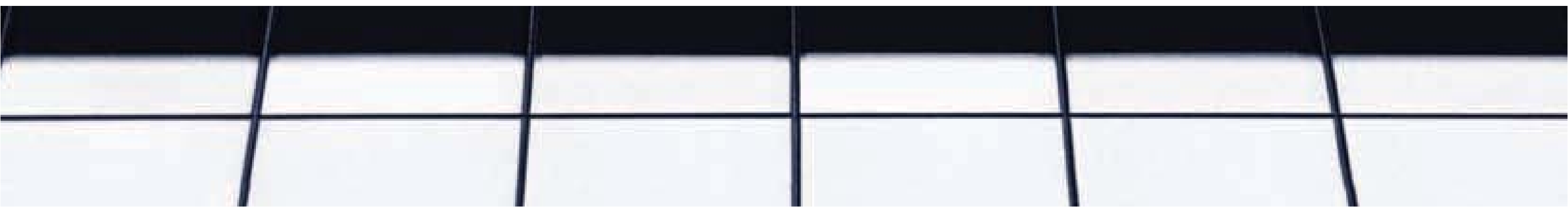
Amlin plc Annual Report 2006

Continuity in an uncertain world

AMLIN



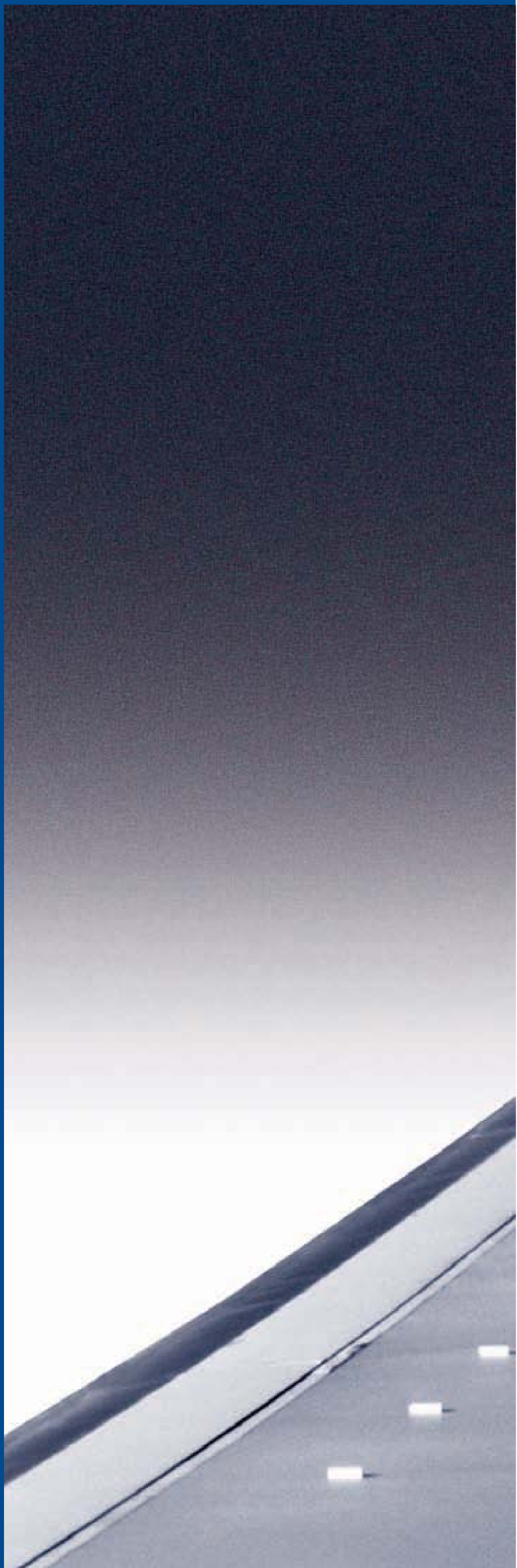
Contents

Amlin is a leading independent insurer operating in the London and Bermuda markets. We specialise in providing insurance cover to commercial enterprises, addressing many of their risk management needs. We also provide reinsurance protection to other insurance companies around the world.

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

Aviation
Marine
Non-marine & reinsurance
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.

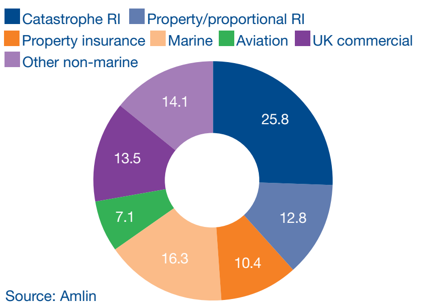


Our vision is to become the global reference point for quality in our markets.

Amlin in brief

> An insurance group operating in Lloyd's of London and Bermuda.
> Five business divisions providing diversity.
> The UK and US are Amlin's principal markets with most business sourced through independent insurance brokers.
> A very experienced and stable team with a strong performance track record.
> Strong focus on client service and underwriting profitability.
> Strategy of flexing business over the insurance cycle.

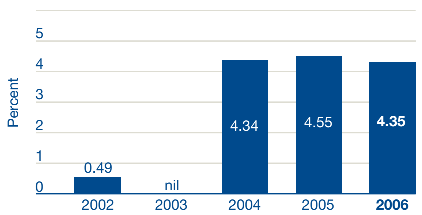
Diversity of Gross premium income (%)



Source: Amlin

Catastrophe reinsurance has increased as a proportion of total premium in 2006, partly as a result of the start up of Amlin Bermuda. In the medium term, when market conditions are right, we aim to increase the proportion of non catastrophe business.

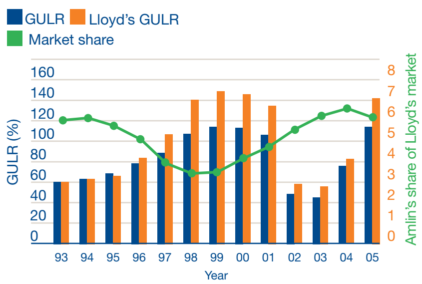
Low senior underwriter turnover



Source: Amlin

Our team of 48 senior underwriters, who have industry experience of over 21 years, has again been very stable with 2006 turnover of only 4.35%.

Gross loss ratios Amlin vs Lloyd's



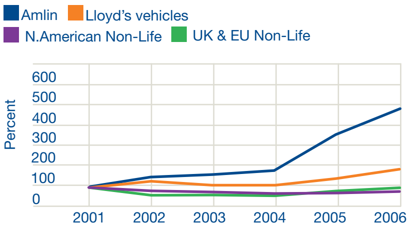
Source: Amlin

We aim to grow market share when conditions are right and are prepared to shed business if it is under priced. This strategy has enabled Amlin's underwriting teams to outperform the market, particularly in more difficult underwriting markets as existed between 1997 and 2001.

Delivering value for shareholders

> One of highest total shareholder returns in the non-life insurance industry worldwide over the past 5 years.
> Weighted average return on equity over the past 5 years of 27.9%, compared to estimated cost of equity of 8.5%.
> Active balance sheet management with increased and special dividends.
> Continually seeking to increase long term growth potential and to improve risk management techniques.

Cumulative five year total shareholder returns



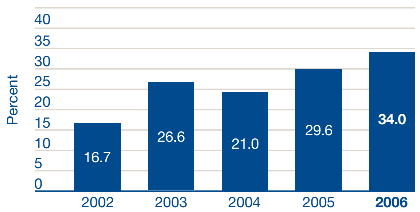
PEER GROUPS

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

Source: Datastream

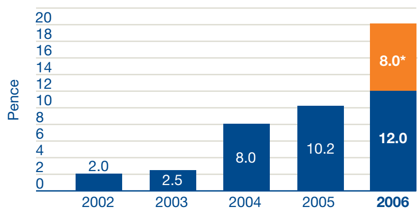
Globally Amlin is among the top 10 public non-life insurers for total shareholder return performance over each of 1,2,3,4 and 5 year performance periods.

High return on equity



Source: Amlin

Dividend per share (declared basis)



*Special dividend
Source: Amlin

Balance sheet leverage has been used to enhance returns on capital.

Our focus on return on equity means that we will look at returning capital that is surplus to requirements.

Financial highlights

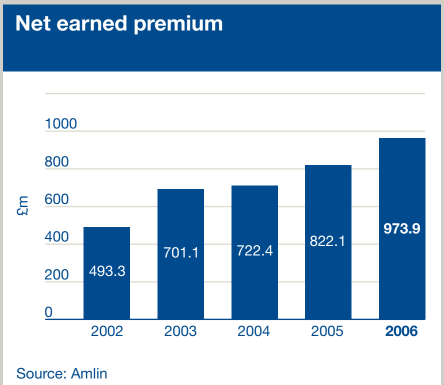
	2006 £m	*2005 £m	*2004 £m	2003 £m	2002 £m
Gross premium written	**1,113.8**	993.5	945.6	937.4	717.1
Net premium written[(1)]	**1,013.5**	829.3	790.2	787.6	573.0
Earned premium[(1)]	**973.9**	822.1	722.4	701.1	493.3
Profit before tax	**342.7**	186.7	119.7	117.8	44.8
Return on equity	**34.0%**	29.6%	21.0%	26.6%	16.7%
Per share amounts (in pence)					
Earnings	**50.4**	34.3	20.7	21.0	11.8
Net assets	**175.6**	148.7	113.7	98.7	80.3
Net tangible assets	**163.2**	136.2	97.0	82.3	63.7
Dividend under IFRS	**10.4**	9.0	4.7	2.1	0.8
Dividends (paid and proposed final) in respect of the calendar year	**20.0**	10.2	8.0	2.5	2.0
Syndicate 2001 operating ratios					
Claims ratio	**42%**	57%	50%	50%	63%
Expense ratio	**34%**	25%	32%	36%	33%
Combined ratio	**76%**	82%	82%	86%	96%
Amlin Bermuda Ltd operating ratios					
Claims ratio	**36%**	–	–	–	–
Expense ratio	**12%**	–	–	–	–
Combined ratio	**48%**	–	–	–	–

Basis of preparation

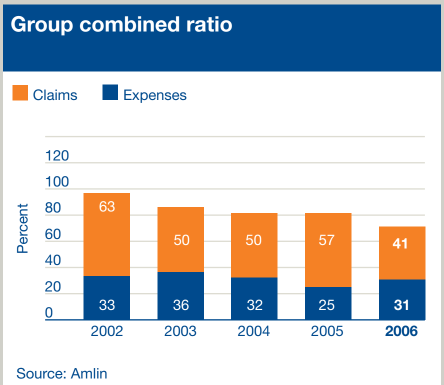
* The indicated columns above are restated for prior period adjustment as detailed in the accounting policies on page 77 of the statutory report and accounts

(1) Excluding premiums associated with the reinsurance to close of our increased share of capacity.

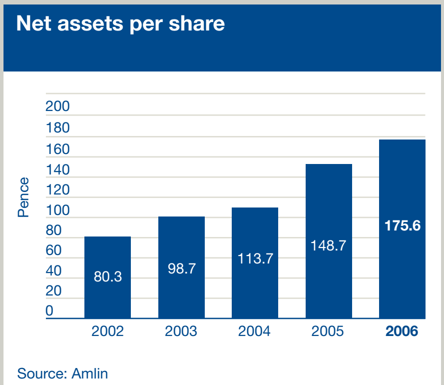
Claims ratio is net claims incurred divided by net earned premium for the year. Expense ratio is underwriting expense incurred divided by net earned premium. The expense ratio does not include expenses that have not been attributed to underwriting or finance costs. Combined ratio is the total of the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



Net earned premium up 18.5%



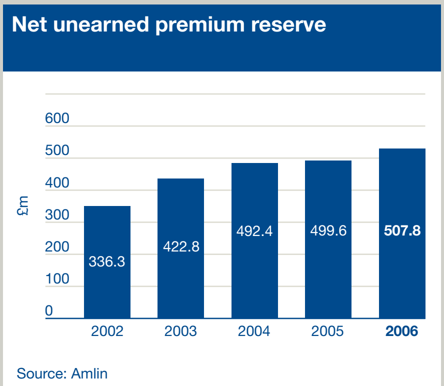
Record combined ratio of 72%



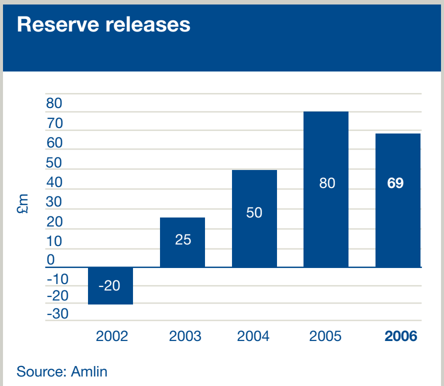
Average compound annual growth in net assets per share 30% since 2002.

Positive outlook for 2007

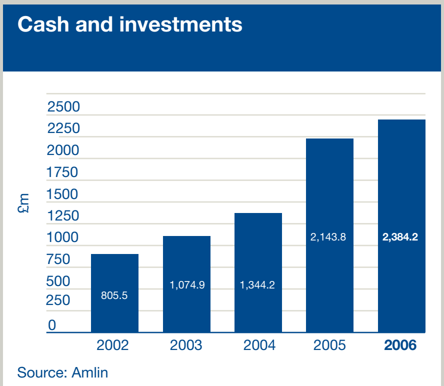
- > A continuing healthy environment in many classes.
- > Amlin Bermuda growing.
- > Continued well reserved balance sheet.
- > Net unearned premium reserve of £507.8 million.
- > Improving prospects for investment returns.



Healthy net unearned premium reserve



Well reserved balance sheet with history of prior year run-off profits



Year end investments of £2.4 billion

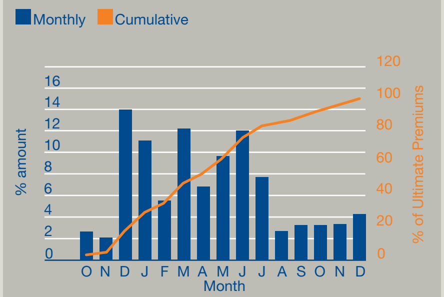
Amlin at a glance

Amlin Group

AMLIN

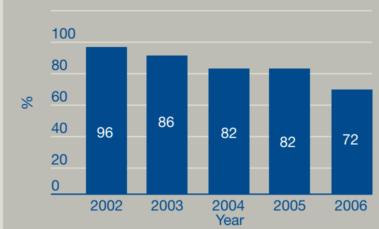
Amlin comprises five businesses, including Amlin Bermuda which commenced trading on 1 December 2005.

2006 Actual written premium



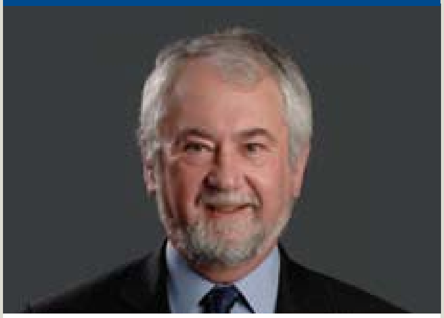
Gross premium by class	2006
Amlin Bermuda	11.0%
Non-marine & reinsurance	49.8%
Marine	18.9%
UK Commercial	13.5%
Aviation	6.8%

Combined ratio



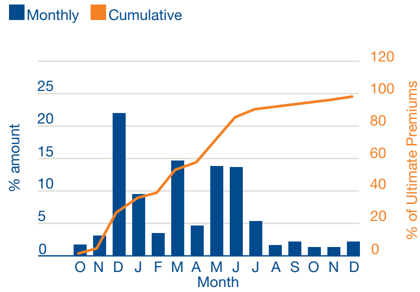
Syndicate 2001 at Lloyd's

Non-marine & reinsurance
Tony Holt: Group Underwriting Director



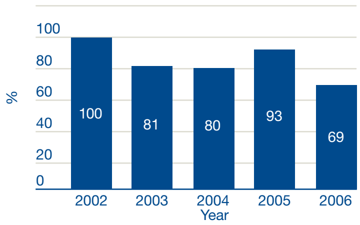
Key statistics for 2006
- 50% of gross premiums written
- 3,530 risks/programmes underwritten
- Average per risk/programme line size of £2.4 million
- Average rate increase on renewals of 11.54%

2006 Actual written premium



Gross premium by class	2006	2005
Catastrophe reinsurance	35.7%	34.1%
Property insurance	21.0%	18.9%
Property reinsurance	11.0%	10.9%
Liability	6.7%	8.4%
Auto	6.4%	7.5%
Proportional reinsurance	5.9%	7.6%
Marine/Aviation	3.7%	3.5%
Trade credit	2.2%	2.4%
Accident and health	2.7%	3.3%
Other	4.7%	3.4%

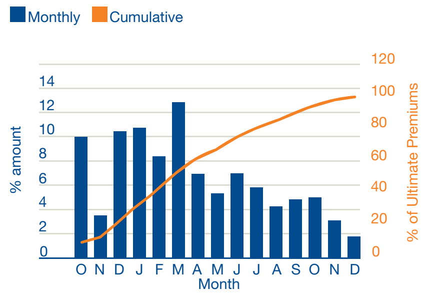
Combined ratio



Marine
Simon Beale: Divisional Underwriter

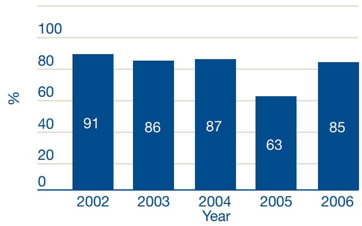
Key statistics for 2006
- 19% of gross premiums written
- 4,438 risks/programmes underwritten
- Average per risk/programme line size of £3.9 million
- Average rate increase on renewals of 4.46%

2006 Actual written premium



Gross premium by class	2006	2005
Energy	26.8%	16.9%
War	13.7%	14.6%
Yacht	12.5%	14.5%
Liability	11.1%	12.2%
Cargo	11.1%	11.7%
Hull	10.0%	11.7%
Bloodstock	9.4%	10.9%
Specie	5.4%	7.5%

Combined ratio

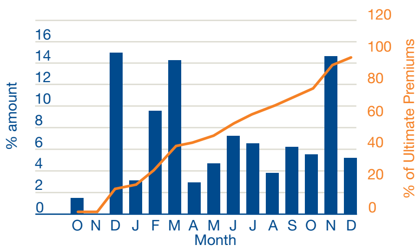


Ratings
A.M. Best – 'A' (Excellent)
Moody's – 'A1' (Stable)
Standard & Poor's – Interactive Lloyd's Syndicate Assessment Rating 4 (Stable)

Aviation
Rod Dampier: Divisional Underwriter

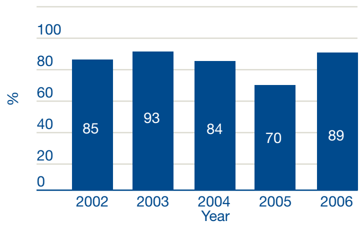
Key statistics for 2006
- 7% of gross premiums written
- 1,537 risks/programmes underwritten
- Average per risk/programme line size of £15.2 million
- Average rate reduction on renewals of 5.01%

2006 Actual written premium



Gross premium by class	2006	2005
Airline	25.0%	33.7%
General aviation	21.9%	19.8%
Airport liabilities	26.3%	20.9%
Product liabilities	17.1%	14.8%
Space	9.7%	10.9%

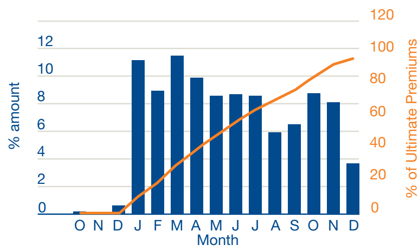
Combined ratio



UK Commercial
Brian Carpenter: Divisional Underwriter

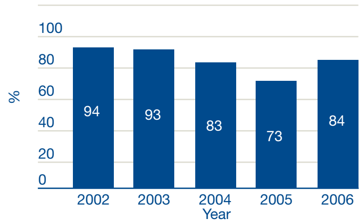
Key statistics for 2006
- 13% of gross premiums written
- Average per risk line size (excluding motor) £4.7million
- Average premium per risk for motor £5,071
- Average rate reduction on renewals of 2.68%

2006 Actual written premium



Gross premium by class	2006	2005
Fleet motor/Other motor	46.8%	48.5%
Employers' liability	18.5%	18.4%
Professional indemnity	15.3%	13.7%
Public/products liability	8.4%	8.3%
Commercial combined	7.9%	8.5%
Financial institutions	3.1%	2.6%

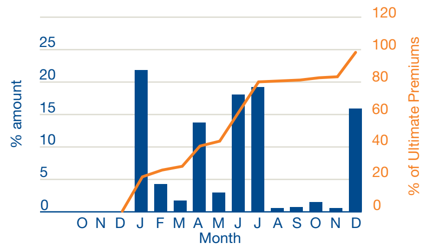
Combined ratio



Amlin Bermuda
John Andrews: Underwriting Director

Key statistics for 2006
- 11% of gross premiums written
- 521 risks/programmes underwritten
- Average per risk/programme line size of £4.5 million

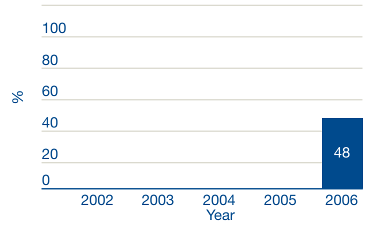
2006 Actual written premium*



Gross premium* by class	2006
Catastrophe reinsurance	60.2%
Proportional reinsurance	19.3%
Property reinsurance	13.6%
Special risks	4.6%
Other	2.3%

*This excludes intra-Group transactions

Combined ratio



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

Chairman's statement

- Amlin delivered an outstanding financial performance in 2006 with pre-tax profits up 83.6% at £342.7 million and earnings per share up 46.9% at 50.4p.
- This result is influenced by the low level of natural catastrophes in 2006 which was in stark contrast to the previous two years. However, we were well placed, having formed Amlin Bermuda, to grow our catastrophe income into very buoyant market conditions. This was achieved while managing our downside risk through fundamental changes in the reinsurance markets.
- Return on equity is a key measure for our business and I am particularly pleased that our 2006 ROE of 34% was a record for Amlin and increases our five year weighted average ROE to 27.9%.
- Total shareholder return for 2006 was 35.7%, and over the last five years has been 378%, one of the highest returns of a non-life insurer worldwide over that period.

