	**0.4**	0.3
Total equity and reserves		**1,052.3**	936.4

LIABILITIES	Notes	2007 £m	2006 £m
Insurance contracts	18		
– outstanding claims		**1,350.2**	1,417.5
– unearned premium		**501.8**	545.5
– creditors arising from insurance operations		**34.0**	68.6
Trade and other payables	25	**207.1**	68.4
Current income tax liabilities		**25.7**	28.7
Borrowings	26	**277.5**	278.8
Retirement benefit obligations	27	**2.8**	7.5
Deferred tax liabilities	14	**128.1**	95.4
Total liabilities		**2,527.2**	2,510.4
Total equity, reserves and liabilities		**3,579.5**	3,446.8

The financial statements were approved by the Board of Directors and authorised for issue on 27 February 2008. They were signed on its behalf by:

Roger Taylor Chairman

Richard Hextall Finance Director

Consolidated Cash Flow Statement
For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Cash generated from operations	33	**70.5**	(20.2)
Income taxes paid		**(53.8)**	(50.4)
Net cash flows from operations		**16.7**	(70.6)
Cash flows from investing activities			
Interest received		**99.0**	97.5
Dividends received		**12.5**	4.5
Acquisition of subsidiary, net of cash acquired	35	**(3.3)**	–
Purchase of property and equipment		**(2.7)**	(3.6)
Net cash from investing activities		**105.5**	98.4
Cash flows used in financing activities			
Proceeds from issue of ordinary shares		**4.5**	4.6
Proceeds from borrowings		**–**	227.7
Repayment of borrowings		**–**	(238.0)
Dividends paid to shareholders	29	**(111.1)**	(47.4)
Interest paid		**(19.1)**	(24.1)
Purchase of treasury shares		**(1.5)**	–
Net cash flows used in financing activities		**(127.2)**	(77.2)
Net decrease in cash and cash equivalents		**(5.0)**	(49.4)
Cash and cash equivalents at beginning of year		**16.5**	65.6
Effect of rate changes on cash and cash equivalents		**0.1**	0.3
Cash and cash equivalents at end of year	16	**11.6**	16.5

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. Net cash of £232.1 million (2006: £271.8 million) was generated in the period and has been used to purchase financial investments.

Cash flows relating to participations on syndicates not managed by the Group are included only to the extent that cash is transferred between the Premium Trust Funds and the Group.

1. Summary of significant accounting policies

The basis of preparation, basis of consolidation and significant accounting policies adopted in the preparation of Amlin plc's (the Group's) financial statements are set out below.

Basis of preparation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union (EU). The financial statements comply with Article 4 of the EU IAS regulation.

The financial statements have been prepared on the historical cost basis except for cash and cash equivalents, financial investments, loans and receivables, share options and pension assets and liabilities which are measured at their fair value.

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 2006.

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 and includes the Group's Employee Benefit Trusts. The financial statements of subsidiaries are prepared for the same reporting year as the parent company. Consolidation adjustments are made to convert subsidiary accounts prepared under UK GAAP 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 material subsidiaries included within the consolidated financial statements can be found in note 40 to the parent company accounts.

Changes to International Financial Reporting Standards

In the current year, the Group has adopted IFRS 7, Financial Instruments: Disclosures and the related amendments to IAS 1, Presentation of Financial Statements, and IFRS 4, Accounting for Insurance Contracts which are effective for annual reporting periods beginning on or after 1 January 2007. The impact of the adoption of IFRS 7 and the changes to IAS 1 and IFRS 4 have been to expand the disclosures provided in the financial statements regarding the Group's management of capital and financial instruments (see notes 2 and 3).

Three Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) are effective for the current period. These are: IFRIC 8, which clarifies IFRS 2, Share-based Payments; IFRIC 9, Reassessment of Embedded Derivatives; and IFRIC 10, Interim Financial Reporting and Impairment. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

At the date of authorisation of these financial statements a number of standards and interpretations had been published but were not yet effective. These include:

- IFRS 8, Operating Segments;
- IFRIC 11, IFRS 2: Group and Treasury Share Transactions;
- IFRIC 12, Service Concession Arrangements; and
- IFRIC 14, IAS 19: The Limit of Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The directors anticipate that the adoption of these standards and interpretations will have no material impact on the financial statements except for additional disclosures.

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.

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 the insurance unpaid claim reserves and related loss adjustment expenses of the Group.

The estimated provision for ultimate incurred losses 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. In 2007 there has been a net positive development of £109.0 million (2006: £68.9 million) for the Group, reflecting the favourable experience in the 2006 and prior reported years. Note 3 provides further detail of the method the Group applies in estimating insurance contract liabilities.

Financial investments

The methods and assumptions used by the Group in estimating the fair value of financial assets are described in note 3.

Deferred tax

The estimates of deferred tax assets and tax liabilities have been adjusted in the current period to reflect the reduction in the UK Corporate tax rate to 28% on 1 April 2008. (2006: 30%).

Staff incentive plans

The Group recognises a liability and expense for staff incentive plans based on a formula that takes into consideration the underwriting year profit after certain adjustments. Underwriting year profit is estimated based on current expectation of premiums and claims and will change as more information is known. Where estimates change related staff incentive plan liabilities may also change.

Foreign currency translation

The Group presents its accounts in sterling since it is subject to regulation in the United Kingdom and the net assets, liabilities and income of the Group are currently weighted towards sterling. US dollar revenue is significant but the sterling revenue stream is also currently material. All group entities are incorporated in the United Kingdom with the exception of Amlin Bermuda Holdings Ltd and Amlin Bermuda Ltd which are incorporated in Bermuda and Amlin Singapore Pte Limited which is incorporated in Singapore. All Group entities conduct business in a range of economic environments, primarily the United Kingdom, United States of America and Europe. Due to the regulatory environment and the fact that the Group trades through the Lloyd's market, all Group companies incorporated in the United Kingdom have adopted sterling as their functional currency. The Group companies incorporated in Bermuda have adopted the US dollar as their functional currency. The Group company incorporated in Singapore has adopted the Singapore dollar as its functional currency.

Where sterling is the functional currency, income and expenditure in US dollars, Euros and Canadian dollars is translated at average rates of exchange for the period. Transactions denominated in other foreign currencies are translated using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated into sterling at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at the average rate prevailing in the period in which the asset or liability first arose.

Exchange differences arising from the conversion of overseas operations are accounted for through reserves.

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.

Insurance contracts premium

Gross premium written comprise premium on insurance contracts incepting during the financial year. The estimated premium income in respect of facility contracts 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. Estimates are included for premium receivable after the period end but not yet notified, as well as adjustments made in the year to premium written in prior accounting periods.

Premium is earned over the policy contract period. The earned element is calculated separately for each contract on a 365ths basis. For premium written under facilities, such as under binding authorities, the earned element is calculated based on the estimated risk profile of the individual contracts involved.

The proportion of premium written, 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.

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 comprises the cost of reinsurance arrangements placed and is accounted for in the same accounting period as the related insurance contracts. The provision for reinsurers' share of unearned premium represents that part of reinsurance premium written which is estimated to be earned in following financial years.

Insurance contracts liabilities: claims

Claims paid are defined as those claims transactions settled up to the balance sheet date including the internal and external claims settlement expenses allocated to those transactions. The reinsurers' share represents recoveries received from reinsurance protections in the period plus recoveries receivable against claims paid that have not been received at the balance sheet date, net of any provision for bad debt.

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. 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 so that there is a reasonable chance of release of reserves from one underwriting 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. In determining the need for an unexpired risk provision the underwriting divisions within the Syndicate have been regarded as groups of business that are managed together.

Although the unpaid claims reserves are considered to be reasonable, having regard to previous claims experience (including the use of certain statistically based projections) and case by case reviews of notified claims, on the basis of information available at the date of determining the provision, the ultimate liabilities will vary as a result of subsequent information and events. This uncertainty is discussed further in the risk disclosures in Note 3.

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.

Intangible assets

i. Syndicate capacity

The cost of Lloyd's syndicate participations that have been purchased in the Lloyd's capacity auctions is capitalised at cost. Syndicate capacity is considered to have an indefinite life and is 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 Syndicate 2001, with any impairment in value being charged to the income statement.

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, representing the excess of the purchase consideration over fair value of net assets acquired, 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 from the acquired subsidiary, for the next five years 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 customer contractual relationships. 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 carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the useful economic life which is estimated to be 3 years.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and provision for impairment where appropriate. 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
Motor vehicles	33% per annum
Computer equipment	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.

Financial investments

The Group has classified its financial investments as "fair value through income" (FV) to the extent that they are not reported as cash and cash equivalents. This classification requires all fair value changes to be recognised immediately within the investment return line in the income statement. Investments are assigned this classification at the time of acquisition. 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.

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. Changes in the fair value of investments are included in the income statement in the period in which they arise. The uncertainty around bond valuation is discussed further in note 3.

In the Company's accounts, other financial investments in Group undertakings are stated at cost and are reviewed for impairment annually or when events or changes in circumstances indicate the carrying value may be impaired.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. Changes in the fair value of derivative instruments are recognised immediately in the income statement. Fair values for over the counter derivatives, are supplied by the relevant counterparty. The Group has opted not to seek hedge accounting for its derivative instruments in the year.

Loans and receivables

Loans and receivables are measured at fair value. 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 payment is received.

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.

Borrowing costs

Borrowing costs comprise interest payable on loans and bank overdrafts and commissions charged for the utilisation of letters of credit. These costs are charged to the income statement as financing costs, as incurred. In addition fees paid for the arrangement of debt and letter of credit facilities are charged to borrowing costs over the life of the facility.

Cash and cash equivalents
Cash and cash equivalents are carried in the balance sheet at fair value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term, highly liquid investments which are 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.

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.

Assets held under finance leases and hire purchase transactions are capitalised in the balance sheet and depreciated over their useful lives. The initial capital value is the lower of the fair value of the leased asset and the present value of the minimum lease payments. Payments under finance leases are apportioned between finance charges and the reduction of the lease obligation so as to achieve a consistent rate of interest on the remaining balance of the lease liability.

Rentals payable under operating leases are charged to income 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 one defined benefit scheme, defined contribution schemes and personal pension schemes.

The Lloyd's Superannuation Fund scheme is a multi-employer scheme. There is insufficient information available to reliably identify the Group's proportionate share of the defined benefit obligation, plan assets and post-employment costs associated with scheme. Therefore it is accounted for as a defined contribution scheme and not a defined benefit scheme. For this scheme, where contractual obligations have been agreed, the net present value of these payments is recognised as a liability on the balance sheet.

The JE Mumford (Underwriting Agencies) Limited defined benefit scheme was transferred into the Lloyd's Superannuation Fund scheme in February 2007.

Pension contributions to schemes that are accounted for as defined contribution plans are charged to the income statement when due.

ii. Equity compensation plans
The Group 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. 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
Information fee income is recognised on an earned basis.

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 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 for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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, or to the extent that it has been utilised.

Deferred tax is calculated at the 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 equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is provided for on the profits of overseas subsidiaries where it is reasonably foreseeable that distribution of the profit back to the UK will take place.

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 notes 22 and 24, and subordinated debt as disclosed in note 26. For business planning purposes account is also taken of the Group's uncalled debt facilities.

The Amlin corporate members which support Syndicate 2001 are required to hold regulatory capital in compliance with the rules issued by the UK's Financial Services Authority (FSA). In addition, being Lloyd's operations, they are also subject to Lloyd's capital requirements. Under FSA rules, the corporate members 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 to no greater than 0.5%. The ICA calculation considers all ultimate losses incurred over a one year business planning horizon, and any prior year reserve movements.

The ICA calculation basis is generally considered to be broadly equivalent to a BBB insurance financial strength rating. For the purposes of setting Lloyd's capital requirements, Lloyd's currently uplifts all ICAs by 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% of the syndicate's agreed regulatory premium capacity limit.

The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund, for which a variable annual levy, which is 0.5% of syndicate gross premium for 2008, 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 urgently taken 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 2007 the level of capital held by the Amlin corporate members was more than £150 million in excess of the Pillar 1 requirement and more than £75 million in excess of the Pillar 2 requirement.

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 Amlin group.

For Amlin Bermuda, minimum capital requirements are dictated by the rules laid down by the Bermuda Monetary Authority (BMA). Amlin Bermuda is classified as a Class IV insurer for which the minimum solvency margin is the greater of $100m, 50% of net premiums written in the current financial year (subject to a 25% cap on reinsurance expenditure) and 15% of claims reserves. In the case of Amlin Bermuda at 31 December 2007, the premium test is currently the largest of the three criteria at $232.8 million, although the entity is in the early years of operation. In addition, as a Class IV insurer, Amlin Bermuda 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 Bermuda met this requirement at 31 December 2007. For wider commercial reasons we believe that it is necessary to hold at least $1 billion of capital for Amlin Bermuda, which is currently far in excess of the required minimum.

The method by which the Group actively manages its capital base is described on page 30 of the Review section under Financial Management.

In addition to regulatory capital requirements we believe we should retain a level of capital within the Group which allows it to grow exposures materially in the aftermath of a major insurance disaster. The capital held by Syndicate 2001 and Amlin Bermuda, is driven by the business mix, nature and objectives of each entity and its context within the wider Amlin Group.

3. Risk disclosures

3.1 Insurance risk

The Group accepts insurance risk in a range of classes of business through Lloyd's Syndicate 2001's four distinct underwriting businesses and Amlin Bermuda. The bias of the 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, knowledge 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 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 which determines the maximum liability per policy which can be written for each class and for each underwriter. These can be exceeded in exceptional circumstances but only with the approval of senior management. Apart from the UK, and some of the international, comprehensive motor liability portfolio, which has unlimited liability, all policies have a per loss limit which caps the size of any individual claims. For larger sum insured risks 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 reinsurance arrangements section below.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby Amlin 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 our 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. All 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 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 with a margin in excess of the in-house actuarial best estimate.

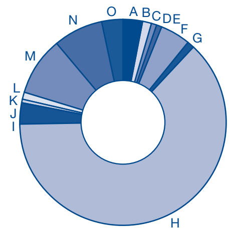
The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risk already underwritten which cannot be re-priced until renewal at the end of the policy period.

Sections A to D below describe the business and the risks of Amlin's Syndicate operations. Amlin Bermuda is described in section E.

A. Non-marine risks

A.i Non-marine property risks

Non-marine property risks 2007



A	Caribbean	3%
B	Central & Eastern Europe	1%
C	Central & Southern Africa	1%
D	Central America	1%
E	Central Asia	<1%
F	East Asia	5%
G	Middle East	1%
H	North America	63%
I	Northern Africa	<1%
J	Oceania	3%
K	South America	1%
L	South Asia	1%
M	UK	9%
N	Western Europe (excluding UK)	8%
O	Worldwide / Other	3%

Non-marine property classes

	2007 Gross premium £m	Current maximum line size £m	2007 Average line size £m
Catastrophe reinsurance (per programme)	158	50	4.0
Per risk property reinsurance (per programme)	43	20	1.7
Proportional reinsurance	24	5	0.7
Direct and facultative property	68	20	2.4
Binding authorities	20	2	0.3

Notes:

1) *Limits are set in US dollars converted to sterling at a rate 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 Ltd.*
3) *Premium are stated net of acquisition costs.*

Catastrophe reinsurance protects insurance companies against catastrophic losses, such as windstorm or earthquake, which may impact more than one risk written by the company. 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 a single risk within the reinsured's portfolio. 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 $7.5 million any one risk.

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. For these contracts, we are reliant on a coverholder exercising underwriting judgement on our behalf. Coverholders have to have local regulatory approval, be Lloyd's registered and also approved by the Amlin Binding Authority Committee. For all binding authority facilities we receive a monthly or quarterly bordereau which is checked by our underwriting staff. We control the underwriting 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 payments of profit commission. However, with the day to day underwriting not controlled by Amlin, 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 binding authorities is currently limited to $4 million at any one location.

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 in most territories.

The portfolio of property insurance and reinsurance business is written with the aim of achieving territorial diversification. However, a severe catastrophe to a major economic zone in Europe, Japan or the USA is likely to result in an overall loss to the property portfolio prior to reinsurance. 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 24. 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. 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 the models used. As explained below in the reinsurance arrangements section, the Syndicate buys a reinsurance programme to protect against the impact of, 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 the change in reinsurance availability in order to remain within the risk appetite guidelines. However, there may be some period of delay before this can be achieved.

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.

A.ii US casualty risk

The US casualty portfolio of business provides insurance and reinsurance cover to individuals or companies in order to indemnify 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 $6 million on any one claim but average lines are $0.6 million on any one claim.

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. The class 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 Amlin of any individual claim is small. Claims frequency to the direct and reinsurance portfolio may be impacted by a generic claim type which impacts many individual policies such as poor housing design or bad medical practice. The size of individual claims is subject to 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.

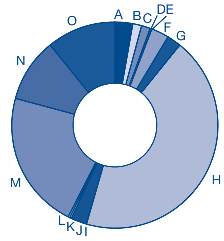
A.iii Other non-marine classes

The Group also writes other non-marine classes which contribute diversified exposure to the portfolio. The main classes with the maximum sum insured lines together with the geographical spread are shown in the tables following.

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 division writes a portfolio of aviation and marine reinsurance business which protects insurers against losses to their direct portfolios of business. This is written on an excess of loss basis.

Non-marine miscellaneous 2007



A	Caribbean	3%
B	Central & Eastern Europe	1%
C	Central & Southern Africa	1%
D	Central America	<1%
E	Central Asia	<1%
F	East Asia	3%
G	Middle East	2%
H	North America	44%
I	Northern Africa	<1%
J	Oceania	2%
K	South America	<1%
L	South Asia	<1%
M	UK	23%
N	Western Europe (excluding UK)	10%
O	Worldwide / Other	11%

Other non-marine classes

	2007 Gross premium £m	Current maximum line size £m	2007 Average line size £m
Accident & health	15	2	1.0
Credit insurance	10	15	15.0
Auto	28	4	0.2
Aviation reinsurance (per programme)	3	27	5.2
Marine reinsurance (per programme)	15	67	1.7
US Casualty	21	3	0.3
Special risks	13	20	4.0

Notes:

1) *Limits are set in US dollars converted to sterling at a rate 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 Ltd.*
3) *Premium are stated net of acquisition costs.*

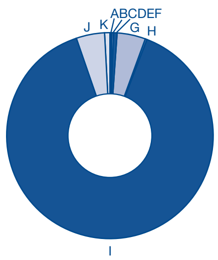
Credit insurance is written for UK and Irish companies only and the coverage is provided to protect against insolvency of debtors in the normal course of trading. The principal risk is from a very large corporate collapse which may impact many of our assureds or a serious economic downturn which impacts many sectors and companies.

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 account includes small premium classes such as nuclear, contingency business and terrorism reinsurance which is written in all parts of the world. Because of the small premium and specialist nature of these classes they are generally written without reinsurance protection.

B. UK Commercial risks

UK Commercial
2007



A	Caribbean	**<1%**
B	Central & Eastern Europe	**<1%**
C	Central & Southern Africa	**<1%**
D	Central Asia	**<1%**
E	East Asia	**<1%**
F	Middle East	**<1%**
G	North America	**5%**
H	Oceania	**<1%**
I	UK	**89%**
J	Western Europe (excluding UK)	**5%**
K	Worldwide / Other	**1%**

B.i Non-US liability risks

Liability classes

	2007 Gross premium £m	Current maximum line size £m	2007 Average line size £m
Employers' liability	15	27	10.0
Public/products liability	8	12	2.0
Professional indemnity	20	6	1.3
UK commercial package	10	27	1.0
Financial institutions fidelity and liability	4	6	0.9

The Group writes three classes of non-US liability. 89% of the business emanates from the UK with the balance mainly from Ireland and Canada.

Employers' liability (EL) – protecting 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 (PL) – this coverage, often written in conjunction with employers' liability covers 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 – this 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).

UK commercial package policies combine one or more of the liability coverages mainly EL and PL with motor and/or property damage protection.

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 54% of the income is from Western Europe 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 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.

B.ii UK motor risks

The Group's motor insurance risk written in the UK commercial division is 99% UK which covers fire, theft, collision and third party property and bodily injury liability. 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 syndicate leads two facilities for fleets involved in the transportation of hazardous waste. There is also a UK agriculture and a specialist private car account written.

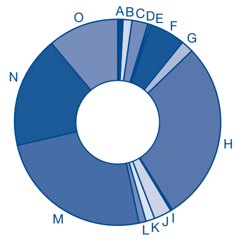
Claims frequency has improved in recent years due to car and road safety measures but can fluctuate due to factors such as weather conditions. UK inflation is a key factor in determining the size of motor claims. Car values affect the size of theft claims and for physical damage claims size is linked 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 and result in a requirement to increase reserves for outstanding claims.

C. Marine risks

The Group writes a broad account of marine risks with maximum lines set out below:

Marine
2007



A	Caribbean	**1%**
B	Central & Eastern Europe	**1%**
C	Central & Southern Africa	**2%**
D	Central America	**<1%**
E	Central Asia	**<1%**
F	East Asia	**6%**
G	Middle East	**2%**
H	North America	**29%**
I	Northern Africa	**<1%**
J	Oceania	**3%**
K	South America	**1%**
L	South Asia	**1%**
M	UK	**25%**
N	Western Europe (excluding UK)	**18%**
O	Worldwide / Other	**11%**

Marine classes

	2007 Gross premium £m	Current maximum line size £m	2007 Average line size £m
Hull	12	10	1.0
Cargo	22	17	2.6
Energy	35	20	2.5
War and terrorism	18	17	7.3
Specie	7	34	6.3
Bloodstock	17	4	0.5
Yacht (hull and liability)	20	4	0.9
Liability	16	57	3.6

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 Ltd.*
3) *Premium are stated net of acquisition costs.*

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 account written by Amlin is generally targeted towards smaller "brownwater" vessels and fishing boats. 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.

The energy portfolio is mainly offshore rig and construction policies which may be impacted by large individual claims but is also exposed to severe catastrophe losses 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 and is exposed to single incidents or a series of losses arising from concerted action. A small amount of political risk, confiscation and contract frustration is 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 protects for death, illness or injury to horses mainly in the UK but business from the USA, Australia and South Africa is also written. This covers racing and eventing horses or 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.

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 and there is an expectation of a large number of small claims. Third party liability yacht claims arise from injury or damage caused by one of our policyholders. 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.

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 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 require large clean up costs.

D. Aviation risks

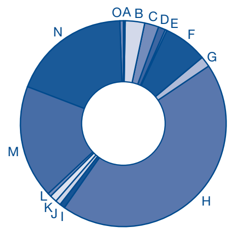
The Group underwrites a direct and facultative reinsurance account domiciled in most parts of the world. The portfolio is made up of the following classes with maximum lines and split by territory.

The airline account is exposed to large claims arising from property damage, death or injury arising from aircraft accident. The domicile of the airline and passengers has a notable influence on the cost of claims as US court awards are generally higher.

The general aviation book covers smaller aircraft or cargo and covers owner 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.

Aviation
2007



A	Caribbean	<1%
B	Central & Eastern Europe	3%
C	Central & Southern Africa	2%
D	Central America	1%
E	Central Asia	<1%
F	East Asia	7%
G	Middle East	2%
H	North America	44%
I	Northern Africa	1%
J	Oceania	1%
K	South America	1%
L	South Asia	1%
M	UK	18%
N	Western Europe (excluding UK)	19%
O	Worldwide / Other	<1%

Aviation classes

	2007 Gross premium £m	Current maximum line size £m	2007 Average line size £m
Airline (hull & liability)	15	84	19.3
General aviation (hull & liability)	5	57	15.4
Risk excess (hull & liability)	6	57	11.1
Airports liability	12	57	21.9
Products	8	50	14.7
Space (hull & liability)	5	46	7.7

Notes:
1) *Limits are set in US dollars converted at a rate 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 Ltd.*
3) *Premium are stated net of acquisition costs.*

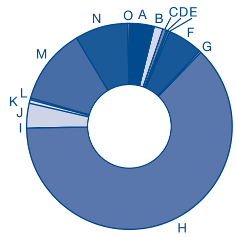
Airport liability insurance covers airport operators, refuellers and air traffic controllers against losses arising from injury caused by their activities or occurring on their premises. Product liability covers manufacturers against accidents arising from faulty parts or equipment, or poor servicing 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 of normally 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 so passengers are feasible and could potentially result in a gross claim to the division of more than $175 million before reinsurance 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.

E. Amlin Bermuda

Amlin Bermuda was formed in December 2005 to directly write a short tail portfolio of reinsurance business and to reinsure part of the Syndicate 2001 portfolio. The direct written portfolio consists of the following classes with maximum line sizes and split by territory.

Amlin Bermuda
2007



A	Caribbean	4%
B	Central & Eastern Europe	1%
C	Central & Southern Africa	1%
D	Central America	<1%
E	Central Asia	<1%
F	East Asia	5%
G	Middle East	<1%
H	North America	63%
I	Northern Africa	<1%
J	Oceania	4%
K	South America	1%
L	South Asia	<1%
M	UK	12%
N	Western Europe (excluding UK)	9%
O	Worldwide / Other	<1%

	2007 Gross premium $m	Current maximum line size $m	2007 Average line size $m
Direct written business			
Catastrophe reinsurance (per programme)	150.1	75.0	6.0
Proportional reinsurance	38.5	7.5	1.4
Per risk property reinsurance (per programme)	34.3	12.5	2.8
Special risks	10.5	15.0	6.6
Marine reinsurance	4.2	20.0	10.1
Aviation reinsurance	1.6	20.0	3.8
Accident & health	1.0	7.5	4.1
Casualty	0.3	5.0	2.1

Amlin Bermuda's direct business has strong similarities to the reinsurance portfolio of the Non-marine division of Syndicate 2001. A large proportion of the business written emanates from London broker markets and is frequently seasoned business already underwritten by Syndicate 2001. Risk tolerance 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. These are utilised by Syndicate 2001 underwriters on an individual risk basis when deemed appropriate.

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 $12.5 million per risk and $75 million any one catastrophe programme, with maximum event limits of $300 million any one zone and $350 million probable maximum loss for losses affecting more than one zone.

Catastrophe event exposures per territory are carefully recorded and analysed through loss simulations or realistic disaster scenarios. Amlin Bermuda 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 24. 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, which Amlin Bermuda would receive through the whole account and specific variable quota shares, where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values. Errors or incorrect assumptions in the damage factor calculation can result in an incurred catastrophe event higher than predicted due to unforeseen circumstances. A significant element of the Amlin Bermuda book is catastrophe reinsurance relating to US windstorm. However, a severe catastrophe to a major economic zone in Europe, Japan or the USA is likely to result in an overall loss to the property portfolio.

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 special risks account includes small premium classes mostly relating to terrorism reinsurance but also includes nuclear and contingency which is written in all parts of the world.

To date the Bermuda subsidiary has written risks without the protection of a reinsurance programme and therefore it has higher net retained exposures to individual risk losses than the Syndicate currently bears.

Reinsurance arrangements

The Syndicate purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks. A part of the premium ceded under such facilities is placed with Amlin Bermuda and a separate proportional facility is placed for the US catastrophe excess of loss portfolio. The Syndicate 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 a 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. For instance, unlimited cover is bought for our UK motor portfolio where unlimited third party cover is given on original policies. 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.

The combined claims to the Syndicate from several losses which aggregate in a single catastrophe event are protected by catastrophe cover. A separate excess of loss on excess of loss programme may be purchased to protect the excess of loss reinsurance portfolio against such losses. The Syndicate may also purchase multi-class umbrella protection which responds to a catastrophe loss which could exceed any of the specific programmes bought for aviation, property or excess of loss reinsurance losses. However, since 2006, the amount of excess of loss reinsurance purchased is lower and only responds to losses in excess of $50 million. Also very little multi-class umbrella protection has been purchased for 2008.

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 Syndicate. 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 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 the policies written) this reinsurance protection could expire resulting in an increase in possible loss retained by the Syndicate if renewal of the programme is not achieved.

Amlin Bermuda is presently not protected by any reinsurance programme although the company may decide to purchase reinsurance in the future.

Realistic Disaster Scenario (RDS) analysis

The Group has a defined event risk appetite which determines the maximum net loss that the Group intends to limit its exposure to major catastrophe event scenarios. Currently these are a maximum of £165 million for the Syndicate and $300 million any one zone or $350 million for a multi-zonal loss for Amlin Bermuda.

These maximum losses are expected only to be incurred in extreme events – with an estimated occurrence probability of less than 1 in 100 years estimated for the natural peril or elemental losses. The Group also adopts risk appetite maximum net limits for a number of other scenarios including aviation collision (£140 million) and North Sea rig loss (£100 million).

The risk appetite policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include 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 appetite. 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 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 but may prove to be inadequate;
- Reinstatement premium 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 an unmodelled 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

Amlin adopts a consistent 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.

Reserving 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 our London market business information is received through Xchanging (the London market bureau) and, in the case of our UK Commercial business, service companies and Amlin Bermuda, directly from brokers and policyholders. Claims records are maintained for each class by the underwriting year to which the policy incepts.
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. Underwriters and claims staff are responsible for setting case reserves for outstanding claims. For claims received from

Xchanging, the market reserve is generally set by the lead underwriter but there are circumstances on larger claims where Amlin will post higher or lower case reserves than those notified.

To establish a provision for IBNR claims, the underwriting and claims teams use their experience and knowledge of the class of business to estimate the potential future development of each class for every underwriting year. 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 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. 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 the figures proposed by divisional management. 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. These provisions are also reviewed annually by external actuaries who examine the work carried out and opine on the sufficiency of reserves.

For Amlin Bermuda, which only commenced underwriting in 2005, historical statistics for the Syndicate’s relevant classes of business have been used as a guide for actuarial review.

Reserving 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% variation in the total net claims reserves would be +/–£10.9 million (2006: £11.0 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 is an example of a case 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.

Dynamic financial analysis (DFA) modelling of risk

To improve our risk management capability, and our assessment of capital requirements, Amlin has developed a stochastic model to analyse the potential performance of the underwriting businesses. The output from the model includes a distribution of outcomes from reserves for prior written liabilities, investment performance, and new business underwriting performance. The result is a combined view of the expected best estimate mean result 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 Amlin’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 insurance 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;
- Catastrophe model inputs, which estimate the severity and frequency of large catastrophes on the portfolio, may be incorrect.

The result reproduced 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 Amlin to support current and expected business levels, which should be considered over a longer period of modelling. Furthermore, Amlin is required to carry (larger) levels of capital which are sufficient in the eyes of rating agencies and clients. This is modelling for a single year’s outcome only.

All figures are based on business plan forecast and assumptions consistent with the work for the October 2007 ICA submission (for the 2008 Year of Account) and thus include the previously projected year end asset and liability position.

Risk category after diversification

	2008 forecast £m
Underwriting (new business risk)	(459)
Reserving	(68)
Credit (reinsurance counterparty risk)	(15)
Investment (market risk)	74
Liquidity risk	(8)
Discounting credit	90
Diversified result	(386)

Notes:

- *Figures include an allowance for investment returns generated on assets backing insurance liabilities (i.e. discounting). The discounting credit shown represents the release from the balance sheet by discounting the mean best estimate reserves.*
- *Investment income includes group corporate (surplus) assets. Investment risk after diversification remains positive since at around the 1 in 200 level total investment income (on both surplus and technical assets) exceeds the investment income implicitly assumed via discounting on the technical assets alone.*
- *Figures exclude:*
  - *any additional capital provision for operational risk*
  - *dividend or tax considerations*
  - *effects of currency risk*
  - *credit for carried reserve margins*
- *Non-sterling amounts have been converted at Lloyd’s required rates, including for US Dollars $1.92 to £1.0.*

Premium development

The table below illustrates the development of the estimate of gross written premium and gross earned premium for Syndicate 2001 and Amlin Bermuda Ltd after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimate made. Non-sterling balances have been converted using 2007 closing exchange rates to aid comparability. All premium is gross of acquisition costs.