Roger Taylor
Chairman

Dividend and balance sheet management

The Board proposes a final ordinary dividend of 7.8p per share and an additional special dividend of 8.0p per share. This makes ordinary dividends for 2006, including the interim already paid, of 12.0p per share (2005: 10.2p per share) and a total dividend for 2006 of 20.0p per share. These payments materially exceed our commitment to pay at least 30% of earnings for 2006.

We will keep under review the appropriate level of capital for the future needs of the Group mindful of the Company's potential to enhance long term shareholder returns through active balance sheet management. The strong cash generation of the business, together with the cyclical nature of the non-life insurance industry, means that Amlin may return significant capital to shareholders over the coming years. The amount will depend on major event loss experience and strategic considerations.

Both the final and special dividends are to be paid on 30 May 2007, subject to shareholder approval at the Annual General Meeting to be held on 24 May 2007, in respect of shares on the register on 30 March 2007. The Company's dividend reinvestment plan is available to shareholders in respect of both dividends.

Current trading and prospects

Trading conditions remain good in most of our business areas, although we anticipate increasing competition and, in our UK commercial and airline insurance areas, conditions have already become very competitive.

There has been an increased divergence between our classes of business in their cyclical patterns in 2006. This could well enhance our cross cycle fortunes as, with Amlin's excellent diversity of risk, there is an increased ability to allocate capital between classes according to market conditions.

With a record net unearned premium reserve of £507.8 million and still buoyant conditions in many classes of business, 2007 holds out prospects of being another excellent year.

Governance

The Board of Amlin is committed to the highest standards of corporate governance. It also seeks to ensure that the Company is managed within risk guidelines established by the Board and that the strategy as proposed by the Executive is appropriate for the continued delivery of growth in shareholder value.

In a climate where governance arrangements are under increased scrutiny, Amlin has adopted a transparent approach to its reporting which both increases accountability and, we intend, will result in increased confidence in the Company. I was pleased that in 2006 we won our second Building Public Trust Award for "telling it how it is" in our Annual Report, this time for our People reporting.

Following the closure of the 2003 Lloyd's year of account in 2006, which was the last year of account on which independent capital participated on Syndicate 2001, we decided to increase the alignment of membership of the Amlin plc and Amlin Underwriting Ltd boards. This has resulted in greater efficiency as well as providing the Board with another level of depth of reporting on its principal trading business.

Board

The Board welcomed Sir Mark Wrightson as a new non-executive Director in March 2006.

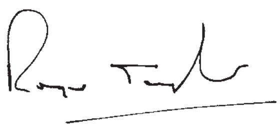
Lord Stewartby, my former Deputy Chairman and the Senior non-executive Director, retired from Amlin at our AGM in May 2006. He first became involved with our business through a subsidiary in 1993 and was Deputy Chairman of Amlin from its formation in 1998. We have benefited enormously from his contribution throughout this period and thank him for his service to the Company.

Nigel Buchanan has taken on his responsibilities as the Senior non-executive Director.

At our AGM in May 2007 one of our US directors, Tom Kemp, will be retiring. Tom was originally a director of Murray Lawrence and has served this Company since its formation in 1998. The Company has consistently received valuable insights to its trading, particularly in the United States, from where 49% of our premium originates, and we owe a great deal to him for his contribution.

The Amlin team

2006 has been a very successful year as we produced another set of record results and completed the first year of trading in our new company in Bermuda. I would like to thank Charles Philipps, his executive team and all our employees for their skill, effort and teamwork.



Roger Taylor
Chairman


Powering on.

Chief Executive's statement

Our primary objective is to create shareholder value. To deliver this we:
> Have a very strong focus on the quality and profitability of underwriting.
> Aim to grow the business over the long term but, in recognition of the cyclicality of our markets, will reduce income if the risk return relationship is unsatisfactory.
> Will actively manage the balance sheet with a focus on return on equity.

This requires:
> The retention of the right skills and experience.
> An understanding of clients' needs so that we can offer competitive products.
> Operational excellence to deliver efficiently high service standards to clients and high quality underwriting and management information.
> Sound risk management, an ability to recognise changing risk and reward dynamics and to adjust our underwriting and investment portfolios accordingly.

Charles Philipps
Chief Executive

We had an excellent year in 2006, with all parts of the organisation working hard to move Amlin forward.

We had high expectations for the year financially with strong underwriting conditions in most areas and prospects for a significant hardening of catastrophe exposed lines. Having raised equity at the end of 2005 it was important that Amlin Bermuda had a successful start and, more importantly, created a sound foundation on which to build. We also had to address a major change in catastrophe exposures when we decided not to renew the retrocessional reinsurance protecting Syndicate 2001.

We have continued to invest in systems and process change, leading the Lloyd's market in a number of projects aimed at improving our competitiveness and attraction to brokers and clients.

Gross written premium

up 12.1%

Profit before tax

up 83.6%

Return on equity

of 34%

Financial results

In 2006 we increased gross premium by 12.1% to £1.1 billion. This reflected good growth, particularly through Amlin Bermuda, in catastrophe exposed business where prices strengthened through the year up to the important 1 July renewal season when a large proportion of US wind exposures were renewed. *For further details see page 16.*

The profit before tax of £342.7 million, up 83.6% over 2005, was well ahead of initial expectations and was partly the result of negligible catastrophe events in a year when prices had reacted so strongly to the extraordinary hurricane activity of 2004 and 2005. Good performance was nevertheless achieved in most lines and very acceptable combined ratios recorded in areas such as our UK commercial division where conditions have been under increasing pressure for the last two years. *For further details see page 36.*

Return on equity, our most important internal performance metric, was 34%, the fourth successive year in excess of 20%, bringing our weighted average ROE since, and including, 2001 to 22.7%. We set a goal in 2001 to achieve a cross cycle average ROE of at least 15% in the belief that, by managing Amlin well we could achieve it, and that, being ahead of our theoretical cost of equity, we would create shareholder value.

Strategy

I am very pleased with the progress made across the Group towards our Vision of becoming "the global reference point for quality" and our strategy for building shareholder value.

Focus on quality and profitability of underwriting

The decision to adjust our catastrophe exposures and operate with significantly less retrocessional reinsurance in 2006 was not taken lightly and followed much analysis and consideration of the options and their impact on both potential volatility of performance and bottom line profitability. It is a tribute to our underwriting leadership that they were able to plan and achieve a change in approach to management of catastrophe exposed business. Peak exposures were reduced and an acceptable relationship achieved between the probable maximum loss to a very large event and return prospects. As well as being an excellent example of the focus on underwriting profitability in action, strategically this demonstrated an ability to reduce reliance on reinsurance which would not have been possible but for our well diversified business. *For more details see page 17.*

The strength of our underwriting team has again been maintained with turnover of our senior underwriters at only 4.35% in 2006. The initial team at Amlin Bermuda has been expanded through recruitment although we failed to secure more senior underwriting expertise for it in 2006. This will be required to achieve our growth plans and we expect to announce progress on this shortly.

The War team in our Marine division was also expanded to help growth in this class which has high margin potential. With every year that passes our underwriting teams, especially with their stability, have more experience providing strong prospects for continuing to generate superior performance. *For further details see page 24.*

Long term growth potential

While cyclical pricing pressure will most likely result in Amlin not pushing hard for organic top line growth in the short term, it is nevertheless important for us to continue to build our capability to attract and handle long term growth.

The share of business from reinsurance increased to 38.6% in 2006 and, at the right time, we will seek to balance this with more non-catastrophe business.

In 2006, as well as laying a good foundation in Bermuda, we made excellent progress in a number of initiatives aimed at improving Amlin's attractiveness to brokers and clients, at helping the Lloyd's market tackle process change, and developing the technology and infrastructure to be able to trade electronically. We are now in a position to receive risk placement data electronically, and to process claims using electronic files which will increase efficiency for both brokers and Amlin and will improve client service. This will help to strengthen our long term competitive position. *For further detail see page 30.*

Our underwriting expertise, financial strength and focus on improving client service has become more consistently recognised with Amlin scoring highest among Lloyd's managing agents and fifth among London market insurers overall for brand recognition in a survey of London market placing brokers in 2006.
We need to sustain this into the next cyclical upturn to encourage maximum business flow.
See page 20 for more detail.

With three London market brokers being acquired by US brokers in the last two years, and with an increasing requirement for transparency by clients and regulators which is forcing change in the way some brokers plan to trade, it is important that we expand our brand recognition internationally and this will take some effort.

Our marketing and distribution service companies for specialist lines such as yachts, bloodstock and credit insurance generated £44.8 million of premium in 2006, up 6.9% on 2005. While a relatively small component of our business, we have invested in new systems, which are now operating for our marine units, which will make volume growth easier to handle.

ROE focused capital management

The successful issue of £230 million of 15 year subordinated debt in April 2006 further increased our financial strength as well as providing greater scope for balance sheet management over the coming years, if, as we expect, we will have capital surplus to our requirements. It provides Amlin with more flexibility to return equity to shareholders while maintaining sufficient regulatory capital to withstand major catastrophes and to be able to respond quickly to event driven cyclical strengthening. *For further detail see page 32.*

The special dividend announced with our results is a clear demonstration of our intention to manage our balance sheet to enhance shareholder returns and value.

People

We motivate employees to excel in building and maintaining high standards through a clearly articulated Vision to which business objectives are linked, meaningful financial incentives based on performance, and the promotion of a culture which seeks to improve continually what we do so that we can continue to build shareholder value.

We are grateful to our employees for their hard work and what they have achieved. It was pleasing to see the first Capital Builder Incentive payments rewarding our underwriters well for some excellent performance over the period 2001 to 2005. We have made our first awards under the new Capital Builder incentive which was approved by shareholders in May 2006. It aims to reward underwriters for achieving returns over a five year period which are in excess of targets set by class of business.

More widely, the introduction of the Share Incentive Plan allows us to increase the alignment between all staff and shareholder interests and it will hopefully broaden from the current level of 17%, the number of employee shareholders.

Retention levels, especially in key areas, remain high and we continue to invest in building skills. The development of claims competencies was an excellent piece of work in 2006 which will provide a sound template for other technical areas in 2007. I was also particularly pleased with the completion of work on our core values which are now being rolled out. They are designed to motivate key attributes which will help sustain our success.
For more detail see page 27.

We completed our second MORI survey of staff in 2006 which indicated high levels of staff satisfaction and a strong understanding of our goals. *More detail is shown on page 27.*

Governance

To align our risk management with future best practice we have separated our compliance and internal audit functions and merged compliance with our business monitoring unit, refocusing it as Risk Assessment and Monitoring, headed by a Chief Risk Officer. This is intended to provide greater focus to the measurement and reporting of all categories of risk across the Group. This will help us address any challenges resulting from the introduction of the Solvency II regulatory standards and should, over time, enhance our risk measurement so that we can better use our resources.

Outlook

The adjustment to our catastrophe exposures and the growth in the balance sheet resulting from our exceptionally strong 2006 financial result places us in a more robust position.

With record net unearned premium of £507.8 million, and margin potential in many classes still healthy, we expect to generate a further good return on equity in 2007.
For more detail see page 40.

There are signs that the growth in industry capital and a search by some reinsurers to increase diversity are placing downward pressure on rates. We are hopeful, however, that industry discipline will be applied to maintain margins which reflect the risk assumed rather than growing market share senselessly. As we have demonstrated before, we will reduce exposures and are prepared to forego premium income when margins become unacceptable. If this happens we will look to retain good margin business where we can and will actively manage the balance sheet with a focus on shareholder returns.

Charles Philipps

Charles Philipps
Chief Executive

2006 market overview

> Significant price increases for US catastrophe exposed business.
> Conditions remained healthy in many other classes although UK commercial and airline insurance came increasingly under margin pressure.
> Only US$15 billion of estimated industry catastrophe losses (US$110 billion in 2005), the lowest level for nine years.
> Growth of capital markets involvement in reinsurance.
> The Lloyd's market position strengthening.

Trading environment in 2006

2006 witnessed increasing divergence in the pricing cycle between classes of business and even within the same class geographically.

In the latter part of 2005 it became apparent that the impact of hurricanes Katrina, Rita and Wilma, would have a material impact on the industry, forcing some reinsurers to cease trading and others to reduce materially their exposures to Eastern seaboard and Gulf of Mexico US property business. Meanwhile, demand for cover would rise as insurers sought to protect already reduced or more exposed balance sheets. As expected, this resulted in material price increases for US catastrophe exposed cover, where Amlin has involvement through its property insurance and reinsurance, as well as energy insurance, accounts. The start up of Amlin Bermuda for 2006 significantly enhanced the Group's position in these areas.

Price increases in US catastrophe exposed classes accelerated through 2006 as the industry took on board the effects of changing loss frequency and severity assumptions used in catastrophe models, as rating agencies demanded higher capital for catastrophe risk, and as the level of protection offered by the retrocessional reinsurance (reinsurance of reinsurers) market shrunk whilst significantly more was charged for the cover offered. Most clients purchased additional cover irrespective of location and underlying exposures. There was a clear shortage of capacity in a number of peak zones, including the north-east US, the Gulf of Mexico and California. At the 1July renewals which preceded the US windstorm season, catastrophe reinsurance renewal rates were up between 10% and 50% depending on the location and nature of cover.

However, these rate increases need to be considered relative to the increased expectations of loss severity and frequency resulting from the belief which scientists now have concerning the impacts of global warming. AIR, one of the leading catastrophe modelling agencies, considers that near term elevated sea surface temperatures could increase previously modelled US windstorm losses by an average of some 36% across all coastal states.

Other territories in the reinsurance arena did not respond as dramatically and terms in non-peak zones, mainly outside the United States, were flat. As the year progressed there were increasing signs of competition for business outside peak zones as some of the more US centric reinsurers sought to diversify their exposures.

Elsewhere, the insurance markets displayed flat to downward pressure on rates. Most classes continued to offer good margin potential but UK commercial and airline insurance came under the greatest pressure.

Among our UK commercial classes competition for fleet motor business remained intense for new business even though a number of participants made encouraging statements about their intentions. UK liability insurance, particularly professional indemnity and employers liability, continued to see rate reductions.

New competition entered the airline insurance market in 2006 encouraged by the absence of a major airline disaster since the American Airlines crash in Queens, New York, in November 2001.

Estimated total worldwide airline premiums have now reduced from $4 billion to US$1.7 billion since 2001 while many liability limits offered on major airlines operating aircraft, such as the Boeing 747, have increased towards US$2 billion.

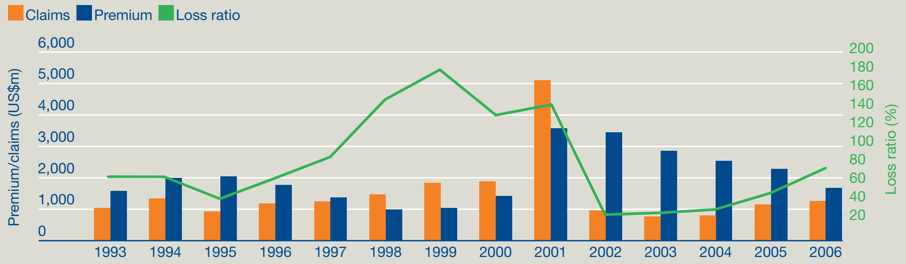
In 2006, even without a major airline disaster, claims are estimated at some US$1.3 billion which leaves little room for a major disaster. Rates in most other aviation classes have, however, remained flat offering good margin potential.

The chart below, which displays Amlin's renewal rating movements for some major classes of business demonstrates the increased divergence in the cyclical pricing trends referred to above.

2006 industry loss activity

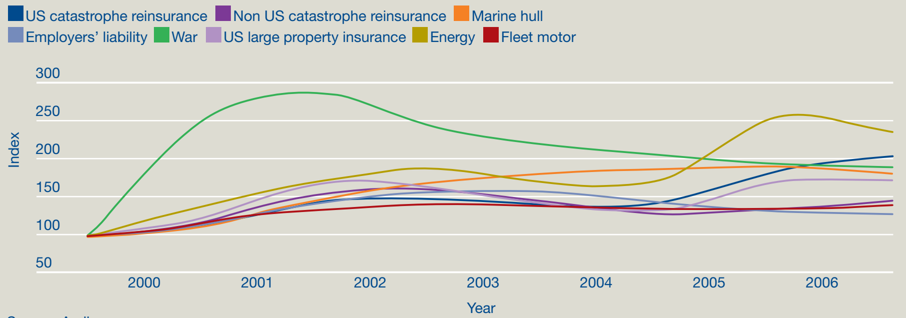
Following two extraordinary years in terms of catastrophe events, 2006 has proved to be a relatively benign year. According to Swiss Re Sigma, catastrophe losses of US$15 billion for the 2006 accident year compares to US$110 billion for 2005 and US$51 billion for 2004. The Atlantic hurricane season was especially favourable. Colorado State University had forecast 17 named storms for 2006, but there turned out to be only 9. There were no category 4 or 5 hurricanes and there was only 1 landfall event. These statistics make it the quietest year since 1997 and whilst it would be unrealistic to suggest that the cycle of activity for Atlantic hurricanes has reversed, it does show what an unpredictable science hurricane forecasting is.

Global airline premium, incurred claims and loss ratio



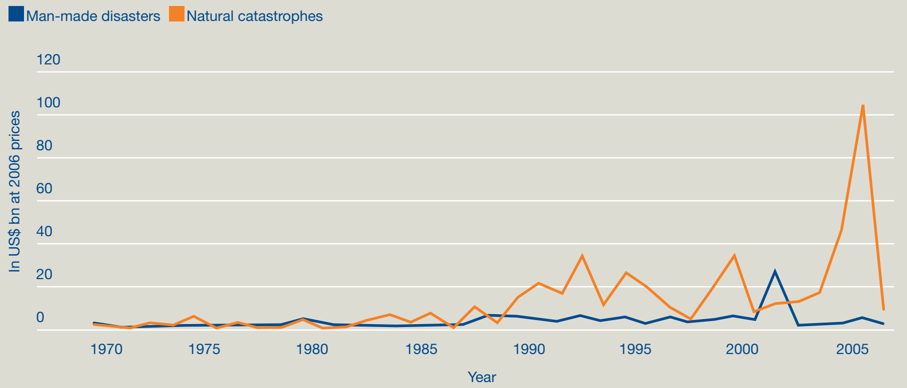
Source: Amlin

Amlin premium rating index



Source: Amlin

Insured losses 1970-2006* (US$m)



*Now insured losses from US natural catastrophes also include NFIP flood losses (since 1970)
Source: Swiss Re Sigma, preliminary 2006 figures (as per 20 Dec 2006)

There are three recognised meteorological theories as to why the 2006 year defied the dire predictions of the scientists. First, a late developing El Nino warm current in the Pacific Ocean reduced the conditions required for strong hurricane formation in the Atlantic. Second, there was the presence of African dry air accompanied by Saharan dust over the eastern Atlantic which is the area of cyclonic incubation. Finally, the storms which did form were forced northwards by the presence of a 'Bermuda high', which was a high pressure weather pattern that effectively blocked the westerly movement of storms, forcing them north into colder water.

In spite of the absence of a major hurricane, total insured damage from tornadoes in the US exceeded US$4.4 billion making it one of the worst years on record.

Property inflation and increased demand for rebuilding work means that even relatively minor events can have a serious economic impact. The scale and concentration of values in catastrophe zones in coastal regions of the US, Europe and Japan alongside the impact of climate change means that multi-billion dollar insurance losses are likely to be an increasing feature of our industry. The challenge for the insurer and reinsurer is to understand properly, model and price the exposure.

For Amlin the largest natural catastrophe loss was Cat 67 (March US Tornadoes) which is estimated to have incurred US$10 million of losses, a fraction of our net 2005 hurricane losses estimated now at US$256 million.

Alternative risk transfer

Since Hurricane Katrina there has been a re-emergence and growth of alternative risk transfer ("ART") products. These non-traditional, capital markets driven products include catastrophe bonds and swaps, industry loss warranties ("ILWs"), contingent capital and most recently the creation of sidecars. Although all slightly different in nature their principal aim is to transfer risk from cedants, either to tradeable capital markets securities or to short-term, special purpose vehicles collateralised with capital often provided by hedge funds and private equity investors.

Approximately $8.6 billion was invested in ART products in 2006, up approximately 140% on 2005. ILWs are estimated to have provided an alternative for 20% of the retrocessional reinsurance market in 2006, compared to only 5% prior to hurricane Katrina.

Recent hurricane seasons

	1950-2006 Average	2004	2005	2006	2004-2006 Average
Named storms	11	15	28	9	17.3
Hurricanes	6	9	14	5	9.3
Cat 3-5*	2	6	7	2	5.0
Cat 5*	0.4	1	4	0	1.7
US Hurricanes**	1.5	6	5	0	3.7
US Cat 3-5*	0.6	3	4	0	2.3
Insured Loss	$7Bn	$24Bn	$55Bn+	$0Bn	$26Bn

* Cat 3-5 refers to the strength of hurricanes according to the Saffir-Simpson scale
** Refers only to those hurricanes which made landfall in the United States.

Source: Risk Management Solutions

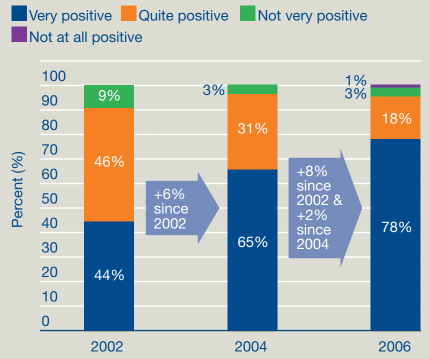
Although these figures are small when compared to the size of the global non-life insurance market, they have provided much needed capacity at a time of scarcity. Thus far, however, they have remained expensive compared to traditional markets, especially when the certainty of an indemnity contract offered by traditional well financed reinsurers is taken into account. It is possible that, when pricing starts to decline, many of these products will be withdrawn or reduced in size, which could well help moderate the rate of any softening.

Lloyd's strengths became increasingly recognised

The attractions of Lloyd's as a platform for Amlin increased in 2006 as its resilience to catastrophic events became better recognised by clients around the world, as plans for the removal of risks associated with Equitas were announced and as its new Chief Executive started to grip process reform.

Closer to home, nearly eight in ten of the 350 UK Lloyd's brokers interviewed by Gracechurch Consulting for their 2006 study were generally positive about the future of the Lloyd's market.

Brokers' opinion on the future of Lloyd's



Source: Gracechurch Consulting

In October it was announced that Berkshire Hathaway would reinsure Equitas and remove the risk that a potential weakening in Equitas' solvency could damage confidence in Lloyd's or that an increase in liabilities could require part funding by the ongoing Lloyd's market. While the transaction remains subject to a number of consents, this has already positively affected client and rating agency sentiment to Lloyd's and, when finalised, could help a step up in Lloyd's security rating.

With the help of Amlin and G6, Lloyd's has built good momentum in 2006 towards the process reforms which are needed to improve Lloyd's competitive position. There are clear signs of this continuing into 2007.
See page 30 for information on process reform developments.


Looking wider to see more.

Underwriting – focused on risk and return

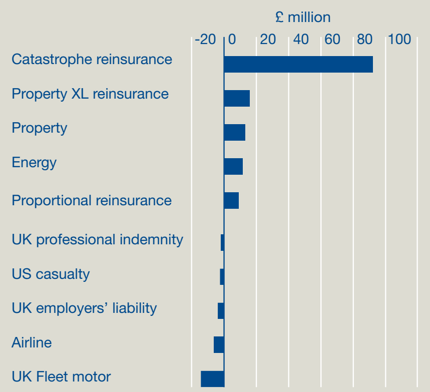
> Significant growth in income in catastrophe exposed property, energy and reinsurance accounts where demand was high and capacity short following 2004 and 2005 hurricane activity.
> Amlin Bermuda successfully starts to build a good quality and diverse reinsurance account.
> Active management of peak exposures following decision not to renew retrocessional reinsurance protection for Syndicate 2001, so that they fit the Group's risk appetite.
> Further improvements in risk modelling and delegated authority management.

Shaping the business according to conditions

The combined strengths of Amlin's diversity and experienced underwriting teams again allowed us to flex the business taking account of market conditions with a view to optimising the risk return relationship.

Against the background of the diverging cyclical pricing patterns described on pages 12 and 13. Amlin increased premium income significantly in US catastrophe exposed lines, while reducing it in those areas where prices had fallen to levels where it was becoming more difficult to achieve a satisfactory return for the risk, such as airline and UK commercial insurance. We maintained income in many classes where prices were stable or starting to soften as they continued to offer good margins.

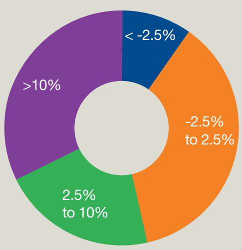
Classes with largest gross premium growth and reduction in 2006



Source: Amlin

Overall, as can be seen below, premium rating conditions were up on 54% of our renewals, broadly flat on 36% and weaker on 10%.

2006 renewal income by rate movement



Source: Amlin

Premium changes by business area for 2006 underwriting year (net of brokerage)

	Amlin Bermuda £m	Non-marine & reinsurance £m	Marine £m	Aviation £m	UK Commercial £m	Total £m
Gross premiums written	99	451	149	64	120	883
Increase/decrease relative to 2005 (%)	8440	9.8	10.0	(7.1)	(17.6)	18.3
Renewal premiums	2	361	107	51	104	625
New business premiums	97	90	42	13	16	258
Retention ratio (%)	51.8	80.2	76.6	78.9	67.7	77.4

Source: Amlin

Gross premium written increased 18.5% overall with 77% of 2005 business being renewed and £258 million of new business.

In the Non-marine and reinsurance division, property reinsurance and direct property accounted for £331.3 million, representing 73% of total gross written premium. While £68 million of new business was added in these classes, their combined retention ratio was only 77% reflecting the active repositioning and reduction of Syndicate 2001's peak catastrophe exposures as described below. The balance of our non-marine portfolio had an average retention ratio of 89% over the year, although it weakened marginally in the latter months with increased competition for some lines.

Offshore energy within our Marine division generated £24.9 million of new business, but with only 59% of 2005 business retained. The account was repositioned to take advantage of significant price increases for Gulf of Mexico risks while bringing modelled potential catastrophe losses down. Although rates for war and terrorism risks have seen continued erosion in 2006, it remains an attractive class and we strengthened our team in this area in the early part of the year which helped grow the account, adding £4.3 million of new business.

We declined approximately 40% of airline renewals as market premium returned to levels close to historic average loss cost, although we successfully sourced some new airline business where we felt the premium better reflected the exposure. Our policy for this sector will be to maintain our involvement in a select portfolio and to protect our peak exposures by purchasing an appropriate reinsurance programme. In other classes, such as airport liability, general aviation and aviation products, where the market remained more firm, we maintained healthy levels of retention whilst selectively adding new business.

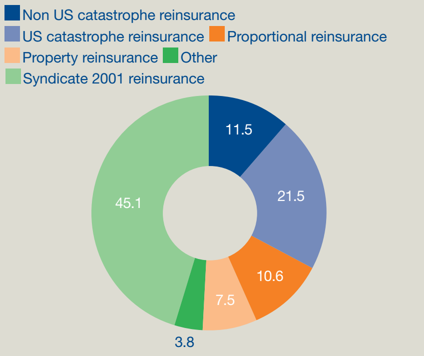
The UK commercial portfolio continued to contract as competition for fleet motor, professional indemnity and property package meant we lost business and there were a reduced number of opportunities to write profitable new accounts.2006 was Amlin Bermuda's first year and the income shown in the table above excludes all business ceded to it by Syndicate 2001.

Solid start for Amlin Bermuda

Our underwriting goal for Amlin Bermuda in 2006 was to establish a diverse account of well priced property reinsurance, taking advantage of the shortage of catastrophe exposed capacity in the aftermath of the 2005 hurricanes. We set an initial stretching target of US$350 million of new gross premium income (net of brokerage) of which US$68 million was budgeted to be new business written in Syndicate 2001 to be specifically ceded to Amlin Bermuda.

The new company wrote less business than planned in its first January renewal season due to a later than envisaged confirmation of security rating and greater than anticipated competition for non-US catastrophe reinsurance. Following this and a decision to reduce major event risk appetite for the reasons explained below, expectations for the full year were downsized. Since then Amlin Bermuda performed well, writing US$279 million of new business for the Group in 2006, of which US$54 million was specifically ceded to it by Syndicate 2001.

Amlin Bermuda 2006 gross premium (%)



Source: Amlin

Amlin Bermuda's directly written reinsurance is well diversified, it having achieved a good split of US and non-US catastrophe income and access to the geographically spread regional US business which is underwritten by Syndicate 2001.

To provide Amlin Bermuda with greater diversity, helping to secure its strong security rating, it also wrote a whole account quota share reinsurance of Syndicate 2001, which contributed US$119.2 million of premium income, bringing its overall 2006 premium income to US$411.3 million.

Risk appetite as a % of net tangible assets

	Net tangible assets (NTA) at prior year end £m	Largest risk appetite £m	Largest event risk appetite as a % of NTA %
2004	326	150	46
2005	387	170	44
2006*	727	325	45
2007*	870	362	41

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

Managing exposures within risk appetite

The advances made in recent years in the capture and recording of risk aggregate data and the modelling of catastrophe risk proved extremely beneficial in 2006. With the start up of Amlin Bermuda, combined exposures needed to be monitored.

A significant reshaping of Syndicate 2001's exposures was required when we decided that it would be better to reduce peak catastrophe exposures rather than renew much of our retrocessional and overlying umbrella cover which had protected Syndicate 2001 in recent years.

While we renewed our direct account reinsurance programmes on satisfactory terms for 2006, it made little financial sense for us to pay the hugely increased price being quoted for retrocessional protection, as we did not believe the cost reflected the risk being transferred.

Taking account of this change to our business plan, we set about bringing our exposures within our risk appetite, which for a very significant catastrophe, such as a US$100 billion windstorm, we set at £325 million. This was to be achieved by bringing Syndicate 2001's maximum event loss down by £60 million to £200 million and reducing Amlin Bermuda's maximum event limit by US$50 million from its initial plan limit of US$300 million.

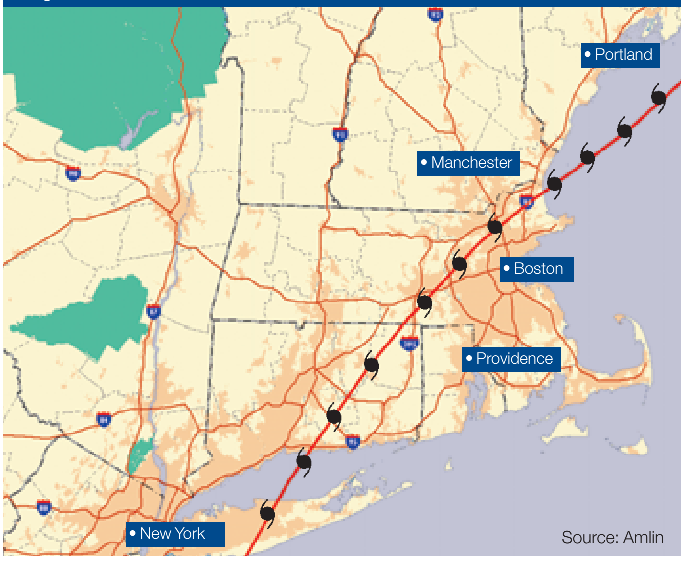
Actions taken to reduce our potential catastrophe losses included:

- Reducing Syndicate 2001 catastrophe reinsurance exposures in north-east US, Florida and the Gulf of Mexico by 21%, 20% and 29% respectively relative to 2005;
- Imposing tighter limits on direct property exposures in coastal US regions, and writing more business which was further inland; and
- Repositioning Gulf of Mexico energy exposures so that the maximum net energy modelled hurricane loss was reduced by 42%, relative to 2005, to US$79 million.

Also, to compensate for the increased potential volatility resulting from significantly less retrocessional cover, insurer retentions were increased and higher layers written so that modest hurricanes similar to those experienced in 2004 would have incurred significantly less claims than in 2004.

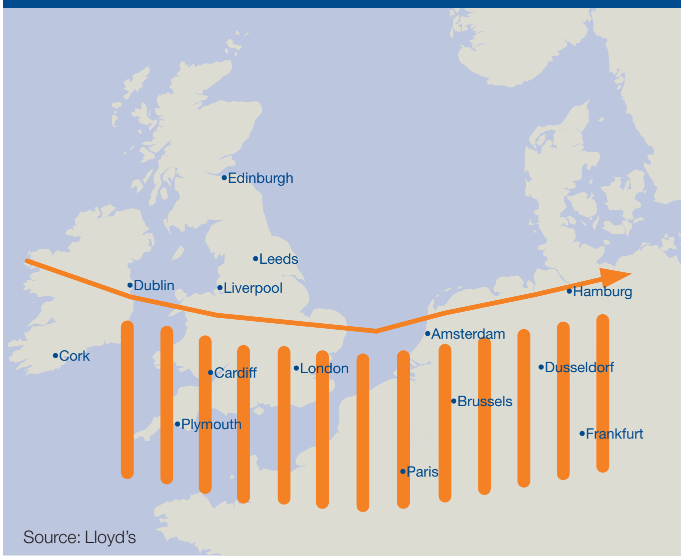
By 1 July, considered to be the start of the US windstorm season, our maximum modelled event loss, which was then a US$65 billion north-east US multi zone windstorm had been brought down to £330 million. Other active modelled potential multi zone event losses were less than £315 million and all major single zone event losses were less than £220 million.

North-east US hurricane event track – one of our largest modelled losses



Source: Amlin

European wind storm zone – another major modelled loss



Source: Lloyd's

Underwriting – focused on risk and return

Having taken this position, our maximum risk appetite of £325 million, at 45% of net tangible assets at 31 December 2005, was similar as a percentage of prior year net assets to previous years. Also the increased volatility was compensated for by:

- The outwards reinsurance cost savings we were making having decided not to purchase a retrocessional reinsurance programme;
- The additional premiums we expected to generate, especially in Amlin Bermuda, for catastrophe exposed risk; and
- Our high levels of confidence in the profitability of non catastrophe exposed business which was supported by our analysis model.

When taking account of these factors, there was a low probability of a single major event resulting in significant impairment of Amlin's consolidated balance sheet and significant upside in the absence of material catastophe activity.

Having successfully restructured Amlin's catastrophe exposures in 2006, and with significant growth in the Group's net tangible assets, our 1 January 2007 largest modelled catastrophe is down to 41% of net tangible assets.

Further information on the manner in which Amlin actively manages its underwriting risks is provided in the Risk Disclosures which form part of the notes to the financial statements on *pages 81 to 97.*

Continually improving our capabilities

We continued to invest in 2006 in our risk aggregation modelling and systems. This has involved:

- Further development of our location mapping software so that it is able to more accurately pinpoint exposure values written in the property, energy and war accounts;
- Applying updated software from major modelling agencies which better capture the damage and loss characteristics of hurricanes such as those in 2004 and 2005, including (for example) so called demand surge which drives repair costs up; and
- A reduction in the time taken to report modelled aggregate event losses across the Group.

Another area of focus was our delegated authority underwriting where we provide agents with the authority to write risks within predefined limits and pricing guidelines on Amlin's behalf. In 2006 premium from this source was some £150 million. We believe that this could provide a good source of growth as long as controls are tight and with more efficient communication channels that are becoming possible with technology. Work in this area in 2006 has included:

- Redesigning due diligence of new agents;
- Building a delegated underwriting database and dashboard to improve ongoing monitoring and reporting of agents' performance;
- Improved audit processes for existing agents; and
- Steps to capture agents' premium and risk data more quickly.

In 2007 we will:

- Continue to develop our catastrophe risk aggregation and modelling as well as delegated underwriting management; and
- Revisit our technical pricing methodology in a number of classes with a view to being at the forefront of industry expertise and capability.

Below (left to right)
James Nugent, Underwriting manager, Non-Marine
James Illingworth, Chief Risk Officer
David Ford, Business Intelligence manager
James Lewis, Underwriting manager, Marine


Strength
in flexibility.

Clients – meeting their expectations

99% of Amlin's premiums are sourced through insurance brokers and the largest 4 brokers accounted for 49% of business in 2006.

97.5% of Amlin's premiums are from commercial clients, of which 54% are from insurance companies which Amlin reinsures. We provide insurance to personal lines customers only in specialist areas such as yacht, bloodstock and private car with some homeowners business sourced through managing general agents.

79% of our premiums are from business which is placed in the London subscription market on which Amlin writes a share of each risk. We are a lead participant on 46% of this business, meaning that we have greater influence over the pricing and contract terms and will generally have a closer relationship with the insured client. We will also control the claims adjustment and settlement.

21% of premiums are from business where Amlin is the sole insurer. This is on business where we are prepared to assume 100% of a particular risk, such as in the case of UK motor insurance.

How we appeal to our clients

The way we source business and the nature of the subscription market means that we need to meet the expectations of both our broker intermediaries and the end customer. We maintain a close watch on how brokers rate our performance and aim to excel in areas which are important to them and the end client.

In 2006, independent consultants Gracechurch conducted a biennial survey of the attitudes of 350 UK based placing brokers towards insurers in Lloyd's and the wider London market.