Group

Gross written premium	2001	2002	2003	2004	2005	2006	2007
Underwriting year	£m	£m	£m	£m	£m	£m	£m
At end of underwriting year	668.4	794.5	945.3	926.7	939.2	1,145.1	1,114.2
One year later	629.1	835.3	946.3	935.3	941.0	1,167.6	
Two years later	645.3	812.0	950.4	943.0	947.6		
Three years later	651.0	811.7	951.8	945.4			
Four years later	652.7	813.1	951.9				
Five years later	655.3	812.8					
Six years later	655.4						
Current ultimate gross written premium	655.4	812.9	951.9	945.4	953.3	1,178.2	1,136.9

Gross earned premium	2001	2002	2003	2004	2005	2006	2007
Underwriting year	£m	£m	£m	£m	£m	£m	£m
At end of underwriting year	333.2	411.0	505.8	471.6	484.8	624.5	620.8
One year later	594.3	811.7	900.5	889.2	899.1	1,122.3	
Two years later	645.3	812.0	950.4	943.0	947.6		
Three years later	651.0	811.6	951.8	945.4			
Four years later	652.7	813.1	951.9				
Five years later	655.3	812.8					
Six years later	655.4						

Syndicate 2001 Total

Gross written premium	2001	2002	2003	2004	2005	2006	2007
Underwriting year	£m	£m	£m	£m	£m	£m	£m
At end of underwriting year	668.4	794.5	945.3	926.7	936.1	937.3	880.1
One year later	629.1	835.3	946.3	935.3	939.2	959.2	
Two years later	645.3	812.0	950.4	943.0	945.9		
Three years later	651.0	811.7	951.8	945.4			
Four years later	652.7	813.1	951.9				
Five years later	655.3	812.8					
Six years later	655.4						
Current ultimate gross written premium	655.4	812.9	951.9	945.4	951.6	969.8	902.8

Gross earned premium	2001	2002	2003	2004	2005	2006	2007
Underwriting year	£m	£m	£m	£m	£m	£m	£m
At end of underwriting year	333.2	411.0	505.8	471.6	484.8	503.5	474.1
One year later	594.3	811.7	900.5	889.2	897.6	921.0	
Two years later	645.3	812.0	950.4	943.0	945.9		
Three years later	651.0	811.6	951.8	945.4			
Four years later	652.7	813.1	951.9				
Five years later	655.3	812.8					
Six years later	655.4						

Amlin Bermuda Ltd Total

Gross written premium	2005	2006	2007
Underwriting year	$m	$m	$m
At the end of underwriting year	6.1	413.6	465.8
One year later	3.6	414.7	
Two years later	3.4		
Currernt ultimate gross written premium	3.4	414.7	465.8

Gross earned premium	2005	2006	2007
Underwriting year	$m	$m	$m
At the end of underwriting year	–	240.8	292.0
One year later	3.0	400.5	
Two years later	3.4		

Claims development

The table below illustrates the development of the estimate of cumulative claims for Syndicate 2001 after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimate made. Non-sterling balances have been converted using 2007 exchange rates to aide comparability.

Non-marine

Gross basis	2002	2003	2004	2005	2006	2007
Underwriting year	£m	£m	£m	£m	£m	£m
Current ultimate gross written premium	409.7	509.4	504.3	529.1	567.9	522.6
Estimate of cumulative claims						
At end of underwriting year	231.1	257.2	355.3	553.3	237.6	246.3
One year later	157.9	178.0	373.2	541.0	163.9	
Two years later	136.1	167.0	364.6	536.8		
Three years later	132.9	155.8	354.6			
Four years later	132.2	152.5				
Five years later	128.5					
Cumulative payments	114.7	128.8	312.4	453.1	79.2	14.9
Estimated balance to pay	13.8	23.7	42.2	83.7	84.7	231.4

Net basis	2002	2003	2004	2005	2006	2007
Underwriting year	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims						
At end of underwriting year	192.5	212.7	365.5	299.9	191.2	191.2
One year later	143.6	149.4	246.1	287.8	132.4	
Two years later	125.0	136.9	237.2	283.5		
Three years later	121.8	126.1	225.6			
Four years later	121.0	122.3				
Five years later	117.3					
Cumulative payments	111.8	109.1	187.9	199.9	73.3	13.7
Estimated balance to pay	5.5	13.2	37.7	83.6	59.1	177.5

Marine

Gross basis	2002	2003	2004	2005	2006	2007
Underwriting year	£m	£m	£m	£m	£m	£m
Current ultimate gross written premium	124.2	165.4	163.8	177.7	199.3	186.8
Estimate of cumulative claims						
At end of underwriting year	74.3	97.7	92.8	129.3	97.9	97.0
One year later	74.3	93.1	85.3	177.0	92.0	
Two years later	63.4	70.9	70.8	164.2		
Three years later	61.9	69.7	71.8			
Four years later	60.1	71.6				
Five years later	58.5					
Cumulative payments	52.0	60.7	57.4	97.4	38.6	8.9
Estimated balance to pay	6.5	10.9	14.4	66.8	53.4	88.1

Net basis	2002	2003	2004	2005	2006	2007
Underwriting year	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims						
At end of underwriting year	66.6	84.5	87.2	87.5	77.2	72.5
One year later	63.6	77.0	74.8	99.6	72.2	
Two years later	52.3	57.6	59.1	93.2		
Three years later	51.2	56.4	60.7			
Four years later	49.7	56.1				
Five years later	48.1					
Cumulative payments	45.9	51.8	46.0	58.0	35.4	8.3
Estimated balance to pay	2.2	4.3	14.7	35.2	36.8	64.2

Aviation

Gross basis	2002	2003	2004	2005	2006	2007
Underwriting year	£m	£m	£m	£m	£m	£m
Current ultimate gross written premium	91.8	82.1	86.5	76.5	75.9	58.4
Estimate of cumulative claims						
At end of underwriting year	66.7	50.6	51.7	47.0	47.6	45.4
One year later	45.5	37.7	42.2	45.7	57.8	
Two years later	46.2	30.8	38.0	38.1		
Three years later	42.8	30.8	34.8			
Four years later	42.5	27.7				
Five years later	38.8					
Cumulative payments	30.3	17.9	20.2	11.9	10.2	3.4
Estimated balance to pay	8.5	9.8	14.6	26.2	42.6	42.0

Net basis Underwriting year	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m
Estimate of cumulative claims						
At end of underwriting year	44.1	38.3	42.1	38.6	33.0	32.9
One year later	35.4	29.8	36.1	33.6	31.8	
Two years later	34.7	24.3	32.6	28.0		
Three years later	31.7	24.0	29.9			
Four years later	30.9	21.5				
Five years later	28.7					
Cumulative payments	25.6	15.1	18.0	8.8	8.5	2.9
Estimated balance to pay	3.1	6.4	11.9	19.2	23.3	30.0

UK Commercial

Gross basis Underwriting year	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m
Current ultimate gross written premium	187.0	195.0	190.8	167.6	146.2	135.0
Estimate of cumulative claims						
At end of underwriting year	136.0	144.2	125.6	114.3	101.6	100.0
One year later	122.7	129.1	111.4	110.5	105.5	
Two years later	110.4	102.0	104.1	102.4		
Three years later	106.4	96.4	91.3			
Four years later	100.2	96.5				
Five years later	95.9					
Cumulative payments	73.3	59.3	50.3	39.4	26.2	8.2
Estimated balance to pay	22.6	37.2	41.0	63.0	79.3	91.8

Net basis Underwriting year	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m
Estimate of cumulative claims						
At end of underwriting year	112.2	125.2	110.1	103.6	84.7	84.8
One year later	104.7	109.2	101.4	100.2	88.3	
Two years later	92.8	91.9	93.1	96.6		
Three years later	87.1	87.9	87.7			
Four years later	82.7	87.9				
Five years later	77.1					
Cumulative payments	69.5	59.3	48.2	39.3	26.2	8.2
Estimated balance to pay	7.6	28.6	39.5	57.3	62.1	76.6

Syndicate 2001 Total

Gross basis Underwriting year	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m
Current ultimate gross written premium	812.8	951.9	947.5	957.6	969.8	902.8
Estimate of cumulative claims						
At end of underwriting year	508.0	549.6	625.3	844.0	484.7	488.7
One year later	400.4	437.9	612.2	874.4	414.2	
Two years later	356.1	370.7	577.3	841.5		
Three years later	344.0	352.8	552.5			
Four years later	334.9	348.2				
Five years later	321.7					
Cumulative payments	270.1	266.6	440.2	601.7	154.2	35.4
Estimated balance to pay	51.6	81.6	112.3	239.8	260.0	453.3

Net basis Underwriting year	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m	2007 £m
Estimate of cumulative claims						
At end of underwriting year	415.4	460.8	505.0	529.6	386.1	381.5
One year later	247.2	365.4	458.4	521.2	324.7	
Two years later	304.8	310.7	422.0	501.3		
Three years later	291.7	294.4	403.9			
Four years later	284.2	287.8				
Five years later	271.2					
Cumulative payments	252.7	235.3	300.1	306.1	143.5	33.2
Estimated balance to pay	18.5	52.5	103.8	195.2	181.2	348.3

Amlin Bermuda Ltd Total

Claims gross basis Underwriting year	2005 $m	2006 $m	2007 $m
Estimate of cumulative claims			
At end of underwriting year	–	86.2	94.5
One year later	1.2	64.3	
Two years later	0.6		
Cumulative payments	0.3	42.8	11.7
Estimated balance to pay	0.3	21.5	82.8

3.2 Financial investment risk disclosures

Market risk

Risk management

The following section describes Amlin's investment risk management from a quantitative and qualitative perspective.

The Group has two main categories of assets both of which have to be invested in accordance with the regulations applicable to where the underwriting business is being written. The asset categories are as follows.

Underwriting assets
These are the premium 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 or surplus funds. Apart from the outstanding borrowings, these assets do not have specific current liabilities attached to them.

Investment governance
Amlin manages its investments in accordance with investment frameworks that are set by the Boards of Amlin plc and its subsidiaries. These frameworks determine investment policy and the management of investment risk. They are reviewed on a regular basis to ensure that the Boards' fiduciary and regulatory responsibilities are being met.The Boards delegate responsibility for the management of the investments to the Investment Management Executive.

The Investment Management Executive comprises the Chief Executive, Finance Director, Underwriting Director and Chief Investment Officer. They meet monthly to determine investment tactics, to ensure that asset allocation is appropriate for current market conditions and is in accordance with the investment frameworks. The Investment Management Executive appoints and monitors the external investment managers and the custodians that are responsible for the safekeeping of the assets.

The Investment Advisory Panel, which consists of external investment professionals as well as members of the Investment Management Executive, meets quarterly. The Panel monitors and critiques investment strategy and tactics. In addition Group Compliance provides advice on investment regulations.

Risk tolerance
The investment process is formulated from the risk tolerance, which is determined by 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 flows. In a soft underwriting market the opposite applies.

Strategic benchmarks
Strategic benchmarks are set for the neutral asset allocation taking account of the risk tolerance.

For the London operations the expected timescale for future cashflows in each currency is calculated by our Group Actuarial team. These durations form the basis for the strategic benchmarks for the underwriting assets against which the assets are invested. Due to the short tail nature of the Bermudian operations the underwriting assets are currently held in AAA rated stable net asset value money market funds.

The strategic benchmarks for capital assets, for both London and Bermuda are set by using a Value at Risk (VaR[1]) model, to determine the optimum asset allocation for the current risk tolerance and to ensure that appropriate solvency levels are maintained.

Tactical ranges around these strategic benchmarks provide sufficient flexibility to ensure that an appropriate risk/reward balance is maintained in changing investment markets.

Investment management

Specialist external investment managers are used to manage each asset class on a segregated, pooled or commingled basis[2]. For regulatory reasons, the Corporation of Lloyd's manages overseas regulatory deposits in commingled funds. Otherwise manager selection is based on a range of criteria that leads to the expectation that the managers will add value to the funds over the medium to long-term. Investment guidelines are set for each manager to ensure that they comply with the investment frameworks. The managers have discretion to manage the funds on a day-to-day basis within these guidelines. The managers are monitored on an ongoing basis and are reviewed periodically using Watson Wyatt Worldwide.

The managers as at 31 December 2007 were as follows:

Manager	Asset class
Segregated funds	
Aberdeen Asset Management	US dollar bonds
AEGON Asset Management	Sterling bonds
ING Real Estate	Global property manager of managers
Insight Investment Management	Sterling bonds
Morley Fund Management	Global property manager of managers
Robeco Investment Management	US and Canadian dollar bonds
THS Partners	Global equities
Western Asset Management	US dollar and Euro bonds
Pooled vehicles	
Barclays Global Investors	Sterling, Euro and US dollar Money Market Funds
Goldman Sachs Asset Management	Sterling, Euro and US dollar Money Market Funds and LIBOR plus Fund
HSBC Asset Management	US dollar Money Market Funds
Insight Investment Management	Sterling Money Market Fund
JP Morgan Asset Management	US dollar Money Market Funds
PIMCO	Sterling and US dollar bonds
Western Asset Management	US dollar Money Market 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 liquid funds

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 Amlin. Pooled funds are collective investment vehicles in which Amlin and other investors purchase units. Commingled funds combine the assets of several clients.

The funds under management with each manager is shown below:

	Aberdeen £m	AEGON £m	BGI £m	Corporation of Lloyd's £m	Goldman Sachs £m	HSBC £m	ING £m	Insight £m	JPMorgan £m	Morley £m	PIMCO £m	Robeco £m	THS £m	UBS £m	Western £m
Total as at 31 December 2007	**303.7**	**103.6**	**220.3**	**60.0**	**366.1**	**26.9**	**30.0**	**495.9**	**44.3**	**46.8**	**80.7**	**383.1**	**273.0**	**13.7**	**200.1**
%	**11.5**	**3.9**	**8.3**	**2.3**	**13.8**	**1.0**	**1.1**	**18.7**	**1.7**	**1.8**	**3.0**	**14.5**	**10.3**	**0.5**	**7.6**
Total as at 31 December 2006	312.7	158.1	72.1	55.6	157.2	46.7	–	367.1	48.3	43.0	75.9	418.6	292.0	11.1	312.5
%	13.2	6.7	3.0	2.3	6.6	2.0	–	15.5	2.0	1.8	3.2	17.7	12.3	0.5	13.2

Asset allocation

The asset allocation at the year end is set out below. The analysis in this section covers the investments for which Amlin has direct responsibility together with £60 million (2006: £55 million) of overseas regulatory deposits managed by the Corporation of Lloyd's on Amlin's behalf in commingled funds.

The assets in the table include £14.7 million (2006: £16.7 million) which relates to accrued income and net unsettled payables for investments which are shown separately in the notes to the accounts. The table does not include £5.5 million (2006: £9.2 million) which relates to spread syndicate exposure (note 17), derivative positions outstanding at year end and other liquid investments.

	31 December 2007			31 December 2006		
	Underwriting assets £m	**Capital £m**	**Total £m**	Underwriting assets £m	Capital £m	Total £m
Global equities	**–**	**232.1**	**232.1**	–	248.3	248.3
Bonds						
Government securities	**585.6**	**252.1**	**837.7**	643.8	239.1	882.9
Government index-linked securities	**3.0**	**–**	**3.0**	44.2	–	44.2
Government agencies	**76.4**	**8.0**	**84.4**	7.2	–	7.2
Supranational	**44.5**	**2.1**	**46.6**	0.7	16.1	16.8
Asset backed securities	**25.2**	**55.5**	**80.7**	81.7	59.2	140.9
Mortgage backed securities	**18.0**	**67.6**	**85.6**	131.4	77.2	208.6
Corporate bonds	**212.4**	**53.1**	**265.5**	208.1	103.9	312.0
Pooled Vehicles	**53.3**	**121.4**	**174.7**	50.1	25.7	75.8
	1,018.4	**559.8**	**1,578.2**	1,167.2	521.2	1,688.4
Property[3]	**–**	**75.4**	**75.4**	43.1	–	43.1
Other liquid investments						
Cash with fund manager	**3.4**	**8.3**	**11.7**	1.6	14.9	16.5
Money market funds	**458.0**	**292.7**	**750.7**	168.7	228.4	397.1
	461.4	**301.0**	**762.4**	170.3	243.3	413.6
	1,479.8	**1,168.3**	**2,648.1**	1,380.6	1,012.8	2,393.4

	31 December 2007			31 December 2006		
	Underwriting assets %	**Capital %**	**Total %**	Underwriting assets %	Capital %	Total %
Global equities	**–**	**19.9**	**8.8**	–	24.5	10.4
Bonds						
Government securities	**39.6**	**21.5**	**31.6**	46.6	23.6	36.9
Government index-linked securities	**0.2**	**–**	**0.1**	3.2	–	1.8
Government agencies	**5.2**	**0.7**	**3.2**	0.5	–	0.3
Supranational	**3.0**	**0.2**	**1.8**	0.1	1.6	0.7
Asset backed securities	**1.7**	**4.8**	**3.0**	5.9	5.8	5.9
Mortgage backed securities	**1.2**	**5.8**	**3.2**	9.5	7.6	8.7
Corporate bonds	**14.4**	**4.5**	**10.1**	15.0	10.3	13.0
Pooled Vehicles	**3.6**	**10.3**	**6.6**	3.6	2.5	3.2
	68.9	**47.8**	**59.6**	84.4	51.4	70.5
Property	**–**	**6.5**	**2.8**	3.1	–	1.8
Other liquid investments						
Cash with fund manager	**0.2**	**0.7**	**0.4**	0.3	1.5	0.7
Money market funds	**30.9**	**25.1**	**28.4**	12.2	22.6	16.6
	31.1	**25.8**	**28.8**	12.5	24.1	17.3
	100.0	**100.0**	**100.0**	100.0	100.0	100.0

[3]The property valuations are based on the data available when the accounts were prepared. There were no material changes in value between the valuation in the table and the actual year end valuation.

At 31 December 2007 the industry and geographical splits of global equities and bond portfolios were as follows:

Global equities Industry	2007 %	2006 %
Oil & Gas	**9.3**	9.0
Basic Materials	**3.9**	1.8
Industrials	**5.9**	13.3
Consumer Goods and Services	**24.8**	23.6
Health Care	**3.4**	5.3
Telecommunications	**14.9**	11.4
Utilities	**6.6**	4.7
Financials	**29.0**	29.9
Technology	**2.2**	1.0
	100	100

Region (based on domicile of issuer)	2007 %	2006 %
United Kingdom	**18.1**	23.2
USA and Canada	**19.0**	19.8
Europe (ex UK)	**37.2**	34.9
Far East	**21.5**	21.6
Emerging markets	**4.2**	0.5
	100	100

Bonds Industry	2007 %	2006 %
Oil & Gas	**3.5**	3.8
Basic Materials	**0.5**	0.1
Industrials	**1.9**	12.8
Consumer Goods and Services	**6.5**	5.4
Health Care	**0.6**	0.1
Telecommunications	**5.0**	4.5
Utilities	**1.2**	6.3
Financials	**80.8**	67.0
	100	100

Region (based on domicile of issuer)	2007 %	2006 %
United Kingdom	**18.9**	29.5
USA and Canada	**61.3**	61.4
Europe (ex UK)	**17.7**	7.5
Far East	**1.3**	0.9
Emerging markets	**0.8**	0.6
Other	**0.0**	0.1
	100	100

Note: The two tables by industry and region exclude pooled investments.

Valuation risk

Amlin'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 the 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 Amlin's investments and are taken into consideration when setting strategic benchmarks and tactical asset allocation. 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, as specified in the investment guidelines given to the Fund Managers. These limit the exposure to any one company, which also mitigates credit risk. In addition the equity mandate limits the exposure to any one geographic region or industrial sector and the bond mandates limit the overall exposure to non-government holdings.

Amlin Group's assets are marked to market at bid price. Prices are supplied by the custodians, whose pricing processes are covered by their published annual audits. In accordance with their pricing policy, prices are sourced from two market recognised pricing vendor sources including: FT Interactive, Bloomberg and Reuters. 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. Prices for over the counter derivatives, are supplied by Bloomberg and checked to the relevant counterparty. Property investments 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.

Low market liquidity during the second half of 2007 meant that assessing fair value was more difficult than usual. As an additional check, the majority of prices as at 31 December 2007 have been verified by Amlin against publicly available quoted prices to verify that the prices used are a good estimation for fair value.

In 2007 Amlin entered into a number of equity index options to limit the volatility of the equity exposure. Put options were bought limiting the downside risk of exposures to the FTSE 100, S&P 500, DAX and CAC indices to no more than five percentage points from the market levels at the dates of the trades. These transactions incurred no premiums as call options were simultaneously sold, which meant that the upside of market movements was capped to a few percentage points. At the end of the year these hedges covered 25% of the Group's equity exposure until the end of March 2008. The valuation of these transactions at the 31 December 2007 was £0.2 million.

If global equity markets fell by 10% the pre-tax impact on the overall assets and profit as at 31 December 2007, pre-tax, would be a decline of £15.9 million (2006: £24.8 million). As explained above, the downside risk is mitigated by the hedges that were in place. These expire at the end of March. Without the hedges the downside risk would be £23.2 million.

Interest rate risk

Investors' expectations for interest rates will impact bond yields[4]. The value of Amlin's bond holdings is therefore 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[5]. The greater the duration of a security, the greater its 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 2007			31 December 2006		
	Underwriting assets £m	**Capital £m**	**Total £m**	Underwriting assets £m	Capital £m	Total £m
Less than 1 year	**95.8**	**76.8**	**172.6**	106.7	153.8	260.5
1-2 years	**58.8**	**72.8**	**131.6**	105.2	34.4	139.6
2-3 years	**153.3**	**102.8**	**256.1**	106.2	47.6	153.8
3-4 years	**242.5**	**49.0**	**291.5**	153.7	22.0	175.7
4-5 years	**219.2**	**30.5**	**249.7**	388.2	105.3	493.5
Over 5 years	**195.6**	**106.4**	**302.0**	257.0	132.5	389.5
	965.2	**438.3**	**1,403.5**	1,117.0	495.6	1,612.6

Note: The table above excludes £174.7 million (2006: £75.8 million) of pooled investments.

4 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.

5 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.

The duration of underwriting assets for Syndicate 2001 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. Due to the inherently short tail nature of the Bermudian reinsurance exposures, the underwriting assets are currently all held in money market funds. For the London underwriting assets, cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise, and therefore capital values fall.

The duration of the bond and cash portfolios for the London underwriting assets at year end was as follows:

	31 December 2007		31 December 2006	
	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Sterling	**2.3**	**3.2**	2.4	2.5
US Dollars	**2.8**	**3.0**	3.0	3.1
Euro	**3.3**	**3.2**	3.3	3.0
Canadian Dollars	**2.7**	**3.3**	3.0	3.2

The asset durations are based on Bloomberg prepayment data. In the few instances where this is not available, investment managers have provided independent proof of prepayment data used to calculate duration. Some differences occur between custodian durations and those of fund managers due to the use of different prepayment assumptions. The material differences are for the European portfolio, where the manager's duration is 11% shorter than the custodian and the US portfolios where the fund managers' duration is 9% below that of the custodian. In all instances the duration differences are within the tactical ranges permitted by the investment guidelines.

Sensitivity analysis

An indication of the potential sensitivity of the value of the bond and cash funds to changes in yield is shown below:

	Syndicate				Capital	Bermuda		Net (reduction) increase in
Shift in yield (basis points)	Sterling %	US$ %	CAN$ %	Euro %	Sterling %	Underwriting %	Capital %	value £m
100	(2.5)	(2.6)	(2.3)	(3.0)	(0.6)	(0.1)	(1.0)	(42)
75	(1.9)	(1.9)	(1.8)	(2.2)	(0.5)	(0.1)	(0.7)	(32)
50	(1.2)	(1.3)	(1.2)	(1.5)	(0.3)	–	(0.5)	(21)
25	(0.6)	(0.6)	(0.6)	(0.7)	(0.1)	–	(0.2)	(10)
-25	0.6	0.7	0.6	0.7	0.1	–	0.2	10
-50	1.2	1.3	1.2	1.5	0.3	–	0.4	20
-75	1.9	1.9	1.8	2.2	0.4	0.1	0.6	31
-100	2.5	2.6	2.3	3.0	0.6	0.1	0.8	41

Unpaid claims reserves are estimated on an undiscounted basis and therefore, are not subject to interest rate fluctuations.

Foreign exchange risk

Underwriting assets are held in the base currencies of sterling, euros, US dollars and Canadian dollars, which represent the majority of the Group's liabilities by currency. This limits the underwriting foreign exchange rate risk. However, foreign exchange exposure does arise when business is written in non-base currencies. These transactions are converted into sterling or US dollars (depending if the business is written out of London or Bermuda) 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-base currencies are converted back into the underlying currency at the time a claim is to be settled; therefore Amlin is exposed to exchange rate risk between the claim being made and the settlement being paid.

Further foreign exchange risk arises until non-sterling profits or losses are converted into sterling. For Amlin's UK operations it is policy to mitigate foreign exchange risk by systematically converting non-sterling profits into sterling. Given the inherent volatility in some business classes a cautious approach is adopted on the speed and level of sales, but we seek to extinguish all currency risk on earned profit during the second year after the commencement of each underwriting year. The intention is to time the currency transactions in order to optimise the conversion rates. 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. A summary of the sales for 2007 is shown in the table below.

	US dollar		Euro		Canadian dollar	
	Total £m	Average rate	Total £m	Average rate	Total £m	Average Rate
31 December 2007	532	2.00	29	1.47	16	2.48

In order to reduce the foreign exchange risk at the Group level, during 2007 $200m of Amlin Bermuda's surplus underwriting assets have been converted into sterling at an average exchange rate of 1.9870.

Currency risk	31 December 2007 Sterling	US$	CAN$	Euro	31 December 2006 Sterling	US$	CAN$	Euro
Cash and cash equivalents	**8.4**	**3.0**	**–**	**2.1**	13.5	3.6	–	1.7
Financial investments at fair value through income	**1,224.9**	**2,471.0**	**110.4**	**157.9**	955.8	2,501.2	105.1	132.7
Reinsurance assets	**137.5**	**788.3**	**27.9**	**56.5**	159.9	887.6	27.0	48.7
Loans and receivables	**28.7**	**319.0**	**21.9**	**26.7**	59.7	348.0	28.6	26.8
Current income tax assets	**4.0**	**–**	**–**	**–**	0.4	11.6	–	–
Deferred tax assets	**13.4**	**–**	**–**	**–**	20.9	–	–	–
Property and equipment	**5.8**	**–**	**–**	**–**	5.6	1.2	–	–
Total monetary assets	**1,422.7**	**3,581.3**	**160.2**	**243.2**	1,215.8	3,753.2	160.7	209.9
Insurance contracts	**456.5**	**1,552.2**	**74.3**	**149.5**	488.4	1,696.4	77.4	145.2
Trade and other payables	**177.4**	**51.9**	**–**	**4.9**	46.9	36.4	2.1	3.0
Curent income tax liabilities	**25.7**	**–**	**–**	**–**	28.7	–	–	–
Borrowings	**227.6**	**99.4**	**–**	**–**	227.2	101.1	–	–
Retirement benefit obligations	**2.8**	**–**	**–**	**–**	7.5	–	–	–
Deferred tax liabilties	**128.1**	**–**	**–**	**–**	95.4	–	–	–
Total monetary liabilities	**1,018.1**	**1,703.5**	**74.3**	**154.4**	894.1	1,833.9	79.5	148.2
Net monetary assets	**404.6**	**1,877.8**	**85.9**	**88.8**	321.7	1,919.3	81.2	61.7

As at the end of December 2007 the investment managers held some forward foreign exchange contracts in their portfolios to hedge non-base currency investments. These are transacted with highly rated banks and are marked to market in investment valuations.

The Group is subject to foreign exchange risk as a result of the translation of the group companies that have a functional currency different from the presentation currency of the Group which is sterling. As Amlin reports its financial statements in sterling it is subject to foreign exchange risk due to the impact of changes in the sterling/US dollar exchange rate on the converted sterling value of Bermuda's dollar net assets. In order to mitigate the impact of these currency fluctuations, during 2007 the Group has implemented a policy of hedging up to 50% of the net dollar exposure resulting from Amlin Bermuda's capital assets. As the transactions are not currently "hedge accounted", realised and unrealised gains and losses are recorded in the profit and loss account of the period in which they occur. At the year end hedges were in place for $400 million. These were in the form of long sterling calls/US dollar puts funded by short sterling puts/US dollar calls. The net valuation of these trades was a £2.5 million loss as at the year end.

If the USD/GBP exchange rate were to deteriorate/(improve) by 10%, the movement in the net underwriting assets and liabilities and borrowings of the Group, excluding overseas subsidiaries, would result in a £31.8 million foreign exchange loss/(gain) in the Group income statement at 31 December 2007.

In relation to translation of overseas subsidiaries, the same exchange rate deterioration would result in a £68 million additional exchange loss through consolidated reserves. This loss would be offset by a valuation gain of £10.6 million on the hedges in place. The same exchange rate improvement would result in a £68 million exchange gain through consolidated reserves. This gain would be offset by a valuation loss of £20.4 million on the hedges in place.

Liquidity risk

It is important to ensure that claims are paid as they fall due. Levels of cash are therefore managed on a daily basis. Buffers of liquid assets are also held in excess of the immediate requirements to avoid us having to be forced sellers of any of our assets, which may result in prices below fair value being realised, especially in periods of below normal investment market activity. The policy of limiting the extent of duration divergence between the underwriting assets and the liabilities helps to reduce the risk of a cash flow mismatch.

The Group funds its insurance liabilities with a portfolio of equity 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 at 31 December 2007	No stated	Contractual cash flows (undiscounted)				Carrying
Financial assets	Maturity	0-1 yr	1-3 yrs	3-5 yrs	>5 yrs	amount
Shares and other variable yield securities	307.5	–	–	–	–	307.5
Debt and other fixed income securities	174.7	172.6	387.7	541.2	302.0	1,578.2
Cash and liquid funds	762.4	–	–	–	–	762.4
Total	1,244.6	172.6	387.7	541.2	302.0	2,648.1

	No stated	Expected cash flows (undiscounted)				Carrying
Insurance liabilities	Maturity	0-1 yr	1-3 yrs	3-5 yrs	>5 yrs	amount
Insurance contracts – short term	–	568.4	415.3	181.6	184.9	1,350.2
Less assets arising from reinsurance contracts held – short term contracts	–	(100.8)	(82.8)	(39.1)	(47.5)	(270.2)
Total	–	467.6	332.5	142.5	137.4	1,080.0
Difference in contractual cash flows	1,244.6	(295.0)	55.2	398.7	164.6	1,568.1

As at 31 December 2006	No stated	Contractual cash flows (undiscounted)				Carrying
Financial assets	Maturity	0-1 yr	1-3 yrs	3-5 yrs	>5 yrs	amount
Shares and other variable yield securities	291.4	–	–	–	–	291.4
Debt and other fixed income securities	75.7	260.5	293.4	669.2	389.6	1,688.4
Cash and liquid funds	413.6	–	–	–	–	413.6
Total	780.7	260.5	293.4	669.2	389.6	2,393.4

	No stated	Expected cash flows (undiscounted)				Carrying
Insurance liabilities	Maturity	0-1 yr	1-3 yrs	3-5 yrs	>5 yrs	amount
Insurance contracts	-	658.2	452.1	181.1	126.1	1,417.5
Less assets arising from reinsurance contracts held	-	(177.7)	(116.9)	(37.7)	(24.7)	(357.0)
Total	-	480.5	335.2	143.4	101.4	1,060.5
Difference in contractual cash flows	780.7	(220.0)	(41.8)	525.8	288.2	1,332.9

The assets in the above table include £18.0 million (2006: £16.7 million) accrued income which is shown separately in the notes to the accounts. The table above does not include the derivative positions that Amlin plc had outstanding at the year end.