We were ranked first for brand awareness among Lloyd's managing agents, up from second equal in the previous survey, and with the highest margin over second since Gracechurch commenced their London market survey in 2002. We were sixth for brand awareness among all insurers, which is a positive performance against the large global brands including Lloyd's itself which was in first place.

Traditionally important factors in the selection of insurers remained stable in comparison with 2004. These include financial strength, where Amlin again ranks first in this study, claims performance and speedy decision making.

With the increased transparency demanded by insured customers, brokers are focussed on where and how both they and their recommended insurers can deliver added value to policyholders. In the 2006 survey, brokers added a new requirement for insurers to understand the needs of the insured, ranking this factor as second only in importance to financial strength and equally important as paying claims efficiently. The experience of our underwriting teams, as outlined on *page 24*, means we are well equipped to meet this need.

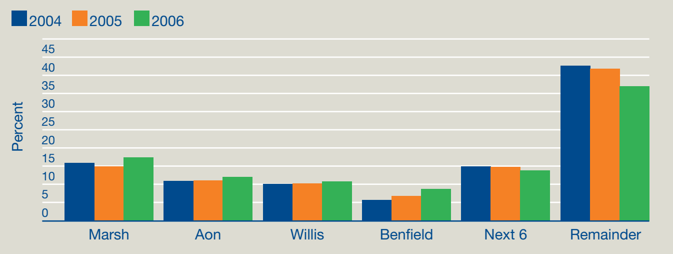
Policy issuance

Amlin has outperformed the market for both the quality of its policy wordings and the speed of their issue – components of our service which are relevant not only to the broker but more importantly to the end client. The historic standards of performance in this area across the London market have been poor which resulted in the FSA demanding rapid and meaningful improvement.

We continued to make excellent progress towards our goal of agreeing a full contract wording on all London market risks before their inception, reaching 91% compliance in 2006. In January 2007, for the first time we reached 100%.

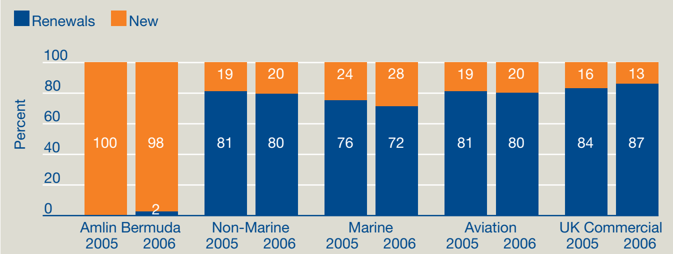
With end clients becoming more demanding, increased transparency over market processes and the FSA's focus in this area, we would not be surprised to see policy issuance increase in the scale of importance to brokers in the future.

Gross premium income by broker



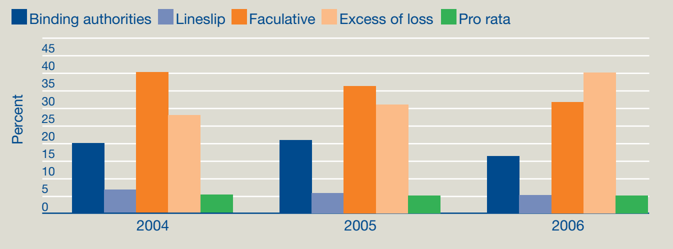
Source: Amlin

Business source by division 2005/6



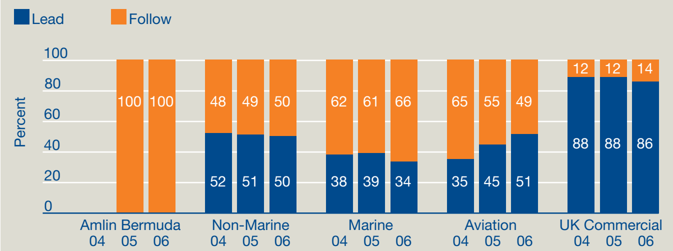
Source: Amlin

Method of acceptance



Source: Amlin

Business led in 2004/5/6

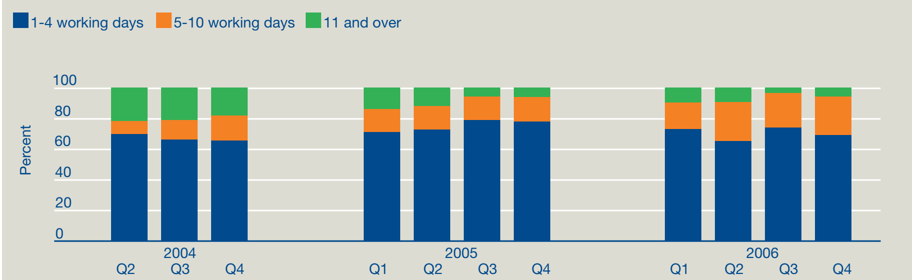


Source: Amlin

Managing Agents and Amlin: Importance v performance

Source: Gracechurch London market study 2006

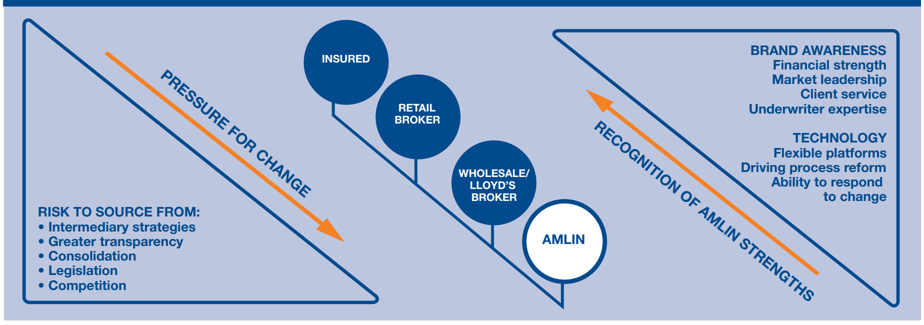
Turnaround time for claim files adjusted*



Source: Amlin

*Amlin started measuring claims turnaround time in March 2004

Business risk and mitigation



Claims service

We were disappointed with our average rating on claims payment efficiency in 2006. We failed to meet our target that for at least 75% of claims files the turnaround time is four days or less. While the average overall turnaround time was 4 days, compared to 4.2 days in 2005, and claims volumes were up 11.6% in 2006 with 37,833 claims being adjusted, only 71% of the claims portfolio was adjusted within 4 days or less.

Claims service is an area where we expect to compare favourably, especially as we have invested in process improvement and technology over the last two years, and in 2005 we were ranked first for overall claims service in a survey of London market claims brokers.

During 2006, we adopted Electronic Claims File (ECF) technology, linking it with our bespoke claims workflow system implemented in 2005. By moving from paper-based to electronic processing, the total time taken from initial advice to final settlement can be reduced and brokers will be able to remove costs. It is also much easier to share information with following underwriters where Amlin is the lead underwriter on the risk. In October 2006 Amlin and Guy Carpenter announced that for the first time a Lloyd's market claim had been transacted entirely electronically. Since then until the end of January 2007, 15% of our lead London market claims have been transacted using ECF technology. Amlin is ahead of its peers in the market in this regard.

Changing distribution dynamics

A number of forces are combining which are having an effect on the shape of the distribution chain and the way that we trade with insurance brokers. Among these are increased demands for transparency by clients and regulators, the emergence of larger local markets around the world, an increasing momentum to remove inefficiencies while increasing the focus on added value and technology providing solutions.

For some classes of business, particularly for business sourced from overseas, the distribution chain can be long and complex. In 2006 we saw moves to integrate the chain with three London market brokers being acquired by US retail and wholesale brokers.

While together these London market brokers represent only a small amount of Amlin's business, these acquisitions are indicative of a trend which may affect the flows of business to London in two potential ways. First, it may increase the extent to which the parent acquirer seeks to place business in London, and second it may reduce the extent to which the London market broker continues to access business from some other US based intermediaries. In either case, these dynamics reinforce the relevance of our strategies of expanding recognition of our expertise and service capabilities through our distribution chain. We are investing in technology to provide flexibility in the way our underwriters can trade with brokers, and seeking to lead positive change in the London market to increase its attractiveness to brokers and clients.

Leading change in the London market

While we have every intention of continuing to differentiate positively Amlin, we recognise that it is in our interests that the London market overall increases its attractiveness to brokers and clients internationally and that change, in order to gain traction, requires leadership with a critical mass of support. Frustrated by the pace of change in the market, Amlin, together with five other Lloyd's managing agencies, formed a Group, now known as "G6", to design and promote improvements in market processes for the benefit of all market participants and our global client base.

Significant progress was made in two areas in 2006. First, the design and commissioning of a new electronic market wordings repository which is intended to aid the efficient production of policies and the delivery of contract certainty. Once scoped to a sufficient standard, this was passed on to the Lloyd's Market Association so that it could be available for all Lloyd's market participants. Second, the design, agreement of data standards and testing of a new "peer to peer" means of transmitting data electronically so that the risk placement process can be streamlined. Benefits of this will include savings in time and expense for brokers and underwriters and a clearer audit trail of information exchanged pre-placement of a risk. Amlin is already using this technology with a small number of leading brokers. We will be encouraging brokers to adopt it more widely during 2007. *Further details of both of these developments are provided on pages 30 and 31 under Infrastructure.*

Clients – understanding their needs

1

Matthew Maxwell
Leading Class Underwriter

Managing risk in remote partnerships

Interstate Motor Carriers Agency (IMCA) has been doing business with the Lloyd's market for nearly 50 years. This contract, placed via their wholly-owned subsidiary, Parke Stethem Limited, is the oldest US trucking facility in existence and since the 1960s it has been led by Amlin and its predecessor syndicates.

IMCA was formed in 1936 to help truckers find insurance coverage that was specifically designed for their businesses and remains an independent agency to this day. Lloyd's is their primary source for physical damage, cargo and excess, general liability and property coverages. Amlin's Matthew Maxwell and Graham Desborough both have more than twenty years' experience on this account, dealing with the same principal throughout.

Amlin's Overseas Auto team underwrote 51% of their 2006 income in North America and long-standing accounts such as IMCA form an important part of our portfolio. As our relationship has developed over the years into one of mutual respect and confidence, we have awarded increasing discretion to IMCA, making them effectively a local extension of Amlin's underwriting in London. As our agents, IMCA now have authority within certain guidelines to underwrite, quote and bind coverage, issue policy documents and handle claims, thereby negating potential delays for a US broker dealing with a UK based insurer.

Unsurprisingly, since Amlin's profitability and reputation rest on our ability to work with high quality agents, we are both selective and rigorous in managing these partnerships. We review comprehensively IMCA's monthly underwriting reports and meet face-to-face several times each year, together with Lloyd's brokers HSBC, to ensure that our underwriting philosophy is clearly understood and being adhered to.

IMCA places great emphasis on safety, providing qualified experts, training and resources to help their customers implement proven safety techniques. In return, their renewal rates are excellent at around 95% and income to the contract has increased ten fold over the last decade. Further, Amlin and IMCA have together developed a new enhanced commercial auto package including premises coverage, specifically for their clients.

For IMCA/Parke Stethem, the ability to provide tailored policies backed by the financial strength of Amlin's Syndicate 2001 at Lloyd's has helped develop a profitable and expanding book of business.

"Amlin's knowledge of the marketplace, cooperative spirit and creative underwriting has helped us grow over the years. They have been consistent and dependable during all insurance cycles and we look forward to continuing this relationship in generations to come."

Gary Weindorf
Executive Vice President and Owner

2

Jason Herriott
Leading Class Underwriter

Developing new markets

Growth in war and terrorism business is often the result of a catastrophic event. In February 2005 former Lebanese Prime Minister, Rafik Hariri, was assassinated by a huge bomb which also caused damage to a number of high profile hotels and commercial buildings. Overnight the market changed.

Amlin has written political risks in the Lebanon for some years, but we have increased this account considerably over the past two. In 2006, Syndicate 2001 led around 70% of the Lebanese terrorism and allied perils business which came to the London market. We provide reinsurance on a facultative (individual risk) basis which supports the local direct market. Insured risks include commercial and residential property, hotels and leisure facilities, light industrial, oil storage facilities and port equipment.

"It is particularly important for London insurers to meet overseas business partners face-to-face in order to understand the distinctive aspects of risks we are underwriting in foreign territories"

Jason Herriott, our class underwriter, visited the Lebanon shortly after Hariri's assassination to meet with brokers, cedants and clients, assess the situation on the ground and determine how Amlin could continue to support clients amid the prevailing instability. Indeed, some programmes had been written on an interim basis immediately after the assassination for clients left without cover. He believes it is "particularly important for London insurers to meet our overseas business partners on a face-to-face basis in order to understand the distinctive aspects of the risks we are underwriting in foreign territories".

War and terrorism underwriting is not unique in that one must assess both the account exposure and perceived risks. Some risks are quantifiable, such as proximity to a potential target, and exposures are modelled in our sophisticated digital mapping software. Other risks are more nebulous and, while we use market intelligence from a variety of expert sources, there is no substitute for underwriter experience. The underwriting team constantly challenges and adjusts its planned scenarios to ensure we offer realistic terms to clients in volatile territories.

Cover against War On Land risk arising in an insured's own country is a relatively new insurance class. Development of new products allows us to offer business partners the widest available protection; a benefit our Lebanese clients have been quick to embrace following the recent political and social unrest.

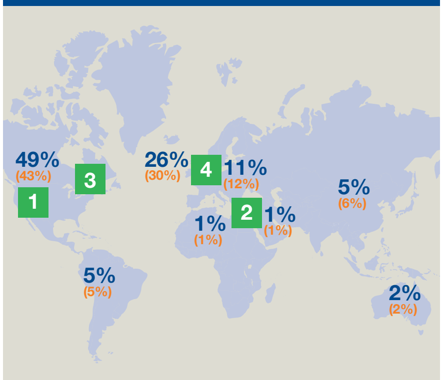
One of our key retail clients is AISHTI, the owner of numerous franchises for luxury brands in the prestigious Solidere district of central Beirut.

AÏSHTI

"It is a major challenge to build a leading luxury fashion brand in the Lebanon and we rely on our insurers and reinsurers to support us year on year. Amlin and Lloyd's have done so and we recognise their contribution to our success."

Tony Salame
Managing Director

Geographical split of gross premium 2006 (2005)



Source: Amlin

3

Robin Etheridge
Leading Class Underwriter

Creating the model reinsurance portfolio

Union Mutual Fire Insurance Company of Vermont is based in Montpelier, Vermont, where it is a market leader, and has a presence in the whole of New England. The company has a 132-year history, providing residential and small commercial insurance cover and has been an Amlin client for many years.

Union has built up a solid base of both clients and assets, enjoys an A- rating from AM Best and maintains a current policyholders' surplus of US$76 million. However, as a mutual it relies heavily on buying catastrophe reinsurance, in which the Lloyd's market is prominent, to offset risks to its capital base. It is also important that this cover is backed by financial strength, evidenced by Amlin's strong 'A' ratings. This lends confidence to both the client and the US regulators.

Union's clients inhabit ever more densely populated areas and live in some of the highest value real estate in the US. Perceived hurricane risks to New England have escalated over the past few years and Hurricane Katrina in 2005, a landmark catastrophe event, has focussed attention on the entire Eastern seaboard.

The Great Hurricane of 1938 was the New England landmark event and, despite being a category 3 hurricane hitting a sparsely populated area, AIR, the Boston-based catastrophe software modelling company, estimates that the insured loss would be US$30 billion at today's values and demographics. Union buys reinsurance cover for a 1 in 100 year event, which would be considerably larger than the 1938 event.

Union uses sophisticated portfolio optimisation techniques in order to manage its catastrophe exposures, particularly for their coastal policies. The granular data they provide is regularly reviewed by Amlin's Robin Etheridge and his team in order to price their catastrophe programme and each year we offer a range of quotations to mirror the extent of Union's changing risk exposures. Over the years that Amlin have reinsured Union, their catastrophe programme has more than trebled in size.

"Working together with Amlin and our brokers Aon Re (in the US and London), we have built up a finely balanced reinsurance programme which mitigates our catastrophe risk while matching our desired risk appetite.

Factoring in the emerging risk of climate change is among the most complex modelling challenges facing the industry today and we are pleased to be working with such an experienced team."

Doug Wacek
President

4

Mandy Doran
Class Underwriter

Customer service begins with flexibility

H. R. Owen is well known throughout the world for retailing prestige and performance cars, predominantly those of two major manufacturers, Premier Automotive Group and BMW, plus a range of specialist sports cars.

In early 2005, H. R. Owen had 45 dealerships around the UK and Amlin was approached by brokers Mainstay to quote for a comprehensive package of risks inherent in the high value motor trade. The package included material damage cover for premises, contents and stock, business interruption, cash and goods in transit, employers liability, public and product liability and motor road risks.

During discussions with both broker and client, Amlin's Mandy Doran further explored the company's risk management and security procedures, such that she was able to reduce the deductible for vehicle theft by 50% in favour of the client. It was also important to understand the expectations of H.R. Owen clients, given they are considering the purchase of high quality vehicles, including the world's fastest car, the Veyron Bugatti.

Amlin was flexible in providing cover for test drives of vehicles valued at up to £800,000, whereas some other insurers would not. Likewise, we were willing to provide motor cover for the company's ever popular track day events, where clients drive Ferraris, Lamborghinis and the like.

H.R. Owen's emblem is a "Tradition of Excellence" which refers both to upholding a heritage of being the best and to the provision of the highest levels of customer service. In order to support this brand promise, Amlin also ensures a similar level of commitment, providing dedicated motor and property claims personnel and a named underwriting contact to this account. As the insurer, we have a vested interest in helping H. R. Owen monitor risks and claims, and we provide them with management information on a quarterly basis.

During the two years that Amlin has insured H. R. Owen, the company has reduced the number of dealerships to twelve, all based in London and the South East, as part of its strategy to focus still further on high value vehicles. We have tailored our coverage to reflect these changes and, where dealerships were sold through management buyouts, Amlin policies have been retained in many cases.

H.R.OWEN
H.R. OWEN PLC

"Ours is a complex business and Mainstay and Amlin demonstrated a clear understanding of our needs. In order to provide the excellent service our customers expect, we rely on our insurance partners to be flexible and responsive to help us achieve this."

David Jaggar
Financial Director

People – retaining, motivating and building skills

With regard to Amlin's employees our key objectives remain:

> A working environment where employees are well motivated and have a strong belief in the Company, its strategy and core values.

> The development of loyalty between the Company and employees.

> Continual improvement in the effective management of people and the skills and competency of staff at all levels and across all disciplines.

> The retention and growth of key skills which are critical to the business.

> Well constructed and fair reward systems which help drive superior performance and align employee and shareholder interests.

> The development and use of first class employment practices throughout the Group.

We recognise that the success of Amlin is dependent on our ability to attract, develop, motivate and retain talented staff. We believe that our intellectual property and competitive advantage resides in our employees and that there is a strong correlation between effective people practices and shareholder value. Strategically our ambition is to become "the place to work" in the industry, thereby helping us to retain talent and attract new talent when and in areas that we need to.

In managing our people, our objective is to create a strong alignment between the Group's Vision and goals, shareholder value 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.

Employee profile

Amlin employed a total of 620 people at 31 December 2006 and the number of new staff joining the Group during 2006 was 93.

Following the establishment of Amlin Bermuda at the end of 2005 when a team of four underwriting staff were transferred from London to Bermuda, the operation at ABL has expanded to 14 employees, 8 of whom are local Bermudians.

Total employees

	At 31 December 2006	At 31 December 2005
London market business	239	236
UK commercial business	221	233
Amlin Bermuda	14	4
Group functions	146	137
Total	620	610

Continuity

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 48 senior underwriters have on average over 21 years' experience in the insurance industry and over 12 years' service with the Amlin Group.

For the fifth year in succession we achieved our goal that voluntary turnover, excluding retirements, of our senior underwriters is below 10% per annum and our overall employee turnover below 15%.

Employee turnover and experience

Class	Senior underwriters	Other underwriters	Underwriting support	Claims staff	Claims support	Operational	Operational support	Admin & finance	Total/ Average
No. at 31 December 2006	**48**	**54**	**160**	**138**	**39**	**39**	**17**	**125**	**620**
Turnover	4.35%	11.54%	16.98%	7.41%	17.07%	18.18%	23.81%	21.67%	14.72%
Voluntary turnover	4.35%	9.62%	15.72%	6.67%	12.20%	11.36%	14.29%	20.00%	12.62%
Mean age of employees	44.49	36.85	35.78	40.14	41.3	39.7	37.41	38.26	39.24
Mean service of employees	12.71	6.75	6.89	8.24	6.45	6.26	5.71	6.86	7.48

In fact, 2006 turnover of senior underwriters and all employees was 4.35% and 12.62% respectively and the turnover of senior underwriters has been less than 5% for each of the past six years.

Further work has been undertaken to update and refine the Group succession plan which enables us to take a more planned and strategic approach to the resourcing and development of key staff. The plan identifies key roles and individuals, reviews possible areas of risk and identifies contingencies and successors both within and outside of the Company.

A key initiative in 2007 will be the design and implementation of leadership development and talent management programmes to meet the needs of the Group succession plan.

Diversity and flexibility

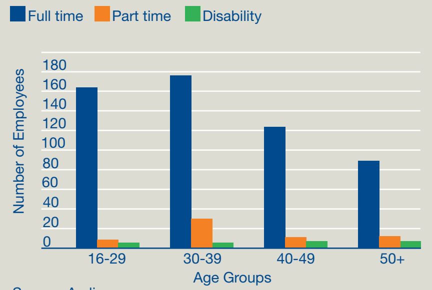
Amlin is proud to be an equal opportunity employer and we aim to ensure that the recruitment, promotion and development of staff is based on their suitability and competency for the role. In April 2006, in preparation for the new age discrimination legislation and also to allow employees to continue employment with Amlin beyond the age of 60, Amlin raised the normal retirement age for employees from 60 to 65. Approximately 3% of employees are currently over the age of 60.

We believe that work /life balance is important to our staff and helps improve performance through increased job satisfaction and reduced absenteeism. Our flexible working policies apply to all employees across all parts of the business (subject to local differences in Bermuda) and include:

- Part time working;
- Job share;
- Two weeks paid paternity leave;
- Parental leave;
- Sabbatical leave; and
- Home working.

At the end of 2006, around 4% of employees regularly worked from home in addition to the 50% of employees who can work remotely. The number of staff with flexible working arrangements across the Group now stands at 9%, compared to 4% at the end of 2005. Sabbatical leave also proved popular throughout 2006 with 3% of employees taking advantage of the sabbatical leave entitlement.

Age, work status and disability



Source: Amlin

Performance management

In addition to the day-to-day management of employees, Amlin undertakes formal reviews of individual performance through two means: a detailed business class review for each senior underwriter which includes an assessment of an underwriter's ability to manage a portfolio of risk and to adapt to changing business circumstances; and performance and development reviews for employees. Both are intended to ensure that we have the right skills in place and that we focus training and development where it is needed.

Well structured incentive arrangements also play an important part in performance management. While reward systems need to pay our staff fairly and competitively against the market they are also designed to provide high reward for high performance. For example, the Company's

2006 initiatives

Initiative referred to in 2005 annual report	Progress achieved in 2006
Changes to the Group's incentive and pension arrangements	Completed
Review and update of the Group's succession plan	90% complete with one area requiring further work
Roll out of the Group's Core Values	Commenced with strong positive involvement of staff
Conducting a second MORI staff survey	Completed
Design of a leadership development programme	Commenced but much remains to be done in 2007
Further development of core curricula matrices for technical functions	Completed for claims functions. Underwriting and other functions to be completed in 2007
Development of a long term talent strategy	Carried over to 2007

Capital Builder Long Term Incentive Plan is designed to retain and reward the long-term commitment of key underwriters by allowing them to build personal capital over a sustained period of success if, and only if, they exceed demanding targets to help the Company achieve superior returns on capital. For senior management and others who are not underwriters, incentives are performance related with a greater proportion being driven by return on equity the more senior the employee, as the Company considers return on equity to be the primary driver of shareholder value.

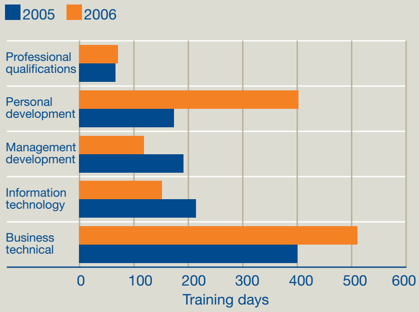
Training and development

Amlin Academy, now in its sixth year, provides training and development programmes for Group employees and selected open courses for others. The Academy's objective is to provide a core curriculum of training, while encouraging 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, to help staff realise their full potential. The number of employee days devoted to training increased by 21% to 1,252 days in 2006 as a result of increased personal development, much of which was associated with the roll out of our core values programme as referred to overleaf.

During 2006 a bespoke workshop was designed to educate all underwriting staff on the requirements of "Contract Certainty" with the primary objective of maintaining Amlin's position as a market leader in best practice and customer service.

Amlin Academy
Training days provided in 2005/6



Source: Amlin

A key initiative during 2006 was the development of a claims competency framework which incorporates a set of key behaviours specifically identified for claims staff, together with a technical know-how and skills matrix which categorises the skills required to perform the day job at various levels. This took longer to complete than originally envisaged, and is a high quality piece of work which will be used as a template for developing other competency frameworks across the business.

While fewer days in 2006 were devoted to management development than in 2005, Amlin continued to work closely with The Roffey Park Institute and The Coverdale Organisation in providing management development training. Both training providers have a good insight into the culture of Amlin, which adds a huge benefit when delivering their programmes.

Work commenced in 2006 on the design of a leadership development programme to provide directors and senior managers with tailored personal development and to raise the level of leadership capability across the Group. Completion of this in 2007 is a key priority.

roffeypark

"When the answer to the question 'What did you gain from the training programme?' is "Too much to list", we can assume that something positive is happening. This was the response given by a participant in a review of the 2006 Amlin People Managers' Programme. And whilst the response reflects well on those who ran the programme, it also reflects the close partnership we have built with Amlin over the last four years and their desire to work with us to continually review and refine the programme to meet the needs of their managers. It is a real pleasure to be working with an organisation that so clearly believes in investing in their people."

Steve Tarpey, Director of Bespoke Services, The Roffey Park Institute.

Coverdale

"The Coverdale Organisation has been working in partnership with Amlin now since 2004 helping to furnish leaders in the organisation with the vision, creativity, commitment and skill to work in an effective and collaborative way and bring about sustainable performance improvement and change for the good. The key benefits of the programme for Amlin staff are that they come away with a common language and way of working together in order to get things done. They develop their observation, influencing and creative thinking skills, as well as taking away a range of tools and techniques that can be applied in the workplace."

Innes Milne, Senior Consultant, The Coverdale Organisation.

Reward and recognition

Amlin has developed a total rewards approach which provides a mix of financial and non-financial rewards designed to maintain our competitiveness in the employment market, incentivise superior performance, encourage long term loyalty with an alignment to shareholder interests, as well as providing staff with flexibility and choice.

We aim to set basic pay at the median of our peers and to provide the potential for employees to earn top quartile overall rewards for top quartile performance. We also encourage share ownership among employees and expect senior management to build meaningful shareholdings in the Company.

People – building high performance

Following a strategic review of our reward arrangements undertaken in 2005, to ensure that the way in which we incentivise employees is closely aligned to our Vision, in 2006 we implemented a number of improvements to the Company's longer term incentives and completed the design work on others which are being introduced in 2007.

Proposals for a new 5 year Capital Builder Long Term Incentive Plan ("Capital Builder") for senior underwriters, a new 3 year Performance Share Plan for non-underwriting senior managers and a new annual Share Incentive Plan for all staff were formally approved by shareholders at the AGM in May 2006.

Each of these incentives is intended to motivate superior performance and encourage long term alignment between employees and the Company. *Descriptions of each of them are provided in the Directors' Remuneration Report on pages 58 to 70.*

The Capital Builder incentive was awarded to 54 underwriting employees in 2006. The Performance Share Plan and the Share Incentive Plan will first be awarded to qualifying employees in 2007.

Like many companies, Amlin has reviewed its pension arrangements and specifically its position in relation to its final salary schemes. The plans outlined in our 2005 Annual Report were implemented in 2006, removing much of the Company's risk associated with salary inflation which is inherent in defined benefit schemes and promoting equality in treatment between staff.

Employee well-being

In addition to rewarding employees financially, Amlin promotes the benefits of improved health and well-being at work, both in the interests of providing a beneficial working environment for employees and for the positive impact that this has on productivity, attendance and staff turnover.

Private Medical Insurance is offered to all employees and their dependants as a core benefit and the take up is over 84% of the workforce. In addition, as part of our flexible benefits package, employees can elect to choose medical screening under the well man/well woman schemes. During 2006, 51 employees chose this option.

Amlin uses an Occupational Health Advisory service to help proactively manage sickness absence as well as for pre employment screening, executive medical screening, proactive health management, policy advice and risk management.

We provide employees with the opportunity to receive free eye tests and also offer subsidised gym membership as part of our overall benefits package. Currently 31% of employees have subsidised gym membership.

We regard Health and Safety as a core aspect of how we do business and all employees receive regular on-line health and safety training.

Amlin's Employee Assistance Programme provided to all UK based employees through ICAS, offers counselling, life management and legal advice. This year, Amlin has worked in conjunction with ICAS to develop workshops on stress management training, which has now been delivered to senior operational management and will be rolled out to other managers in 2007.

Employee engagement

Amlin is committed to seeking the views of its employees and therefore a second Employee Attitude Survey was carried out by MORI in July 2006. In addition to obtaining valuable feedback on Amlin's progress towards being "the place to work", we were able benchmark performance against the results or our 2004 MORI survey.

72% of staff participated in the 2006 survey which is well above the private sector average of 57%, and provides a strong statistical reliability to the results. The survey collected staff views on seven key areas:

- Job satisfaction;
- Understanding objectives and contribution;
- Leadership;
- Management;
- Reward and recognition;
- Training and development; and
- Culture, values and communication.

MORI also provide normative data that enables Amlin to compare its results with other organisations, both within the financial services sector and more generally. The normative data is expressed as follows:

- MORI Norm: The average score of all 170 organisations surveyed by MORI in the past five years;and
- Top 10 Norm: The average score of the 10 highest scoring responses to any particular question, from all organisations surveyed by MORI in the past five years.

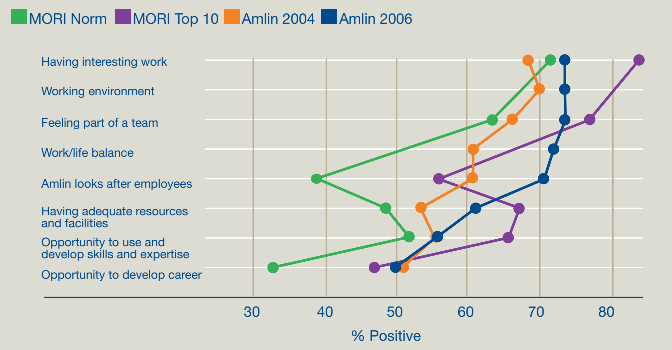
The survey recorded significant improvements in staff responses in all of the categories, both against the very positive results collected in 2004 and against the MORI norm groups. In many cases the Amlin result scored within the MORI top 10 norm and we are delighted that Amlin scored the highest score for overall job satisfaction (81%) of any organisation surveyed by MORI in the last five years.

Following a presentation to a group of senior managers in October 2006, Martin Palimeris, Research Consultant for Ipsos MORI commented:

"These results are extremely encouraging to see and are testament to Amlin's efforts in moving towards its goal as an employer of choice. Impressive step changes have been achieved since the previous 2004 survey and many scores are at best practice level. Amlin is performing very well across some key elements of employee engagement. The challenge now for the company will be to maintain the high standards that have been achieved and to focus on attaining further improvements, based on the knowledge we have gained from this and the 2004 surveys."

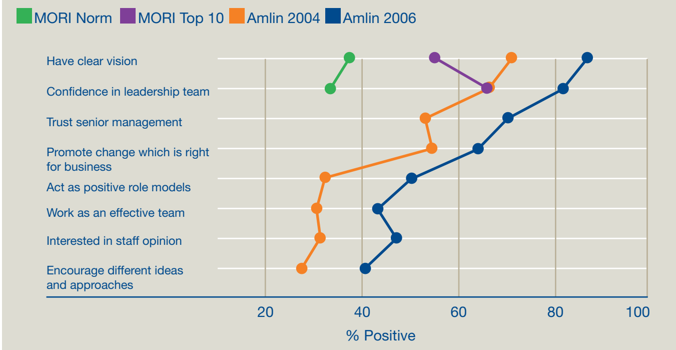
Pictured (left to right)
Elaine Mahoney, Human Resources manager
Mark Farrow, Group Human Resources Director
Julie Northfield, Training and Development manager

Job satisfaction – Benchmarking



Source: Amlin Employee Survey 2006

Leadership – Benchmarking



Source: Amlin Employee Survey 2006

MORI data not available for all questions

Understanding Objectives – Benchmarking

Source: Amlin Employee Survey 2006

Amlin's values

Professional excellence
- We are professional in all we do, continually developing our skills and expertise.

Integrity
- We are fair and honest and we deliver on our commitments.

Leadership
- We take clear and considered views of the future.
- We communicate our objectives and empower our team to achieve them.

Superior performance
- We seek to excel in both the levels of service and the results we achieve.

Teamwork
- We work together to deliver excellent perfomance, 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.

Moving forward, the results will be discussed with staff in local work areas to identify local level actions and to focus on areas for further improvement.

The Company's Employee Consultation Forum (ECF), which meets on a quarterly basis, also provides a valuable opportunity for staff to feedback views to management. The ECF represents all employees and encourages the active participation in the affairs of the Company by providing a forum where new ideas, policy changes and business matters can be discussed freely and proactively. The ECF was established in 2004 and during the last two years has been actively involved in discussions on the following subjects:

- Business strategy;
- Benefits;
- Training and development;
- Staff communication; and
- Marketing.

Culture and values

The biggest development initiative carried out during 2006 has been the roll out of our core values. Earlier in 2006, the management team finalised its work on core values which captured its beliefs in the underlying values that will contribute to sustaining the success of the Group. These have now been incorporated into our Code of Conduct and, in due course, will be incorporated into some of our business processes such as recruitment, induction and performance management.

The Company, together with Blessing White, a consultancy specialising in the development of corporate values, designed a series of one-day workshops for all staff. This programme is designed to help communicate Amlin's core values across the business while providing each employee with an opportunity to consider how he or she can apply them day to day in the performance of his or her role. As at 31 December, 32% of staff had attended one of these workshops and it is intended that the remainder of staff will attend one in the first half of 2007.

Feedback from the MORI survey and from those workshops held to date has confirmed a strong correlation between Amlin's core values and those of employees.

Initiatives for 2007

During 2007, we are continuing to work towards our employee goals with the following objectives:

- Review and benchmark the core and flexible benefits package to ensure that Amlin's reward proposition remains up-to-date and competitive.
- Working with business areas to identify opportunities and draw up action plans for further improvement in our employment practices arising from the 2006 MORI survey.
- The design and implementation of leadership development and talent management programmes to meet the needs of the Group's succession plan.
- Further development of 'core-curricula' matrices, to include know-how capability and competency requirements, for key technical and other functions.
- Completing the roll-out of Amlin's core values across the Group. Reviewing and updating HR processes to help embed the values and qualities which have contributed to the Company's success.

People – a wealth of experience

In addition to the Executive Directors whose biographies are shown on page 46, Amlin has a wealth of experience and expertise among its senior management across its functions. Among them are the following.

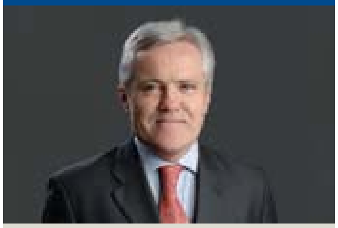
Simon Beale
Divisional Underwriter, Marine

Simon has specialised in marine hull business since joining Lloyd's in 1984 and is recognised as an international leader in this field. He heads Amlin's Marine division.

Simon is a previous chairman to both London's Joint Hull Committee and the Ocean Hull Committee of the International Union of Marine Insurance. He now represents the London market on IUMI's Executive Committee. Simon is an elected member of Lloyd's Market Association Marine Committee, a member of Lloyd's Register General Committee and a Trustee of the London Maritime Officer Cadets Scheme.

Experience
Amlin: 1994
Insurance: 1984

Rod Dampier
Divisional Underwriter, Aviation



Rod is a Fellow of the Chartered Insurance Institute, Associate Member of the Royal Aeronautical Society and a member (and former Chairman) of the LMA Aviation Committee.

Having begun his underwriting career with Royal Insurance marine department in 1967, Rod moved to the aviation division in 1971. He then joined Aviation and General in 1985, which merged with most other UK composite insurers aviation departments to form British Aviation Insurance Group (now Global Aviation) in 1991 where he was a senior underwriter until 1997. He then moved to Amlin as the divisional underwriter for the Aviation division.

Experience
Amlin: 1997
Insurance: 1967

James Illingworth
Chief Risk Officer

James is a member of the LMA Risk Management Committee and was elected to Lloyd's Underwriting Agents Association in July 2000.

After graduation, James spent eight years as a reinsurance broker with Greig Fester (now Benfield) before joining Stace Barr Underwriting Agencies, and two years later becoming MD of the new advisory company, Stace Barr Insurance Capital. He became a Director of Angerstein Underwriting Trust plc in 1997 and, following its merger with the Murray Lawrence Group, James was elected Chairman of Amlin Underwriting from July 1999 to April 2000.

Experience
Amlin: 1991
Insurance: 1983

David Harris
Operations Director

David plays an active role in London market reform, serving on various LMA and Lloyd's committees and is currently on a part-time secondment to Lloyd's.

Having completed a law degree, David joined Royal Insurance in 1985. Immediately prior to the merger between Royal and Sun Alliance, he was the Multinational Claims Manager with worldwide accountabilities. After the merger he became the Operations Manager for the London Market Division of RSA, managing Human Resources, Information Technology, Marketing and Divisional Expenses. He joined AXA Insurance in 2000 and became their UK Claims Director.

Experience
Amlin: 2003
Insurance: 1985

Stuart MacKellar
Managing Director, Amlin Bermuda

Stuart is a member of the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Bermuda.

Stuart is responsible for all non-underwriting activities of Amlin Bermuda and works closely with Underwriting Director John Andrews to enhance and develop Amlin Bermuda's strategic position in the Group.

Trained as a chartered accountant with BDO Stoy Hayward in London, Stuart moved to Bermuda in 1995 as a senior auditor in the insurance practice of KPMG Peat Marwick. He joined Alea in 1999 and, from 2004 onwards, he was Chief Financial Officer and Head of the Bermuda operations of Alea (Bermuda) Ltd. and Alea Group Holdings (Bermuda) Ltd.

Experience
Amlin: 2006
Insurance: 1995

Mark Farrow
Group Human Resources Director

Mark is a Chartered Member of the Institute of Personnel & Development.

Prior to joining Amlin, Mark was HR Director with AXA PPP Healthcare having worked on major re-structuring programmes to prepare the PPP Healthcare business for sale and subsequently managing two integration programmes following the acquisitions by Guardian Royal Exchange (1998) and AXA (1999). Prior to AXA PPP Healthcare he worked in a variety of senior HR and Personnel roles with ICI and Kimberly-Clark.

Experience
Amlin: 2001
Industry: 1989

Jayne Thorburn
Chief Investment Officer

Jayne is a Member of the UK Society of Investment Professionals, a Fellow of the Chartered Institute of Bankers, an Associate of the Institute of Chartered Secretaries and Administrators and a Member of the Chartered Institute of Management.