Liquidity in the event of a major disaster is tested regularly using internal cash flow forecasts and realistic disaster scenarios. In addition, the London underwriting asset investment guidelines require at least 25% of the funds to be held in government bonds and/or cash equivalents, which are highly liquid. This figure is 100% for Bermuda. In addition pre-arranged revolving credit facilities are available from bank facilities. As discussed above, the capital assets are not matched to liabilities. However, if a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the capital assets.

Credit risk

Credit risk is the risk that the Group becomes exposed to loss if a counterparty fails to perform its contractual obligations, including failure to perform them in a timely manner. Credit risk could therefore have an impact upon 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. Amlin is exposed to credit risk in its investment portfolio and with its premium and reinsurance debtors.

The table below shows the breakdown at 31 December 2007 of the exposure of the bond portfolio and reinsurance debtors by credit quality. The table also shows the total value of premium debtors, representing amounts due from policy holders. The quality of these debtors is not graded, but based on historical experience there is limited default risk relating to these amounts. The reinsurance debtors represent the amounts due at 31 December 2007 as well as amounts expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned and unearned risks. Reinsurance debtors are stated net of provisions for bad and doubtful debts.

	31 December 2007						31 December 2006					
	Bonds		Premium debtors		Reinsurance debtors		Bonds		Premium debtors		Reinsurance debtors	
	£m	%	£m	%	£m	%	£m	%	£m	%	£m	%
AAA	**1,240.6**	**89**	**–**	**–**	**11.8**	3	1,305.9	81	–	–	21.1	5
AA	**59.8**	**4**	**–**	**–**	**141.2**	38	88.2	5	–	–	157.9	38
A	**57.9**	**4**	**–**	**–**	**206.4**	55	160.6	10	–	–	217.6	52
BBB	**45.2**	**3**	**–**	**–**	**1.1**	1	58.0	4	–	–	3.4	1
Other	**–**	**–**	**364.9**	**100**	**12.3**	3	–	–	388.2	100	17.9	4
	1,403.5	**100**	**364.9**	**100**	**372.8**	100	1,612.7	100	388.2	100	417.9	100

Note: The table above excludes £174.7 million (2006: £75.8 million) of pooled investments.

As well as actual failure of a counterparty to perform its contractual obligations, the price of corporate bond holdings will be affected by investors' perception of a borrower's ability to perform these duties in a timely manner. Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. For each portfolio there are limits to the exposure to single issuers and to the total amount that can be held in each credit quality rating category, as determined by reference to credit rating agencies. Additionally there are limits on the overall level of non-government bonds that the fund managers can hold in the bond portfolios.

During 2007, markets became increasingly concerned about the ability of sub-prime borrowers, that is borrowers with a poor credit history, to meet their repayment commitments, particularly in the US. The impact of this spread to concerns about the ability of insurers, who have provided guarantees that enhance the credit of the issuer, to meet those guarantees. The consequence was a widening of the yield spread of these bonds over the yield of comparable sovereign debt.

At the year end within the asset and mortgage backed holdings there was £24.0 million direct exposure to sub-prime home equity loans debt, of which £22.0 million AAA rated and £2.0 million AA rated. In addition there was £3.6 million indirect exposure to sub-prime in the bond pooled vehicles. £34.7 million of the bond portfolio was guaranteed by insurers, so called monolines, was £34.7 million. At 31 December 2007 all these bonds were AAA rated. The managers have stress tested each bond and conservatively believe in the event of failure by the guarantors that 96% of the bonds will remain investment grade.

There was an additional £1.1 million sub-prime mortgage debt that was all AAA rated, as well as £28.2 million short duration asset backed auto loans which were classified as sub-prime.

	% of total assets				Total direct	Total
MBS & ABS	AAA	AA	Indirect	Total	£m	£m
MBS incl agencies	5.6%	0.2%	2.4%	8.2%	154.3	217.3
ABS						
ABS other	1.9%	0.1%	0.1%	2.0%	51.4	53.8
ABS Home Equity	1.0%	0.1%	0.1%	1.2%	29.3	33.2
Total	**8.5%**	**0.4%**	**2.6%**	**11.4%**	**235.0**	**304.3**

Alt-A	AAA	AA	Indirect	Total	Total direct £m	Total £m
Collateralised mortgage obligation	0.4%	0.0%		0.4%	9.9	9.9
Home equity loan	0.1%	0.0%		0.1%	2.3	2.3
Auto	0.0%	0.0%		0.0%	–	–
Indirect			0.2%	0.2%		6.4
Total	**0.5%**	**0.0%**	**0.2%**	**0.7%**	**12.2**	**18.6**
Sub-prime						
Collateralised mortgage obligation	0.0%	0.0%		0.0%	1.1	1.1
Home equity loan	0.8%	0.1%		0.9%	24.0	24.0
Auto	1.1%	0.0%		1.1%	28.2	28.2
Indirect			0.1%	0.1%		3.6
Total	**1.9%**	**0.1%**	**0.1%**	**2.1%**	**53.3**	**56.9**

The credit risk in respect of reinsurance debtors 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 Standard & Poor's ratings and the Group's own ratings for each reinsurer. 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. As of 31 December 2007 reinsurance assets at a nominal value of £13.3 million (2006: £13.2 million) were greater than 3 months overdue and provided for to the value of £8.7 million (2006: £10.3 million). The Group holds collateral of £0.3 million in relation to these assets.

The Group recognised a total impairment gain in respect of the recovery during the year of £4.3 million (2006: £2.3 million) on reinsurance assets and insurance receivables.

The impact on profit before tax of 1% variation in the total reinsurance debtors would be £3.7 million (2006: £4.2 million).

4 Segmental reporting by business group

The tables below show segmental information by business segment. Business segments are primary segments and represent the divisions by which the business is managed. Each segment underwrites sub-classes of business which fall within the broad classes of Aviation, Marine, Non-marine and UK Commercial business. The segments are discussed in more detail in the Profitability and return section. The non-marine business group is large and comprises direct and reinsurance books of business.

The segmental disclosure excludes insurance premium, income and claims expenses from the receipt of reinsurance to close as detailed in note 5 as these have no impact on profit for the year.

Income and expenses by business segment

Year ended 31 December 2007	Aviation £m	Non-marine £m	Marine £m	UK Commercial £m	Total UK divisions £m	Amlin Bermuda £m	Intra group items £m	Other technical £m	Total £m
Gross premium written									
Analysed by geographic segment									
UK	11.1	49.4	50.1	134.0	244.6	105.1	(90.3)	1.6	261.0
US	21.3	300.0	41.8	0.1	363.2	90.2	–	–	453.4
Europe	13.6	39.3	34.7	4.9	92.5	8.3	–	–	100.8
Worldwide	0.4	17.3	21.3	1.3	40.3	–	–	–	40.3
Other	17.2	94.6	39.3	8.9	160.0	29.2	–	–	189.2
Total	63.6	500.6	187.2	149.2	900.6	232.8	(90.3)	1.6	1,044.7
Gross premium earned	71.3	534.0	198.0	151.3	954.6	216.2	(84.3)	1.5	1,088.0
Reinsurance premium ceded	(24.3)	(107.8)	(40.9)	(21.0)	(194.0)	–	78.3	–	(115.7)
Net premium earned	47.0	426.2	157.1	130.3	760.6	216.2	(6.0)	1.5	972.3
Insurance claims and claims settlement expenses	(34.0)	(148.7)	(83.6)	(84.8)	(351.1)	(73.6)	45.2	(0.6)	(380.1)
Reinsurance recoveries	19.4	31.0	15.8	4.8	71.0	–	(45.2)	0.1	25.9
Underwriting expenses	(17.2)	(133.2)	(59.3)	(31.4)	(241.1)	(26.4)	6.0	(1.6)	(263.1)
Profit attributable to underwriting	15.2	175.3	30.0	18.9	239.4	116.2	–	(0.6)	355.0
Investment return					114.1	42.9			157.0
Other operating income					2.8				2.8
Agency expenses[1]	(2.1)	(15.3)	(4.4)	(4.1)	(25.9)		25.9		–
Other non-underwriting expenses[2]									(49.8)
Finance costs[2]									(20.0)
Profit before taxation									445.0
Combined ratio	68%	59%	81%	85%	69%	46%			63%

Included within the UK gross premium written of Amlin Bermuda Ltd is premium ceded from Syndicate 2001 amounting to £90.3 million (2006: £100.8 million) on reinsurance contracts undertaken at commercial rates.

(1) Agency expenses allocated to segments represent fees and commission payable to Amlin Underwriting Limited;
(2) Other non-underwriting expenses and 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

At 31 December 2007	Aviation £m	Non-marine £m	Marine £m	UK Commercial £m	Total UK divisions £m	Amlin Bermuda £m	Intra group items £m	Other technical £m	Total £m
Assets									
Assets attributable to business segments	272.8	934.7	382.5	534.5	2,124.5	959.4	(34.8)	10.9	3,060.0
Assets allocated between the UK and Bermuda					519.5				519.5
Total assets									3,579.5
Liabilities									
Liabilities attributable to business segments	251.3	729.2	346.5	493.4	1,820.4	217.7	(34.8)	9.8	2,013.1
Liabilities allocated between the UK and Bermuda					514.1				514.1
Total liabilities									2,527.2
Total net assets									1,052.3

The net assets of Amlin Bermuda Ltd are located in Bermuda and the US. The majority of the other assets of the Group are located in the UK, the US and Canada. The corresponding liabilities are also concentrated in these countries, but given the nature of the Group's business some of the liabilities will be located elsewhere in the world.

During the year Amlin Corporate Services Limited purchased £2.8 million (2006: £1.7 million; Amlin Bermuda £1.9 million) of fixed assets. These cannot be allocated to a specific segment. Depreciation has been charged on property and equipment for the year amounting to £3.0 milliion (2006: £3.1 million) of which £0.1 million has been charged to Aviation, £0.7 million to Non-marine, £0.3 million to Marine, £0.7 million to UK Commercial, £0.6 million to Amlin Bermuda Ltd with the remainder not being allocated to a specific segment.

4 Segmental reporting by business group (continued)

Income and expenses by business segment

Year ended 31 December 2006	Aviation £m	Non-marine £m	Marine £m	UK Commercial £m	Total UK divisions £m	Amlin Bermuda £m	Intra group items £m	Other technical £m	Total £m
Gross premium written									
Analysed by geographic segment									
UK	12.7	49.5	53.1	133.7	249.0	110.3	(100.8)	–	258.5
US	29.5	344.2	51.6	0.3	425.6	88.8	–	–	514.4
Europe	14.1	37.9	39.5	5.8	97.3	3.7	–	–	101.0
Worldwide	0.4	15.8	19.2	1.6	37.0	1.8	–	–	38.8
Other	19.0	107.2	47.5	8.6	182.3	18.9	–	(0.1)	201.1
Total	75.7	554.6	210.9	150.0	991.2	223.5	(100.8)	(0.1)	1,113.8
Gross premium earned	88.8	569.5	192.7	163.2	1,014.2	132.5	(59.3)	(0.1)	1,087.3
Reinsurance premium ceded	(29.2)	(87.3)	(31.8)	(21.4)	(169.7)	–	56.3	–	(113.4)
Net premium earned	59.6	482.2	160.9	141.8	844.5	132.5	(3.0)	(0.1)	973.9
Insurance claims and claims settlement expenses	(48.9)	(179.8)	(111.0)	(103.0)	(442.7)	(47.5)	29.8	(0.3)	(460.7)
Reinsurance recoveries	19.6	7.7	41.2	20.6	89.1	–	(30.8)	0.2	58.5
Underwriting expenses	(24.0)	(162.4)	(67.6)	(37.8)	(291.8)	(16.0)	4.0	–	(303.8)
Profit attributable to underwriting	6.3	147.7	23.5	21.6	199.1	69.0	–	(0.2)	267.9
Investment return					83.1	32.0			115.1
Other operating income					1.8				1.8
Agency expenses[1]	(2.6)	(14.3)	(3.3)	(4.5)	(24.7)		24.7		–
Other non-underwriting expenses[2]									(18.3)
Finance costs[2]									(23.8)
Profit before taxation									342.7
Combined ratio	89%	69%	85%	85%	76%	48%			72%

(1) Agency expenses allocated to segments represent fees and commission payable to Amlin Underwriting Limited;
(2) Other non-underwriting expenses and finance costs are incurred in support of the entire business of the Group and have not been allocated to particular segments.

Assets and liabilities

At 31 December 2006	Aviation £m	Non-marine £m	Marine £m	UK Commercial £m	Total UK divisions £m	Amlin Bermuda £m	Intra group items £m	Other technical £m	Total £m
Assets									
Assets attributable to business segments	268.1	1,012.8	417.4	546.0	2,244.3	739.4	(99.6)	13.5	2,897.6
Assets allocated between the UK and Bermuda					549.2				549.2
Total assets									3,446.8
Liabilities									
Liabilities attributable to business segments	255.4	873.2	374.0	492.4	1,995.0	135.7	(99.6)	11.7	2,042.8
Liabilities allocated between the UK and Bermuda					467.6				467.6
Total liabilities									2,510.4
Total net assets									936.4

5 Net earned premium

	2007 £m	2006 £m
Insurance contracts premium		
Gross premium written	**1,044.7**	1,113.8
Change in unearned premium provision	**43.3**	(26.5)
Gross premium earned	**1,088.0**	1,087.3
Insurance premium revenue from the receipt of reinsurance to close	**–**	78.8
Reinsurance premium ceded		
Reinsurance premium payable	**(106.4)**	(100.3)
Change in unearned reinsurance premium provision	**(9.3)**	(13.1)
	(115.7)	(113.4)
Net earned premium	**972.3**	1,052.7

The insurance premium revenue from the receipt of reinsurance to close represents the premium received from the third party syndicate members on the 2003 year of account who sold their capacity to Amlin, for use by Amlin's corporate members, for the following year of account of Syndicate 2001. An identical amount is recorded as a movement in claims, representing the additional liabilities taken on by Amlin from the third party members. Overall these transactions have no impact on profit for the year. For the 2004 year of account and onwards 100% of Syndicate 2001 capacity is owned by the Group.

6 Investment return

	2007 £m	2006 £m
Investment income		
– dividend income	12.5	4.5
– interest income	77.8	67.7
Cash and cash equivalents interest income	25.1	26.5
	115.4	98.7
Net realised gains/(losses) on assets held for trading		
– equity securities	21.6	7.4
– debt securities	(1.5)	(0.3)
– property	(0.1)	–
	20.0	7.1
Net fair value gains/(losses) on assets held for trading		
– equity securities	(7.1)	10.3
– debt securities	30.2	(1.0)
– property	(0.1)	–
– derivative instruments	(1.4)	–
	21.6	9.3
	157.0	115.1

7 Insurance claims and loss adjustment expenses

	2007 £m	2006 £m
Gross		
Current year insurance claims and loss adjustment expenses	502.7	515.7
Reduced costs for prior period insurance claims	(122.6)	(55.0)
	380.1	460.7
Insurance claims and loss adjustment expenses relating to the receipt of reinsurance to close (note 5)	–	78.8
Reinsurance		
Current year insurance claims and loss adjustment expenses recoverable from reinsurers	(39.5)	(44.7)
Reduced/(additional) costs for prior period claims recoverable from reinsurers	13.6	(13.8)
	(25.9)	(58.5)
Total net insurance claims and loss adjustment expenses	354.2	481.0

8 Expenses for the acquisition of insurance contracts

	2007 £m	2006 £m
Expenses for the acquisition of insurance contracts	187.0	203.4
Changes in deferred expenses for the acquisition of insurance contracts	9.0	(8.0)
	196.0	195.4

9 Other operating expenses

	2007 £m	2006 £m
Expenses related to underwriting		
Employee expenses, excluding employee incentives	26.1	24.9
Lloyd's expenses	22.5	21.0
Other administrative expenses	25.5	26.0
Underwriting exchange (gains)/ losses	(7.0)	36.5
	67.1	108.4
Other expenses		
Employee expenses, excluding employee incentives	10.9	6.4
Employee incentives	31.4	18.6
Asset management fees	3.1	1.3
Other administrative expenses	5.4	1.6
Group company exchange gains	(1.0)	(9.6)
	49.8	18.3
Total	116.9	126.7

10 Directors' remuneration

The aggregate remuneration of the directors of the Company, including amounts received from subsidiaries, was:

	2007 £m	2006 £m
Emoluments of executive directors (including payments made under long term incentive plans)	**5.8**	6.6
Fees to non-executive directors	**0.5**	0.5
	6.3	7.1
Pension contributions	**0.3**	0.2
	6.6	7.3

Remuneration includes remuneration during the period of office only. Details of directors' remuneration and pension benefits, including those of the highest paid director, are included in the Directors' Remuneration report in the Accountability section. Payments were made to both a defined benefit pension scheme and stakeholder defined contribution scheme for two executive directors and to stakeholder defined contribution schemes for 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:

	2007	2006
Underwriting divisions		
Underwriting, claims and reinsurance	**375**	361
Administration and support	**132**	122
Central functions		
Operations	**64**	68
Finance	**75**	68
Internal audit and compliance	**9**	8
	655	627

	2007	2006
By location		
UK	**638**	617
Bermuda	**16**	10
Singapore	**1**	–

The aggregate payroll costs incurred by Group companies and Syndicate 2001 are analysed as follows:

	2007 £m	2006 £m
Wages and salaries	**33.5**	29.4
Employee incentive and related social security costs	**31.4**	18.6
Share options granted to directors and employees	**1.1**	1.1
Social security costs	**4.1**	6.0
Pension costs – defined contribution schemes (note 27)	**3.8**	3.1
Pension costs – defined benefit schemes (note 27)	**1.2**	1.3
Payroll costs retained in the Group	**75.1**	59.5

12 Finance costs

	2007 £m	2006 £m
Letter of credit commission	**1.1**	1.3
Subordinated bond interest	**18.8**	21.0
Loan interest	**0.1**	1.5
	20.0	23.8

13 Profit before tax

Profit before tax is stated after charging/(crediting) the following amounts:

	2007 £m	2006 £m
Depreciation		
– owned assets	3.0	3.1
Operating lease charges	3.6	3.1
Auditors' remuneration		
– Group audit	0.1	0.1
– subsidiary companies audit	0.4	0.4
– tax and related services	–	0.1
Foreign exchange (gains)/losses	(8.0)	26.9

Fees payable to the company's auditors for the audit of the company's annual accounts amounted to £77,097 (2006: £98,580). The Audit Committee Chairman is required to approve any non-audit work commissioned from the auditors where any single piece of work attracts a fee over £25,000.

Fees paid to the Group's auditors for other services comprise the following amounts:

	2007 £	2006 £
Amounts charged to the income statement		
Other services pursuant to legislation	414,592	353,517
Taxation advice	34,000	28,100
Incentive scheme audit	7,709	–
Consultation on remuneration policy	–	7,350
Systems testing	9,883	–
Actuarial services	6,000	–
Other audit	7,050	5,750
	479,234	394,717

Included in other services are subsidiary company audit fees amounting to £414,592 (2006: £353,517).

14 Tax

	2007 £m	2006 £m
Current tax		
UK corporation tax	52.6	57.0
Foreign tax suffered	4.1	(0.1)
Double tax relief	(3.2)	–
	53.5	56.9
Deferred tax – current year		
Movement in assets	5.5	4.8
Movement in liabilities	35.5	13.2
	41.0	18.0
Deferred tax – prior year		
Movement in assets	0.2	–
Movement in liabilities	(0.8)	–
	(0.6)	–
Deferred tax – change in tax rate		
Movement in assets	0.5	–
Movement in liabilities	(2.2)	–
	(1.7)	–
Taxes on income	92.2	74.9

In addition to the above, deferred tax £1.3 million has been charged directly to equity (2006: £1.3 million credit).

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 is charged in the period in which the underwriting profits are actually paid by the Syndicate to the corporate members.

Deferred tax is provided on the annually accounted underwriting result with reference to the forecast ultimate result of each of the years of account included in the annually accounted underwriting. Where the forecast ultimate result for a year of account is a taxable profit, deferred tax is provided in full on the movement on that year of account included in the period's annually accounted underwriting result. Where the forecast ultimate result for a year of account is a loss, deferred tax is only provided for on the movement on that year of account included in the period's annually accounted Syndicate underwriting result to the extent that forecasts show that the taxable loss will be utilised in the foreseeable future. Deferred tax has been provided on the annually accounted underwriting result for this accounting period of £288.5 million (2006: £218.4 million).

Deferred tax assets on loss provisions in respect of non-aligned syndicate participations (see note 18) are only provided for, to the extent that forecasts show that it is more likely than not that the ultimate taxable underwriting losses represented by these provisions will be utilised within the foreseeable future. Deferred tax has been provided in full on non-aligned syndicate loss participation provisions of £3.6 million (2006: £3.8 million).

14 Tax (continued)

Reconciliation of tax expense

The UK standard rate of corporation tax is 30% (2006: 30%), whereas the current tax assessed for the year ended 31 December 2007 as a percentage of profit before tax is 20.7% (2006: 21.9%). The reasons for this difference are explained below:

	2007 £m	2007 %	2006 £m	2006 %
Profit before tax	**445.0**		342.7	
Taxation on profit on ordinary activities calculated at the standard rate of corporation tax in the UK	**133.5**	**30.0**	102.8	30.0
Non-deductible or non-taxable items	**(2.3)**	**(0.5)**	4.5	1.3
Utilisation of unprovided for capital losses	**–**	**–**	(3.8)	(1.1)
Tax rate differences on overseas subsidiaries	**(32.2)**	**(7.2)**	(29.3)	(8.5)
Under/(over) provision in respect of prior periods	**(0.9)**	**(0.2)**	0.8	0.2
Reduction in future UK tax rate	**(6.8)**	**(1.6)**	–	–
Irrecoverable overseas tax	**0.9**	**0.2**	(0.1)	–
Taxes on income	**92.2**	**20.7**	74.9	21.9

The Group's tax provision for 2007 has been prepared on the basis that the Group's Bermudian subsidiaries are non-UK resident for UK corporation tax purposes. The corporation tax rate for Bermudian companies is currently 0% (2006: 0%).

A deferred tax liability of £20.3 million (2006: £8.9 million) has been provided for on profits of the Group's overseas subsidiaries expected to be distributed in the foreseeable future. A deferred tax liability has not been provided on the undistributed profits of the overseas subsidiaries of £169.5 million (2006: £69.1 million) because the company is not expected to distribute these profits in the foreseeable future.

No deferred tax asset has been recognised on capital losses on investments as these were all utilised by the Group during 2007 (2006: £5.4 million asset). A deferred tax provision of £0.1 million (2006: £6.4 million) has been made on unrealised capital gains arising within the Group during this accounting period.

Deferred tax has been provided for at the tax rate in force when the temporary differences are expected to reverse. The tax rates used are 28.5% for temporary differences expected to reverse in 2008 and 28% for temporary differences expected to reverse in 2009 or later.

The Group is subject to US tax on US underwriting profits. No provision has been made in respect of such tax arising in 2007 (2006: £nil) as any net provision is likely to be immaterial and would be offset by brought forward US tax losses in the Group.

Deferred income tax

The deferred tax asset is attributable to temporary differences arising on the following:

	Provisions for losses £m	Other provisions £m	Capital losses £m	Pension provisions £m	Other timing differences £m	Total £m
At 1 January 2007	1.1	5.7	5.4	2.0	6.7	20.9
Movements in the year	–	(0.3)	(5.4)	(1.1)	1.1	(5.7)
Effect of change in tax rate						
– Income statement	(0.1)	(0.2)	–	(0.1)	(0.1)	(0.5)
– Equity	–	–	–	–	(1.3)	(1.3)
At 31 December 2007	1.0	5.2	–	0.8	6.4	13.4

The deferred tax liability is attributable to temporary differences arising on the following:

	Underwriting results £m	Unrealised capital gains £m	Syndicate capacity £m	Overseas earnings £m	Other timing differences £m	Total £m
At 1 January 2007	76.0	6.4	4.1	8.9	–	95.4
Movements in the year	28.2	(6.3)	0.7	12.0	–	34.6
Effect of change in tax rate	(1.3)	–	(0.3)	(0.6)	–	(2.2)
Acquisition of subsidiary	–	–	–	–	0.3	0.3
At 31 December 2007	102.9	0.1	4.5	20.3	0.3	128.1

No deferred tax asset has been provided for on capital losses as these were all utilised during the year (2006: £18 million)

Deferred tax assets have not been provided on US net operating losses of £30.2 million (2006: £31.0 million) carried forward due to uncertainty over their future use.

15 Net foreign exchange gains/(losses)

The Group recognised foreign exchange gains of £8.0 million (2006: £26.9 million loss) during the year.

The Group writes business in many currencies and although a large amount 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 possible, or practical, to match exactly all assets and liabilities in currency and accounting standards dictate 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 gains is £14.7 million (2006: £27.9 million loss) due to the translation of non-monetary assets and liabilities at historic average rates.

Foreign exchange gains and losses on investments in overseas subsidiaries are taken directly to reserves in accordance with IAS21, The Effects of Changes in Foreign Exchange Rates. Amlin Bermuda Holdings Ltd and Amlin Bermuda Ltd report in US dollars. Amlin Singapore Pte Limited reports in Singapore dollars. The loss taken to reserves for the year ended 31 December 2007 was £8.2 million (2007: £77.3 million). This reflects the Group's investment of $1 billion of capital in Amlin Bermuda Ltd adjusted for the movement in the dollar rate from 1.96 at the start of the year to 1.99 at the balance sheet date.

16 Cash and cash equivalents

Cash and cash equivalents represents cash at bank and in hand and short-term bank deposits which can be recalled within 24 hours.

17 Financial Investments

	At valuation 2007 £m	At valuation 2006 £m	**At cost 2007 £m**	At cost 2006 £m
Financial assets held for trading at fair value through income				
Shares and other variable yield securities	**232.1**	248.3	**230.4**	218.7
Debt and other fixed income securities	**1,506.7**	1,599.6	**1,485.6**	1,599.8
Overseas deposits	**60.2**	55.9	**60.2**	55.9
Property	**75.4**	43.1	**72.7**	42.1
Other financial assets at fair value through income				
Participation in investment pools	**748.0**	126.6	**748.0**	111.7
Deposits with credit institutions	**17.9**	294.2	**17.9**	268.0
Derivative instruments	**(1.4)**	–	**–**	–
	2,638.9	2,367.7	**2,614.8**	2,296.2
In Group owned companies	**1,061.0**	1,105.0	**1,051.1**	1,140.3
In Syndicate 2001	**1,573.6**	1,257.1	**1,559.4**	1,150.3
In non-aligned syndicates participations (see note 18)	**4.3**	5.6	**4.3**	5.6
	2,638.9	2,367.7	**2,614.8**	2,296.2
Listed investments included in Group: owned total are as follows:				
Shares and other variable yield securities	**232.1**	291.4	**230.4**	230.7
Debt and other fixed income securities	**1,506.5**	1,596.7	**1,485.6**	1,599.6
	1,738.6	1,888.1	**1,716.0**	1,830.3

As explained in note 31, £16.7 million (2006: £382.1 million) of the Group's investments are charged to Lloyd's to support the Group's underwriting activities.

Overseas deposits represent balances held with overseas regulators to permit underwriting in certain territories. The assets are managed by Lloyd's on a pooled basis.

	2007 £m	2006 £m
At 1 January	**2,367.7**	2,078.2
Exchange adjustments	**(2.5)**	(68.5)
Net purchases	**232.1**	341.6
Realised gains on disposals	**20.0**	7.1
Unrealised investment gains	**21.6**	9.3
At 31 December	**2,638.9**	2,367.7

18 Insurance contracts and reinsurance assets

	Claims reserves £m	Unearned premium reserves £m	Other insurance assets and liabilities £m	Total £m
Insurance liabilities				
At 1 January 2006	1,704.3	523.8	114.8	2,342.9
Movement in the year	(156.8)	27.7	(36.1)	(165.2)
Exchange adjustments	(130.0)	(6.0)	(10.1)	(146.1)
At 31 December 2006	1,417.5	545.5	68.6	2,031.6
Movement in the year	(70.9)	(42.4)	(35.7)	(149.0)
Exchange adjustments	3.6	(1.3)	1.1	3.4
At 31 December 2007	**1,350.2**	**501.8**	**34.0**	**1,886.0**
Reinsurance assets				
At 1 January 2006	604.6	24.2	387.3	1,016.1
Movement in the year	(198.7)	13.5	(54.5)	(239.7)
Exchange adjustments	(48.9)	–	(32.2)	(81.1)
At 31 December 2006	357.0	37.7	300.6	695.3
Movement in the year	(89.4)	(10.2)	21.3	(78.3)
Exchange adjustment	2.6	–	(2.7)	(0.1)
At 31 December 2007	**270.2**	**27.5**	**319.2**	**616.9**

Other insurance liabilities are comprised principally of premium payable for reinsurance, including reinstatement premium. Other insurance assets are comprised principally of amounts recoverable from reinsurers in respect of paid claims and premium receivable on inward reinsurance business, including reinstatement premium.

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:

	2007 £m	2006 £m
Notified outstanding claims	**800.3**	843.4
Claims incurred but not reported	**549.9**	574.1
Insurance contracts claims reserve	**1,350.2**	1,417.5

It is estimated, using historical settlement trends, that £568.4 million (2006: £564.2 million) of the claims reserves included, as at 31 December 2007, will settle in the next twelve months.

From 1994 to 1999 the Group participated on a number of Lloyd's syndicates other than those managed by the Group. From 2000 the Group ceased to underwrite directly on non-aligned syndicates. However, a number of syndicates remain "open" and Amlin's final liabilities are still to be finalised. Provisions are made for potential future insurance claims. Included within the claims provisions in the table above are provisions in respect of "non-aligned syndicate participations" of £3.9 million (2006: £4.2 million). Syndicates that remain open at 31 December 2007 are set out in the table below.

		Syndicate capacity		
Managing agent	Non-aligned syndicate	1999 £m	1998 £m	1997 £m
Non-marine				
Jago Managing Agency Ltd	205	2.25	–	–
A E Grant (Underwriting Agencies) Ltd	991	2.93	2.35	–
Duncanson & Holt Syndicate Management Ltd	1101	–	2.50	2.50
Total Non-marine		5.18	4.85	2.50
Aviation				
Duncanson & Holt Syndicate Management Ltd	957	–	3.00	3.00
Total capacity				
Capacity remaining open at 31 December 2007		5.18	7.85	5.50

	2007 £m	2006 £m
Reinsurers' share of insurance liabilities	**638.5**	722.2
Less provision for impairment of receivables from reinsurers'	**(21.6)**	(26.9)
Reinsurance assets	**616.9**	695.3

19 Loans and receivables, including insurance receivables

	2007 £m	2006 £m
Receivables arising from insurance contracts	**77.0**	99.3
Less provision for impairment of receivables from contract holders and agents	**(2.1)**	(1.3)
Deferred acquisition costs	**108.2**	118.3
Insurance receivables	**183.1**	216.3
Other debtors	**11.4**	22.6
Prepayments and other accrued income	**25.4**	29.0
Other loans and receivables	**36.8**	51.6
	219.9	267.9

	2007 £m	2006 £m
Current portion	**210.0**	267.1
Non-current portion	**9.9**	0.8
	219.9	267.9

The reconciliation of opening and closing deferred acquisition costs is as follows:

	2007 £m	2006 £m
At 1 January	**118.3**	110.4
Exchange adjustments	**(0.2)**	(0.1)
Movements in the year	**(9.9)**	8.0
At 31 December	**108.2**	118.3

20 Property and equipment

	Leasehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improve-ments £m	Total £m
Cost					
At 1 January 2007	1.9	0.3	18.4	6.2	26.8
Additions	–	–	2.5	0.3	2.8
Disposal	–	(0.2)	–	(0.1)	(0.3)
At 31 December 2007	1.9	0.1	20.9	6.4	29.3
Accumulated depreciation					
At 1 January 2007	0.1	0.2	14.6	5.7	20.6
Charge for the year	0.1	–	2.7	0.2	3.0
Disposal	–	(0.1)	–	–	(0.1)
At 31 December 2007	0.2	0.1	17.3	5.9	23.5
Net book value					
At 31 December 2007	1.7	–	3.6	0.5	5.8
At 1 January 2007	1.8	0.1	3.8	0.5	6.2

	Leasehold land and buildings £m	Motor vehicles £m	Computer equipment £m	Fixtures, fittings and leasehold improve-ments £m	Total £m
Cost					
At 1 January 2006	1.9	0.3	15.6	5.7	23.5
Additions	–	–	2.9	0.6	3.5
Exchange adjustments	–	–	(0.1)	(0.1)	(0.2)
At 31 December 2006	1.9	0.3	18.4	6.2	26.8
Accumulated depreciation					
At 1 January 2006	0.1	0.1	12.2	5.1	17.5
Charge for the year	–	0.1	2.5	0.6	3.2
Exchange adjustments	–	–	(0.1)	–	(0.1)
At 31 December 2006	0.1	0.2	14.6	5.7	20.6
Net book value					
At 31 December 2006	1.8	0.1	3.8	0.5	6.2
At 1 January 2006	1.8	0.2	3.4	0.6	6.0

There were no assets held under finance lease and hire purchase contracts at 31 December 2007 (2006: £nil).