Jayne was previously Head of International Equities at Halifax Fund Management Limited, where she established and ran a wide range of portfolios. For two years prior to joining Amlin, Jayne worked as an independent management consultant advising a number of blue chip companies, whilst completing an Executive MBA at Cranfield University School of Management.

Experience
Amlin: 2002
Investments: 1985

James Nugent
Group Underwriting Manager

James is a member of the Chartered Insurance Institute. Having started his career underwriting fine art and specie business with C E Heath, James moved to the marine market to underwrite offshore energy, hull and cargo business. In 1989 James joined Murray Lawrence as Deputy Underwriter of F C Bowring, syndicate 28, with responsibility for the direct marine account.

In 1996, he moved to the KJ Coles marine division as one of the first underwriting managers in the Lloyd's market. Charged with putting controls and procedures in place to test and challenge the quality of underwriting, he moved to Amlin's Non-marine division in 2000 as divisional and Group underwriting manager.

Experience
Amlin: 1989
Insurance: 1976


Insight
and
initiative.

Infrastructure – enhancing capability and delivery

In developing Amlin's infrastructure and systems we aim to:
> Support our technical teams and management with timely, reliable and relevant information to assist daily and strategic decision making.
> Facilitate high levels of client service in areas such as policy issuance and claims handling.
> Provide leadership to the Lloyd's market in addressing historic market inefficiencies.
> Continuously improve our own efficiency and effectiveness.

As Amlin operates in a subscription market, it is necessary for us to help drive change in infrastructure and processes across the market as well as to continue to invest in our own capabilities. We have therefore been working closely with five other Lloyd's businesses, known in the market as G6, so that a critical mass of support exists for key developments. Major projects initiated in 2006 by G6 have included the design of a market wordings repository and the piloting of electronic trading with brokers on a peer to peer basis. These projects have been integrated within our own programme in 2006.

Aggregate exposure control

During 2006 we have used our data warehousing capability to enhance our recording and reporting of geographic aggregate insurance and reinsurance exposures. We are now capturing data at a greater level of detail, providing increased accuracy, which in turn provides greater scope to efficiently use the Group's balance sheet while staying within risk appetite. As well as enhancing Amlin's underwriting capability, our progress also means that we can more accurately assess potential losses post event. This will be an ongoing piece of work for the Group in terms of continually enhancing our capability.

Data warehouse

In 2006 we successfully rolled out further enhancements and moved more data into our warehouse. We also integrated Amlin Bermuda into the consolidated Group warehouse whilst providing our new company with its own functionality. This technology has had a very positive impact in terms of providing data which can be easily tailored to meet each user's needs, and for the more sophisticated user, there is capability to drill down through the data.

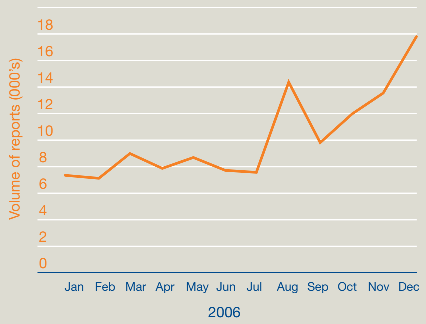
In recognition of the value added by this implementation Amlin won the Microstrategy award for "Most Innovative Business Intelligence Implementation".

2007 will be a year of delivering additional process improvements in our financial reporting using the sophisticated capability that is now available to us.

2006 initiatives

Initiative referred to in 2005 annual report	Progress achieved in 2006
Enhance systems for the control of aggregate exposures	Greater granularity of data and reporting achieved
Drive benefits from investment in our data warehouse	Increased reporting capability
Support goals for improving contract certainty and policy issuance	Largely achieved
Deliver an electronic trading capability for on-line risk data	Capability delivered and tested with two major brokers
Completion of Genus for our UK commercial business	Testing identified issues which has delayed roll out
Support claims strategy with interoperability between Amlin's workflow system and electronic claims files	Done, with Amlin and Guy Carpenter recording first market settlement using the electronic claims repository
Roll out new purchasing and expense workflow system	Expense module completed and purchasing module to be implemented as scheduled in 2007
Design of a treasury and investments workflow system	Done

Monthly data warehouse reports delivered



Source: Amlin

Policy issuance and contract certainty

For the past three years we have been investing in people, process and technology to provide evidential contract certainty to our customers and broking partners, thereby improving service and reducing risk. In 2006 we integrated the necessary contract certainty checks into our underwriting workflow system to ensure that checks are completed ahead of binding a risk and that there is an audit trail of the checks being completed and by whom. This technology drives our monitoring of compliance with our goals.

We have been working with Lloyd's and G6 to enable tax and regulatory checks to be carried out before the inception of risks, as well as the contract certainty checks. Historically, a number of these checks have been carried out some time after inception thus creating inefficiency in the process as well as delaying delivery of policies to customers. Changing longstanding procedures is always a challenge but we are confident that new methodology, which is currently being piloted, is the right process and will help deliver better service to customers as well as reduce cost. The feedback from our broking partners is that this is a much needed step and being at the forefront of driving this change is another opportunity for Amlin to differentiate itself positively.

Amlin and G6 also designed a new electronic wordings repository to assist in the agreement of a full wording at the time of risk placement. Having reviewed our work the Lloyd's Market Association agreed to take over the building of the repository so that it could become available to all market participants. It is now operational, is available to all our underwriters and wording specialists and is fully integrated into our workflow process.

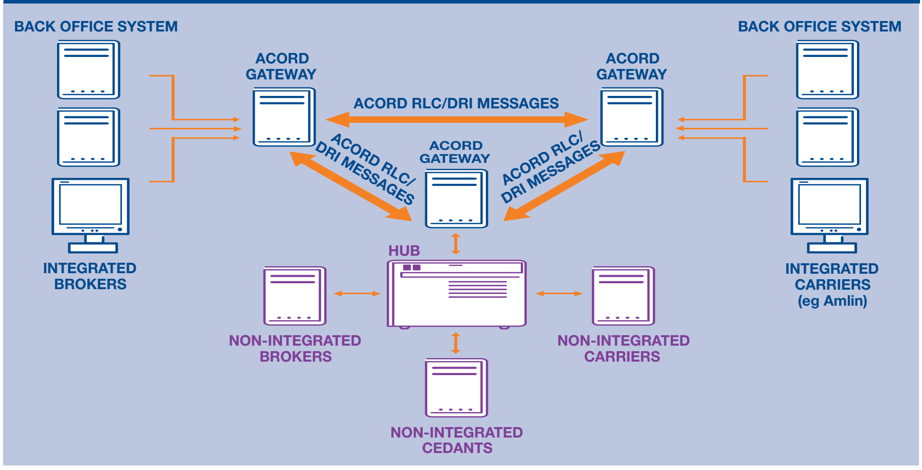
Electronic trading

'Peer to Peer' is an electronic messaging approach designed to streamline the risk placement process. It aims to support the existing underwriting process and confine the need for broker queuing to essential face to face negotiations

Peer to Peer is made possible by the use of agreed standards which create a "common ground" for electronic messages to travel between brokers' and underwriters' different electronic gateways. The standards have been agreed with ACORD, a non-profit organisation that promotes standardisation in the insurance industry, which means that they are open and available for use by all market members.

Amlin, working with the other members of G6 and a number of major brokers, developed the implementation rules for placing business using ACORD RLC messages. These are a standard method of sending and receiving risk data electronically in a secure and structured manner between participants in the insurance market under the auspices of ACORD. This is a major piece of work for the market and has recently been endorsed by the Lloyd's Market Association.

Electronic Placement – Peer to Peer



Essentially it means that one standard can be used across the market in terms of providing slips and supporting documents through an electronic messaging approach.

Peer to Peer benefits

Information can be recieved automatically and fed directly into systems, reducing manual effort and handling errors.
Places structure and procedures around the documents sent electronically.
Provides better security than email.
Provides a clear audit trial.
Future development will allow endorsements to be handled electronically and risks to be bound online reducing the need for broker box visits.

During 2006 we have proven our technological capability to accept risks from three major broking houses and also from an independent messaging hub all driven by these standards. Whilst it is still early days, this will enable us to receive risk data into our systems in a secure fashion and at an earlier stage.

Genus
Testing of Genus, a flexible web-based system being developed by our UK commercial division, identified a number of issues that need remedying before roll out. While the delay is disappointing, when complete the new system is expected to enhance client interface and enable the division to capture significantly more risk information.

Claims
Our claims team have been involved in a two year change programme. From an infrastructure point of view this has involved building specific systems programmes and designing and implementing a workflow package to support the technical adjusting.

Also, during 2006, the London market Electronic Claims File (ECF) became a reality. A market initiative, it essentially means that claims documentation is filed electronically so that all underwriting firms on a risk can access it. As well as significantly speeding up the claims process, this reduces the need for claims files to be walked around the market and should remove cost for brokers. It also means that our claims adjusters will be able to see key documentation on cases where Amlin is a following underwriter on a risk as well as on those where it leads. Leaders' decisions will also be documented. Amlin has been involved in steering this project from concept through to its first live use. We have also built links between our own claims system and the ECF so that documents can be transmitted to and from our systems using international messaging standards.

Workflow and processing
Building on our existing capability in the workflow arena we have put in place a new expense management system and specified the development of a purchasing workflow approach which we expect to be implemented early in 2007. This provides us with complete transparency in the process with the audit trail we need as well as increased efficiency and accuracy of our expense process.

We have specified the system requirements for a treasury workflow system and are currently negotiating with suppliers to develop it for delivery in 2007. This system will enhance our cash management capability removing the reliance on largely manual reporting processes.

Below (left to right)
Carl Phillips, Head of Programme management
David Harris, Operations Director
Richard Leech, Solutions delivery manager

Value for money
Amlin's approach to project development has generally been to take small meaningful steps towards an ultimate goal, in the belief that more can be achieved at a sensible cost than in attempting to implement large infrastructure projects which carry a higher risk of failure and have a tendency to cost far more than initially planned.

Amlin has achieved a great deal in this way over the past three years. Our total expenditure on infrastructure development and systems maintenance has been £42.3million, split as follows:

Group IS expenditure (£m)

London market businesses	2004	2005	2006
Third party development expenditure	2.0	3.0	3.0
Third party maintenance expenditure	6.1	7.3	9.7
Internal expenditure	1.0	1.0	1.0
Sub-total	9.1	11.3	13.7
UK commercial businesses			
Third party development expenditure	0.1	0.2	0.1
Third party maintenance expenditure	1.7	0.9	0.9
Internal development expenditure	0.3	0.6	0.9
Internal maintenance expenditure	0.9	0.8	0.8
Sub-total	3.0	2.5	2.7
Total	12.1	13.8	16.4

2007 objectives
During 2007 we intend to continue to work on improving our systems and processes to support the achievement of our Vision and the creation of shareholder value. In particular, we have the following strategic projects:

- Optimise use of Electronic Claims File and build its use to cover 75% of all new claims
- Build workflow for reinsurance processing
- Build upon interoperability to develop two way trading
- Move contract certainty from project status to business as usual
- Optimise financial operational processes

Balance sheet management – enhancing returns

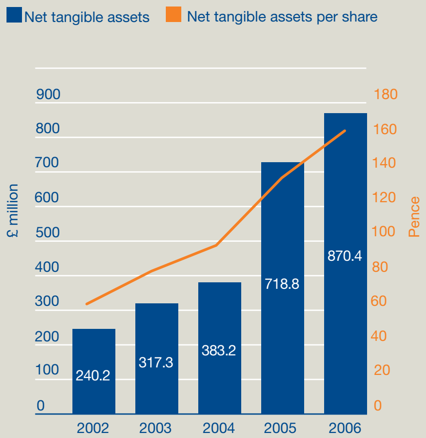
Active management of the Group's balance sheet remains an important component of the financial strategy of the business. Our efforts are focused on:

> 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 and investment management.
> Prudently measuring the liabilities of the business.

Richard Hextall
Finance Director

The following chart illustrates the growth in net tangible assets and net tangible assets per share since 2002.

Net asset growth



Source: Amlin

Understanding the level of capital

In order to understand the level of capital required to run the business, Amlin has in recent years invested considerable resources into developing its dynamic financial analysis (DFA) model. 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 in claims.

Developing this modelling for the medium term is important from a Group perspective because it provides a dynamic picture of how capital requirements may develop. However, with Amlin Bermuda in its early period of operation it is clear that, for Bermuda, we are carrying capital above the level required for the current underwriting and investment risk. The actual level of capital, as we explained last year, was driven by commercial reasons – that is US$1 billion of capital was the minimum level which would be required to trade with our desired client base.

Therefore the focus of modelling has been for the London operations where it supports our regulatory capital assessment. The Group 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 uplifted by 35% to bring the capital to a level to support a higher financial strength rating.

For Syndicate 2001, our uplifted ICA remains below the minimum ratio of 40% that Lloyd's continues to require and so our capital ratio defaults to that minimum.

Adjusting the level of equity and debt capital deployed

Once the level of capital required is determined the next critical decision is what mix of debt and equity is deployed to meet medium and long term capital needs. Our underlying approach remains unchanged – debt capital should form an important element of the capital employed by the Group when underwriting margins are strong. When underwriting margins weaken the proportionate level of debt deployed to meet our capital requirement should fall.

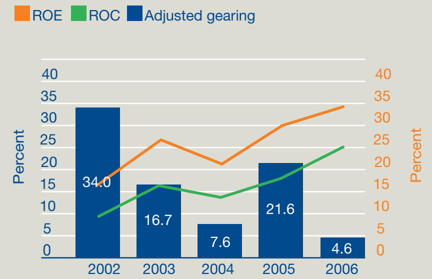
This approach is driven by the scale and type of underwriting risk that the business is exposed to over a given period of time. Typically we will grow when underwriting margins increase and, due to the diversity of the business, the ability of the income statement to absorb volatility from catastrophic events is greater. Therefore, we would typically utilise debt to grow.

Finally, in order to enhance our return on equity, as actual capital levels in the business exceed our capital requirements, we would expect to return capital to shareholders. The level of capital return will depend upon maintaining levels of capital that we believe are commensurate with our medium term growth ambitions, that is supportive of our financial strength rating assigned by rating agencies and which provides clients with the necessary assurance over our ongoing financial strength.

Our commitment to return of capital is illustrated by the special dividend payments that we have announced with the 2006 results.

The enhancement of return on equity through active capital management in recent years is illustrated below:

ROE and ROC and adjusted gearing after excluding bridge finance



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

Type of debt employed

We explained in last year's annual report that we had begun to focus more of our attention on the type of debt instrument that we were using in our capital structure. Historically, we had relied upon short term commercial bank debt in the form of letters of credit (LOCs) for solvency capital purposes.

This form of debt had been flexible and relatively inexpensive compared to prospective earnings. However, the FSA have moved to a stricter regime for defining what is acceptable solvency capital for insurance operations in the UK. LOCs are still acceptable under this regime for a pure Lloyd's operation but there is a risk that as a new solvency regime is rolled out across the wider European Community, the use of such instruments may become more restricted.

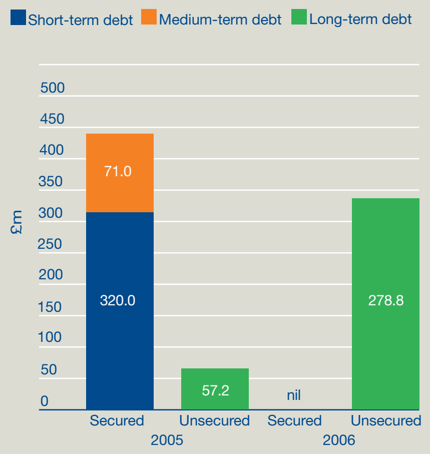
Therefore in 2004 and 2005 Amlin issued long term subordinated debt which fitted the new definition of acceptable solvency capital. This debt provides the Group with better quality debt capital. It is longer term, unsecured and contains no financial covenants which could lead to early forced repayment. Also, importantly, if structured correctly this form of debt is recognised as capital by a number of the rating agencies.

With this in mind, Amlin raised a further £230 million of subordinated debt in the UK market in April 2006. This refinanced the short term debt that was used to finance Amlin Bermuda and removed all reliance on LOCs.

Following the completion of this transaction, the capital position of the Group was more robust. At that point we were in a position to renegotiate our banking facilities in order to add to the financial strength of the Group and to provide greater future flexibility. The new facility, which was completed in November 2006, is an unsecured £200 million three year revolving credit facility. Amlin Bermuda has also negotiated an unsecured US$100 million facility.

These changes provide the Group with greater ability to manage its equity and debt mix in the future without undermining the ability of the business to grow in the event of sudden changes to market conditions.

Mix and Security of debt

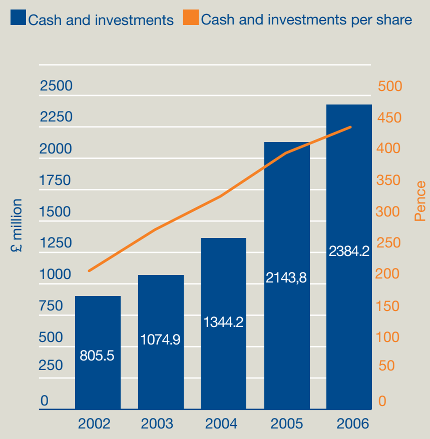


Source: Amlin

Insurance leverage and liquidity

The Group's cash and investments have continued to grow. This is illustrated below.

Cash and investments



Source: Amlin

The growth in 2006 reflects further profitable trading within the syndicate and now through Amlin Bermuda. Cash and investments represent a multiple of 2.5 times (2005: 2.7 times) shareholders' equity.

This is also an important client proposition as our ability to respond to claims quickly in the event of large catastrophic losses is core to our proposition as an insurer of choice. The funds of the business can readily absorb the modelled losses from our realistic disaster scenarios.

In addition, in order to aid working capital management a new US$200 million secured LOC facility for syndicate regulatory funding purposes was put in place in November 2006 and Amlin Bermuda negotiated 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.

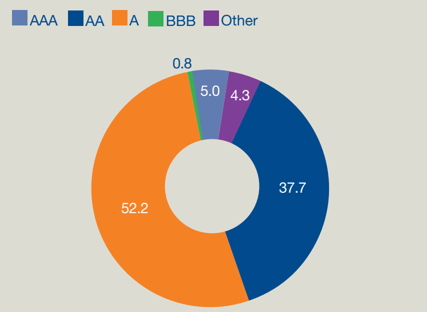
Efficient cash management of an insurer is a source of value. On average we retain premiums for around three years before claims are settled. On large claims where reinsurance collections are due, we have to pay out the claim in advance of the collection from reinsurers and rapid reinsurance response is important.

Therefore effective credit management of premiums and reinsurance collectibles improves our performance and we have concentrated efforts in this area.

As we noted last year, the rapid collection of the 2005 hurricane claims would be a priority for 2006. We have performed well, with US$398 million of reinsurance collections made by 31 December 2006 against payments of US$425 million.

The credit quality of reinsurance debt remains good as illustrated below.

Reinsurance debtors (%)



Source: Amlin

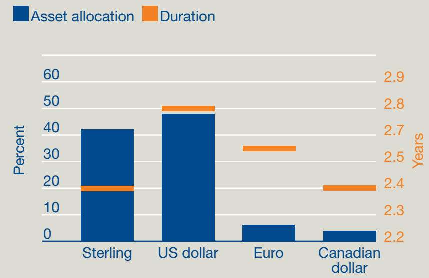
Investment management

Our approach to investment management is intended to optimise returns from available asset classes for a given level of modelled investment risk. We separate the investment funds into two parts, for London and Bermuda, because of the different levels of risk that we are willing to accept for each part. Distinction is made between capital assets, which support the underwriting business, and policyholders' funds, which are the premiums received and held to meet future insurance claims.

Our risk appetite for policyholders' funds is relatively low. We aim to match currency and duration of assets with our liabilities to minimise the risk of mismatched future cash flows to meet claims. This, and regulatory constraints, leads us to invest largely in highly liquid, high quality short term bonds and cash.