21 Intangible assets

	Syndicate participations £m	Goodwill £m	Other intangibles £m	Total £m
At 31 December 2006	63.2	2.8	–	66.0
Acquisitions	–	–	3.8	3.8
Amortisation	–	–	(0.8)	(0.8)
At 31 December 2007	**63.2**	**2.8**	**3.0**	**69.0**

Syndicate participations represent the ongoing rights, acquired in Lloyd's auctions, to trade on Syndicate 2001 within the Lloyd's insurance market. Amlin subsidiaries have supported all of the ongoing capacity of Syndicate 2001 since 1 January 2004. All remaining liabilities of the Syndicate underwritten by third party capital prior to this date were taken on by Amlin subsidiaries at 1 January 2004 (see note 5).

Other intangibles relate to the costs of acquiring rights to customer contractual relationships. The additions during the year comprise the Group's acquisition of the customer relationships of Cedar Insurance Group Limited (see note 35).

22 Share capital

	2007 Number	2007 £m	2006 Number	2006 £m
Authorised ordinary shares				
At 1 January authorised ordinary shares of 25p each	**800,000,000**	**200.0**	800,000,000	200.0
Reduction of authorised ordinary shares	**(88,888,889)**	**–**	–	–
Cancelled ordinary shares	**(7)**	**–**	–	–
At 31 December authorised ordinary shares of 28.125p (2006: 25p)	**711,111,104**	**200.0**	800,000,000	200.0
Authorised redeemable non-cumulative preference shares ('B shares')				
Authorised B shares	**544,624,000**	**122.0**	–	–
At 31 December authorised B shares of 22.4p each	**544,624,000**	**122.0**	–	–
Allotted, called up and fully paid ordinary shares				
At 1 January Authorised ordinary shares at 25p	**534,006,720**	**133.5**	530,113,127	132.5
Shares issued	**3,695,766**	**0.9**	3,893,593	1.0
Reduction of issued ordinary shares	**(59,718,291)**	**–**	–	–
At 31 December allotted ordinary shares of 28.125p	**477,984,195**	**134.4**	534,006,720	133.5
Issued redeemable non-cumulative preference shares ('B shares')				
Issued B shares	**537,464,619**	**120.4**	–	–
At 31 December issued B shares of 22.4p each	**537,464,619**	**120.4**	–	–

The ordinary shares issued on exercise of options were issued for a total consideration of £4.5 million at an average price of 122 pence per share (2006: £3.7 million, average price 98 pence).

Return of capital

On 14 November, the Group announced its intention to return approximately £120 million of capital to shareholders by way of a B share issue combined with a consolidation of Amlin's existing shares on the basis of 8 new ordinary shares for 9 existing ones. This was subsequently approved by the shareholders at an Extraordinary General Meeting held on 12 December 2007.

B shares were issued on 17 December 2007 to existing shareholders on the basis of one B share for each ordinary share held on 14 December 2007. Each B share enabled the shareholder to redeem the share at 22.4 pence per share at various dates in the future up to August 2009 or alternatively to receive a B share initial dividend in January 2008 of 22.4 pence per share. Following such dividend receipt, the relevant B shares were converted into deferred shares which were themselves redeemed on 14 January 2008 for a total redemption value of one penny in all. Holders of B shares not redeemed or converted into deferred shares on or around the initial redemption date in January 2008 have the right, subject to the Company having profits available for distibutiion, to receive continuing dividends at the rate of 75% of the sterling six month LIBOR. The B shares have no right to vote at general meetings of the Company other than to wind up the Company. They are fully transferable but are not listed on any stock exchange.

The amount outstanding to be returned to B shareholders at 31 December 2007 has been recognised as a liability in note 25. The total cost of the issue including expenses was £120.4 million which has been charged against share premium.

23 Share options

Details of the Amlin Executive Share Option Schemes are set out in the Directors' remuneration report in the Accountability section. At 31 December 2007 the following options over new shares, which are potentially exercisable between three and ten years after grant, or earlier in special circumstances such as redundancy, were outstanding under these executive schemes:

Usual first month of exercise	2007 Option price per share	2007 Number of shares	2006 Option price per share	2006 Number of shares
June 2003	**72.95p**	**–**	72.95p	9,690
May 2005	**76.33p**	**112,380**	76.33p	359,612
October 2002	**80.16p**	**16,652**	80.16p	27,754
May 2004	**108.09p**	**36,422**	108.09p	79,372
September 2001	**108.54p**	**45,000**	108.54p	91,196
April 2006	**110.82p**	**435,062**	110.82p	1,025,441
March 2007	**152.85p**	**1,057,018**	152.85p	2,683,054
March 2008	**161.77p**	**2,207,065**	161.77p	2,367,018
March 2009	**293.00p**	**2,020,164**	293.00p	2,173,915
		5,929,763		8,817,052

23 Share options (continued)

The following changes in new shares under option pursuant to these executive schemes took place during the year:

	Number of shares 2007	Weighted average exercise price 2007 (pence)	Number of shares 2006	Weighted average exercise price 2006 (pence)
At 1 January	**8,817,052**	**180.40**	10,751,095	128.29
Granted during the year	**–**	**–**	2,290,481	293.00
Exercised during the year	**(2,755,592)**	**139.09**	(3,710,443)	98.00
Lapsed during the year	**(131,697)**	**241.10**	(514,081)	187.00
At 31 December	**5,929,763**	**198.57**	8,817,052	180.40

The weighted average remaining contractual life of the executive options outstanding at 31 December 2007 was 7.1 years (2006: 7.4 years).

In addition to these executive options, the following employee Sharesave options over new shares were outstanding at 31 December 2007:

Savings period	Usual first month of exercise	Option price per share	Number of shares
5 years	December 2007	78.89p	64,125
3 years	July 2007	134.11p	5,622
5 years	July 2009	134.11p	134,827
3 years	December 2008	146.49p	450,389
5 years	December 2010	146.49p	191,002
3 years	July 2010	266.0p	303,381
5 years	July 2012	266.0p	214,993
			1,364,339

The following changes in new shares under option pursuant to the Sharesave scheme took place during the year:

	Number of shares 2007	Weighted average exercise price 2007 (pence)	Number of shares 2006	Weighted average exercise price 2006 (pence)
At 1 January	**1,324,239**	**123.17**	1,611,327	127.7
Granted during the year	**544,062**	**266.00**	–	–
Exercised during the year	**(406,234)**	**122.70**	(183,150)	74.46
Lapsed during the year	**(94,247)**	**171.58**	(103,926)	82.03
Adjustments during the year	**(3,481)**	**195.25**	(12)	106.5
At 31 December	**1,364,339**	**187.45**	1,324,239	123.17

The weighted average remaining contractual life of the Sharesave options outstanding at 31 December 2007 was 2.6 years (2006: 3.0 years).

The trustee of the Group's Employee Share Ownership Trust (ESOT) held 1,064,470 ordinary shares and 1,197,529 B shares as at 31 December 2007 (2006: 774,579 ordinary shares and nil B shares), of which 100,388 shares (2006: 201,959) were reserved to meet potential future exercises of executive options, in addition to the options over new shares detailed above. In addition, there are arrangements whereby the ESOT will provide up to 1,685,333 Performance Share Plan (PSP) shares, normally not until 2009, 2010, 2011 or 2012 and up to 581,386 Long Term Incentive Plan (LTIP) shares normally not until 2010. The ESOT shares are valued at the lower of cost and net realisable value. The market value of Amlin plc ordinary shares at 31 December 2007 was 298.0p per share (2006: 325.25p).

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 0.01p per each share ranking for an interim or final dividend.

A charge has been made to the income statement for options granted after 7 November 2002 pursuant to the executive and Sharesave option schemes, the PSP and the LTIP, details of which are as follows:

Schemes and grant	Option exercise price pence	Charge for 2007 £m	Closing reserve 31 December 2007 £m	Charge for 2006 £m	Closing reserve 31 December 2006 £m
2003 executive grant	110.82	**–**	**0.5**	0.1	0.5
2004 executive grant	152.85	**–**	**0.5**	0.2	0.5
2004 Sharesave 3 yrs grant	134.11	**–**	**0.1**	–	0.1
2004 PSP grant	0.00	**–**	**0.2**	0.1	0.2
2005 executive grant	161.77	**0.1**	**0.4**	0.2	0.3
2005 Sharesave 3 yrs grant	46.49	**0.1**	**0.2**	0.1	0.1
2005 Sharesave 5 yrs grant	146.49	**–**	**–**	–	–
2005 PSP grant	0.00	**0.1**	**0.3**	0.1	0.2
2006 executive grant	293.00	**0.2**	**0.4**	0.2	0.2
2006 PSP grant	0.00	**0.2**	**0.3**	0.1	0.1
2007 Sharesave 3 yrs grant	266.00	**0.1**	**0.1**	–	–
2007 PSP grant	0.00	**0.2**	**0.2**	–	–
2007 LTIP grant	0.00	**0.2**	**0.2**	–	–
		1.2	**3.4**	1.1	2.2

23 Share options (continued)

At 31 December 2007

Schemes and grant	Option exercise price	At 1 January	Granted	Exercised	Lapsed	Adjustments	At 31 December	Exercisable
2003 executive grant	110.82p	1,025,441	–	(590,379)	–	–	435,062	Apr 2006
2004 executive grant	152.85p	2,683,054	–	(1,626,036)	–	–	1,057,018	Mar 2007
2004 Sharesave 3 yrs grant	134.11p	324,490	–	(316,436)	(2,432)	–	5,622	Jul 2007
2004 Sharesave 5 yrs grant	134.11p	142,628	–	(1,772)	(6,029)	–	134,827	Jul 2009
2004 PSP grant	0.0p*	510,993	–	(10,108)	(6,739)	–	494,146	Mar 2009
2005 executive grant	161.77p	2,367,018	–	(118,813)	(41,140)	–	2,207,065	Mar 2008
2005 Sharesave 3 yrs grant	146.49p	497,353	–	(2,638)	(43,307)	(1,019)	450,389	Dec 2008
2005 Sharesave 5 yrs grant	146.49p	205,508	–	–	(14,506)	–	191,002	Dec 2010
2005 PSP grant	0.0p*	535,073	–	(11,952)	(17,932)	–	505,189	Mar 2010
2006 executive grant	293.00p	2,173,915	–	(70,964)	(82,787)	–	2,020,164	Mar 2009
2006 PSP grant	0.0p*	343,516	–	(3,419)	(13,680)	–	326,417	Mar 2011
2007 Sharesave 3 yrs grant	266.0p	–	319,220	–	(15,839)	–	303,381	July 2010
2007 Sharesave 5 yrs grant	266.0p	–	224,842	–	(7,387)	(2,462)	214,993	July 2012
2007 PSP grant	0.0p*	–	359,581	–	–	–	359,581	Mar 2012
2007 LTIP grant	0.0p*	–	590,630	–	(9,244)	–	581,386	Mar 2010
		10,808,989	1,494,273	(2,752,517)	(261,022)	(3,481)	9,286,242	

At 31 December 2006

Schemes and grant	Option exercise price	At 1 January	Granted	Exercised	Lapsed	Adjustments	At 31 December	Exercisable
2003 executive grant	110.82p	2,370,674	–	(1,329,263)	(15,970)	–	1,025,441	Apr 2006
2004 executive grant	152.85p	2,882,953	–	(12,561)	(187,338)	–	2,683,054	Mar 2007
2004 Sharesave 3 yrs grant	134.11p	354,424	–	–	(29,933)	(1)	324,490	Jul 2007
2004 Sharesave 5 yrs grant	134.11p	154,335	–	–	(11,702)	(5)	142,628	Jul 2009
2004 PSP grant	0.0p*	541,874	–	–	(30,881)	–	510,993	May 2009
2005 executive grant	161.77p	2,571,509	–	(10,284)	(194,207)	–	2,367,018	Mar 2008
2005 Sharesave 3 yrs grant	146.49p	522,879	–	–	(25,526)	–	497,353	Dec 2008
2005 Sharesave 5 yrs grant	146.49p	212,102	–	–	(6,594)	–	205,508	Dec 2010
2005 PSP grant	0.0p*	594,714	–	–	(59,641)	–	535,073	Mar 2010
2006 executive grant	293.00p	–	2,290,481	–	(116,566)	–	2,173,915	Mar 2009
2006 PSP grant	0.0p*	–	385,120	–	(41,604)	–	343,516	Mar 2011
		10,205,464	2,675,601	(1,352,108)	(719,962)	(6)	10,808,989	

* £1 in total per complete exercise.

The weighted average share price of Amlin plc throughout the year was 305.42 pence (2006: 269.9 pence).

The "Black Scholes" option pricing model has been used to determine the fair value of the option grants listed above. The assumptions used in the model are as follows:

	2007	2006
Weighted average share price	**201.78**	185.43p
Weighted average exercise price	**183.37**	159.02p
Expected volatility	**30.00%**	30.00%
Expected life (years)	**3.25 – 7.50**	3.25 – 7.50
Risk free rate of return	**4.30% – 5.00%**	4.30% – 4.50%
Expected dividend yield	**2.00% – 5.00%**	2.00% – 5.00%

Volatility
The volatility of the Amlin share price is calculated as a normalised standard deviation of the log of the daily return on the share price. In estimating a 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.

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
Amlin 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.

24 Reserves

	Share premium £m	Other reserves £m	ESOT shares £m	Retained earnings £m	Minority interest £m
At 1 January 2007	347.6	(21.8)	(0.6)	477.4	0.3
Issues of share capital on exercise of options over new shares (note 22)	3.6	–	–	–	–
Gains on revaluation of employee share ownership trust recognised directly in equity	–	(0.1)	–	–	–
Net purchase of treasury shares	–	–	(1.5)	–	–
Share option valuation charge	–	1.2	–	–	–
Deferred tax	–	(1.3)	–	–	–
Currency translation differences on overseas operations	–	(8.2)	–	–	–
Profit for the financial year	–	–	–	352.7	0.1
Dividends (note 29)	–	–	–	(111.1)	–
Return of capital (note 22)	(120.4)	–	–	–	–
At 31 December 2007	230.8	(30.2)	(2.1)	719.0	0.4

	Share premium £m	Other reserves £m	ESOT shares £m	Retained earnings £m	Minority interest £m
At 1 January 2006	344.0	52.7	(1.7)	257.3	–
Issues of share capital on exercise of options over new shares	3.6	–	1.1	–	–
Gains on revaluation of employee share ownership trust recognised directly in equity	–	0.2	–	–	–
Gain on defined benefit pension scheme	–	0.1	–	–	–
Share option valuation charge	–	1.1	–	–	–
Deferred tax	–	1.3	–	–	–
Currency translation differences on overseas operations	–	(77.2)	–	–	–
Profit for the financial year	–	–	–	267.5	0.3
Dividends (note 29)	–	–	–	(47.4)	–
At 31 December 2006	347.6	(21.8)	(0.6)	477.4	0.3

Other reserves is comprised of £45.7 million (2006: £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 in respect of share options and the cumulative foreign exchange losses of £59.3 million (2006: £73.4 million) on investments in overseas operations.

In January 2008, 423,449,598 B shares were redeemed by shareholders. 102,635,603 B shareholders elected to take a dividend and these shares were converted into deferred shares and redeemed. The remaining 11,379,418 B shares are outstanding. Consequently £117.8 million has been charged to retained earnings in 2008 and a capital redemption reserve created.

25 Trade and other payables and deferred income

	2007 £m	2006 £m
Trade payables and accrued expenses	**84.3**	66.3
Social security and other tax payables	**2.4**	2.1
Issued redeemable non-cumulative preference shares (note 22)	**120.4**	–
	207.1	68.4

	2007 £m	2006 £m
Current portion	**201.4**	57.9
Non-current portion	**5.7**	10.5
	207.1	68.4

26 Borrowings

	2007 £m	2006 £m
Bank loans	0.1	0.9
Subordinated debt	277.4	277.9
	277.5	278.8

	2007 £m	2006 £m
Current portion	0.1	0.9
Non-current portion	277.4	277.9
	277.5	278.8

The Group's borrowings comprise three issues of subordinated debt. Details of the subordinated debt issues 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	$50m	November 2014	November 2019	7.11	LIBOR + 3.48
15 March 2005	$50m	March 2015	March 2020	7.28	LIBOR + 3.32
25 April 2006	£230m	December 2016	December 2026	6.50	LIBOR + 2.66

The debt will be redeemed on the maturity dates at the principal amounts, together with any outstanding accrued interest. The Company 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.

The directors' estimation of the fair value of the Group's borrowings is £322.2 million (2006: £306.3 million).

On 13 November 2006 the Company entered into a new debt facility with its banks which is available for three years from the signing date and provides an unsecured £200 million multicurrency revolving credit facility available by way of cash advances or sterling letters of credit (LOC). The facility is guaranteed by the Company's subsidiaries Amlin Corporate Services Limited and Amlin Investments Limited.

In December 2006 Amlin Bermuda Ltd entered into a $300 million LOC and Revolving Credit Facility. The facility comprised a secured LOC facility for $200 million for a three year term and an unsecured revolving credit facility for $100 million for a term of 364 days, twice renewable, which has been renewed once in December 2007. The secured LOC facility is secured by a registered charge over a portfolio of assets managed by Aberdeen Asset Management Limited with State Street Bank and Trust Company as custodian. As at 31 December 2007 $28.7million (31 December 2006: $1.7 million) LOCs were issued with an additional $1.8m LOCs issued in January 2008.

Obligations due under finance leases and hire purchase contracts are payable as follows:

	2007 £m	2006 £m
Within one year	–	0.1

27 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:

	2007 £m	2006 £m
Defined benefit schemes		
Lloyd's Superannuation Fund	0.2	(0.2)
J E Mumford (Underwriting Agencies) Limited retirement benefit scheme	0.3	0.1
	0.5	(0.1)
Ongoing funding	1.2	1.3
Defined contribution schemes	3.8	2.7
	5.5	3.9

A summary of retirement benefit liabilities at 31 December 2007 is shown in the table below:

	2007 £m	2006 £m
Lloyd's Superannuation Fund (see section a)		
Opening net present value of contractual cash payments	6.7	11.1
Payments during the year	(4.6)	(4.7)
Additional payment liability	0.5	–
Unwinding of discount	0.2	0.3
Closing net present value of contractual cash payments	2.8	6.7
J E Mumford (Underwriting Agencies) Ltd retirement benefit scheme (see section a)		
Benefit obligation at end of year	–	3.0
Fair value of plan assets at end of year	–	(2.2)
Net scheme deficit	–	0.8
Total retirement benefit obligations	2.8	7.5

a) The Lloyd's Superannuation Fund funded defined benefit scheme

The scheme is operated as part of the Lloyd's Superannuation Fund (the Fund). The Amlin Group is the employer in respect of two sections of the scheme, the Amlin section, as in previous years, and now also the J E Mumford section as a result of the transfer during February 2007. The summary of liabilities at 31 December 2007 includes liabilities relating to the J E Mumford section.

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 around five (2006: five) 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 Section). Amlin is also liable for a proportion of the Orphan Section's liabilities.

Since this alteration Amlin can now more clearly identify its expected contribution requirement to the Fund. However, as the asset allocation is notional and at the discretion of the Trustee, it is not possible for Amlin to be certain of its overall surplus or deficit at any time. Indeed, as other employers have bought themselves out of the scheme in recent years, Amlin has been notionally allocated an increased share of the scheme. For this reason the scheme continues to be classified as a multi-employer scheme for the purposes of International Accounting Standard No 19 (IAS 19), Employee Benefits. The Group is required to recognise the net present value of any contribution schedule that has been agreed with the Trustee. Therefore, £0.2 million (2006: £0.2 million) was charged to the Group result relating to the unwinding of the discount on the future contractual payments.

27 Retirement benefit obligations (continued)

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 borne under the scheme are charged to Syndicate 2001 or other Group companies. However, 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 2004 and was carried out by Mr P Lofthouse, Fellow of the Institute of Actuaries, and used the projected unit credit actuarial method. For the purposes of providing disclosures in accordance with IAS19, the Group has requested the actuary update the 2004 valuation to 31 December 2006 and 2007 using appropriate techniques and the following assumptions:

	2007 **% pa**	2006 % pa
Price inflation	3.4	3.1
Rate of increase in pay	–	–
Rate of increase in pensions payment		
– LPI (maximum 5% pa)	3.4	3.1
– LPI (minimum 3% pa, maximum 5% pa)	3.6	3.25
– LPI (maximum 3% pa)	3.0	3.0
Rate of increase of statutory revaluation on deferred pension	3.4	3.1
Discount rate	5.7	5.1

During 2005 the Group reviewed its remaining defined benefit arrangements and made a number of changes to the Amlin section's future benefit structure, which were implemented during 2006. In particular in order to remove much of the risk associated with salary inflation, the Amlin section 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%.

The mortality assumptions used in the latest valuation included the following life expectancies:

	31 December 2007		31 December 2006	
Life expectancy (years) at age 60 for a member currently:	**Male**	**Female**	Male	Female
Aged 60	25.2	28.2	25.0	28.1
Aged 45	26.6	29.4	26.1	29.1

The analysis of the Fund's assets and the expected rate of return at the balance sheet date are as follows:

	Asset mix 31 December 2007		Asset mix 31 December 2006		Long term rate of return	
					31 December	31 December
	Amlin Sections	**Orphans Section**	Amlin Sections	Orphans Section	2007	2006
Equities	**32%**	**32%**	45%	20%	7.6%	7.5%
Bonds	**68%**	**68%**	55%	80%	5.4%	4.9%

The long term rates of return are estimated by the Directors based upon current expectations of future investment performance.

The updated assessment at 31 December 2007 showed that the assets notionally relating to the Amlin section of the Fund were £152 million (2006 : £146 million). The fair value of the assets in the scheme as a whole at 31 December 2007 was £318 million (2006: £315 million), being £23 million greater than (2006: £11 million) the amount required to fund members' accrued liabilities on the assumptions adopted, resulting in a surplus of 8% (2006: 4%).

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%	(12)/12
– Increase / decrease in inflation rate by 0.25%	6/(6)
– Increase in floor mortality improvements for males of 1.5% and females of 1.0% per annum	6

The total amounts paid in respect of the Fund for Syndicate 2001 and Amlin Group companies are analysed in the table below.

	2007 **£m**	2006 £m
Contributions relating to:		
2004 valuation deficit – Amlin section	**1.2**	1.2
2004 valuation deficit – Orphan section	**3.5**	3.5
Ongoing funding	**1.2**	1.3
	5.9	6.0
Group share of total payment	**5.9**	6.0

In 2004 Amlin agreed with the Trustee that it would make six annual payments to the Fund of £1.2 million. This agreement was based on the formal valuation at 31 March 2004 and not the updated valuation at 31 December 2004. The first payment was made in December 2004 and five subsequent annual payments were agreed commencing on 31 March 2005.

In 2004 Amlin agreed to pay contributions to the notional orphans' section to rectify a share of the funding shortfall revealed in the actuarial valuation at 31 March 2004, when the Group and Syndicate's share of the shortfall was estimated to be £11.4 million and £12.8 million respectively. The first payment of £3.5 million was made on 31 December 2004. Three subsequent annual payments of £3.5 million were agreed commencing on 31 March 2005.

27 Retirement benefit obligations (continued)

Contributions will also be paid to provide for the cost of benefit accrual after the date of the valuation. The rate of contribution agreed with the Trustee is 30% (2006: 30%) paid by the employer plus 5% (2006: 5%) member contributions, in each case of pensionable earnings, and totalled £1.3 million (2006: £1.3 million).

b) The stakeholder defined contribution scheme

The defined contribution scheme operated by the Group is a stakeholder arrangement. The total contributions for the year ended 31 December 2007 to the scheme were £3.8 million (2006: £2.7 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 2007 (2006: £nil).

28 Earnings and net assets 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) are excluded from the weighted average number of shares.

Basic and diluted earnings per share are as follows:

	2007	2006
Profit attributable to equity holders of the Parent Company	**£352.7m**	£267.5m
Weighted average number of shares in issue	**532.0m**	531.8m
Dilutive shares	**6.1m**	6.4m
Adjusted average number of shares in issue	**538.1m**	538.2m
Basic earnings per share	**66.3p**	50.4p
Diluted earnings per share	**65.5p**	49.8p

Basic and tangible net assets per share are as follows:	2007	2006
Net assets	**£1,052.3m**	£936.4m
Adjustments for intangible assets	**(£69.0m)**	(£66.0m)
Tangible net assets	**£983.3m**	£870.4m
Number of shares in issue at end of period	**478.0m**	534.0m
Adjustment for ESOT shares	**(1.1m)**	(0.8m)
Basic number of shares after ESOT adjustment	**476.9m**	533.2m
Net assets per share	**220.7p**	175.6p
Tangible net assets per share	**206.2p**	163.2p

29 Dividends

The amounts recognised as distributions to equity holders are as follows:

Group	2007 £m	2006 £m
Final dividend for the year ended:		
– 31 December 2006 of 7.8 pence per ordinary share	**41.7**	–
– 31 December 2005 of 6.2 pence per ordinary share	**–**	25.0
Interim dividend for the year ended:		
– 31 December 2007 of 5.0 pence per ordinary share	**26.7**	–
– 31 December 2006 of 4.2 pence per ordinary share	**–**	22.4
Special dividend for the year ended:		
– 31 December 2006 of 8.0 pence per ordinary share	**42.7**	–
	111.1	47.4

The final ordinary dividend of 10.0 pence per ordinary share for 2007, amounting to £47.8 million, payable in cash was approved by the Board on 27 February 2008 and has not been included as a liability as at 31 December 2007.

30 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	
	2007	2006	**2007**	2006
US dollar	**2.00**	1.84	**1.99**	1.96
Canadian dollar	**2.15**	2.09	**1.96**	2.28
Euro	**1.46**	1.47	**1.36**	1.48

31 Contingent liabilities

The Group has entered into various deeds of covenant in respect of certain corporate member subsidiaries to meet each such subsidiary's obligations to Lloyd's. At 31 December 2007, the total guarantee given by the Group under these deeds of covenant (subject to limited exceptions) amounted to £16.7 million (2006: £382.1 million). The obligations under the deeds of covenant are secured by a fixed charge over investments of the same value at the relevant valuation date and a floating charge over all the investments and other assets of Amlin Investments Limited, in favour of Lloyd's. Lloyd's has the right to retain the income on the charged investments, although it is not expected to exercise this right unless it considers there to be a risk that one or more of the covenants might need to be called and, if called, might not be honoured in full. In October 2007, the Group transferred £397.5 million of assets from Amlin Investments Limited to Syndicate 2001 Premium Trust Fund. The charges in favour of Lloyd's over these investments were released at that time. The transfer to Syndicate 2001 Premium Trust Fund was made by way of sale from Amlin Investments Limited to Amlin Corporate Member Limited (both wholly owned subsidiaries of the Group) in its capacity as the corporate member of the Syndicate.

As liability under each deed of covenant is limited to a fixed monetary amount, the enforcement by Lloyd's of any deed of covenant in the event of a default by a corporate member, where the total value of investments has fallen below the total of all amounts covenanted, may result in the appropriation of a share of the Group's Funds at Lloyd's that is greater than the proportion which that subsidiary's overall premium limit bears to the total overall premium limit of the Group's Lloyd's underwriting.

32 Commitments

There were no capital commitments at the end of the financial year (2006: £nil).

Throughout the year the Group leased certain land and buildings on short-term operating leases, under which the minimum annual commitments were £2.8 million (2006: £2.3 million). The leases relating to £2.2 million expire in over five years.

33 Cash generated from operations

	Notes	2007 £m	2006 £m
Profit on ordinary activities before taxation		**445.0**	342.7
Adjustments:			–
Depreciation charge	13	**3.0**	3.2
Amortisation charge		**0.8**	-
Finance costs		**20.0**	24.1
Interest received	6	**(102.9)**	(97.5)
Dividends received	6	**(12.5)**	(4.5)
(Realised)/unrealised gains on investments	6	**(41.6)**	(16.4)
Movement in operating assets and liabilities:			
Net purchases of financial investments		**(232.1)**	(349.4)
Decrease in loans and receivables		**51.9**	79.3
Decrease in reinsurance contract assets		**69.2**	320.8
Decrease in insurance contract liabilities		**(136.4)**	(311.1)
Increase in trade and other payables		**16.2**	1.3
Increase in retirement benefits		**(4.7)**	(4.9)
Exchange gains on long term borrowings		**(0.8)**	(11.6)
Other non-cash movements		**(4.6)**	3.8
Cash generated from operations		**70.5**	(20.2)

34 Related party transactions

Amlin plc is a publicly owned company listed on the London Stock Exchange. Major shareholders are presented in the Directors' Report page 50.

The following transactions were carried out with related parties:

Key management compensation

Key management personnel are those directors and senior managers responsible for planning and control of the activities of the Group. Key management comprises nine executive directors and employees and seven non-executive directors (2006: nine and seven respectively). Compensation paid during the year to key management personnel is analysed below:

	2007 £m	2006 £m
Short term employee benefits	**8.5**	9.9
Post-employment benefits	**0.4**	0.4
Share-based payments	**0.5**	0.6
	9.4	10.9

34 Related party transactions (continued)

Reinsurance contracts between Syndicate 2001 and Amlin Bermuda Ltd

Syndicate 2001 placed a number of reinsurance contracts with Amlin Bermuda Ltd (ABL), a wholly owned subsidiary of the Group, during 2006 and 2007.

The reinsurance contracts placed with ABL are:

- eight proportional treaty reinsurance contracts for marine, direct property, special risks, specie, war, excess of loss treaty and miscellaneous classes of business;
- a whole account quota share; and
- an excess of loss reinsurance contract in 2006 only.

ABL also placed one excess of loss reinsurance contract with Syndicate 2001 during 2007.

All reinsurance contracts were agreed on an arms length basis with terms that are consistent with those negotiated with third parties. These reinsurance contracts are eliminated on consolidation of the Group's results and the effects on the income statements of such eliminations can be seen in note 4, segmental reporting under the column "intra group".

The amount of gross written premium ceded to ABL during the period ended 31 December 2007 was £90.3 million (31 December 2006: £100.8 million) being £35.7 million (31 December 2006: £28.6 million) of specific variable cessions and £54.6 million (31 December 2006: £65.4 million) of Syndicate 2001 whole account quota share. ABL recorded a profit of £32.3 million on these reinsurance contracts for the same period (31 December 2006: £25.5 million).

At 31 December balances included within ABL with respect to Syndicate 2001 reinsurance contracts include:

	2007 £m	2006 £m
Insurance receivables	**38.5**	37.0
Insurance contracts		
– outstanding claims	**(50.8)**	(24.7)
– unearned premium	**(44.4)**	(39.0)
– creditors arising from insurance operations	**(11.3)**	(4.4)

In addition, cash amounting to £71.2 million (2006: £56.5 million) was paid by Syndicate 2001to ABL in respect of these contracts.

Sale of goods and services

The Group, through its wholly owned subsidiary Amlin Corporate Services Limited, purchases goods and services on behalf of all Group companies and Syndicate 2001. In addition, Amlin plc, the ultimate parent company of the Group, procures certain services.

Amlin plc charges SBA Underwriting Limited £15,000 per annum for accounting and administration services which is collected on a quarterly basis throughout the year. AUT Holdings Limited, a subsidiary of Amlin plc, holds a 30% interest in the parent company and underwriting of SBA Underwriting Limited.

In October 2007, Amlin plc sold a portfolio of international equities at mid market price to ABL, a wholly owned subsidiary in exchange for cash. The total value of the transaction was £89.2 million.

Purchases of goods and services

Amlin plc, the ultimate parent company within the Group, purchased goods and services from fellow Group companies. The values of these are disclosed below. All goods and services were purchased at cost with the exception of Amlin Bermuda Ltd.

	Company 2007 £m	Company 2006 £m
Purchases of goods and services:		
– Amlin Corporate Services Limited	**7.8**	6.3

In October 2007, Amlin plc purchased a portfolio of international equities at mid market price from Amlin Investments Limited, a wholly owned subsidiary. The total value of the transaction was £88.9 million.

Other Group companies

Amlin Underwriting Limited and Lycetts Holdings Limited, the owners of Lycett, Browne-Swinburne and Douglass 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 Douglass Limited which took over the business of Lycetts Hamilton Limited on 1 May 2007. Prior to that date, the business was sourced through Lycetts Hamilton Limited. Syndicate 2001 is managed by Amlin Underwriting Limited. The capacity on Syndicate 2001 is underwritten by fellow subsidiaries 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 £17.2 million (2006: £14.6 million) of premium under the binding authority agreement, of which £6.8 million (2006: £6.9 million) was produced by Lycett, Browne-Swinburne and Douglass Limited and its predecessor earning brokerage commission of £1.1 million (2006: £1.2 million) on this business.

At the year end, Syndicate 2001 was owed £4.8 million (2006: £5.3 million) by Amlin Plus and Lycett, Browne-Swinburne and Douglass Limited owed £1.4 million (2006: £1.7 million) to Amlin Plus.

Amlin Underwriting Limited and Lycetts Hamilton Limited provided Amlin Plus with start-up loans of £90,000 and £60,000 respectively. On 26 June 2004 the Amlin Underwriting Limited loan of £90,000 was transferred to Amlin Corporate Services Limited. Interest of £6,123 (2006: £7,124) and £940 (2006: £4,070) has been recognised during the calendar year. These loans were repaid in April 2007.

During the period, a wholly owned subsidiary Amlin Singapore Pte Limited was incorporated in Singapore with authorised capital of one Singapore dollar and an initial capital contribution by Amlin plc of 300,000 Singapore dollars.

34 Related party transactions (continued)

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 practise many transactions within the Group are accounted for through intercompany accounts.

The following table shows the balances outstanding at the year end between Amlin plc and its related parties. The balances are all unsecured and no provisions are required for bad or doubtful debts.

	Balances during 2007			
	Highest £m	Lowest £m	2007 £m	2006 £m
Balances outstanding at the year end:				
– Syndicate 2001*	33.1	(18.1)	–	(18.1)
– Amlin Bermuda Ltd *	–	–	–	0.6
– Amlin Underwriting Group Limited (in members voluntary liquidation)	42.0	(52.4)	–	10.4
– AUT Holdings Limited	41.3	(46.0)	(4.7)	41.3
– Amlin Investments Limited	185.8	(396.3)	(188.1)	185.8
– St Margaret's Insurance Services Limited	1.3	1.3	1.3	1.3
– Angerstein Underwriting Limited	0.5	(0.5)	–	(0.5)
– Amlin Corporate Services Limited	15.5	(30.9)	(15.5)	15.5
– Amlin Corporate Member Limited	401.3	(83.6)	338.6	(19.4)
– AUT (1 – 10) Limited companies	50.9	(47.4)	(44.6)	(42.3)
– Delian A – L Limited companies	5.9	(5.5)	(5.4)	(5.0)
– Amlin Overseas Holdings Limited	0.1	–	0.1	–
– Amlin Underwriting Services Limited	2.8	(0.5)	2.4	(0.5)
– Amlin Underwriting Limited	1.5	(0.6)	1.4	–
– Allied Cedar Insurance Group Limited	0.1	–	0.1	–
– Amlin Plus Limited	–	(0.2)	0.2	–
– Amlin Credit Limited	–	(2.8)	(2.8)	–
– Murray Lawrence (Jersey)	2.0	–	2.0	–
			85.0	169.1

All of the above intra-group debt is repayable on demand and corporation tax provisions reflect arms-length prices for the transactions between the Company and its subsidiaries.

* Excludes balances on intra-group reinsurances detailed above

35 Acquisition of subsidiary

On 2 July 2007, the Group acquired 100% of the share capital and voting rights in Allied Cedar Insurance Group Limited, the holding company of Allied Underwriting Agencies Limited and Cedar Insurance Company Limited. The Allied Cedar Insurance Group Limited is a general insurance underwriting operation specialising in UK property personal lines business.

Purchase consideration:	£m
– Initial consideration	3.4
– Deferred consideration	2.7
– Direct cost relating to the acquisition	0.1
Total purchase consideration	6.2
Fair value of assets acquired (see below)	6.2
Goodwill	–

The assets and liabilities arising from the acquisition are as follows:

	Fair value £m	Acquiree's carrying amount £m
Cash and cash equivalents	0.1	0.1
Property, plant and equipment	0.4	0.4
Unlisted fixed assets	–	0.3
Insurance receivables	2.8	1.8
Financial investments – available for sale	3.0	3.0
Intangible assets	3.8	–
Financial liabilities	(2.2)	(2.2)
Insurance liabilities	(1.1)	(1.1)
Net tax liability	(0.6)	(0.3)
Net assets acquired	6.2	2.0

Intangible assets relate to the costs of acquiring rights to customer contractual relationships (see note 21).

The acquiree's carrying amount shown represents the balance sheet of Allied Cedar Insurance Group Limited as at 30 June 2007 prepared in accordance with UK GAAP.

Allied Cedar Insurance Group Limited contributed £1.6 million gross earned premium and £0.2 million to the Group's profit before tax for the period between 2 July 2007 and 31 December 2007.

If the acquisition of Allied Cedar Insurance Group Limited had been completed on the first day of the financial year, group gross earned premium for the period would have been £1,089.5 million and group profit attributable to equity holders of the parent would have been £352.8 million.

36 Group owned net assets

The assets and liabilities attributable to Group owned companies, as opposed to the Group's syndicate participations, are summarised below:

	In Group owned companies 2007 £m	In Syndicate 2001 2007 £m	In Amlin Bermuda Ltd 2007 £m	Total 2007 £m	In Group owned companies 2006 £m	In Syndicate 2001 2006 £m	In Amlin Bermuda Ltd 2006 £m	Total 2006 £m
Investments								
Financial investments	207.0	1,577.2	854.7	2,638.9	468.2	1,257.4	642.1	2,367.7
Other assets								
Intangible assets	69.0	–	–	69.0	66.0	–	–	66.0
Property and equipment	4.8	–	1.0	5.8	4.6	–	1.6	6.2
Cash and cash equivalents	7.0	3.9	0.7	11.6	14.4	(0.2)	2.3	16.5
Loans and receivables – insurance assets	(29.0)	113.5	98.5	183.0	(32.5)	159.3	89.5	216.3
Loans and receivables – other	(3.8)	37.5	3.2	36.9	(10.6)	59.3	2.9	51.6
Deferred income tax	13.4	–	–	13.4	20.9	–	–	20.9
Current income tax	0.5	3.5	–	4.0	2.0	4.3	–	6.3
Reinsurance assets	(87.5)	704.5	(0.1)	616.9	(56.0)	751.3	–	695.3
Total assets	181.4	2,440.1	958.0	3,579.5	477.0	2,231.4	738.4	3,446.8
Current liabilities								
Trade and other payables	(172.1)	(19.5)	(10.4)	(202.0)	(35.9)	(20.5)	(1.5)	(57.9)
Current income tax liabilities	(25.7)	–	–	(25.7)	(28.7)	–	–	(28.7)
Borrowings	(0.1)	–	–	(0.1)	–	(0.9)	–	(0.9)
	(197.9)	(19.5)	(10.4)	(227.8)	(64.6)	(21.4)	(1.5)	(87.5)
Non-current liabilities								
Trade and other payables	(5.1)	–	–	(5.1)	(10.5)	–	–	(10.5)
Borrowings	(277.4)	–	–	(277.4)	(277.9)	–	–	(277.9)
Retirement benefit obligations	(2.8)	–	–	(2.8)	(7.5)	–	–	(7.5)
Deferred tax liabilities	(128.1)	–	–	(128.1)	(95.4)	–	–	(95.4)
	(413.4)	–	–	(413.4)	(391.3)	–	–	(391.3)
	(611.3)	(19.5)	(10.4)	(641.2)	(455.9)	(21.4)	(1.5)	(478.8)
Insurance contracts	120.4	(1,801.1)	(205.3)	(1,886.0)	84.0	(1,981.8)	(133.8)	(2,031.6)
Consolidated shareholders' funds at 31 December	(309.5)	619.5	742.3	1,052.3	105.1	228.2	603.1	936.4

The assets of the Syndicate included above are held in regulated trust funds and are only available to pay syndicate related expenditure.

Parent Company Balance Sheet
At 31 December 2007

Assets	Notes	2007 £m	2006 £m
Cash and cash equivalents	37	**0.8**	2.2
Financial investments at fair value through income	38	**120.0**	22.9
Amounts due from subsidiary undertakings	39	**340.6**	254.3
Current income tax asset		**3.2**	31.7
Deferred tax assets		**0.1**	5.5
Investments in subsidiary undertakings	40	**802.5**	786.2
Property and equipment	41	**1.7**	1.7
Total assets		**1,268.9**	1,104.5
Equity			
Share capital	22	**134.4**	133.5
Share premium account		**230.8**	347.6
Other reserves		**7.7**	6.6
Treasury shares		**(2.1)**	(0.6)
Retained earnings		**226.4**	252.1
Total shareholders' equity		**597.2**	739.2
Liabilities			
Deferred tax liabilities		**0.1**	–
Trade and other payables		**124.6**	1.5
Amounts due to subsidiary undertakings		**269.6**	85.9
Borrowings	42	**277.4**	277.9
Total liabilities		**671.7**	365.3
Total liabilities and shareholders' equity		**1,268.9**	1,104.5

The financial statements were approved by the Board of Directors and authorised for issue on 27 February 2008. They were signed on its behalf by:

Roger Taylor
Chairman

Richard Hextall
Finance Director

Parent Company Statement of Changes in Equity
For the year ended 31 December 2007

	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
At 1 January 2007	133.5	347.6	6.6	(0.6)	252.1	739.2
Net purchase of treasury shares	–	–	–	(1.5)	–	(1.5)
Gains on revaluation of employee share ownership trust recognised directly in equity	–	–	(0.1)	–	–	(0.1)
Profit for the financial year	–	–	–	–	85.4	85.4
Total recognised income for the year	–	–	(0.1)	(1.5)	85.4	83.8
Employee share option scheme:						
– share based payment reserve	–	–	1.2	–	–	1.2
– proceeds from shares issued	0.9	3.6	–	–	–	4.5
Dividends paid	–	–	–	–	(111.1)	(111.1)
Return of capital	–	(120.4)	–	–	–	(120.4)
	0.9	(116.8)	1.2	–	(111.1)	(225.8)
At 31 December 2007	**134.4**	**230.8**	**7.7**	**(2.1)**	**226.4**	**597.2**

	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
At 1 January 2006	132.5	344.0	5.3	(1.7)	128.5	608.6
Net sale of treasury shares	–	–	–	1.1	–	1.1
Gains on revaluation of employee share ownership trust recognised directly in equity	–	–	0.2	–	–	0.2
Profit for the financial year	–	–	–	–	171.0	171.0
Total recognised income for the year	–	–	0.2	1.1	171.0	172.3
Employee share option scheme:						
– share based payment reserve	–	–	1.1	–	–	1.1
– proceeds from shares issued	1.0	3.6	–	–	–	4.6
Dividends paid	–	–	–	–	(47.4)	(47.4)
	1.0	3.6	1.1	–	(47.4)	(41.7)
At 31 December 2006	133.5	347.6	6.6	(0.6)	252.1	739.2

Parent Company Cash Flow Statement
For the year ended 31 December 2007

	Notes	2007 £m	2006 £m
Cash generated from operations	44	**184.2**	93.3
Income tax paid		**(55.6)**	(14.0)
Net cash flow from operations		**128.6**	79.3
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**(3.3)**	–
Net cash used in investing activities		**(3.3)**	–
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**4.5**	4.6
Proceeds from borrowings		**–**	227.7
Repayment of borrowings		**–**	(238.0)
Dividends paid to shareholders	43	**(111.1)**	(47.4)
Interest paid		**(18.6)**	(24.7)
Purchase of treasury shares		**(1.5)**	–
Net cash from financing activities		**(126.7)**	(77.8)
Net increase in cash and cash equivalents		**(1.4)**	1.5
Cash and cash equivalents at beginning of year		**2.2**	0.7
Cash and cash equivalents at end of year	37	**0.8**	2.2

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 1985. The balance sheet of the parent company has also been prepared in accordance with IFRS. In accordance with the extension permitted under section 230 of the Companies Act 1985, the income statement of the parent company is not presented as part of these accounts. The profit after taxation for the year of the parent company was £85.4 million (2006: £171.0 million).

The financial statements have been prepared on the historical cost basis except for financial investments, loans and receivables, share options and pension assets and liabilities 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.

37 Cash and cash equivalents

	2007 £m	2006 £m
Cash at bank and in hand	0.8	2.2

38 Financial investments

The cost and valuation of the Company's investments are as follows:

	At valuation 2007 £m	At valuation 2006 £m	At cost 2007 £m	At cost 2006 £m
Participations in investment pools	70.5	22.9	70.5	22.9
Debt and other fixed income securities	50.8	–	50.0	–
Derivatives	(1.3)	–	–	–
Total	120.0	22.9	120.5	22.9

39 Loans and receivables

	2007 £m	2006 £m
Amounts due from subsidiary undertakings	340.6	254.3

	2007 £m	2006 £m
Current portion	340.6	254.3

40 Investments in subsidiary undertakings

Company

	2007 £m	2006 £m
At 1 January	**786.2**	787.4
Adjustments during the year	**16.3**	(1.2)
At 31 December	**802.5**	786.2

During the period, a wholly owned subsidiary Amlin Singapore Pte Limited was incorporated in Singapore with authorised capital of one Singapore dollar and an initial capital contribution by Amlin plc of 300,000 Singapore dollars.

On 2 July 2007, the Group acquired 100% of the share capital and voting rights in Allied Cedar Insurance Group Limited, the holding company of Allied Underwriting Agencies Limited and Cedar Insurance Company Limited. The Allied Cedar Insurance Group Limited is a general insurance underwriting operation specialising in UK property personal lines business. Details of the acquisition are included in note 35 of the consolidated financial statements.

During the year, ownership of Amlin Corporate Services Limited was transferred from Amlin Underwriting Group Limited to the Company and the Company's investments in Amlin Underwriting Group Limited and Angerstein Underwriting Limited were liquidated.

The principal undertakings of Amlin plc at 31 December 2007 which are consolidated in these financial statements, all of which are wholly owned, operate in the UK, Bermuda and Singapore:

Subsidiary undertakings	Principal activity	Registered in
Allied Cedar Insurance Group Limited	Intermediate holding company	England and Wales
Amlin Bermuda Ltd	Reinsurance company	Bermuda
Amlin Corporate Services Limited	Group service, employing and intermediate holding company	England and Wales
Amlin Investments Limited	Investment company	England and Wales
Amlin Plus Limited*	Lloyd's service company	England and Wales
Amlin Underwriting Limited	Lloyd's managing agency	England and Wales
AUT Holdings Limited	Intermediate holding company	England and Wales
Amlin Corporate Member Limited	Corporate member at Lloyd's	England and Wales
AUT (No 2) Limited	Corporate member at Lloyd's	England and Wales
AUT (No 6) Limited	Corporate member at Lloyd's	England and Wales
AUT (No 7) Limited	Corporate member at Lloyd's	England and Wales
AUT (No 8) Limited	Corporate member at Lloyd's	England and Wales
Delian Beta Limited	Corporate member at Lloyd's	England and Wales
Delian Delta Limited	Corporate member at Lloyd's	England and Wales
Amlin Singapore Pte Limited	Lloyd's service company	Singapore

* 60% owned by the Group

41 Property and equipment

	Leasehold land and buildings £m
Cost	
At 1 January and 31 December 2007	1.9
Accumulated depreciation	
At 1 January 2007	0.2
Charge for the year	–
At 31 December 2007	0.2
Net book value	
At 31 December 2007	**1.7**
At 31 December 2006	1.7

42 Borrowings

	2007 £m	2006 £m
Subordinated debt	**277.4**	277.9

	2007 £m	2006 £m
Current portion	**–**	–
Non-current portion	**277.4**	277.9
	277.4	277.9

For details of the Company borrowings refer to note 26 in the notes to the Group accounts.

43 Dividends

The amounts recognised as distributions to equity holders are as follows:

	2007 £m	2006 £m
Final dividend for the year ended:		
– 31 December 2006 of 7.8 pence per ordinary share	**41.7**	–
– 31 December 2005 of 6.2 pence per ordinary share	**–**	25.0
Interim dividend for the year ended:		
– 31 December 2007 of 5.0 pence per ordinary share	**26.7**	–
– 31 December 2006 of 4.2 pence per ordinary share	**–**	22.4
Special dividend for the year ended:		
– 31 December 2006 of 8.0 pence per ordinary share	**42.7**	–
	111.1	47.4

The final dividend of 10.0 pence per ordinary share for 2007, amounting to £47.8 million, payable in cash was approved by the Board on 27 February 2008 and has not been included as a liability as at 31 December 2007.

44 Cash generated from operations

	2007 £m	2006 £m
Profit on ordinary activities before taxation	**88.5**	167.1
Adjustments for:		
Depreciation charge	**–**	0.1
Finance costs	**20.0**	24.7
Unrealised gains on investments	**0.6**	(0.3)
Net purchases of financial investments	**(97.8)**	(7.5)
Foreign exchange gain	**(0.8)**	(10.0)
Increase in loans and receivables	**2.2**	(117.5)
Increase in trade and other payables	**170.8**	34.5
Other non-cash movements	**0.7**	2.2
Cash generated from operations	**184.2**	93.3

45 Related party transactions

Full details of related party transactions are provided in note 34 to the consolidated financial statements.

46 Share based payments

Full details of share based payment plans are provided in note 23 to the consolidated financial statements.

The following five year summary is provided as additional information. It has been prepared from the accounting and/or statutory records of the Group together with adjustments, as described in the notes, for changes in accounting policies made after the date on which the original data was published. This information does not form part of the statutory financial statements, but should be read in conjunction with them and the responsibilities section of the auditors' report thereon.

	2007 £m	2006 £m	**2005 £m	**2004 £m	***2003 £m
Managed capacity (year of account)	**1,000.0**	1,000.0	850.0	1,000.0	999.6
Amlin share	**1,000.0**	1,000.0	850.0	1,000.0	861.4
Gross premium written	**1,044.7**	1,113.8	993.5	945.6	937.4
Net premium written (i)	**938.3**	1,013.5	829.3	790.2	787.6
Net earned premium (i)	**1,088.0**	973.9	822.1	722.4	701.1
Profit attributable to underwriting	**355.0**	267.9	137.1	106.6	117.1
Profit before tax	**445.0**	342.7	186.7	119.7	117.8
Equity dividends	**111.1**	47.4	35.6	18.0	8.0
Intangible assets	**69.0**	66.0	66.0	66.0	63.2
Total assets*	**3,579.5**	3,446.8	3,607.2	2,340.7	1,977.8
Total liabilities	**2,527.2**	2,510.4	2,822.4	1,891.5	1,597.3
Equity shareholders' funds*	**1,052.3**	936.4	784.8	449.2	380.5
Earnings per share					
– basic	**66.3p**	50.4p	34.3p	20.7p	21.0p
– diluted	**65.5p**	49.8p	33.7p	20.4p	
Dividends per share	**20.8p**	10.4p	9.0p	4.7p	2.1p
Net assets per share*	**220.7p**	175.6p	148.7p	113.7p	98.7p
Tangible net assets per share*	**206.2p**	163.2p	136.2p	97.0p	82.3p
Share price (at 31 December)	**298.0p**	325.3p	248.5p	141.5p	128.0p

* The indicated amounts have been restated to the current policy whereby 'Own shares' are deducted from equity, where they were previously classed as an asset. The per share amounts have been restated taking account of this change.

** The indicated columns above are restated under International Accounting Standards and for a change in accounting policy as per note 1 in addition to *** below.

*** The indicated columns above have been restated for the following material changes under International Accounting Standards

Write back of amortisation on syndicate capacity
Non-monetary assets foreign exchange adjustment
Retirement benefit obligation recognition
Mid to bid market valuation of financial assets

(i) Net premium written and net earned premium exclude premium received by Amlin for the reinsurance to close of non-aligned members of Syndicate 2001.

Board

1 Roger Taylor, Chairman ■
Aged 66. Chairman of the Nomination Committee. Appointed a non-executive Director and Chairman in 1998. He is non-executive Deputy Chairman of Helphire Group plc, non-executive President of Yura International Holding B.V. and of Yam Invest N.V. and a non-executive director 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 the Chairman of the Association of British Insurers from 1997 to 1998.

2 Charles Philipps, Chief Executive ■
Aged 49. 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 January 2007. He was a director of the Lloyd's Market Association from 2003 and a Vice Chairman from 2004, in each case until May 2007. He is Deputy President of The Insurance Institute of London since September 2007, having served on its Council since 2004. He was previously 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 Nigel Buchanan, Independent Non-Executive ▲■●
Aged 64. Appointed a Director in 2004. Chartered Accountant. Chairman of the Audit Committee since 2005 and senior independent director since 2006. He is a non-executive director of Butterfield Bank (UK) Ltd and a trustee of the Outward Bound Trust. 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. He was a member of the Ethics Standards Board of the Accounting Foundation until it was superseded in 2002.

4 Brian Carpenter, Underwriter
Aged 50. Appointed a Director in 2000. He is head of the Amlin Insurance Services division of Syndicate 2001, which comprises the Group's UK motor, property and liability businesses. He has been a member of the Lloyd's Market Association's Motor Committee since 1989 and was a member of the Lloyd's Market Board from 2000 to 2002 and of the Business Development Unit Board at Lloyd's from 1997 to 2000. 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.

5 Richard Davey, Independent Non-Executive ▲
Aged 59. Appointed a Director in 2005. He is a non-executive Vice Chairman of the Yorkshire Building Society, senior independent non-executive director of Severn Trent Plc and, since May 2007, Chairman of London Capital Group Holdings PLC. He is a former non-executive director of Freeserve plc (until 2001) and of Scottish Widows Life Assurance Society (until 2000). The majority of his executive career was spent in investment banking at N M Rothschild & Sons Limited, where he served in various roles, including Head of Investment Banking and Chairman of its Executive Committee, until his retirement 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.

6 Marty Feinstein, Independent Non-Executive
Aged 59. Appointed a Director in December 2007. He is a non-executive Director of Reynolds American Inc and GeoVera Insurance 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 B.A.T. Industries p.l.c. and of Allied Zurich p.l.c.. He is a US citizen.

7 Richard Hextall, Finance Director
Aged 39. Appointed Group Finance Director in 1999. Chartered Accountant. He has been a director of the Lloyd's Market Association since May 2007 and a member of its Finance Committee since 2002, serving as Chairman of the committee from 2005 to December 2007. He was a member of the Lloyd's Investment Committee from 2003 to May 2007. He has been an independent non-executive director of The City of London Investment Trust PLC since November 2007. He joined Amlin from Deloitte & Touche, where he was a director specialising in the insurance and financial services sector.

8 Tony Holt, Underwriting Director
Aged 56. Appointed a Director in 2000. He has been Director of Underwriting since 1999. He was appointed head of Syndicate 2001's Non-marine division in 2000. He joined the Group in 1980 and was active underwriter of marine Syndicate 40 (now part of Syndicate 2001) from 1995 to 2000. He was a member of the Underwriting Advisory Committee to the Franchise Board of Lloyd's from 2003 to 2006, having previously served on the Committee of the Lloyd's Underwriting Association and its Joint XL Committee.

9 Roger Joslin, Independent Non-Executive ▲■
Aged 71. Appointed a Director in 2001. He is retiring from the Board at the Annual General Meeting in April 2008. He was a non-executive director of Archer Daniels Midland Company from 2001 to November 2007. Until he retired in 2002 he was Vice Chairman of State Farm Mutual Automobile Insurance Company and a director of State Farm Fire and Casualty Company and State Farm Life Insurance Company, serving on the executive and investment committees of these three principal companies in the State Farm Insurance Group. He is a US citizen.

10 Ramanam Mylvaganam, Independent Non-Executive ▲■●
Aged 58. Appointed a Director in 1998, and first elected by shareholders in July 1999, having previously served as an independent non-executive director of Amlin Underwriting Limited. Chairman of the Remuneration Committee since 2004. He is principal partner of CMS Ltd, a management consultancy firm specialising in marketing and strategic advice, and a non-executive director of Dobson Lyle Limited, Bern Aqua bv and Apollo Medical Information Systems Limited.

11 Sir Mark Wrightson Bt, Independent Non-Executive ●
Aged 57. Appointed a Director in 2006. He retired as Co-Chairman of Close Brothers Corporate Finance Limited, a subsidiary of Close Brothers Group plc, 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 of Tees Valley Regeneration Limited and was a non-executive director of British Vita plc from 2004 until its sale in 2005.

▲ Current member of the Audit Committee
■ Current member of the Nomination Committee
● Current member of the Remuneration Committee

Accounting to shareholders

We aim to:
- be transparent in communications about our business and its operational and financial performance, so that investors and other stakeholders can make informed judgements about the Company;
- listen to shareholder views on our business and its direction so that we can take account of them in our communications and in the management of the Company; and
- communicate with investors in the most appropriate and effective manner.

Investor Relations

Shareholder profile

At 31 December 2007, we had 2,038 holdings on our register of ordinary shareholders (2006: 1,899). As many shares are held in pooled nominees accounts, the number of underlying shareholders is likely to be a multiple of this.

Institutional, corporate and other nominee shareholders owned approximately 96% of Amlin's issued shares and private shareholders registered in their own names, plus Amlin employee trusts, owned the balance of 4%. The distribution of holdings by size is included in the table below.

Further analysis of our share register at the year end provides the following more detailed breakdowns of shareholders. These are based on analysis by Thomson Financial of all holdings on the register of 50,000 shares or more, which make up 97.5% of the register. It is assumed that most of the holdings below that level are held by private individuals in addition to the private holdings identified of 50,000 and over.

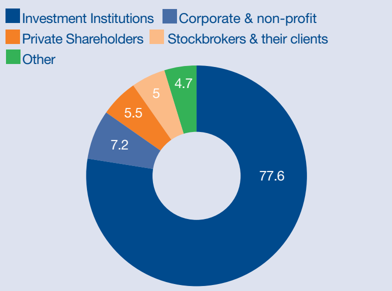
At 31 December 2007 an estimated 62% of the total share register was held by UK investment institutions (pension funds, mutual funds, insurance funds as distinct from banks and stockbrokers managing portfolios directly for private individuals).

Of this, funds managed in London were predominant, with around 49% of the total register (80% of UK institutional). A further 4% (6% of UK institutional) was managed in Scotland. Other than State Farm in Illinois, which is included in the corporate category in the below left graph, most of the North American holdings were managed in Boston (4%), Chicago (3%), New York (2%) and San Francisco (1%). In continental Europe, the largest proportion of institutional holdings was in Germany (1%).

Publicly announced shareholding interests (generally those over 3%), as at the latest practicable date before this report, are set out in the Directors' report starting on page 40 and are updated on our website. Regular analysis is made of fund managers' holdings below public disclosure levels and is reported to the Board quarterly together with other information on the trading of Amlin and peer group companies' shares.

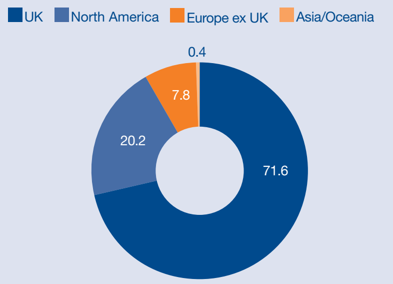
Within the estimated 4% of the Company held by individuals, an estimated 1.6% was owned by directors and staff, including the 0.3% held at the year end on their behalf by trustees of the Employee Share Ownership Trust and the Share Incentive Plan (SIP). An estimated 19% of Group employees were shareholders and 73% held shares through the SIP at the year end. Excluding the SIP, 57% of staff had outstanding options or conditional share awards under one or more of the Company's share plans.

2007 Shareholders by type (%)



Source: Thompson

2007 Shareholders by geography



Source: Thompson

Amlin share register 31 December 2007

By type of investor	Number of holdings	%	Number of shares	%
Current Directors (and connected persons, excluding Share Incentive Plan)	10	0.49	3,220,096	0.67
Other individuals	1,128	55.35	14,402,829	3.01
Employee trusts*	2	0.01	1,525,822	0.32
Institutional, corporate and nominee	898	44.11	458,831,788	96.00

By size of investment	Number of holdings	%	Number of shares	%
Up to 50,000	1,679	82.38	11,758,923	2.46
50,001 to 100,000	94	4.61	6,915,114	1.45
100,001 to 500,000	143	7.02	31,714,320	6.64
500,001 to 1,000,000	44	2.16	33,812,783	7.07
1,000,001 to 5,000,000	56	2.75	111,510,140	23.33
5,000,0001 to 10,000,000	13	0.64	82,220,720	17.20
Over 10,000,000	9	0.44	200,052,195	41.85
Total	**2,038**	**100.00**	**477,984,195**	**100.00**

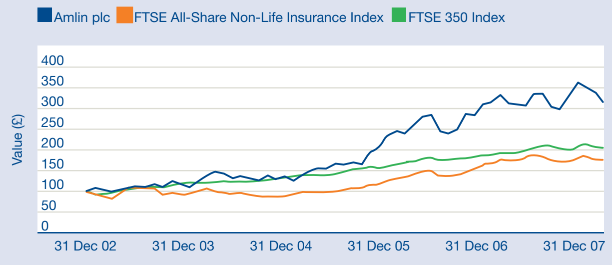
* Employee Share Ownership Trust and Share Incentive Plan

Source: Amlin

Financial calendar

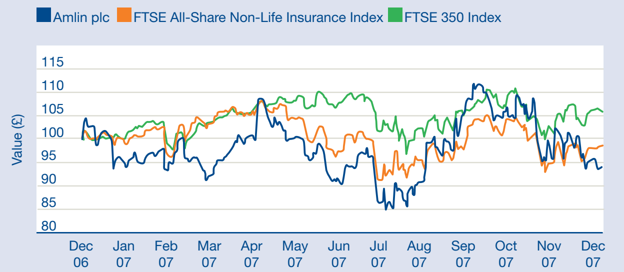
2008	
24 April	2008 Annual General Meeting
30 April	Payment of final dividend for 2007 (subject to shareholder approval)
21 August	Announcement of interim results and interim dividend for the six months ended 30 June 2008
15 October	Expected payment of interim dividend
2009	
February	Announcement of 2008 results
April	Annual General Meeting
April	Expected payment of 2008 final dividend

Relative total shareholder return: over 5 years



Source: Thomson Financial

Relative total shareholder return: over 1 year



Source: Thomson Financial

Sector Profile

The two principal stock market indices of which Amlin shares are a constituent are the FTSE250 index and the FTSE All Share Non-Life Insurance index. Amlin's total shareholder return (TSR) has signficantly outperformed both indices over the past five years, as demonstrated in the above left hand chart. In 2007 alone Amlin's TSR underperformed these indices, as shown in the above right hand chart.