The average duration of the bond portfolios is shown below.

Average positions for 2006



Source: Amlin

Some additional value can be added by the Chief Investment Officer taking tactical decisions to move a limited amount away from core benchmarks, by for example holding cash when bond valuations are considered to be particularly high. In addition the investment managers can invest away from the core government bond benchmark into securities such as corporate debt and asset/mortgaged backed securities or overseas bonds.

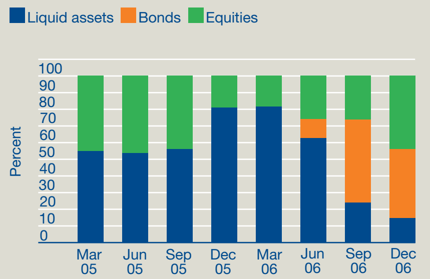
During 2006 a small element of the bond assets were invested in a fund which has some scope to invest in high yield and emerging market debt as well as to take short positions. By giving the manager a wider opportunity set, the reward/risk profile of these investments is improved.

The Group has a longer investment horizon for its capital and allows investment in more volatile assets such as equities. In 2006 a small allocation was also made to property because of the long-term diversification benefits that this asset class provides.

Balance sheet management – enhancing returns

The strategic benchmarks for capital are set using a combination of efficient frontier[1] and value at risk[2] models. During 2006 the risk appetite remained low due to the firm underwriting market. At the start of the year all Bermuda's capital was invested in cash, which diluted the Group's equity exposure. Advantage was taken of the equity markets' correction in the spring to start to build up exposure to this asset class. In August Bermuda's asset mix started to be moved in to bonds and equities. The progression of the Group's asset mix is shown in the table below.

Capital asset mix



Source: Amlin

Currency management

Foreign exchange risk is currently managed at entity level depending on the local functional currency. 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 to mitigate the impact of fluctuating exchange rates.

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

At Group level we have currently chosen not to hedge the net dollar asset exposure of Bermuda. Our balance sheet is spread between sterling and US dollars – a natural hedge for our two main markets. During 2006 this lead to £77.3 million of exchange translation losses, which are recognised through reserves. However over time we would expect a more balanced position to emerge.

(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.

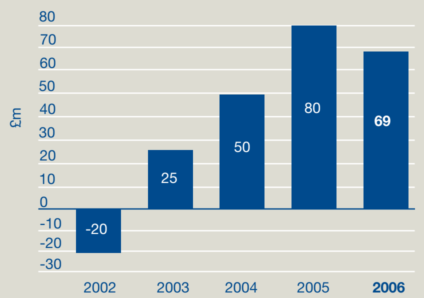
Estimation of outstanding claims reserves

The estimation of the Group's outstanding claims reserves is a key component of effective management of the balance sheet. It effects the annual financial result but it also effects investment management, as different approaches are taken for capital and policyholders' funds,

Our reserve estimation is completed on a regular quarterly basis at individual class level. This allows the differing risk profiles of each class and patterns of claims development to be considered. Reserving is highly subjective and 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.

In the face of 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.

Reserve releases



Source: Amlin

Below (left to right)
Phil Ellis, Group Actuary
Jason Lincoln, Assistant Group Actuary
Peter Tavner, Deputy Group Actuary

Deeper intelligence.
Better management.

Outstanding financial performance

> A combined ratio of 72%.
> A record profit before tax of £342.7 million (2005: £186.7 million).
> A return on equity of 34%.
> Cross cycle return on equity exceeds 15% for the fifth consecutive year.
> The weighted average return on equity since 2001 now stands at 22.7% in excess of our estimated cost of equity of 8.5%.

Financial performance

	2002 £m	2003 £m	*2004 £m	*2005 £m	2006 £m
Gross premium	717.1	937.4	945.6	**993.5**	**1,113.8**
Net premium	573.0	787.6	790.2	**829.3**	**1,013.5**
Net earned premium	493.3	701.1	722.4	**822.1**	**973.9**
Underwriting contribution	17.1	117.1	106.6	**137.1**	**267.9**
Investment contribution	43.7	33.5	52.1	**90.9**	**115.1**
Other costs	16.0	32.8	39.0	**41.3**	**40.3**
Profit before tax	44.8	117.8	119.7	**186.7**	**342.7**
Return on equity	16.7%	26.6%	21.0%	**29.6%**	**34.0%**

(*see Financial Highlights on page 4 for basis of preparation)

Underwriting performance – 100% Syndicate & Amlin Bermuda

	2002 £m	2003 £m	*2004 £m	*2005 £m	2006 £m
Gross premium	988.3	1,097.5	942.2	**992.9**	**1,113.8**
Net earned premium	699.4	890.6	782.0	**827.4**	**973.9**
Claims ratio %	63	50	50	**57**	**41**
Expense ratio %	33	36	32	**25**	**31**
Combined ratio	96	86	82	**82**	**72**
Combined ratio % (excluding the exchange difference on non monetary assets and liabilities)	95	84	80	**85**	**70**
Underwriting contribution	31.7	134.2	139.3	**152.0**	**267.9**

(*see Financial Highlights on page 4 for basis of preparation)

Underwriting contributed £267.9 million to profit before tax in the year (2005: £137.1 million). The increase of 95.4% was driven by our decisions to grow our reinsurance account, in London and with our new operation in Bermuda, and to reduce our purchase of retrocessional reinsurance due to the lack of cost effective cover. Consequently with catastrophe claims experience in 2006 at low levels, a stark contrast to 2005 when the insurance industry experienced record losses, the underwriting contribution has grown significantly.

Included within the underwriting contribution are prior period claim reserve releases of £68.8 million (2005: £79.7 million). We have continued to maintain consistent levels of reserving strength for the liabilities assessed at 31 December 2006 compared with previous years.

The underwriting figures also include exchange losses which arise through translation of non monetary assets and liabilities at historic exchange rates compared to all monetary items at closing rates. The impact of this in the year is to reduce profit by £27.9 million (2005: increase profit by £26.2 million). In order to aid comparison the combined ratios for the business have been given before and after these exchange differences.

Investments produced a return of £115.1 million (2005: £90.9 million). The average return for Group assets was down to 4.8% (2005: 5.4%) as the equity portfolio made good but lower returns than in 2005 and the bond portfolio generated poor absolute returns as interest rate expectations rose in the UK and United States. However average investment balances increased by £0.8 billion to £2.3 billion, leading to an overall increase in returns.

Prior period adjustment

The comparative results have been adjusted to take account of a change to the accounting treatment of multi-employer pension schemes under International Accounting Standards. The change is modest and is set out in more detail on page 77.

Underwriting performance

Underwriting made a very strong contribution to profit. Whilst good performance is to be expected when catastrophe incidence is very low, an overall combined ratio of 72% is excellent given the diverse nature of the Group's portfolios.

Reserve releases were again material contributing £68.8 million (2005: £79.7 million) to profit. Our reserves are set at a level above an actuarial best estimate of possible outcomes. We believe that this is appropriate because of the inherently uncertain nature of insurance business. With this approach, if 'normal' claims development is experienced, releases will be made from reserves over time. We monitor the level of estimated reserves for consistent strength and adjust expectations of future development if consistent new trends emerge. For example, in 2006 we have revised the reserving approach on the marine business to take account of improvements in claims settlement patterns in recent years.

During 2006 trading conditions for a number of classes of business underwritten have diverged. *See page 12 for more details.* Overall the annual renewal rate increase was 6.25%.

Gross written premium increased by 12.1% during 2006. Our new Bermudian operation was the major source of growth writing US$279.8 million of new premium for the Group (including additional lines written for Bermuda on per class reinsurance treaties) in its first full year of trading. The London operation's gross written premium was largely unchanged with growth in property, energy and reinsurance classes balanced out by contraction in our UK commercial and in aviation classes.

Reinsurance expenditure as a proportion of gross written premium fell to 9% from 16.5%. This reflects reduced reinsurance expenditure in London and Amlin Bermuda writing without reinsurance protection. The former results largely from the decision to purchase less retrocessional reinsurance *(see page 17 for more detail)* which saved approximately £42 million in the year.

As a consequence of the increase in gross written premium and the reduction in reinsurance, net premium written grew by 22% in the year.

Net earned premium was up by 18.4% to £973.9 million (excluding the premiums associated with the reinsurance to close). The slower rate of growth in earned premium reflects the acceleration of the level of underwriting through 2006 as conditions in catastrophe exposed lines improved through to the middle of the year. Net unearned premiums now stand at a record £507.8 million.

Divisional performance

The following commentary is provided for the Syndicate operations across all years of account irrespective of the identity of underlying capital support. This removes any distortion on performance which is attributable to changing levels of ownership of Syndicate 2001.

The combined ratios quoted in the following segmental analysis are after removing the exchange differences on the translation of non monetary assets and liabilities.

Underwriting performance – Non-marine and reinsurance

	2002 £m	2003 £m	*2004 £m	***2005 £m**	**2006 £m**
Gross premium	535.9	580.3	521.7	**557.0**	**554.6**
Net earned premium	367.9	465.9	419.1	**447.4**	**482.2**
Claims ratio %	61	45	48	**67**	**35**
Expense ratio %	39	36	32	**26**	**34**
Combined ratio %	100	81	80	**93**	**69**
Combined ratio % (excluding the exchange difference on non monetary assets and liabilities)	100	79	80	**97**	**66**

(*see Financial Highlights on page 4 for basis of preparation)

Underwriting performance – Marine

	2002 £m	2003 £m	*2004 £m	***2005 £m**	**2006 £m**
Gross premium	152.4	188.1	158.0	**172.7**	**210.8**
Net earned premium	106.6	150.4	140.2	**141.0**	**160.9**
Claims ratio %	55	45	49	**34**	**42**
Expense ratio %	36	41	38	**29**	**43**
Combined ratio %	91	86	87	**63**	**85**
Combined ratio % (excluding the exchange difference on non monetary assets and liabilities)	91	84	87	**66**	**81**

(*see Financial Highlights on page 4 for basis of preparation)

Underwriting performance – Aviation

	2002 £m	2003 £m	*2004 £m	***2005 £m**	**2006 £m**
Gross premium	126.1	106.7	91.1	**83.1**	**75.7**
Net earned premium	85.9	83.1	71.3	**69.9**	**59.6**
Claims ratio %	61	48	51	**49**	**49**
Expense ratio %	24	45	33	**21**	**40**
Combined ratio %	85	93	84	**70**	**89**
Combined ratio % (excluding the exchange difference on non monetary assets and liabilities)	85	87	86	**75**	**84**

(*see Financial Highlights on page 4 for basis of preparation)

Underwriting performance – UK Commercial

	2002 £m	2003 £m	*2004 £m	***2005 £m**	**2006 £m**
Gross premium	173.9	222.4	171.4	**177.1**	**150.0**
Net earned premium	139.0	191.2	151.4	**169.1**	**141.8**
Claims ratio %	74	66	58	**50**	**58**
Expense ratio %	20	27	25	**23**	**26**
Combined ratio %	94	93	83	**73**	**84**
Combined ratio % (excluding the exchange difference on non monetary assets and liabilities)	94	93	83	**73**	**84**

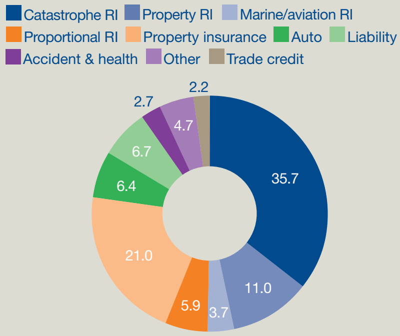
(*see Financial Highlights on page 4 for basis of preparation)

Underwriting performance – Amlin Bermuda

	***2005 £m**	**2006 £m**
Gross premium	**3.0**	**223.5**
Net earned premium	**–**	**132.5**
Claims ratio %	**–**	**36**
Expense ratio %	**–**	**12**
Combined ratio %	**–**	**48**
Combined ratio % (excluding the exchange difference on non monetary assets and liabilities)	**–**	**48**

(*see Financial Highlights on page 4 for basis of preparation)

Non-marine and reinsurance 2006 gross premium by class



Source: Amlin

Non-marine

The Non-marine division remains the Group's largest single business segment. The business written is a blend of classes which are exposed to catastrophic loss (eg catastrophe reinsurance), large claim events (eg aviation reinsurance) and attritional claims (auto and casualty).

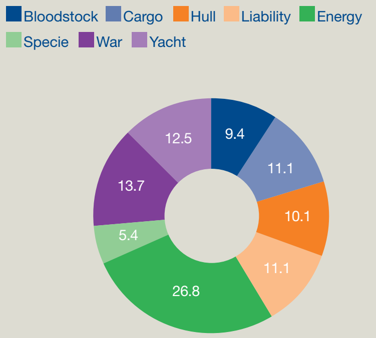
Gross written premium was virtually unchanged at £554.6 million (2005: £557.0 million). Overall renewal rates increased by 11.5% but the underlying rate movement picture diverged markedly. There was little change to rates or small reductions in most attritional classes but increases of 28% in US catastrophe reinsurance as the market responded to the 2005 events.

Net written premium, before reinsurance to Amlin Bermuda is deducted, increased by 8.4% to £492.4 million, with less retrocessional reinsurance purchased in 2006.

The division's combined ratio was 66% (2005: 97%). The improvement reflects the lack of catastrophic losses on a relatively higher net premium base. Reserve releases amounted to £21.9 million (2005: £23.7 million).

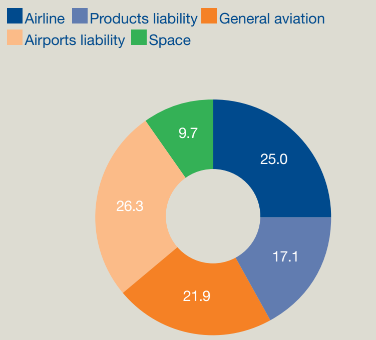
Outstanding financial performance

Marine
2006 gross premium by class



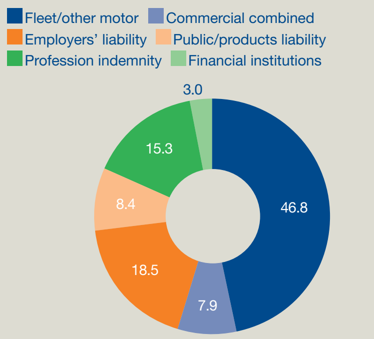
Source: Amlin

Aviation
2006 gross premium by class



Source: Amlin

UK Commercial
2006 gross premium by class



Source: Amlin

Marine

The Marine division writes a mixture of volatile classes like energy, specie and war and more attritional classes like hull, cargo and yacht. The business is written worldwide, reflecting the nature of marine risk. However the yacht and bloodstock accounts have a greater UK concentration.

Written premium in 2006 increased by 22% to £210.8 million. Renewal rate increases were 4.5% overall. Pricing was stable in most classes except energy and war. Energy renewal rates increased by 48% as the market reacted to the heavy losses for energy insurance emanating from the 2005 hurricanes. Renewal rates for the war account reduced by 6.4% as a lack of loss activity encouraged continued competition.

The combined ratio was again strong at 81% (2005: 66%). Reserve releases totalled £19.1 million (2005: £29.5 million) as claims development was better than expected in most areas. This release is net of £5.9 million of deterioration on our 2005 hurricane related energy losses which arose from a number of late claims advices. The claims ratio has also been increased by 8% by one large risk claim of £13 million.This is an extraordinary circumstance which we would not expect to see repeated frequently.

Aviation

The Aviation division writes a mixture of classes including airline, general aviation, airport and product liabilities and satellite insurance. Each class is exposed to large loss events and potentially to catastrophic losses. The line size required to write in this area is also large and a comprehensive reinsurance programme is a fundamental to writing this business.

The airline portfolio has reduced again in 2006 with continued intense competition forcing rating declines. Average renewal rate reductions in 2006 were 19%. The lack of major airline losses is the principal driver behind the falls in rating but we do not believe that the falls are warranted given the risk exposures that we underwrite. Consequently we have continued to reduce our exposures. The airline account represented only 25% of total aviation premium written.

The other aviation related classes remained relatively stable in 2006, although claims inflation in the liability classes reduces expected profit margins.

Given this background the combined ratio was strong at 84% (2005: 75%) with a busy large loss environment in the first half of the year evened out by a relatively benign second half. Reserve releases amounted to £8.0 million (2005: £9.4 million)

UK commercial

The UK commercial division underwrites insurance for mainly UK based clients and the majority of risks are not written in the subscription market but are assumed entirely by the division.

The division writes a balanced portfolio of motor and liability business, combined with a small property account.

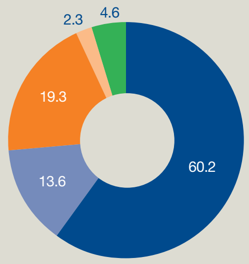
The UK commercial market has seen increasing competition over recent years and this continued in 2006. Overall renewal rates reduced by 2.7% but claims inflation is estimated to have reduced margins by a further 6%. The motor account renewal rate reduced by 1% and liability 5.5%. In the face of this competition the division reduced its underwriting activity with retention rates falling to 68% (2005: 78%).

In this environment the combined ratio of 84% (2005: 73%) is again commendable. Reserve releases were again healthy at £19.8 million (2005: £27.8 million) reflecting the continued steady release of case reserves as claims are settled. The expense ratio has risen by 3% in the year as lower levels of premium are earned against a fixed expense base.

Pictured (left to right)
Chris Harvey, Credit Risk manager
Jayne Thornburn, Chief Investment Officer
Clive Rendu, Group Reinsurance manager

Amlin Bermuda
2006 gross premium by class

Catastrophe RI Property RI Proportional RI
Other Special risks



Source: Amlin

Bermuda

Amlin Bermuda commenced underwriting on 1 December 2005 and 2006 was the first full year of trading. The business was targeted towards writing a catastrophe reinsurance and property reinsurance account similar to the style that is written in London.

The Bermuda business can underwrite reinsurance in most areas of the world but does not have the ability to write insurance in most territories because it has no insurance licences. In order to gain access to a wider insurance exposure, reinsurances were granted to Syndicate 2001 for specific classes of business. In the first few months of operation, Amlin Bermuda reinsured Syndicate 2001's reinsurance account to make early use of its capital.

In addition, in order to provide more overall balance to the Bermuda portfolio, a 10% whole account quota share reinsurance of Syndicate 2001 was also written.

No reinsurance was purchased for the Bermudian operation.

In all, Amlin Bermuda has written US$411.3 million of gross premium for 2006. Of this US$225.8 million was written directly into the Bermudian operation, US$54 million was written under the per class reinsurance arrangements. US$12.3 million was written for the retrocessional treaty for Syndicate 2001 and US$119.2 million under the whole account reinsurance arrangement.

The level of direct business written by Bermuda was less than originally planned. This was due to a reduction in event risk appetite at the start of the year when it became apparent that Syndicate 2001 would be ceding more risk than anticipated as less reinsurance had been purchased, a slow start due to the assignment of Insurance Financial Strength Ratings towards the end of December 2005 and disappointing rate increases at the 1 January 2006 renewals.

However rate increases accelerated through 2006 and a lack of global capacity in the reinsurance market allowed the company to keep largely to plan through 1 April renewals onwards.

The combined ratio for Amlin Bermuda is 48%. This is the result of excellent performance on the direct portfolio, helped by the low level of catastrophe losses in 2006 and a record start for the portfolio ceded from London. In addition the expense ratio for Bermuda is low compared to the London operations, due to the high operational gearing of the reinsurance business written in Bermuda.

Investment performance

The investment contribution during 2006 was £115.1m (2005: £90.9m). The return on average cash and investment balances of £2.3 billion (2005: £1.5 billion) was 4.8% (2005: 5.4%). The increase in cash and investments was driven by strong organic cash flows from profitable trading, the increase in capital following the £200 million of new equity to support the Bermudian business and the replacement of letters of credit with subordinated debt.