Amlin's increasing net tangible assets per share and relatively strong share rating are reflected in its shares having maintained a higher market capitalisation than those of its Lloyd's peer group over recent years. At the year end Amlin was ranked at 158 in the FTSE 350 Index by market capitalisation (2006: 149).

The number of shares traded on the London Stock Exchange again increased in 2007 with on average 2.6 million shares traded daily, compared with 2.3 million in 2006. An average of 0.66% of Amlin's shares were traded each day in 2007 (2006: 0.41%). This was a similar percentage (of a larger market capitalisation) to most of our fellow FTSE 250 listed Lloyd's insurers.

Communication

Investor and analysts' meetings

During 2007, the Chief Executive and/or Finance Director met 190 (2006: 153) existing or potential institutional investors, fund managers and private client stockbrokers, both in the UK and elsewhere.

We held presentations for brokers' analysts on the days of the release of our annual and half year results. For the last five years these presentations have been webcast so that all investors may access them simultaneously. Webcast log-in details are available on our website at least seven days prior to results announcements. We also present at investor conferences, typically hosted by stockbrokers.

The Board received anonymous feedback from our stockbroker, Hoare Govett Limited, of views expressed by investors following our 2006 results and 2007 interim results presentations. Our financial PR advisers, Haggie Financial LLP, also obtain feedback for us from brokers' analysts. We continued to be pleased with the level of positive and constructive feedback.

Analyst coverage

We are aware of 11 analysts who have published notes on Amlin during 2007 and we provide the names of analysts and their firms on our website.

Corporate reporting and AGM

We regard our Annual Report as an important means of communicating with shareholders and over the past several years have sought to provide increasingly useful information and analysis on Amlin. Our aim is to increase our stakeholders' understanding of Amlin and its vision for the future and to provide an objective and fair view of its performance and prospects, as well as complying with best reporting practice. We complement our Annual and Interim Reports with additional information on our website, including press releases and other updates.

The Chief Executive also makes a business presentation at our AGM each year. Underlying shareholders holding their shares in a nominee company may be appointed by such nominee as a corporate representative and, in that capacity, fully participate in the meeting.

Information for shareholders

Electronic communications

For those shareholders who prefer to receive our Annual and Interim Reports electronically, we provide a facility on our website to register for this option. This may be convenient to some shareholders and reduces paper usage and costs. As permitted by recent legislation, and following the lead of most larger listed companies, we are proposing a change to our Articles of Association at our 2008 AGM which will allow the Board to adopt electronic shareholder communication by default, enabling us to circulate hard copies of the Annual and Interim Reports only to those who opt to receive them. Fuller details of this proposal and how we intend to implement it are set out in the AGM Circular.

Dealing in Amlin shares

Amlin's ordinary shares are listed on the London Stock Exchange. Prices are reported daily in newspapers including the Financial Times, the Daily Telegraph and the London Evening Standard. The B Shares issued in December 2007, further details of which are given in the Directors' report on page 40 and in note 22 to the Accounts, are not listed or traded on any stock exchange.

The Company's stockbroker, Hoare Govett Limited, offers a low cost dealing service, which enables UK resident investors who may not have their own stockbrokers to buy or sell Amlin shares. For further information please call Hoare Govett Limited on 020 7678 8300 on business days between 08:00 and 16:30 or find the relevant form together with further details on our website. Hoare Govett Limited is authorised by the Financial Services Authority.

The UK capital gains tax position regarding the B Shares issue (December 2007)

The detailed UK and US tax position of all aspects of the recent return of capital and share consolidation was set out in a circular to shareholders dated 16 November 2007, copies of which are available from the Company Secretary and the Amlin website. This involved the replacement of each 9 ordinary shares of 25p each in the Company previously held by shareholders by 9 B Shares of 22.4p each and 8 consolidated ordinary shares of 28.125p each (New Shares).

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 is considered to be 22.3p. As the B Shares will not be 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%.

The return of capital and recent dividends

In the absence of any election to the contrary, a return of capital of 22.4p per share was made by way of redemption of B shares on 14 January 2008. Proceeds were paid to qualifying shareholders on 17 January 2008.

Dividends paid on ordinary shares in 2006 and 2007 were as follows:

Recent dividend payments on Amlin ordinary shares

	Record date	Payment date	Amount per share
2005 final	31 March 2006	31 May 2006	6.2p
2006 interim	29 Sep 2006	20 Oct 2006	4.2p
2006 final	30 March 2006	30 May 2007	7.8p
Special	30 March 2007	30 May 2007	8.0p
2007 interim	21 Sep 2007	19 Oct 2007	5.0p

Details of the proposed 2007 final dividend are set out in the directors' report on page 40.

Corporate Governance

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

- They are central to fulfilling many of its core values stated earlier in this Annual Report, such as integrity, professional excellence and sustainability.
- They underpin the objectivity of such processes as insurance reserving, risk management, balance sheet and investment management, the design and operation of executive remuneration and succession planning.
- They are the basis for the accountability of executive management to the Board and of the Board to shareholders.

Board Corporate Governance Statement

Board composition and independence

During the year the Board of Amlin plc (the Board or plc Board) comprised: the Chairman, at different times either five or six other non-executive directors (NEDs), of whom at least five at any time were classified as independent, and four executive directors. The only changes to the Board during the year were the retirement of the one non-independent non-executive, Mr Tom Kemp, at the AGM on 24 May 2007, and the appointment with effect from 1 December 2007 of Mr Martin (Marty) Feinstein as a sixth independent non-executive director. Mr Buchanan served as senior independent non-executive director throughout the year. Biographical details of all the current directors are set out on pages 94 and 95.

The non-executive Chairman was independent on his appointment in 1998 but, as Chairman, is not classified as independent. Apart from Mr Kemp (who was not independent by virtue of his cross-directorship with Montpelier Re, with which the Company has in the past had a material reinsurance relationship), all the other non-executive directors during the year and in 2008 to date are 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.

Mr Joslin was until 2002 Vice Chairman of State Farm Mutual Automobile Insurance Company (State Farm), which is disclosed as a 5.5% shareholder in the Company. In view of the length of time since his relationship with State Farm ended, he was classified as independent throughout the year.

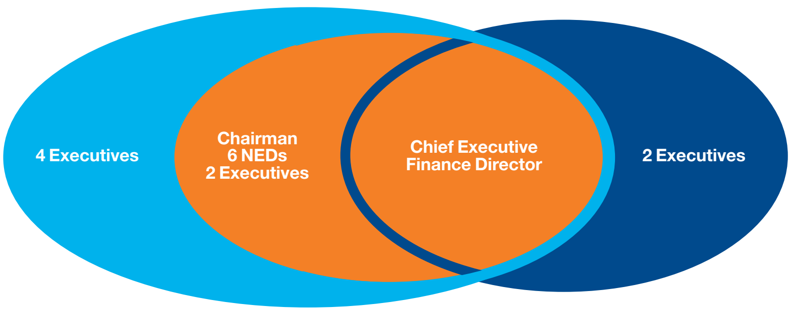
Mr Mylvaganam was first elected to the Board by shareholders in 1999 (having been appointed to the Board the previous September). Accordingly, he is being proposed for re-election to the Board at the AGM to be held in April 2008 for a term of office of one year only, on the basis that he will relinquish his Committee appointments for which independence is required later in 2008.

Regulated subsidiaries within a Group framework

Each of the Group's business platforms – Lloyd's and Bermuda – have their own regulated Boards: those of Amlin Underwriting Limited (AUL), as the managing agent for the Group's Lloyd's syndicate, and Amlin Bermuda Ltd (ABL) respectively. As the plc Board has overall responsibility to shareholders and other stakeholders for the Group's operations, it is at the same time necessary for Board Committees such as the Audit and Nomination Committees to be able to operate effectively in relation to the whole Group.

Amlin has addressed this issue, and the wish to avoid needless duplication between Amlin plc and AUL board business, both by the memberships of the three boards (illustrated in the figure below) and by the structure of Committee responsibilities at both board and executive management levels.

Board membership at 31 December 2007



Simon Beale •
Rod Dampier •
David Harris •
James Illingworth •

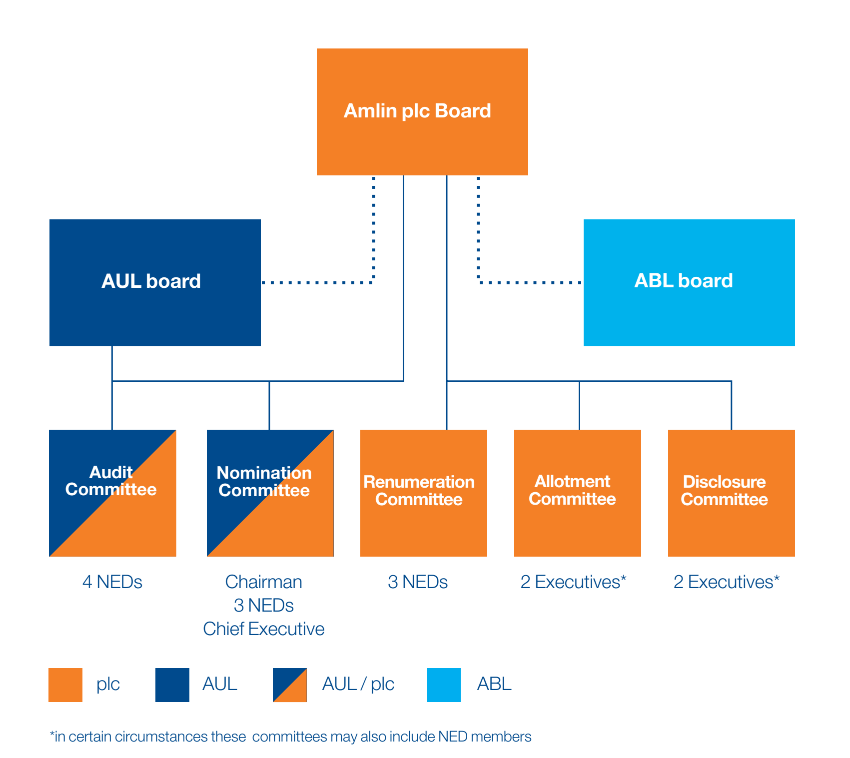
Roger Taylor ••
Nigel Buchanan ••
Richard Davey ••
Marty Feinstein ••
Roger Joslin ••
Ramanam Mylvaganam••
Sir Mark Wrightson ••
Brian Carpenter ••
Tony Holt ••

Charles Philipps •••
Richard Hextall •••

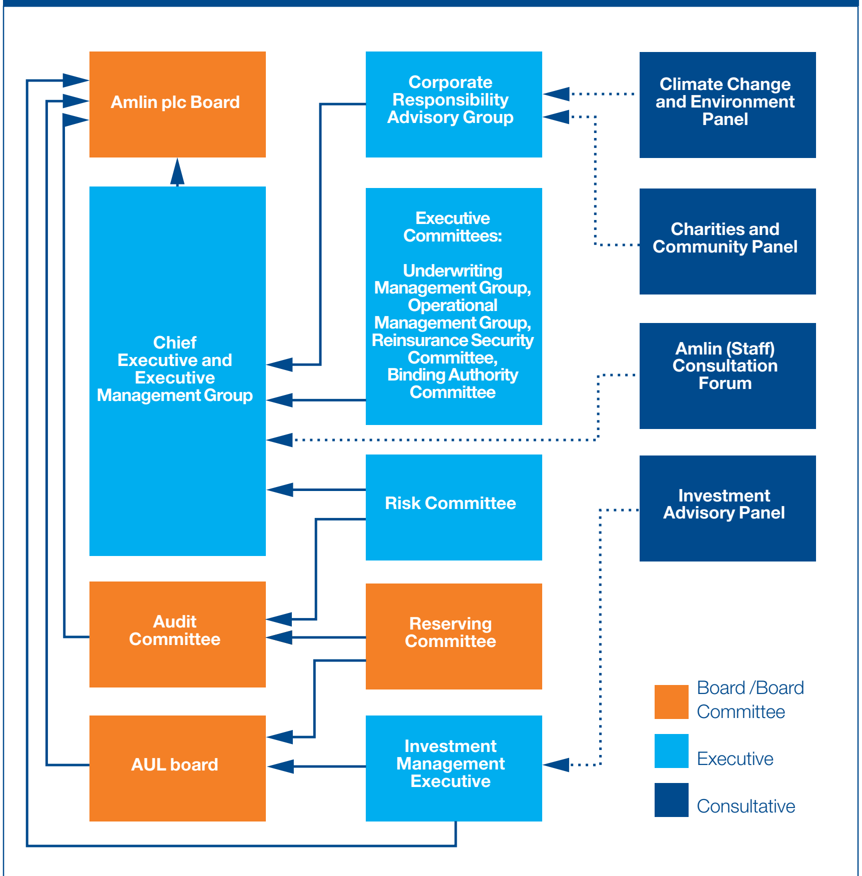
John Andrews •
Stuart MacKellar •

• Amlin Underwriting Limited board
• Amlin plc Board
• Amlin Bermuda Ltd board

Board and Board Committee Structure



UK Executive Committee Structure



As all plc directors are members of the AUL board, business reporting by AUL management is made to that board with no need for repetition at the plc Board. The latter is then able to concentrate more on strategic and longer term issues. The accountability of the ABL board to the plc Board operates differently. It operates independently in Bermuda and no decisions are made at the plc Board other than in its capacity as shareholder. Fuller operational reports on ABL than on AUL are then made to the plc Board in addition to reports on a Group level.

The operation of the Audit and Nomination Committees as committees of the AUL as well as the plc Board enables those Committees to report directly to AUL the conclusions of its reviews of matters that are that board's regulatory responsibility. These include Syndicate 2001's reserving and Individual Capital Assessment, controls relating to all business written from the UK, and succession planning of underwriters and key AUL support roles. The boards of the other regulated companies in the Group, service companies that obtain business for Syndicate 2001, also report to the AUL board. In the case of ABL, its reporting continues in the traditional manner through the parent.

As part of the two annual Board evaluations conducted since changes were instituted in 2006, the effectiveness of this board and committee structure has been reviewed and the conclusion reached that it is working effectively in meeting both business and regulatory needs.

Corporate governance within the executive structure

Board level corporate governance is only the most visible aspect of a review and decision-making structure that goes much deeper. The Group and AUL executive team has many internal processes to operate and decisions to make, all of which require clearly defined authorities and processes. The structure in the UK of executive decision-making, review and consultation, and its interaction with relevant board Committees, is illustrated in the chart opposite.

At the centre of the executive function is the Executive Management Group (EMG), of the nine most senior UK-based executives (the executive directors of AUL plus the head of HR), led by the Chief Executive. Some committees of executives report directly into the Board level governance structure, such as the Reserving Committee (a committee of the AUL board), and others report to EMG.

The business functions themselves are all described in more detail in the Review section of the Annual Report but the above governance structure shows that differing arrangements have been adopted to ensure the most appropriate management and accountability of different aspects of the business. Some examples of these follow on the next page.

Corporate Governance

Reserving

The ultimate responsibility for the Group's reserving is that of the boards but it is also important that the process whereby executive management reaches the proposed reserving decisions is objective and robust. Hence AUL's Reserving Committee, which reviews and finalises the preliminary reserving conclusions each quarter, reports on reserving to the Audit Committee (twice yearly) and the AUL Board (quarterly). The Reserving Committee is chaired by the Chief Executive. Its members include the Finance Director, the four divisional underwriters and the Chief Risk Officer. It receives internal actuarial reports from the Risk Assessment & Monitoring department reviewing the consistency of the key reserving judgements. In the case of ABL, its board effectively acts as the reserving committee, receiving reports direct from its local management, which has the benefit of advice and analysis provided by the Group Risk Assessment & Monitoring department.

Risk management

There is a clear line of responsibility for risk management from business managers to the executive Risk Committee and, from there, to the Audit Committee reporting to both the AUL and plc boards. The Risk Committee also reports to EMG in order to ensure that recommendations for risk assessment, control and mitigation are carefully considered and acted upon at executive level. Further details of the Group's Risk Management is set out in the Review section of the Annual Report and the conclusions of the Board's review of internal control is set out in the 'Board internal control statement' later in this report.

Investments

The setting and execution of the Group's investment strategy has its own hierarchy of responsibilites. The relevant boards (AUL for syndicate funds, which includes its underwriting and capital assets, ABL for its own funds, and Amlin plc for surplus capital and a Group overview) are responsible for their own overall strategies. An Investment Management Executive including the Finance Director, Chief Executive and Chief Investment Officer has responsibility for important tactical decisions with day to day decisions being taken by the Chief Investment Officer. The executive is assisted in its decision making and recommendations to the boards by an Investment Advisory Panel (IAP) consisting of members of the Investment Management Executive plus three external investment experts. The whole process is governed by a comprehensive investment governance manual, which defines what decisions may be taken at what level. This has been refined over time so that, for instance, during 2007 fund manager monitoring (including receiving progress report presentations) was moved from the IAP to the Investment Management Executive, freeing up more time for the IAP to consider strategic asset allocation issues.

Corporate responsibility

The Chief Executive has Board level responsibility for all corporate responsibility matters. Until 2007 he was supported by a staff Charities Committee, a staff Environment Committee and a Health & Safety Committee, with no formal governance structures covering other aspects of corporate responsibility. In late 2007 following the completion of a review of our strategy and approach, we broadened the remit of the Charities Committee into a Charities and Community Panel and replaced the Environment Committee with a Climate Change and Environment Panel. These panels will both report to a new Corporate Responsibility Advisory Group, which will review the adequacy of the Group's overall corporate reponsibility activities. Rather than being made up principally of staff representative committees, this structure will have greater managerial input, aiming to provide more focus and strategic direction, recognising the area's increasing importance as a responsibility of management and the boards. A separate Corporate Responsibilitie report follows the corporate governance reports.

Board and Committee meetings and attendance

The plc Board held six regular Board meetings in 2007 (2006: five) and one two-day planning and strategy session (2006: one). Three Board meetings were held during the year to consider specific corporate matters or transactions (2006: nil). The subsidiary operating boards met quarterly. The attendance of each director at plc Board meetings (out of ten possible meetings, including the planning and strategy session) are shown below. All of the committee members, whose attendance is also shown below, served on relevant committees throughout the year and in 2008 to date.

Board meeting attendance in 2007

	Number of meetings attended
N J C Buchanan	10
B D Carpenter	10
R H Davey	10
M D Feinstein (appointed Dec 2007 – no possible meetings)	–
A W Holt	10
R S Joslin	9
K T Kemp (retired May 2007 – maximum possible meetings 4)	3
R W Mylvaganam	10
C E L Philipps	10
R J Taylor	10
Sir Mark Wrightson Bt	8
Average % attendance	96%

Committee membership and meeting attendance in 2007

	Audit Committees attended of 5	Nomination Committees attended of 3	Remuneration Committees attended of 10*
N J C Buchanan	5	3	8
R H Davey	5	n/m	n/m
R S Joslin	5	2	n/m
R W Mylvaganam	5	3	10
C E L Philipps	n/m	3	n/m
R J Taylor	n/m	3	n/m
Sir Mark Wrightson Bt	n/m	n/m	9
Average % attendance	100%	93%	90%

* The meetings not attended by Renumeration Commitee members were all formal or one-item meetings. An entry of 'n/m' means that the director was/is not a member of the Commitee.

Compliance with Combined Code

During the year ended 31 December 2007 the Company was in compliance with all of the provisions of section 1 (companies) of the Combined Code. This report, the following Committee reports, the Directors' Remuneration report and the summary table below together describe how the Company applied the Main and Supporting Principles of the Combined Code during the year.

Area of section 1 of the Combined Code	Commentary
A. Directors	
A.1 The Board "an effective board…collectively responsible for the success of the company"	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 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 or from the Company Secretary on request. The Board meets regularly, usually at full strength, as demonstrated in the 'Board meeting attendance in 2007' table opposite. The NEDs met on a number of occasions during the year without executive directors or other executive management present, including at least once without the Chairman. The Chairman chairs full NED meetings and the senior independent director chairs meetings when the Chairman is not present.
A.2 Chairman and chief executive "clear division of responsibilities"	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. A statement detailing this division of responsibilities, which includes provision 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, has been approved by the Board.
A.3 Board balance and independence "a balance of executive and non-executive directors (…in particular independent NEDs)"	The balance of the Board, its strong independent representation and the sharing of Committee work is set out in earlier sections of this Board Corporate Governance statement. Mr Buchanan is the appointed 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.
A.4 Appointments to the Board "formal, rigorous and transparent procedure for the appointment of new directors…expected time commitments of NEDs"	The Company's Articles of Association ("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. 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. In certain circumstances, in accordance with the Code, directors are proposed for election for shorter periods. The process for nomination to the Board and for considering succession planning is set out in the Nomination Committee report below. The Board continues to satisfy itself that the Chairman has sufficient time available to devote to his duties as non-executive Chairman of the Company and of AUL. The letters of appointment of the Chairman and the other NEDs, 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 : • Chairman of the companies: 75 days • Audit and Rermuneration Committee chairmen: 30 days • Other NEDs: 20 days.
A.5 Information and professional development "timely quality information…induction on joining… regular update (of) skills and knowledge"	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 and, during 2007, a separate session for the Boards of the Company and AUL took place on directors' duties, the Disclosure and Transparency Rules and related matters. In addition, the Company encourages, facilitates and monitors other professional development for both executive and non-executive directors as is required for their particular roles. The Company maintains a model director induction programme, which is tailored to suit the needs of each new director joining the Board and which the director who joined late in the year, Mr Feinstein, is completing in April 2008. Procedures are in place for directors to take independent professional advice, when necessary, at the Company's expense. The Board and its committees are supported by the Company Secretary who, under the direction of the Chairman, advises the board on all governance matters and helps to ensure good communication and information flows within the Board, including between executive and non-executive directors and between the Board and its Committees. He also facilitates the Board updating and induction work outlined above. Executive level committees are also serviced, attended and minuted by the Secretary or another member of his team.
A.6 Performance evaluation "formal and rigorous annual evaluation of its own performance"	Since the last annual report the Board has undertaken its annual evaluation of the performance of the Board, its Committees and each director. These were initiated by a questionnaire completed by each director giving his assessment of both collective and individual performances. The results of the evaluation of the Board as a whole were summarised by the Chairman at its meeting in February 2008 and the Board agreed its conclusions. Each Board Committee evaluated its performance in late 2007, and the conclusions were also reported to the Board. The Chairman also discussed any 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 are evaluated as part of the Group's regular Performance Development Review process), with the director concerned. The Chief Executive's total performance is reviewed by the Chairman. The Chairman's own evaluation was conducted by the NEDs led by the senior independent director, taking into account the views of the executve directors. The senior independent director discussed and agreed the conclusions with the Chairman.

Corporate Governance

Area of section 1 of the Combined Code	Commentary
A. Directors (continued)	
A.7 Re-election "re-election at regular intervals…planned and progressive refreshing of 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. If an NED has served on the Board for nine years or more, this is shortened to one year. Details of the procedures whereby appointments and re-appointments to the Board are considered are set out in the Nomination Committee report below. Board and individual directors' evaluations are taken into account by that committee when considering specifications for new NEDs, succession planning and nominations for re-election at AGMs (including that of the Chairman and Mr Mylvaganam in 2008). Further details of the terms of appointment of both the non-executive and executive directors are also set out in the Directors' Remuneration report.
B. Remuneration	
B.1 The level and make-up of remuneration "levels…sufficient to attract, retain and motivate directors…avoid paying more than is necessary…significant proportion (of executive remuneration) linked to performance"	The Directors' Remuneration report starting on page 108 sets out the policies and practices which demonstrate the Company's implementation of this Code principle and provisions.
B.2 Procedure "formal and transparent procedure"	The above sections entitled 'Board composition and independence' and 'Board and Committee meetings and attendance' demonstrate the appropriate membership and meeting frequency of the Renumeration Committee. There are generally four or five main meetings each year with a number of other meetings to implement formally decisions that have already been made or to deal with urgent matters. Further details of the Remuneration Committee's terms of reference and the Board's policy and practices regarding NED remuneration and terms of office are set out in the Directors' Remuneration report.
C. Accountability and audit	
C.1 Financial reporting "present balanced and understandable assessment of…position and prospects"	The Audit Committee's role in ensuring that the Group's financial reporting meets the standards of transparency and balance that are required and in monitoring reporting to regulators are set out in more detail in the Audit Committee report following this report. A 'going concern' statement is included in the Directors' report.
C.2 Internal control "sound system of internal control"	The Board's statement and commentary on its review of the effectiveness of the Group's system of internal control is set out in the 'Board internal control statement' below.
C.3 Audit Committee and auditors "formal and transparent arrangements for…(applying) financial reporting and internal control principles"	The role of the Audit Committee and the conduct of the relationship with the auditors is set out in the Audit Committee report below.
D. Relations with shareholders	
D.1 Dialogue with institutional shareholders "dialogue based on mutual understanding of objectives"	The Company is committed to a process of continuing dialogue with its shareholders. In addition to usual briefings on financial results, the Company presents at brokers' seminars and makes appropriate contact with institutional investors and their representative bodies when there are specific matters to discuss. Feedback reports from the Company's stockbrokers, Hoare Govett Ltd, are circulated to the full Board after each round of investor presentations and shareholder views on the Company are regularly discussed at Board meetings. A survey is independently conducted on behalf of the Board approximately every eighteen months of institutional shareholders' investment criteria and their perceptions of the Company, its management and its investor communications.
D.2 Constructive use of Annual General Meeting "use AGM to communicate with investors and encourage their participation"	Amendments to the Articles may only be made by special resolution at a general meeting of shareholders of the Company, usually the AGM. In order for a special resolution to be passed, it must be approved by 75% or more of the shares voted on the resolution, either in person or by proxy. Shareholders are encouraged to attend the AGM by the Chief Executive making a presentation there on the Group's progress. The Company has a high level of voting participation at its AGMs, receiving proxies representing 74%, 77% and 73% of its shares in issue in 2005, 2006 and 2007 respectively. Electronic proxy voting, details of which are included in the 2008 AGM circular and Notice of Meeting, is made available. The totals of proxy votes on each resolution, including details of any votes withheld, are announced at the meeting after each resolution has been dealt with on a show of hands and the full proxy voting results are always announced through a regulatory news service and on the Company's website. In the event of a close result as indicated by the proxies held by the chairman of the meeting, the chairman would call a poll, but this has not yet proved necessary.

Board internal control statement

The Board has overall responsibility for the Group's system of internal control and has applied Principle C.2 of the Combined Code by establishing a continuous process for identifying, evaluating and managing the significant risks the Group faces. This process has been in place from before the start of 2007 to the date of approval of this report and is in accordance with revised guidance on internal control published in October 2005 (the Turnbull Guidance). This process explicitly includes the risks, and opportunities to enhance value, arising from social, environmental and ethical matters. The Board is responsible for the Group's system of internal control and for reviewing its effectiveness and the directors are aware that such a 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.

In compliance with Provision C.2.1 of the Combined Code, the Audit Committee reviews regularly on behalf of the Board the effectiveness of the Group's system of internal control. Monitoring covers all controls, including financial, operational and compliance controls and risk management. Necessary actions have been or are being taken to remedy any significant identified control failings or weaknesses. The Group has in place a management structure with defined lines of responsibility and delegation of authority. The Group also operates a financial performance monitoring process involving detailed reporting against budgets and the preparation of longer term projections. The Audit Committee simultaneously reviews and monitors matters which are the regulatory responsibility of the board of AUL (on which it reports directly to that board as well as to the Amlin plc Board) and of the board of ABL (on which it reports via the Group Chief Executive and Finance Director in their capacities as directors of ABL). The plc Board receives regular reports from the Audit Committee which reviews the following main processes established by the Group:

- Regular reporting by each division and central function through an integrated risk management system on the main risks to the achievement of Group objectives and on the nature and effectiveness of the controls and other management processes to manage these risks. Significant risks and the actions taken to manage those risks are regularly reviewed by the Group's Risk Committee which comprises senior executives. The Risk Committee's quarterly meetings are scheduled to report through to the subsequent meeting of the Audit Committee.
- Senior managers reporting on those parts of the systems for which each of them is responsible through meetings with the risk management team.
- Internal audit and compliance monitoring work carried out respectively 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 Committee. The Group has established a risk based audit and compliance programme for reviewing and evaluating the internal controls and compliance procedures used in the management of risk.

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

The Audit Committee has also performed 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. The Audit Committee assists the Board in discharging its review responsibilities.

During the course of its review of the system of internal control the Board has not identified or been advised of any failings or weaknesses which it has determined to be significant.

The Audit Committee has additionally reviewed and remains satisfied with the arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. Revised arrangements were put in place during the year to enhance existing processes through the provision of an externally managed confidential reporting line.

By Order of the Board

C C T Pender Secretary
27 February 2008

Corporate Governance

The Nomination Committee is responsible for recommending board appointments and considering succession planning, so that the boards and their committees comprise directors, both executive and non-executive, with the appropriate balance of experience and qualities to deliver the strategic direction, entrepreneurial leadership, values, management, standards and framework of controls that are required for the Company's success.

Nomination Commitee report

Terms of reference

The Nomination Committee (the Committee), which is a joint committee of the boards of the Company and of its UK operating subsidiary, Amlin Underwriting Limited (AUL), is responsible for identifying and nominating for the approval of the relevant board or boards, all candidates for board appointment and proposed election or re-election to the Board, whether non-executive or executive. 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's terms of reference require it to give full consideration to succession planning, taking into account the challenges and opportunities facing the Group and what skills and expertise are needed in the future. The Committee is also responsible for assessing the adequacy of the Group's contingency and longer term succession plans in respect of the most senior roles below Board level. It also recommends to the Board the appointment of, and changes in, members of the boards' main Committees. No director may participate in any decision regarding his or her own position. The terms of reference are available in the 'Corporate Governance' section of 'Investor Relations' on the Company's website or from the Company Secretary on request.

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 that immediately precedes this report.

Activities

During the year the Committee completed the process of recommending the appointment of a further US-based independent non-executive director. This was against the background of one of the US directors, Mr Kemp, retiring in May 2007 and the other, Mr Joslin, having indicated that he was unlikely to seek re-election at the 2008 AGM. An agreed specification was drawn up and, working with external search consultants, Mr Martin (Marty) Feinstein, a US citizen based in California, was recommended for appointment. He joined the Board, and the board of AUL, on 1 December 2007.

The Committee also reviewed the general structure, size and composition of the Board and reviewed a detailed executive succession plan presented by the Chief Executive and the HR Director regarding all the senior executive roles in the Group. This plan identified short term contingency plans for fulfilling each role at short notice as well as, in most cases, one or more potential permanent successors. The Committee discussed the areas of the plan where it was agreed that more consideration was required. The Committee also discussed the continuing renewal of the non-executive directors, considering likely retirement dates, Committee succession, and the timing of further appointments.

No directors' terms of office expired at the 2007 AGM (although Mr Kemp decided to retire). The senior independent director reported to the Committee on the possible re-election of the Chairman for a further term at the 2008 AGM and the Committee (excluding the Chairman) decided to recommend to the Board that he be proposed for re-election for a further three year term. The Committee also recommended to the Board that Mr Mylvaganam, whose current term of office also expires at the 2008 AGM, be proposed for re-election for a one year term.

An annual self-evaluation was conducted by the Committee of its own terms of reference, composition, procedures, contribution and effectiveness, the conclusions of which were agreed and reported to the Board in November 2007.

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

C C T Pender Secretary
27 February 2008

The Audit Committee makes recommendations on the reporting, control, risk management and compliance aspects of the directors' and the Group's responsibilities, providing independent monitoring, guidance and challenge to executive management in these areas. Its aim is to ensure high standards of corporate and regulatory reporting, controls and compliance, in the belief that excellence in these areas enhances the effectiveness, and reduces the risks, of the business.

Audit Committee report

Terms of reference

The terms of reference of the Audit Committee (the Committee), which is a joint Committee of the boards of the Company and its UK operating subsidiary, Amlin Underwriting Limited (AUL), enable it to take an independent view of the appropriateness of the Group's accounting policies and practices. It also considers the appointment and fees (both audit and non-audit) of the external auditors, who have unrestricted access to it, and monitors the Group's compliance, internal control and risk management procedures. The Committee's terms of reference, which 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 or from the Company Secretary on request.

Membership, meetings and attendance

The Committee's membership and number of meetings and attendance level during the year are set out in the 'Board and Committee membership and attendance' section of the Board Corporate Governance statement. Throughout the year there have been a number of members with recent and relevant financial experience, including Mr Buchanan.

The Chairman of the Company, the Group Chief Executive and the Finance Director usually attend the Committee's meetings, as does the Chief Risk Officer and the head of Internal Audit.

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.

Activities

In addition to reviewing the Company's interim and preliminary results statements and its Annual Report, the Committee reviewed and reported to the Board on: the managed syndicate's Annual Report; the external auditors' engagement and service plan; the plans, work undertaken and recommendations made during the year by the Group's Internal Audit department, including reports on Amlin Bermuda Ltd; the external auditors' 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); the work of the Risk Assessment & Monitoring department and the executive Risk Committee; AUL's Individual Capital Assessment before it was submitted to Lloyd's; the Group's 'whistle blowing' procedures; and other related matters. Reports were received from the external auditors in respect of each set of financial statements, highlighting the material judgmental areas, which were then discussed by the Committee with executive management and the auditors at the relevant Committee meeting.

L – R: James Illingworth,Chief Risk Officer, Fraser White, head of Internal Audit and Nigel Buchanan, Chairman of the Audit Committee

Procedures operated throughout the year for the approval of any appointments of the external auditors (or its associated entities) to provide non-audit services. The Committee remained satisfied that the provision of such non-audit services by Deloitte & Touche LLP has not compromised the auditors' independence.

Details of the Committee's role regarding internal control issues are set out in the 'Board internal control statement' starting on page 103 within the Board Corporate Governance statement.

The Committee monitored the Group's compliance with Financial Services Authority, Lloyd's and other regulatory requirements and recommendations. Reports to the Committee included summaries of the findings of internal audit reports, enabling members of the Committee to question the executive responsible for internal audit on such reports and to monitor the measures taken by management to respond to issues raised.

During the year the Committee conducted a self-evaluation of its composition, procedures, contribution and effectiveness, the conclusions of which were agreed and reported to the Board early in 2008.

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

C C T Pender Secretary
27 February 2008

Corporate responsibility report

Amlin places a high emphasis on integrity, professionalism and the sustainability of our business.

We aim to apply these values to our relationships internally with employees and externally with third parties including clients and brokers, and within the Lloyd's and Bermudian insurance markets and other communities of relevance to Amlin.

Overview

In this report, we summarise our Corporate Responsibility activity in relation to employees, clients, the Lloyd's market, Bermuda, the environment, charities and our communities.

Shareholder relations are covered in the earlier 'Accounting to shareholders' part of this Accountability section. We remain a member of FTSE4Good Index and we continue to utilise the Corporate Responsibility Exchange, a single platform from which subscriber investors, analysts, media and peers may source relevant data reporting on corporate responsibility and governance.

Employees

Amlin's vision includes being recognised as the place to work in our sector, with staff that understand our strategy and their role in reaching and exceeding our goals. An important element in achieving this is being a responsible employer, operating first class employment practices and engaging with employees. Activities aimed at meeting and advancing our position in relation to these aims is included in the 'People' section of the Review starting on page 26.

In summary, during 2007 Amlin has:

Communicated the Amlin Core Values to staff using interactive workshops and embedded these into our policies and performance reviews.

Taken steps to address issues raised by the 2006 Ipsos MORI employee survey. These included: reviewing the Group Bonus Scheme, so initiating a leadership programme and providing new training in managing poor performance.

Implemented a Share Incentive Plan, in 2007 for all employees employed since the middle of the previous year. 97% of such eligible employees received a stake in the Company's equity through the Plan.

Agreed the further enhancement of staff benefits designed to improve employees' quality of life, by giving more choices for 2008 on matters such as medical care, adding to the existing menu of child care vouchers, dental care, subsidised gym membership etc.

Seen a record number of staff taking sabbatical leave, rewarding those with service of more than ten years with an opportunity for more extended family time, travel or other life-enhancing activities. During 2007, 22 staff (21 per cent of those eligible and including people from all role levels in the Company) took sabbaticals.

Increased remote working access, such that 40% of employees worldwide now have this capability.

Continued the good start by Amlin Bermuda Ltd (ABL) in terms of employee diversity and student support, recruiting a high proportion of Bermudian staff. Such employment practices have resulted in the award to ABL of an Excellence in Equality of Opportunity Award by the Commission for Unity and Racial Equality in Bermuda.

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. We also believe that initiatives creating a better work/life balance are directly beneficial to the Group by improving efficiency and morale. Amlin's core corporate values, on page 26, are an important part of the Code of Conduct (available on our website) to which all employees are expected to adhere.

Client and broker relationships

The value of the Group's brands is enhanced by the extent to which Amlin is perceived as a high integrity organisation. It is therefore an important business need, as well as desirable in itself, for Amlin to act with the highest possible integrity in dealing with brokers and clients. This goes with aiming for high levels of service, as poor service fails clients. Commentary on our client relations is provided in the Review starting on page 18.

In 2007, Amlin has:

Continued to research broker and client relationships with a view to improving our understanding of their expectations of us.

Led and been engaged in a number of initiatives, some involving the wider Lloyd's market, aimed at **removing inefficient market processes** and improving client service.

The Group operates a client complaints policy with procedures for reporting, investigating and responding to complaints. Complaints are logged centrally, their resolution is monitored and their nature and frequency is reported to operating company boards. Of 127 complaints received in 2007 or brought forward (2006: 211), 40% were settled in four weeks or less and a further 20% in four to eight weeks. 16 complaints were outstanding at the year end (2006: 33).

The Lloyd's market

Amlin is one of the largest participants in the Lloyd's market and 77% of Amlin's 2007 net earned premium was written through Lloyd's. As such, Amlin seeks to contribute positively to all aspects of the Lloyd's community, including the sound governance and operation of the market so that it remains attractive to brokers and clients for the placement of their risks.

In 2007:

Representatives of Amlin participated on the Lloyd's Council, Lloyd's Investment Committee, Lloyd's Market Claims Group, and on the board of the Lloyd's Market Association and on many of its committees, including its Marine, Motor, Aviation, Finance and Risk committees. Amlin's Operations Director also completed a secondment to Lloyd's during the year. In the wider London market, representatives also serve on the Council of the Insurance Institute of London and the British Insurance Law Association.

Amlin has become **part of the Lloyd's community in Singapore** by opening an office there to utilise the Lloyd's Asia platform and is participating in reviewing risks from Lloyd's China

Reinsurance Co Ltd. Such initiatives are driven by commercial considerations but, where mutually beneficial, strengthen Lloyd's as well as Amlin.

Amlin professionals continue to work with the Lloyd's market and its associations to **drive forward market reform technologies,** both as early adopters and by encouraging all our peers and broker counterparties to use them.

Amlin also encourages and supports Lloyd's in its own community and corporate responsibility activities, including making an annual donation to the Lloyd's Community Programme.

Environment

As a financial services business employing 673 people at the year end, mainly in the UK, Amlin's direct environmental impact is relatively low. Global climate change, however, is expected to have a major impact on the insurance industry and on its evaluation of insurance risks, particularly wind, flood and fire risks.

Climate change

Climate change affects an estimated 35% to 40% of global insured risks and is thus a significant external risk to the business. As an underwriter of property and catastrophe risk, Amlin has a keen interest in understanding the effects of climate change and ensuring that changes to our risk profile arising from climate change are factored into our risk management, structuring and pricing of products. Amlin subscribes to a number of risk modelling agencies which are evaluating the impact of climate risk. Whilst uncertainty over climatic conditions creates insurance opportunities, as a catastrophe insurer we have a vested interest in ensuring that such risks do not become uninsurable. Allied to our thorough analysis of such risks, it is therefore in our interest that international action to contain climate change, in which we believe business should play a full part, is successful. In the meantime, we are able to help insureds in vulnerable parts of the world to cope with its consequences by continuing to offer cover, at a commercial price, that some insurers avoid.

In October 2007, Amlin therefore became a signatory to the Climatewise principles, an initiative produced through consultation between the Association of British Insurers, The Prince of Wales's Business & the Environment Programme, Lloyd's and other insurance market participants. This represents an industry-wide commitment to monitor and take appropriate action on climate change. In order to explore fully the risks and opportunities presented by climate change, and to fulfil our the commitment made, we have formed a new Climate Change Panel composed of senior underwriters from across our business and chaired by the Chief Risk Officer. More details of the other governance changes affecting corporate responsibility are included in the 'Board Corporate Governance statement' starting on page 98.

Managing Amlin's direct impact

Amlin aims to manage the environmental impact of its activities, including by focussing on such areas as internal processes, responsible consumption, re-cycling, energy use and the encouragement of our suppliers and clients to act responsibly regarding environmental impact and risks. We continue to monitor initiatives for energy efficiency and resource management which we have put in place in recent years in our various sites and keep abreast of new initiatives in this area.

As tenants in several of our offices, we do not have primary control over all energy purchasing and waste management decisions. However, we fully support the initiatives taken by Aviva, our St. Helen's landlords. Amlin has won a Gold Award every year since 1998 under the City of London Clean City Award in recognition of our waste management practices.

During 2007, we initiated a regular feature in Amlin Update, our staff newsletter, which is designed to raise employee awareness of the facts and implications of climate change. We also suggest ways in which they might reduce energy consumption and increase recycling, both as individuals and as employees of a responsible company.

Charity and community

Amlin aims to play a positive role in the community through charitable donations and encouraging employees to engage with local community partners. The Company promotes payroll giving and provides matched funding for eligible staff initiatives.

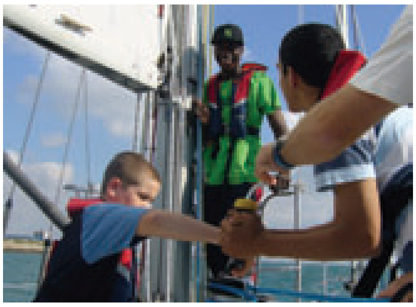
In addition to engagement with Lloyd's and the insurance community in Bermuda, we define our communities as those in the neighbourhoods of our offices, particularly the City of London and its nearby inner London Boroughs (many of which contain significant areas of deprivation), central Essex (where a large number of staff work at our office in Chelmsford) and Bermuda.

Our charitable donation and community activities are becoming increasingly closely related. During 2007 the Board's agreed UK charities budget was overseen by a Charities Committee with members drawn from across the Group. Formal reporting of the Group's 2007 charitable expenditure, including that of ABL, is contained in the Directors' report starting on page 40. For 2008 the Board has set a higher UK budget encompassing all expenditure directly related to community and corporate responsibility matters which will be managed by a new Charities and Communities Panel under the guidance of a Corporate Responsibility Advisory Group. ABL's charitable and community activities will continue to be developed under the direction of the ABL board.

The focus of charitable support in 2007 continued to be on children and health in London and other areas local to our offices, as these are relevant both to our employees and our future. Macmillan Cancer Support remains Amlin's primary charity partner. We agreed in 2007 to fund a Neuro Oncology Clinical Nurse Specialist at St Bartholomew's Hospital for an initial two year term. Additional funds have been raised for charities, including but not limited to our chosen charities, by staff participation in sponsored events.

During 2007 we have continued staff engagement with our community partners, ChildLine and Hackney Quest. Our donations to ChildLine paid for the recruitment and training of six volunteer counsellors and those to Hackney Quest funded teaching resources, educational trips and computer software and PC support. Amlin staff joined these young people on excursions to Lord's cricket ground and staff from our yacht insurance business hosted another successful sailing day on the Lloyd's yacht, Lutine. Amlin also supports Little Havens, an Essex-based children's hospice close to Chelmsford. Staff there raised an additional £13,525 of funds in 2007, which will fund a hospice nurse for 31 weeks.

Looking ahead to 2008 in the UK, we have reviewed our strategy for charity and community engagement with the aim of aligning our efforts more closely with the interests of our clients as well as with the future development of our employees. It will be a major focus of the new Charities and Communities Panel in 2008 to start this process.



Young people from Hackney Quest enjoying the Lloyd's yacht Lutine, hosted by Amlin

Bermuda

Philanthropy is an important part of corporate life in Bermuda and ABL staff are actively involved in community and charitable work there. During 2007 it formalised a local charities committee which agreed corporate donations totalling US$42,167 (2006: US$15,100), principally to Bermudian educational, health and family welfare, and arts organisations. This included support for the Bermuda Foundation for Insurance Studies, which assists Bermudian students through scholarships, mentoring, career guidance and internship programmes to achieve a career in insurance. It is expected that these activities will further develop in 2008. Amlin Bermuda has also joined the Centre for Philanthropy, an organisation that aims to bring corporate donors, volunteers and local charities together.

30% of ABL's staff are involved in voluntary and charitable fund raising organisations, including a school mentoring charity, the Foster Parents Association, helping with the "End to End" charity walk, and a number of cultural and sporting organisations. ABL and its staff regard such community involvement as an important responsibility of any business taking advantage of the favourable local conditions for their operations.

Carol Redahan, Financial Controller of ABL, mentors 9-year old Zaria Hill as part of the YouthNet program, helping her with homework and reading at school and at home.

Directors' remuneration report

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 Amlin Group and its 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 the Group and shareholders require.
- To reward management focus both on immediate 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.

Overview

The Remuneration Committee of independent non-executive directors is not only responsible for ensuring that the Group's vision and strategy is supported by its remuneration policies and practices, but that its own role is carried out consistently with Amlin's stated core values, which include:

- Integrity (independence, objectivity)
- Professional excellence (proper process and governance, on the basis of full information and professional advice)
- Leadership (being aware of market trends, but shaping Amlin's policies to its own specific needs)

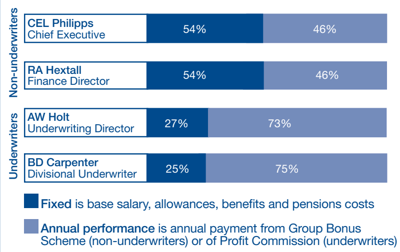
2007 was a year of implementation following a strategic remuneration review in 2005-06 and the adoption of a number of new incentive plans at the 2006 Annual General Meeting. In 2007 the first awards were made under the Long Term Incentive Plan 2006, which have replaced executive share option grants, and under the all-employee Share Incentive Plan 2006. These developments followed the introduction of a new Capital Builder Plan for underwriters and reform of pension and retirement arrangements, both in 2006.

The structure of the various elements of executive renumeration is summarised in the chart at the bottom of the page.

The split of each executive director's remuneration in 2007, including the annual performance reward category but not the longer term category, shows that a significant proportion of their remuneration was performance related. The extent of the performance related rewards relates to the recent successful financial and underwriting performance of the Group, reflecting, together with the structure of longer term rewards, the objective of aligning management and shareholders' interests.

Further details of each element of the above components of 2007 remuneration, and the basis of calculation of the performance related elements, are set out in later sections of this report.

Split of executive directors' annual renumeration in 2007



Source: Amlin

Status of report

As required by the Directors' Remuneration Report Regulations 2002 (as amended), in accordance with which this report has been prepared, the sections entitled 'Remuneration received', 'Executive directors' pensions', 'Executive directors' Capital Builder Plan participations' and 'Executive directors' Performance Share Plan Long Term Incentive Plan and share options participations' have been audited by Deloitte & Touche LLP. The remainder of this report is unaudited.

The Committee, its advisers and terms of reference

Details of the Committee's membership and attendance are set out on page 100 in the Board Corporate Governance statement and are hereby incorporated into this report. The Committee is assisted by the Group's HR Director and by advice and recommendations from the Chief Executive. The Chairman of the Company is also invited to attend meetings for most agenda items. The Company Secretary acts as secretary to the Committee and advises it on governance and related matters.

In summary, the Committee's terms of reference, which are published on the Company's website and are available on request from the Secretary, are to determine the total individual remuneration packages of each executive director of the Company and of the Chairman, the Company Secretary and certain other senior 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.

Elements of executive directors' remuneration (2007 onwards)

	Fixed		Annual performance	Longer term		
Underwriters	Salary and Benefits	Pensions[2]	Profit Commission	LTIP awards	Capital Builder Plan	All employee SIP[3]
Non-underwriters	Salary and Benefits	Pensions[2]	Bonus	LTIP awards	Performance Share Plan	All employee SIP[3]

Notes
1 Sizes of boxes are for illustration only and do not reflect typical proportionate values.
2 Pension provision is Defined Contribution, Defined Benefit or a combination, with charges made in 2006 as described on the next page.
3 Share Incentive Plan allocation of up to £3,000 of shares per annum.

L – R: Ram Mylvaganam, Committee Chairman, with Committee Member Sir Mark Wrightson and HR Director Mark Farrow.

The Committee determines the targets for all of the Group's performance-related remuneration and exercises the Board's powers in relation to all the Company's share and incentive plans. It acts in accordance with the Principles of Good Governance and Code of Best Practice and its terms of reference reflect the Combined Code on Corporate Governance.

The Committee was advised during the year by New Bridge Street Consultants LLP (NBSC), which advises the Committee on the structuring and utilisation of the Group's performance related incentives and on remuneration policy generally, including providing benchmarking data. NBSC also advises executive management from time to time on remuneration matters which may not be within the direct purview of the Committee and advises the Board as a whole on the remuneration of the non-executive directors. Occasional legal advice has also been provided to the Committee by Linklaters LLP and Dechert LLP. A statement regarding the Company's relationship with the Committee's advisers is published on the Company's website and is available on request from the Secretary.

Remuneration policies

Overall remuneration levels and factors specific to the non-life insurance underwriting sector

In determining individuals' remuneration, the Group has regard to their performance in the role, job evaluation of the role and remuneration statistics for the non-life insurance sector in which the Group operates and, where applicable for certain roles, wider remuneration statistics. Across all categories of staff the Group's policy is to have regard to market median salaries for the role, with the potential for top quartile remuneration for top quartile performance. This policy aims to encourage and reward superior rather than merely average performance. Salaries are generally reviewed as at 1 April each year, with executive directors' salaries being considered according to the same criteria as of those executives generally.

Remuneration is strongly influenced by the Lloyd's sector in which the Group's UK employees operate. 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. Typically such profit share schemes operate on an uncapped basis in money terms although they are capped as a percentage of the relevant profit pool which in turn is capped by the overall regulatory capacity and/or capital of the syndicate and the Group. Amlin follows this practice for staff for whom such market influenced remuneration structures are appropriate as the Committee believes that not to do so would put the Group at a competitive disadvantage. Similar remuneration structures and policies have been adopted for staff in Amlin Bermuda Ltd, taking account of local conditions and specific circumstances.

Structure of directors' and employees' remuneration

The remuneration of the executive directors consists of three principal elements: (1) base salary, benefits and pension contributions; (2) shorter term performance rewards (on an annual or underwriting year basis); and (3) longer term performance rewards (on three or five year performance periods). The elements of performance rewards for senior executives differ between underwriters and non-underwriters, as illustrated in the chart at the foot of the previous page. None of the performance reward plans require any initial payment from participants in order for them to be granted awards.

In 2007 an average of 64% (2006: 63%) of executive directors' annual remuneration was performance related (including annual bonus or profit commission, but excluding long term incentive plans). The Committee believes that the balance between fixed and performance rewards is appropriate.The same remuneration structures are operated for senior executives below main Board level but usually with lower, although still significant, proportions of total remuneration being performance related.

Shareholding targets

An objective was set when a new long term incentive plan 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 members of the Executive Management Group (currently the next five most senior executives) to the value of at least 50%. Where not already reached, these targets are intended to be met as current share plans vest. The shareholdings of all the executive directors were above the target throughout the year, mostly by a substantial margin. Of the five other members of the Executive Management Group, two already hold the target value of shares and three are expected to build up such shareholdings as incentive plans vest. The Committee believes that the combination of these shareholdings and the structure of performance incentives is ensuring that the interests of management and shareholders in the success of the Company are closely aligned.

Non performance-related rewards: 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.

Non performance-related rewards: employer pension contributions

The Company pays a percentage of base salary into either a Group occupational or stakeholder pension plan. Executive directors serving during the year participate in the relevant group pension plans on the same basis as other senior employees who are not directors. Pensionable salary is base salary only and dependants' pensions are provided in addition to death in service cover. The Group has both defined contribution (DC) and defined benefit (DB) schemes. At the year end only 75 out of 683 staff (2006: 83 out of 622), including two of the four executive directors, were accruing any element of DB pension.

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 2007 was 15% of base salary.

The Group's DB schemes have been closed to new entrants since 1998 and, to create greater equality of treatment between staff and to limit further the uncertainty of future pension costs, the Company implemented benefit changes in April 2006. These allow the remaining active DB members to continue accruing additional years' service under the schemes, but such accrual is now generally based on 2006 pensionable salaries, as are DB pensions resulting from service to that date (in the latter case uprated for inflation, with a 5% cap). Pensionable salaries of members restricted up to March 2006 by the HM Revenue & Customs earnings cap are continuing to grow, calculated as if that cap had continued on the same increasing basis, until the pensionable salary reaches the actual March 2006 salary. Salary increases from April 2006 onwards are pensioned only through the Company's stakeholder DC arrangements. From that date the accrual rate was also rationalised (at 45th's in the case of directors and others at senior level). Those affected by these changes are receiving partial compensation through the Group passing on the first three years' estimated saving in on-going DB scheme costs in higher employer contributions to their DC stakeholder pensions until March 2009.

The DB employee contribution rate remained 5% of DB pensionable salary following these changes. DB employer contribution rates vary according to actuarial advice in order to deliver the promised levels of pension. The rate applying under the main DB scheme during 2007, based on the triannual actuarial review of 2004 which predated the changes made in 2006, was 30.2% of pensionable salary. This is expected to reduce once the results of the 2007 actuarial review have been finalised. In 2006 the Group also raised the normal pension age from 60 to 65, and introduced greater retirement flexibility. By no later than 2009, there is likely to be an on-going saving in the Group's overall pension costs as a percentage of salaries compared with the position before 2006.

Directors renumeration report

Shorter term performance rewards: annual bonus scheme for non-underwriting directors and employees (Group Bonus Scheme)

For those executive directors and other employees who are not directly involved in underwriting or claims settlement, the Group's shorter term performance incentive is a cash Group Bonus Scheme. The senior sections of the scheme reward and incentivise 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 each year, and the individual's performance 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 level, including participating executive directors, being rewarded on Group business performance and 30% on personal performance. The total 'on-target' and maximum bonus levels also increase with seniority. In respect of 2007 (as for earlier years), 50% of base salary is payable to executive directors for 'on-target' performance rising to a potential maximum payment of 100% of base salary. As part of a general review of bonuses by the Committee during the year, the maximum payment for executive directors for 2008 has been increased to 120% of base salary but the 50% payment for 'on-target' performance is unaltered. This change has been made with the independent advice of NBSC in order to ensure that the Group remains competitive in attracting and retaining key staff by providing the potential for top quartile remuneration for top quartile performance.

Shorter term performance rewards: profit share for underwriting directors and employees (Profit Commission (PC) Scheme)

Shorter term incentives for underwriters and certain other underwriting division staff (whether or not they are executive directors of Amlin plc) consist principally of a cash profit share relating to underwriting profits in respect of each underwriting year (known as profit commission or PC). PC is paid on an underwriting year basis, partly related to the relevant participant's division and partly to wider Syndicate 2001 underwriting performance. Rewards are also divided between those which are purely calculated as a percentage of underwriting profit and those which are also related to underwriting performance relative to external peers and/or other objectives. The maximum percentage of each division's underwriting profit which may be paid out under the scheme in respect of each underwriting year is 4.5% unless the division has achieved a superior result for its Lloyd's sector of business in which case the highest maximum applying to any division is 4.83%. Around 3% of each underwriting year's profit of Amlin Bermuda Ltd is also made available to a parallel scheme for those contributing to that subsidiary's results, with further discretionary payments intended to be managed so that up to around 4.5% of its underwriting profit over the long term is paid out under the scheme.

Rewards crystallise at the end of 36 months from the start of an underwriting year but, at the Committee's discretion, payments on account of up to 30% of the forecast reward has in recent years been paid a year earlier.

The longer term development of PC is regularly reviewed but no material changes were made for the 2007 or 2008 underwriting years.

Longer term performance rewards: long term incentive plan for non-underwriting directors and other senior management (Performance Share Plan)

The Performance Share Plan 2004 (PSP) is intended as an aid to 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 in the form of conditional nil cost share options. Awards are at the discretion of the Committee, with no individual receiving an annual award over shares valued on grant at more than 100% of base salary. In March 2007 awards were made to 13 participants (2006: 15) over an aggregate of 359,581 shares (2006: 385,120). The Committee intends to continue making similar annual awards, although the criteria for inclusion may vary.

The extent to which 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 is the same as in previous years although it was then described as return on equity). The Committee believes that such a Return on NTA measure most appropriately aligns participants' and shareholders' interests. This absolute performance measure balances the relative measures that apply to the Group's executive share options and 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 has been as follows:

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%

Once the vesting level is determined after five years, and provided the relevant participant is still employed by the Group, an award can be exercised within the following six months. In certain restricted or exceptional circumstances, an early leaver may be able to exercise early on a pro rata basis. On the Committee's recommendation, a small rule change in respect of early leavers is being proposed to the 2008 AGM, details of which are given in a separate circular containing the Notice of AGM. The Committee can 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 early to the extent that the Committee is satisfied that the performance condition has been satisfied up to that date, with the proportion of the award which vests also depending on the time that has elapsed since the award was made.

Longer term performance rewards: long term incentive plan for underwriting directors and other senior underwriters (the Capital Builder Plans)

In 2001 the Company first introduced a long term incentive plan for underwriters, the Capital Builder Long Term Incentive Plan 2001 (the 2001 Plan) to reward senior underwriters if they exceed long term target underwriting returns. This plan operated over a five year performance period from 2001 to 2005 inclusive and had 25 participants. The Committee decided in 2005 that the 2001 Plan had acted as a significant reward, retention and recruitment tool for those underwriters who were likely to be most significant in determining the Group's underwriting profitability and development over the performance period, but that some aspects should be amended. Accordingly in 2006 shareholders agreed to replace the 2001 Plan with the Capital Builder Plan 2006 (the 2006 Plan). Awards were made under the 2006 Plan in 2006 (54 participants) and 2007 (52 participants) and are intended to be made again in 2008.

The basis of both the 2001 and 2006 Plans is that participants benefit to the extent that, in the class or classes of business that they write or influence, demanding underwriting return targets, consistent with the Company achieving an overall average return on equity of at least 15% per annum over the insurance cycle, are exceeded over a five year performance period. For the 2001 Plan target returns for each class were expressed as returns on capital such that, on an aggregated basis and after allowing for estimated expenses and syndicate investment income but before tax, they corresponded to an estimated overall benchmark return on allocated capital of at least 15% per annum over a full insurance cycle. Under the 2001 Plan this was targeted by participants sharing in up to 6% of the relevant underwriting profit (gross premiums less net claims and reinsurance costs) which is in excess of the relevant target . Up to around a further 4% of such excess profits were allocated at a divisional or whole syndicate level to the heads of each underwriting division.

Under the 2001 Plan rewards are being paid in three annual tranches following the end of the single five year performance period (i.e. in 2006, 2007 and 2008) but with payments only being made so long as the participant remains in service. Payments may be made in either cash or shares, at the Company's discretion, but all payments to date have been made, and are expected to be made, in cash.

For the 2006 Plan:

- In order to provide more transparency to participants but with the same intended long term reward potential, the excess returns are defined as those resulting from the achievement of underwriting loss ratios (i.e. the level of claims, net of reinsurance recoveries, as a percentage of premiums) below (i.e. better than) demanding target claims ratios set for each class.
- The maximum permitted excess profit percentage, although usually lower, is 10%. Variations in each business class's target claims ratio and excess profit percentage depend on the Committee's assessment of the risk, historic experience and long term market prospects of the class.

- Rather than operating over a single five year performance period, it has rolling five year performance periods, i.e. for 2006 to 2010, 2007 to 2011 etc, with commensurably lower rewards payable for each performance period.
- The rewards 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 (the 2001 Plan was uncapped).
- Payments will be made over the two years after the end of each performance period, rather than the three years applying to the 2001 Plan. The first payment will be up to 70% of each pool allocated, with the balance paid a year later.

Longer term performance rewards: the Long Term Incentive Plan 2006 (the LTIP)

The LTIP was approved by shareholders at the 2006 AGM to replace grants of executive share options. The first awards were made in March 2007, over a total of 590,630 shares (2006: executive options granted over 2,290,481 shares). Its primary performance condition is a relative Total Shareholder Return (TSR) measure, providing a balance to the absolute performance measures used in the Capital Builder Plans for underwriters and the PSP for non-underwriters. Both senior underwriters and senior non-underwriters, including executive directors, participate in the LTIP.

Awards are made subject to performance conditions set by the Committee at each award. For the awards made in 2007, and those intended to be made in March 2008, the extent to which awards vest will depend on the Company's TSR over the ensuing three years relative to an unweighted index of TSRs for a comparator group of Lloyd's insurers, on the following scale:

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%	25% to 100% on a straight line basis
Index plus 25%	100%

The constituents of the index for the 2007 awards were: Beazley Group, BRIT Insurance, Catlin Group, Chaucer Holdings, Kiln and Hiscox. 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 will always be a single three year period with no provision for re-testing the performance conditions.

As with the PSP, awards are made in the form of nil cost share options and 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). Once the vesting level is determined after three years, and provided the relevant participant is still employed by the Group, an award is capable of exercise within the following six months. The LTIP contains broadly similar provisions to the PSP, as referred to above, on such matters as early leavers and variations in capital.

Longer term performance rewards: executive share options (Executive Option Schemes)

Executive share option 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. Grants were subject to performance conditions which are summarised in respect of directors' outstanding options in the notes to the table 'Directors' PSP, LTIP and share options held' later in this report. Grants under the Executive Option Schemes were replaced from 2007 with LTIP awards and no further grants can or will be made.

All-employee share plans

The Company operates an HM Revenue and Customs approved Sharesave option scheme which was adopted in 1998 with a ten year life for new grants. The final offer under this scheme was made in March 2007. Each offer was open to all Group employees, including executive directors, who had been employed for more than a specified number of months at each grant. Exercises are not subject to any performance condition. As the Committee considers that the scheme has been successful in encouraging staff at all levels to build up interests, and subsequently shareholdings, in the Company at an acceptable accounting and administrative cost, the Board is proposing to the 2008 AGM that shareholders adopt a replacement Sharesave scheme, with annual offers intended from September 2008 onwards. Details of the new scheme, which has broadly the same terms as the one it replaces, are set out in the circular containing the notice of AGM.

In 2006 shareholders approved an HM Revenue and Customs approved all employee Share Incentive Plan (SIP). The SIP rules allow offers of Free Shares at no cost to employees. In 2006 the Committee adopted a policy of making an award of Free Shares each year, on an equal basis to all executive directors and staff (subject to a pro rata adjustment for part time employees and to an employment qualification period of approximately nine months), 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 ROE achieved in the previous year. As 2006 had achieved an excellent ROE of 34%, in March 2007 the Committee made an offer at the maximum level of £3,000. This was taken up by 97% of eligible employees. With 2007 having also produced an excellent ROE (37.8%), the Committee has decided to make another offer of £3,000 worth of Free Shares in March 2008.

The SIP also allows offers of Partnership Shares whereby employees may buy shares on a tax deductible basis. A special one-off offer of just £250 worth of Partnership Shares was made in December 2007. This was to enable staff to reinvest the B Share dividend paid out on their SIP Free Shares in January 2008. 164 of the 534 eligible employees and executive directors took up this offer.

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 when up to a 12 month notice period may apply. All of the current executive directors of the Company have contracts requiring 12 months' notice of termination on either side. 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 Company seeks to observe the guidance on best practice issued in December 2002 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.

Directors' remuneration received

	Executive directors' salaries £000	Non-executive directors' fees £000	Annual bonuses and/or profit commission £000	Benefits in kind/ allowances £000	**Total year to 31 Dec 2007 £000**	Total year to 31 Dec 2006 £000
N J C Buchanan	–	70.1	–	–	**70.1**	59.8
B D Carpenter	271.1	–	912.3	14.6	**1,198.0**	1,274.1
R H Davey	–	51.3	–	–	**51.3**	45.0
M D Feinstein*	–	4.4	–	–	**4.4**	n/a
R A Hextall	311.3	–	315.0	14.6	**640.9**	614.1
A W Holt	334.8	–	1,085.2	14.6	**1,434.6**	1,152.6
R S Joslin	–	51.3	–	–	**51.3**	45.0
K T Kemp**	–	20.8	–	–	**20.8**	45.0
R W Mylvaganam	–	70.4	–	–	**70.4**	70.4
C E L Philipps	486.3	–	491.4	15.0	**992.7**	953.9
R J Taylor	–	184.0	–	–	**184.0**	167.5
Sir Mark Wrightson Bt***	-	51.3	–	–	**51.3**	37.0
Director to May 06 (Lord Stewartby)	–	–	–	–	**–**	26.2
	1,403.5	503.6		58.8	**4,769.8**	4,490.6

* Joined the Board on 1 Dec 2007 ** Retired from the Board on 24 May 2007 *** Joined the Board on 15 March 2006

Directors' remuneration report

Outside appointments

The Company'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 public interest and can often provide useful experience for the executive concerned. Suitable outside appointments, including limited term secondments, relating to Amlin's business, such as to Lloyd's bodies, are encouraged on the additional ground that such appointments are often directly in the Company's interest. Fees from outside appointments related to Amlin's business are generally payable to the Group rather than retained by the employee concerned. In other cases, the Committee adopted a policy in December 2007 that the first £25,000 per annum of such fees earned would be retained by the employee, with any balance above that level being shared equally between the director, or employee, and the Group.

Executive directors' service contracts

The dates of the current service or employment contracts of each current executive director throughout the year, all of which are with the Company's subsidiary, Amlin Corporate Services Limited, are as follows:

Directors' service contracts

	Date of current service or employment contract
B D Carpenter	17 February 1997
R A Hextall	26 November 1999
A W Holt	11 December 2001
C E L Philipps	20 February 1997

In each case salaries have been periodically increased since the original contract date. All of the executive directors' contracts are on a full time basis, provide for 12 months' notice of termination on either side and automatically terminate on the director's contractual retirement date. In the cases of Messrs Hextall, Holt and Philipps, the latter was agreed in 2006 to be amended to each of their sixty-fifth birthdays (previously sixtieth) in line with a choice given to employees generally. Mr Carpenter has retained his retirement date of sixty. 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 (and in the case of Mr Holt also an amount equal to other contractual benefits) in lieu of any required period of notice. Executive directors' service or employment contracts are available for inspection at the Company's registered office.

Remuneration received

The remuneration received in respect of the year ended 31 December 2007 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 on the previous page. In addition, Mr Hextall received and retained a non-executive director's fee of £3,315 from the City of London Investment Trust PLC (2006: nil).

Directors' pension details

	Defined benefit (DB) or Defined contribution (DC)	DC employer contributions for the year ended 31 Dec 2007 £000	Increase ended in DB accrued pension during year ended 31 Dec 2007 £000	Total accrued DB pension at 31 Dec 2007 £000	Transfer value of accrued DB pension at 31 Dec 2007 £000	Transfer value of accrued DB pension at 31 Dec 2007 £000	Transfer value of the increase in accrued DB pension during 2007 £000	Change in DB transfer value during 2007 after deducting DB contributions made by director £000
B D Carpenter	DB & DC	17.2	2.3	47.9	485.8	538.6	20.7	27.8
R A Hextall	DC	37.4	–	–	–	–	–	–
A W Holt	DB & DC	41.5	5.1	224.3	3,539.1	3,882.4	74.5	188.1
C E L Philipps	DC	73.0	–	–	–	–	–	–

The amounts paid to non-executive directors include fees paid on behalf of the Company's subsidiary, Amlin Underwriting Limited. All current non-executive directors of Amlin plc were also non-executive directors of that subsidiary during their periods of service during the year, most of them joining the subsidiary Board in May 2006.

The annual bonuses and/or profit commission amounts are those paid or payable in respect of the year. Messrs Hextall and Philipps received performance bonuses under the Group Bonus Scheme. For 2007 the scheme's business performance 'on-target' ROE was 15% (2006: 19%), the 'stretch' target was 24% (2006: 24%) and the level at which the maximum business performance related payment was payable was 30% (2006: 30%). The lower 'on-target' threshold for 2007 reflected internal budgets at the time but the 'stretch' and maximum targets were maintained at their previous demanding levels. The 2007 ROE as adjusted under the rules of the scheme, and reflected in Messrs Hextall's and Philipps's payments above, was 41.7%, resulting in maximum business performance payments (2006: 34%, also above that year's maximum payment level).

Mr Carpenter's and Mr Holt's bonuses and/or profit commission (PC) were made up as follows:

Underwriting directors' PC and bonus reported for 2007

	B D Carpenter £000	A W Holt £000
First instalment of 2006 year of account PC (30% payable in March 2008):	86.7	439.1
Second instalment of 2005 year of account PC (balance after 30% first instalment, excluding any final performance uplift):	634.1	373.4
Final performance uplift for 2004 year of account PC (paid in 2007 and not accounted for in the 2006 report):	191.5	142.7
2007 Amlin Bermuda bonus:	–	130.0
Totals	912.3	1,085.2

No payments were made during the year in respect of any director leaving the Board or ceasing to be employed by the Group.

Directors' Estimated 2001 Capital Builder Plan rewards

	Class/division	Expected reward (subject to audit) for 2001 to 2005 as at 31 December 2007 £000	Estimated reward for 2001 to 2005 as at 31 December 2006, as reported in 2006 Directors' remuneration report £000
B D Carpenter	Class	1,158.2	1,173.4
	AIS division	1,033.8	1,048.4
	Syndicate 2001	206.0	200.6
	Total	2,398.0	2,422.4
	Reported as paid in 2006 and 2007	1,730.7	
	Estimated balance, unreported or to be paid in 2008	667.3	
	Total	2,398.0	
A W Holt	Classes	882.5	887.3
	Non-marine division	1,186.7	1,170.2
	Syndicate 2001	514.9	501.5
	Total	2,584.1	2,559.0
	Reported as paid in 2006 and 2007	1,883.0	
	Estimated balance, unreported or to be paid in 2008	701.1	
	Total	2,584.1	

Executive directors' pensions

The pension details, as applicable for each executive director (non-executives not being eligible), all of whom served as executive directors throughout the year, are shown in the table on the previous page. The total DC employer contributions for the directors was £169,100 (2006: £134,900). Mr Holt's DC 2007 contributions include an element paid during 2007 in respect of 2006 which was not reported in the 2006 report. Increases in accrued pensions during the year exclude those due to inflation. The transfer values of increases during the year, and changes in total transfer values during the year, are shown before the effects of inflation and after deduction of the directors' own DB contributions during the year. Transfer values as at 31 December 2006 and 2007 are calculated in accordance with guidance published by the Institute of Actuaries and the Faculty of Actuaries dated 4 August 2003.

Executive directors' Capital Builder Plan participations

The applicable classes of business which will determine the rewards payable to each of the directors of the Company participating in both the 2001 and 2006 Plans are the classes which they themselves underwrite, the wider performance of the respective divisions that they head (AIS for Mr Carpenter and Non-marine for Mr Holt) and the Group's underwriting as a whole. There have been no material changes in the classes in which they participate between the 2006 and 2007 awards.

Since 2006 Amlin Bermuda Ltd's underwriting is included, with different applicable percentage participations, in the results of those classes written in both the UK and Bermuda.

The estimated final rewards of each of the directors in respect of 2001 Plan are as shown in the table on the previous page. 50% of the then total estimated reward was paid to partipants in 2006 and 50% of the then estimated balance was paid in 2007. The final balance, based on 31 December 2007 reserving, will be paid later in 2008. At the date of this report the total rewards for each individual from the 2001 Plan, and thus the participating directors' final payments, are subject to the completion by the auditors, and approval by the Committee, of a special audit.

In 2006 and 2007 awards were made under the 2006 Plan in respect of performance periods of the underwriting years 2006 to 2010 and 2007 to 2011 respectively. No payments have yet been made under the 2006 Plan.

Executive directors' Performance Share Plan, Long Term Incentive Plan and share options participations

As described in the 'Remuneration policies' section earlier in this report, all of these incentive plans involve options being granted 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 2007 the options held under these plans by executive directors serving at the year end, all of whom were directors throughout the year, and the changes during the year, are set out in the following two tables. In addition each executive director was awarded 1,030 shares as Free Shares in the SIP in April 2007, which subsequently became 915 ordinary shares and 1,030 B Shares in December 2007 and are included in the directors' shareholding interests set out in the Directors' report. The share price on the date of the 2007 PSP and LTIP awards (7 March) was 316.25p.

Directors' PSP, LTIP and share options held

	PSP, LTIP, or specified option scheme(s)	Over new or ESOT shares	Shares under option on 1 Jan 2007	Tranche	Awards during the year	Shares under option on 31 Dec 2007	Exercise price per share	Years options exercisable (if performance conditions met)	Potential profit on 31 December 2007 £
B D Carpenter	LTIP	ESOT	–		27,492	27,492	Nominal	2010	81,926
	Exec options	ESOT	40,157		–	–	90.19p	2003 -08	n/a
		New	95,717		–	–	76.33p	2005 -12	n/a
		New	53,239		–	–	110.82p	2006 -13	n/a
		New	67,387	(T1)	–	–	152.85p	2007 -14	n/a
		New	26,953	(T2)	–	–	152.85p	2007 -14	n/a
		New	65,833	(T1)	–	65,833	161.77p	2008 -15	89,684
		New	13,167	(T2)	–	13,167	161.77p	2008 -15	17,937
		New	38,396	(T1)	–	38,396	293.00p	2009 -16	1,920
		New	7,679	(T2)	–	7,679	293.00p	2009 -16	384
	Totals options		408,528		–	125,075			109,925
	Totals all		**408,528**		**27,492**	**152,567**			**191,851**

continued

Directors' remuneration report

Directors' PSP, LTIP and share options held continued

	PSP, LTIP, or specified option scheme(s)	Over new or ESOT shares	Shares under option on 1 Jan 2007	Tranche	Awards during the year	Shares under option on 31 Dec 2007	Exercise price per share	Years options exercisable (if performance conditions met)	Potential profit on 31 December 2007 £
R A Hextall	LTIP	ESOT	–		28,939	28,939	Nominal	2010	
	PSP	ESOT	85,053		–	85,053	Nominal	2009	253,458
		ESOT	97,362		–	97,362	Nominal	2010	290,139
		ESOT	77,816		–	77,816	Nominal	2011	231,892
		ESOT	–		67,524	67,524	Nominal	2012	201,222
	Totals PSP		260,231		67,524	327,755			976,711
	Exec options	New	65,423	(T1)	–	–	152.85p	2007 -14	n/a
		New	26,169	(T2)	–	–	152.85p	2007 -14	n/a
		New	69,541	(T1)	–	69,541	161.77p	2008 -15	94,736
		New	13,909	(T2)	–	13,909	161.77p	2008 -15	18,948
		New	48,635	(T1)	–	48,635	293.00p	2009 -16	2,432
		New	9,727	(T2)	–	9,727	293.00p	2009 -16	486
	Sharesave	New	7,027		–	–	134.11p	2007 -08	n/a
		New	–		3,552	3,552	266.00p	2010 -11	1,137
	Totals options		240,431		3,552	145,364			117,739
	Totals all		**500,662**		**100,015**	**502,058**			**1,094,450**
A W Holt	LTIP	ESOT	–		31,350	31,350	Nominal	2010	93,423
	Exec options	New	53,239		–	–	110.82p	2006 -13	n/a
		New	81,778	(T1)	–	–	152.85p	2007 -14	n/a
		New	32,711	(T2)	–	–	152.85p	2007 -14	n/a
		New	81,133	(T1)	–	81,133	161.77p	2008 -15	110,527
		New	16,227	(T2)	–	16,227	161.77p	2008 -15	22,106
		New	46,587	(T1)	–	46,587	293.00p	2009 -16	2,329
		New	9,317	(T2)	–	9,317	293.00p	2009 -16	466
	Sharesave	New	10,990		–	10,990	146.49p	2010 -11	16,651
	Totals options		331,982		–	164,254			152,079
	Totals all		**331,982**		**31,350**	**195,604**			**245,502**
C E L Philipps	LTIP	ESOT	–		45,579	45,579	Nominal	2010	135,825
	PSP	ESOT	189,734		–	189,734	Nominal	2009	565,407
		ESOT	190,087		–	190,087	Nominal	2010	566,459
		ESOT	153,584		–	153,584	Nominal	2011	457,680
		ESOT	–		151,929	151,929	Nominal	2012	452,748
	Totals PSP		533,405		151,929	685,334			2,042,294
	Exec options	New	106,478		–	106,478	110.82p	2006 -13	199,306
		New	94,864	(T1)	–	94,864	152.85p	2007 -14	137,695
		New	37,945	(T2)	–	37,945	152.85p	2007 -14	55,077
		New	95,042	(T1)	–	95,042	161.77p	2008 -15	129,476
		New	19,008	(T2)	–	19,008	161.77p	2008 -15	25,895
		New	76,792	(T1)	–	76,792	293.00p	2009 -16	3,840
		New	15,358	(T2)	–	15,358	293.00p	2009 -16	768
	Sharesave	New	6,382		–	6,382	146.49p	2008 -09	9,669
	Totals options		451,869		–	451,869			561,726
	Totals all		**985,274**		**197,508**	**1,182,782**			**2,739,845**

Directors' options exercised during 2007

	Scheme(s)	Over new or ESOT shares	No. of shares exercised	Exercise price per share	Date of exercise	Share price on exercise	Profit on exercise £
B D Carpenter	ML 1998	ESOT	40,157	90.19p	1 Jun 2007	309.00p	87,868
	Amlin exec	New	95,717	76.33p	1 Jun 2007	309.00p	222,705
		New	53,239	110.82p	1 Jun 2007	309.00p	105,509
		New	94,340	152.85p	1 Jun 2007	309.00p	147,312
	Total		**283,453**				**563,394**
R A Hextall	Amlin exec	New	91,592	152.85p	26 Jun 2007	282.75p	118,978
	Sharesave	New	7,027	134.11p	2 Aug 2007	263.50p	9,092
	Total		**98,619**				**128,070**
A W Holt	Amlin exec	New	53,239	110.82p	28 Dec 2007	296.00p	98,588
		New	114,489	152.85p	28 Dec 2007	296.00p	163,891
	Total		**167,728**				**262,479**

Notes

1. The potential profit as at 31 December 2007 shown in the first table above are based on a year end share price of 298.0p (2006: 325.25p). The high and low during the year (whether of ordinary shares prior to the share consolidation on 17 December 2007 or afterwards) were 339.5p and 261.0p respectively (2006: 331.5p and 220.0p). These calculations are before tax and are theoretical as in many cases the relevant options were not exercisable at the year end, and may or may not meet their performance conditions in full.

2.The primary performance condition of the above executive options relate to TSR against a comparator group of companies, with a secondary condition that the Company has returned a satisfactory overall financial performance. Option first exercisable from 2007 or later are not subject to re-testing and may only be exercised in full, to the extent that an individual's annual grant was over shares valued at over 50% of salary, if the Company has been an upper quartile performer (indicated in the first table above as T2). Otherwise they are exercisable on above median performance (T1).

3.Changes in directors' entitlements during the year resulted from the grants during the year included in the first table and from the exercises set out in the second table above.

4.The exercise by Mr Carpenter of an option under the 'ML 1998' scheme was the final exercise by a director under The Murray Lawrence Discretionary Share Option Scheme 1998, a scheme that dated back to before a merger of the Company in 1998. The relevant options had a ten year life and became options over the Company's shares following the merger.

The performance conditions of all of the executive share options granted up to 2004, including the ML 1998 options, had been fully satisfied as at the start of 2007. The performance against the primary conditions of those grants which had not vested by the start of 2007, which involve ranking the Company's TSR against that of a comparator group of Lloyd's companies, in each case over the three year measurement period since grant, was as shown in the top table on this page.

Accordingly, the Committee has confirmed that the primary conditions of the above grants of options, including those which required top quartile performance, have been satisfied. The Committee has also concluded in both cases that the secondary condition had been satisfied on first testing. In reaching such conclusion the Committee had regard to underlying earnings, returns on equity, and increases in net tangible assets per share over the relevant periods.

Capital events during 2007

During 2007 total dividends of 20.8p per ordinary shares were paid to shareholders, including a special dividend of 8.0p per share. In addition, in December 2007 there was an issue of B Shares to shareholders, worth 22.4p per ordinary share, and an associated consolidation of each nine ordinary shares of 25p nominal value into eight ordinary shares of 28.125p nominal value. Holders of options and of PSP and LTIP awards did not receive the special dividend or an issue of B Shares. Both the special dividend and the return of capital were intended to enhance future returns on equity, an important focus of management in the interests of shareholders. After careful consideration of the small theoretical transfer of value from shareholders to option and award holders resulting from the share consolidation (estimated to be less than 0.1% of shareholder value), and with the benefit of independent advice, the Committee decided not to adjust the numbers of shares under option or the exercise prices per share of any of the Company's share option or long term incentive plans. Nor did it do so as a result of the earlier special dividend, which could be regarded as a transfer of value in the opposite direction. Hence what were options at a particular price per share over a particular number of ordinary shares prior to the consolidation remained options over the same number of shares at the same exercise price per share following the consolidation. This led to the number of shares over which there were options to acquire new shares to increase from 1.45% of the shares in issue immediately prior to the announcement of the share consolidation to 1.63% immediately after. More details of the use of shares for incentive plans are set out in the immediately following section.

In the case of the SIP, participants received taxable B Share initial dividends (the SIP not being permitted to accept redemption), and had their ordinary shares consolidated.

Use of unissued and existing shares for incentive plans

The rules of all 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 unissued shares are committed to be issued are the executive share option schemes and the Sharesave scheme. Options over unissued shares are also intended to be granted in the future under the replacement Sharesave scheme being proposed to shareholders at the 2008 AGM and new shares were issued in 2007 to the trustee of the Share Incentive Plan as SIP Free Shares. Shares awarded under the PSP and LTIP are intended to be satisfied from shares held, or to be purchased, by the Group's Employee Share Ownership Trust (ESOT).

Grants of options over new 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 shares under any scheme are also limited to 5% over five years and to 10% over 10 years. The percentages of the year end shares in issue, together with the equivalent percentages a year earlier (of a larger number of issued shares prior to the share consolidation), relating to each of these limits are shown in the middle table above.

All scheme utilisation figures in the table include 533,940 shares issued in April 2007 to Yorkshire Building Society as trustee of the SIP. The SIP's holding had reduced by 31 December 2007 to 461,352 shares (2006: nil) as a result of the share capital consolidation and withdrawals from the SIP.

In addition, the shares set out in the third table above were committed at the year end to be transferred to participants by the trustee of the ESOT, subject, where applicable, to the future fulfillment of performance conditions.

Of the total potential commitment of the ESOT as at 31 December 2007, it then held 1,064,470 shares (2006: 774,579 against a commitment of 1,591.541). It is intended that the balance will be purchased in the market by the ESOT, as necessary using funds advanced by the Company, before they are required. The changes in the shares held by the ESOT during 2007 resulted from the exercises of options and vesting of awards over a total of 127,050 shares, the purchase by the ESOT in the market of a total of 550,000 shares and a reduction in the number of shares held as a result of the share consolidation in December 2007. Following receipt of the B Share redemption proceeds in January 2008, it used the proceeds, plus other cash resources, to purchase a further 214,694 shares in the market. Taking account of exercises up to 25 February 2008, the ESOT's shareholding is 1,279,164 shares.

Total shareholder return performance

The graphs on the following page 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 over the five years to 31 December 2007. Comparisons are shown with both these indices as the performance of Amlin's shares, which are a constituent of both indicies, 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 2003 to 2007 inclusive, of £100 invested in the Company's shares on 31 December 2002 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.

Executive options' TSR performance

Grant	First normal exercise date (third anniversary of grant)	Total shareholder return after three years	Ranking
2004 grants	29 March 2007	192%	1st out of 15
2005 grants	21 March 2008	145%	2nd out of 17

Note: 100% return would be a doubling of original value

Utilisation of new shares

	Percentage of shares then in issue utilised 31 Dec 2007	Percentage of shares then in issue utilised 31 Dec 2006
Executive 5% limit over 10 years	3.87%	3.84%
All schemes 5% limit over 5 years	2.48%	2.85%
All schemes 10% limit over 10 years	4.73%	4.42%

ESOT shares currently committed

	Number of shares at 31 Dec 2007	Number of shares as a percentage of the shares in issue on 31 Dec 2007	Name of shares as a percentage of the shares in issue on 31 Dec 2006
ESOT commitment to executive share option schemes	100,388	0.02%	0.04%
ESOT commitment to PSP	1,685,333	0.35%	0.26%
ESOT commitment to LTIP	581,386	0.12%	Nil
Total ESOT commitment	2,367,107	0.50%	0.30%

Directors' remuneration report

Theoretical values of awards granted in 2007

	Number of shares over which PSP option granted in 2007	Number of shares over which LTIP options granted in 2007	Theoretical value on date of award in 2007 £000	Theoretical value of 2006 awards on their award date* £000
B D Carpenter	–	27,492	30.4	15.8
R A Hextall	67,524		136.7	146.0
		28,939	32.0	20.0
A W Holt	–	31,350	34.7	19.2
C E L Philipps	151,929	–	307.6	288.2
		45,579	50.4	31.6

* In the case of the LTIP, which was first awarded in 2007, the comparative theoretical values for 2006 are those of the executive share option grants that the LTIP has replaced.

NED current terms of office

	Current term commenced	Date of current letter of appointment*	Expected date of expiry of current term
N J C Buchanan	25 May 2006	18 July 2006	AGM in 2009
R H Davey	25 May 2006	18 July 2006	AGM in 2009
M D Feinstein	1 December 2007	17 October 2007	24 April 2008†
R S Joslin	18 May 2005	18 July 2006	24 April 2008
R W Mylvaganam	18 May 2005	18 July 2006	24 April 2008
R J Taylor	18 May 2005	7 August 2006	24 April 2008
Sir Mark Wrightson Bt	25 May 2006	18 July 2006	AGM in 2009

* subsequently amended where applicable, in respect of fee revision of 1 July 2007
† initial term until first AGM following appointment

Valuation of Performance Share Plan and Long Term Incentive Plan awards granted in 2007

In terms of the make-up of each director's long term remuneration decided upon by the Committee during the year, the relevant measure relating to share related incentives is the estimated value, at the date of grant, of the awards granted during the year (rather than the profits on exercise shown in the table earlier in this report). Accordingly the theoretical values are disclosed in the table at the top of this page of the PSP and LTIP awards made to directors in 2007. These valuations apply the same method as used in the Group's financial statements (as summarised in note 23 to the Accounts), which uses the share price on the date of all the grants on 7 March 2007 (316.25p) and assumes (in respect of the PSP) that a 15% average return on net tangible assets is achieved over its five year performance period and (in respect of the LTIP) that its secondary performance condition is met. The above valuations further assume the director's continuing employment.

Non-executive directors' fees, appointment and removal

The fees paid to non-executive directors of the Company, other than the Chairman, are determined by the full 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 usually changes 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 the Board Corporate Governance statement, are also taken into account. The Board's policy is that non-executive fees should be set by reference to the upper quartile of such fees paid by companies of similar size, on account of the above average complexity and regulatory responsibilities involved (including membership of the Amlin Underwriting Limited board). Each non-executive director is paid a basic fee and may be paid further for additional services, such as additional committee or subsidiary Board responsibilities.

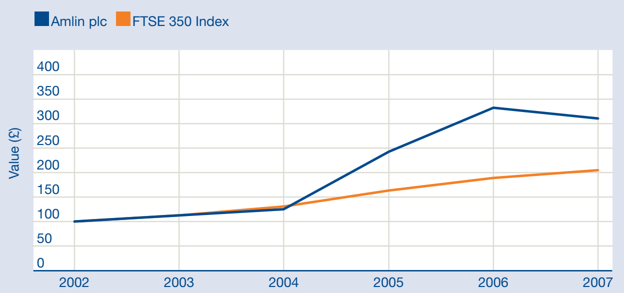
Non-executive directors have contracts for services rather than employment contracts. They are not eligible for any of the Group's pension, share or incentive schemes. Their terms of appointment are formalised in letters of appointment, copies of which are available for inspection at the Company's registered office and which are updated from time to time. They are appointed on the recommendation of the Nomination Committee, usually for a three year term, and may be removed, or not nominated for re-election at the end of their term, in each case in accordance with the Articles of Association of the Company. The commencement and expected year of expiry of each of the non-executive directors' current terms are set out in the table above.

If a non-executive director is not nominated or re-elected at the end of a term of office, 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.

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

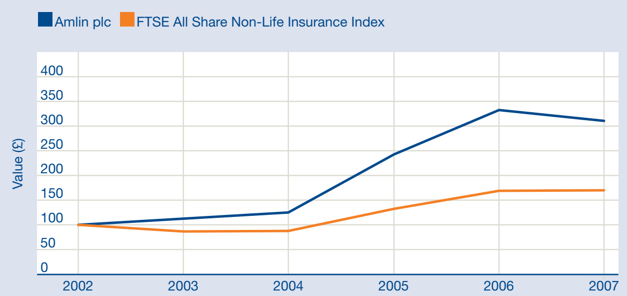
C C T Pender Secretary
27 February 2008

Total shareholder return compared with FTSE 350 at 31 December



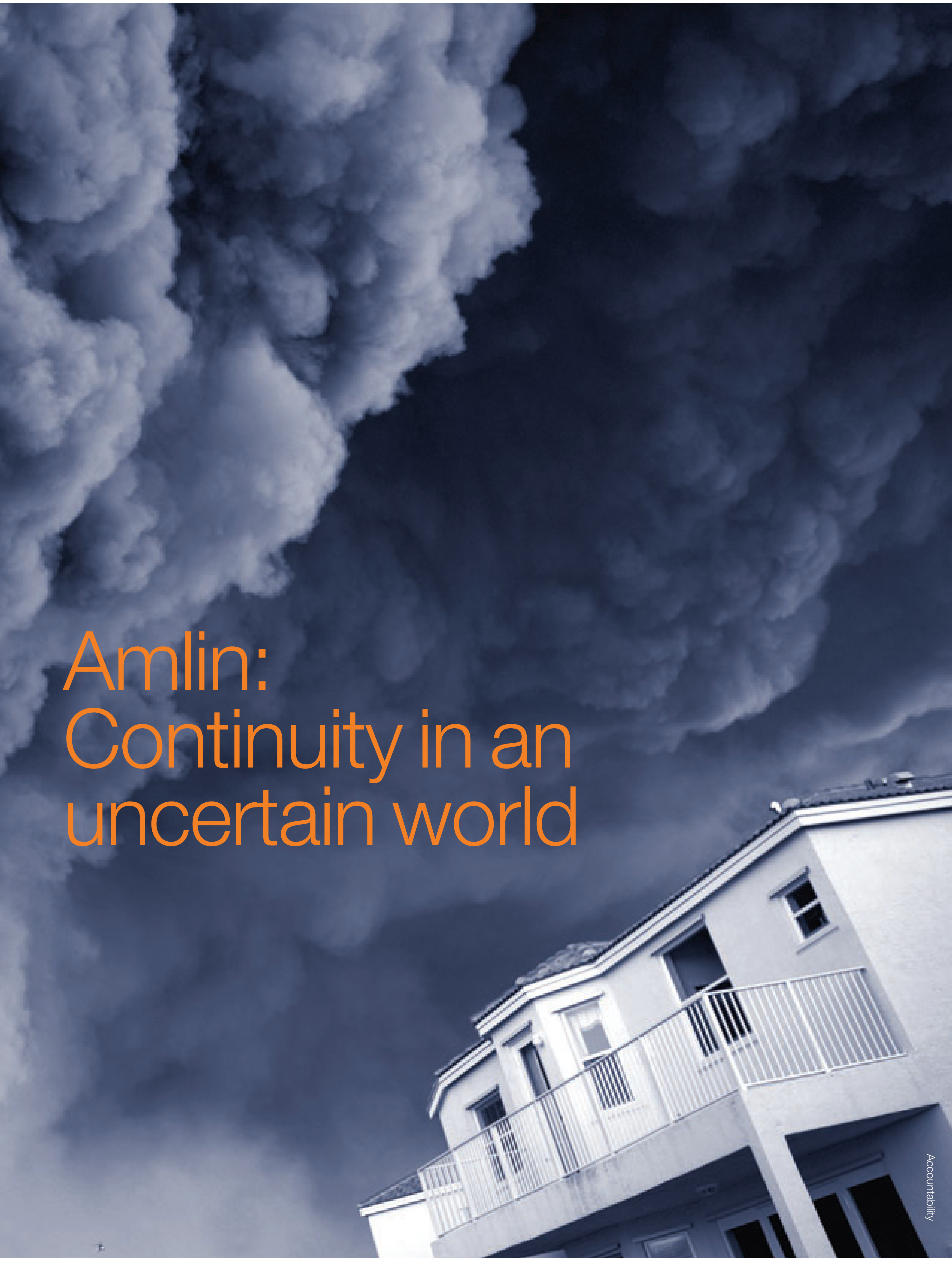
Source: Thomson Financial

Total shareholder return compared with FTSE All Share Non-Life Insurance Index at 31 December



Source: Thomson Financial

Amlin: Continuity in an uncertain world



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.

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.

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.

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.

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".

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.

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.

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.

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
For the year ended 31 December 2007

Directors
Roger Taylor (Chairman)*
Nigel Buchanan+*
Brian Carpenter
Richard Davey*
Marty Feinstein*
Richard Hextall (Finance Director)
Tony Holt
Roger Joslin*
Ramanam Mylvaganam*
Charles Philipps (Chief Executive)
Sir Mark Wrightson Bt*

+ Senior independent non-executive
* non-executive

Audit Committee
Nigel Buchanan (Chairman)
Richard Davey
Roger Joslin
Ramanam Mylvaganam

Remuneration Committee
Ramanam Mylvaganam (Chairman)
Nigel Buchanan
Sir Mark Wrightson Bt

Nomination Committee
Roger Taylor (Chairman)
Nigel Buchanan
Roger Joslin
Ramanam Mylvaganam
Charles Philipps

Secretary
Charles Pender FCIS FSI

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