Investment performance

	2005 £m	2006 £m
Global equities	26.9	36.6
Cash and equivalents	2.4	29.9
Bonds	61.6	49.2
Property	0.0	(0.5)
Investment return	90.9	115.1
Investment balance at 1 January	1,350.1	2,143.8
Investment balance at 31 December	2,143.8	2,384.2

The equity portfolio produced a good return of 15.1% (2005: 26.6%). Global economic growth was steady during 2006 which was supportive of equities with global corporate earnings growth at around 15%. Equity pricing was also buoyed by mergers and acquisitions activity. In June advantage was taken of the second quarter equity market correction to start to build up the Group's equity exposure, which had been diluted by the additional capital for Bermuda.

By comparison the performance of our bond portfolios was weak with a return on short dated sterling bonds of 2.5% (2005: 5.3%) and 3.8% (2005: 1.6%) on short dated US dollar bonds. Rising oil prices in the first part of the year and generally solid economic growth increased inflationary pressures during 2006 keeping most central banks on a monetary tightening bias. The US Federal Reserve continued to raise interest rates until August, the European Central Bank increased interest rates throughout the year and the Monetary Policy Committee in the UK surprised the markets by tightening policy in August, a move they consolidated by a further rise in November. This background was not positive for the short end of bond markets, as it caused yields to rise, and therefore prices to fall.

Due to rising interest rates cash returns have been relatively attractive. To balance the equity volatility in our capital assets cash has been an asset class of choice for us in recent years. In addition, in its start up phase Amlin Bermuda held significant levels of cash. Cash returned 4.7% for the period (2005: 4.8%),

Expenses

Total expenses, including underwriting, non-underwriting and finance costs, increased by 37% during the year to £345.9 million. Expenses include the translation differences of non monetary assets and liabilities. The impact of this in the year was to increase expenses by £27.9 million (2005: reduce expenses by £26.2 million). After removing these exchange differences the net increase in expenses was £39.8 million. £25.2 million was an increase in acquisition costs, reflecting the growth in premium earned in the year. Much of the balance relates to the operational expenses of the Bermuda business, with £4.1 million incurred in the year.

Taxation

The effective tax rate of the Group for the year was 21.9% (2005: 24.9%). The main reason for the low rate in 2006 is that the Amlin Bermuda result is not subject to current UK tax. This alone reduces the effective tax rate by 8.5%. We believe that Amlin Bermuda is exempt from the Controlled Foreign Corporation tax provisions of the UK tax regime. On this basis the Group will pay tax to the UK tax authorities only when distributions are made back to its UK holding companies. Recognition of this future tax charge has been made by setting up a deferred tax provision for 9% of Amlin Bermuda's profits.

The other factor reducing the effective tax rate is continued use of unprovided capital losses which have been offset against equity gains. This pushes down the effective tax rate by 1.1% (2005: 3.8%). This effect will not repeat in the future as all capital losses brought forward have now been utilised.

Outlook for 2007

> The outlook for 2007 financial performance is again very healthy, albeit that the final outturn will be influenced by the extent of major catastrophe events.

> While the pricing environment is coming under pressure, Amlin was in a very strong position entering the New Year and rates in a number of classes are coming off what have been exceptional levels.

Rating indices in key classes

Class	2000	2001	2002	2003	2004	2005	2006
US catastrophe reinsurance	100	115	146	150	143	144	185
Non US catastrophe reinsurance	100	120	157	161	145	131	134
Risk XL	100	122	190	192	171	145	164
US large property insurance	100	125	171	163	143	136	165
Airline hull and liabilities	100	301	283	235	216	201	163
Marine hull	100	115	148	171	183	189	191
Employers' liability	100	115	144	158	159	144	133
Energy	100	140	172	189	170	176	256
Professional indemnity	100	110	149	178	181	165	151
US casualty	100	123	172	215	232	237	232
War	100	250	288	244	220	206	195
Fleet motor	100	121	136	143	141	137	134

Note: This table is completed by our underwriters and covers their views of rate movements from year to year. These views are supported by actual recorded renewal rate movements on the underwriting system. Subjective judgement is used to account for subtle changes in exposure or terms and conditions. Claims inflation is not systematically taken into account in the calculation of these rate movements and therefore, particularly in relation to long tail business, some of the benefit of rate increases has been eroded.

A continuing healthy rating environment in many areas

The table above illustrates the rating of a number of key classes for Amlin.

Over our portfolio as a whole, rates were flat in our January 2007 with a retention ratio of 83%. However, the divergence of fortunes by business area seen in 2006 continued into the New Year.

US catastrophe reinsurance remains very strong and rate rises have been achieved on 2007 renewals to date, although pricing levels are lower than those achieved in the pre-windstorm July 2006 renewals. With industry catastrophe models now factoring in the probability of increased frequency and severity of weather related losses, we expect US catastrophe business to remain stable, even though the decision by the State of Florida to materially increase the Florida Hurricane Catastrophe Fund (FHCF) will reduce demand for industry cover in that state and is likely to increase competition in other areas. International catastrophe rates remain reasonably priced although a number of less well diversified competitors are seeking greater access to this business and this may result in increased pressure on rates.

For US exposed direct property business, US based insurers who materially reduced their exposures or even exited the market in 2006 are re-entering and this is resulting in some of the large increases achieved in 2006 being given up to retain business. Nevertheless, it is still acceptably priced. However, in non catastrophe exposed zones, rates are coming under more pressure.

In our marine account, energy risks in the Gulf of Mexico are reasonably firm and in other areas weakening modestly. Many other areas are currently stable.

Hull rates have recently come under more pressure and war and terrorism rates continue to decline. Even where rates are weakening, we remain confident of being able to deliver good margins.

Most airlines renew in the fourth quarter of the year, but currently there is no sign of a change in direction of rates as competitors chase market share based on historic profitability rather than taking account of exposures. Thankfully, other aviation classes are reasonably stable and these now represent 67% of our Aviation division's planned premium for 2007.

Commercial motor and UK liability business remains under pressure and we will continue to decline business where we do not consider it adequately priced. We will view with interest the results of competitors whom we believe must be making underwriting losses. At some point we would expect their management to take corrective action, but we are not counting on it in 2007.

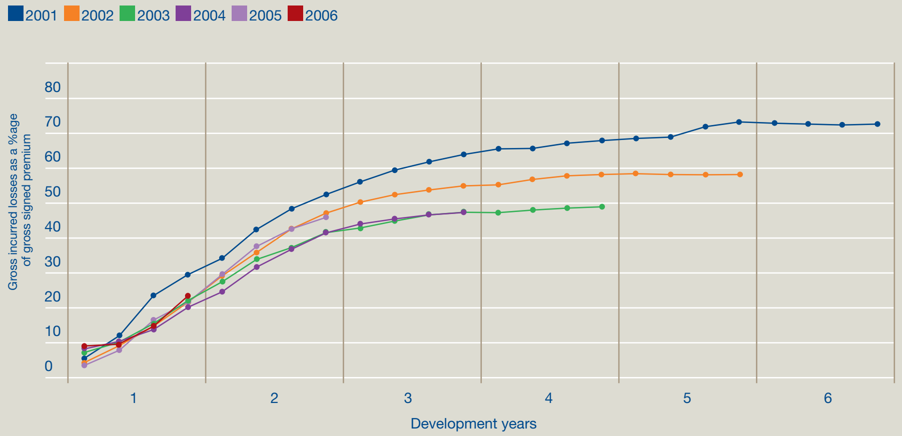
While margins may be eroded, it is important to remember the level of margins which have been possible in recent years for much of our attritional as well as our natural catastrophe exposed classes, as illustrated in the following chart.

The above incurred claims trends exclude classes with a high catastrophe exposure content, specifically all excess of loss and proportional reinsurance classes, direct property and energy insurance.

Premium growth in Bermuda

£274 million of premiums were written across the Group by the end of January 2007. Of this, £232 million was written by Syndicate 2001, 5% less than at the same stage in 2006 at constant exchange rates and the balance of £42 million was written by Amlin Bermuda, 57% more than in 2006. We are pleased that Amlin Bermuda was able to get access to a good balance of both US and non US business so that it continued to build the diversity of its account.

Gross incurred loss ratio development for attritional classes (excluding major catastrophe exposed classes)



Note: The ratios are shown net of acquisition costs
Source: Amlin

The current strength of sterling, if it persists for the year as a whole, will dampen premiums reported in sterling.

On 25 January, the Governor of Florida signed new legislation seeking to reduce the cost of homeowners' insurance in the State. Essentially, the State is bearing hugely increased hurricane risk on behalf of its citizens which will result in less demand for reinsurance from the market. We estimate that this will reduce our reinsurance premiums for Florida risk by around US$40 million.

For the year as a whole we expect growth in premiums to come from Bermuda. Recognising our policy of purposely not seeking to grow income in lines where prices are softening, we have maintained our Lloyd's capacity at its 2006 level of £1 billion.

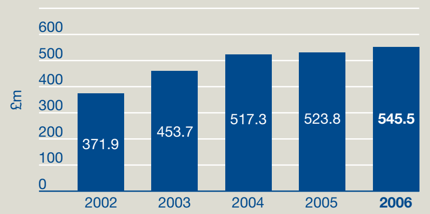
Volatility

The Group remains subject to greater volatility of performance than prior to 2006, having purchased less retrocessional reinsurance. We have recently been offered and purchased cover at more attractive terms than were available in 2006 and will continue to explore options for reducing our increased volatility. We continue to believe that the relationship between risk and the reward of operating with less protection is a good one.

Growth in unearned premium reserve

With the growth in the business in 2006, we have a record net unearned premium reserve of £507.8 million as at 31 December 2006. A large share of this is reinsurance income, which was written at very strong rates and on which we earn premium on a straight line basis, the balance of which will be earned in the first half of this year.

Unearned premium reserve

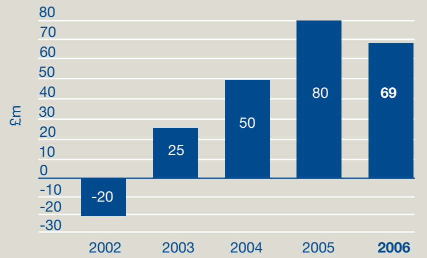


Source: Amlin

Continually well reserved balance sheet

Amlin's policy of reserving for claims above the actuarial best estimate of their likely development has resulted in material prior year run-off profits in recent years and assuming run-off which is no worse than normal expectations, our continued and consistent policy should deliver further run-off profits.

Reserve releases



Source: Amlin

Investment outlook improving

We consider the outlook for our bond and liquid investments, which represent 69% of the Group's current portfolios, to be better than in 2006. Base rates for US dollars and sterling are both 0.75% higher than at the start of 2006 and there is less risk of rises adversely affecting bond values. The outlook for equities remains sound although we do not expect to repeat the excellent 15% return achieved in 2006.

Corporate social responsibility – measuring and

> As a leading UK based insurer, Amlin aims to conduct its business in a socially responsible manner.
> We place high emphasis on integrity and professionalism in our relationships internally with employees and externally with third parties.
> We aim to engage with and build relationships with communities of relevance to Amlin.

We remain a member of the 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 to report on corporate responsibility and governance. Corporate responsibility information about Amlin can be found at http://cre.blueprintserver.com

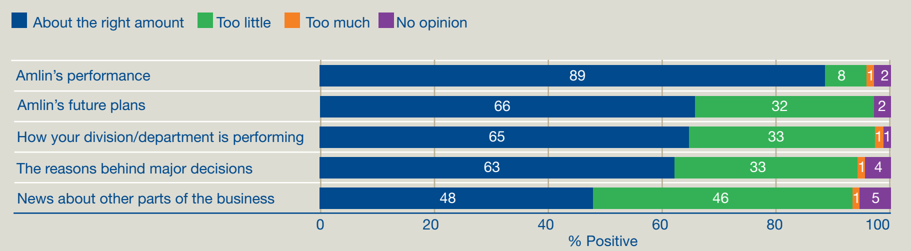
In this report, we summarise our Corporate Social Responsibility activity in relation to employees, clients, the Lloyd's market, the environment, charity and community.

Employees

Amlin aims to be 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 are outlined on pages 24 to 27.
In particular, in 2006 Amlin has:
- Through MORI conducted a second survey of opinions on Amlin as an employer, gathering valuable feedback which will be used to further develop our employment practices. Included in the output was positive feedback on our internal communications;
- Obtained shareholder approval for a Share Incentive Plan which is intended to result in all employees having a stake in the Company; and
- Continued to invest in the development of employees, in particular with the design of a core competency framework for claims personnel.

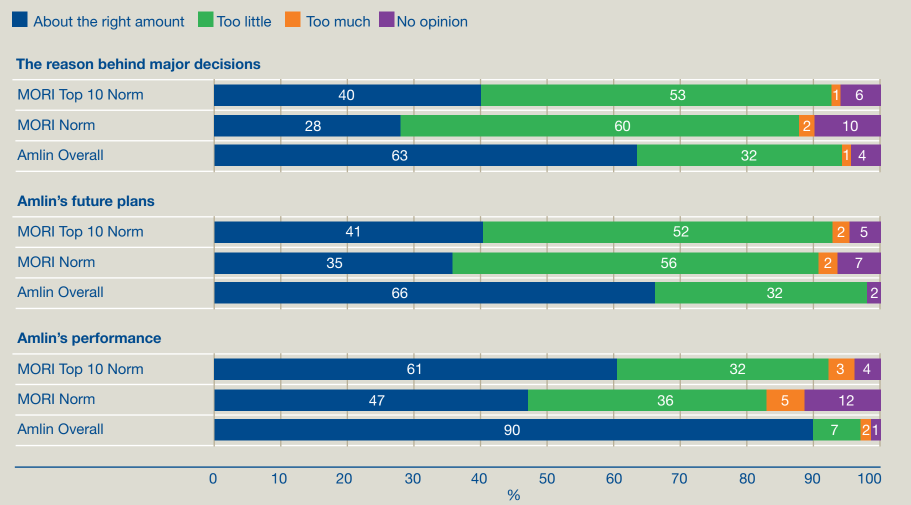
The good conduct of employees in their management of business relationships and with colleagues is critical to our Corporate Social endeavours. In 2006 the Company adopted a set of corporate values, as shown on page 27, to help guide employees and sustain the long term success of the Group. The values have been incorporated in the Group's Code of Conduct, which is available on our website, and workshops have been initiated to provide employees with the opportunity to consider how they can apply the values in their respective roles.

Employee communication – how do you feel about the amount of information you currently receive?



Source: Amlin Employee Survey 2006

Employee communication – benchmarking



Source: Amlin Employee Survey 2006

Amlin also has a whistle blowing policy setting out procedures for employees to raise, in confidence, matters of concern and, where appropriate, for an independent investigation of such matters.

Client and broker relationships

Amlin places a high emphasis on integrity in dealing with brokers and clients. Additionally we aim to provide high levels of service.

Commentary on our client relations is provided on pages 20 to 23. In 2006, Amlin has:
- Continued to research broker and client relationships with a view to better understanding their expectations of us; and
- 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 the nature and frequency of complaints is reported to operating company boards.

The Lloyd's market

Amlin is one of the largest participants in the Lloyd's market and 86% of Amlin's 2006 premiums were written in Lloyd's. As such, Amlin seeks to contribute to the sound governance and operation of the market so that it remains attractive to brokers and clients for the placement of their risks. In 2006:
- Representatives of Amlin have participated on the Council of Lloyd's and on a number of market associations;
- Amlin and five other like-minded Lloyd's businesses engaged in driving forward a number of initiatives aimed at improving the attractiveness of the market; and
- Amlin seconded its Operations Director to Lloyd's on a part time basis to help Lloyd's manage market wide process change.

managing our impact

Environment

As a financial services business employing 620 people, 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.

Amlin aims to manage the environmental impact of its activities, including in such areas as internal processes, responsible consumption and energy use, re-cycling and by encouraging our suppliers and clients to act responsibly regarding environmental impact and risks. During 2006 Amlin:

- Transferred its corporate taxi account to a provider that has undertaken to offset fully carbon emissions on our behalf;
- Added a specific request for information on environmental policies from new suppliers;
- Collected and measured data on our 2005 carbon emissions from all UK sites, including from heat and power, business travel and commuting, adopting the GHG Protocol as recommended by the Carbon Disclosure Project;
- Primarily for environmental reasons, elected to participate in the Financial Times Crisis Christmas Card Challenge instead of sending Christmas cards in the UK; and
- Successfully reduced its UK paper consumption, following the 2005 introduction of double-sided printing and increased use of scanning.

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.

Weather patterns and the publication of both the Stern Report on the Economics of Climate Change and the more recent report by the Inter-governmental Panel on Climate Change have materially heightened concerns relating to global warming. In response to this, Amlin intends to actively increase awareness of the risks and actions that can be taken by employees at home and at work. We also plan to explore options for mitigating our carbon emissions, which for 2005 were estimated at 5,827 tonnes of CO_2.

Climate change and the insurance industry

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. Amlin is also supportive of the thought leadership programme on global climate change initiated in 2006 by Lloyd's on behalf of the market.

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's charities budget is agreed each year by the Board and is overseen by a Charities Committee whose members are drawn from across the Group. The focus of charitable support in on children and health in London and other areas local to our offices as this is relevant both to our employees and our future. Summarised below are some of Amlin's 2006 charity and community activities.

Macmillan Cancer Support remains Amlin's primary charity partner. Following the success of our three-year commitment in supporting a palliative care radiographer post at Guy's and St. Thomas' Hospital, this post is now being funded by the health authority. In September 2006, we commenced funding of a bi-lingual occupational therapist, again for an initial three-year period. This professional is providing advanced stage palliative care for residents of Tower Hamlets, Hackney and Newham where previously no such care was available to those communities.

Significant funds have been raised for our chosen charities during 2006 by staff participation in triathlons, sponsored runs, a wine tasting and treks in Peru and Chile. The Company provides matched funding and up to five working days per employee per annum to enable staff to take on these challenges.

During 2006 we have developed modest staff engagement with our community partners, ChildLine and Hackney Quest and have decided to retain both partnerships for 2007 in order to build on these relationships. In 2006 our funds have enabled ChildLine to produce three Casenotes publications, designed to raise awareness of the issues facing young children.

We provided regular evening football coaching to Hackney Questors and organised two special events in 2006: an excursion to Twickenham Rugby Stadium to attend the schools' competition; and a day's sailing from Southampton on the Lloyd's yacht Lutine (as pictured below). Both these events were hosted by Amlin staff and were a positive experience for all involved.

Amlin is also supporting Little Havens, an Essex-based children's hospice. Fundraising has been linked with Sports and Social Committee events organised by our UK Commercial division based in Chelmsford , with additional funds raised by one staff member completing the Mount Kilimanjaro trek in 2006.

In its first full year of operation, Amlin Bermuda has made charitable donations to several local charities including the Bermuda Foundation for Insurance Studies, the Family Centre and The Bermuda Society of Arts.

Investor relations – communicating with transparency

> We seek to achieve good levels of transparency in communications about our business and its operational and financial performance, so that current and future investors and analysts can make informed judgements.

> We seek to communicate with existing and potential investors, whether they be institutional or private investors, in the most appropriate and effective manner.

> We listen to shareholder views on our business and its direction so that we can answer or address those issues in our communications or in the management of the Company.

Shareholder base

At 31 December 2006, we had 1,899 shareholders on the register compared with 1,660 (excluding rights issue shares) a year earlier and 1,248 five years earlier. Institutional, corporate and other nominee shareholders owned 96% of Amlin's issued shares and private shareholders registered in their own names owned the balance of 4%.

An estimated 17% of Amlin's employees are shareholders in addition to their participation through share options.

We provide regular updates of our major shareholders (those who hold 3% or more of Amlin's shares) on our website.

The amount of Amlin shares traded on the London Stock Exchange has again grown in 2006 with on average 2.3 million shares traded daily, compared to 2.1million in 2005 and only 0.9 million four years ago. The liquidity of dealings in Amlin shares is now higher than in any other listed Lloyd's company.

Shareholder and broker analyst contact

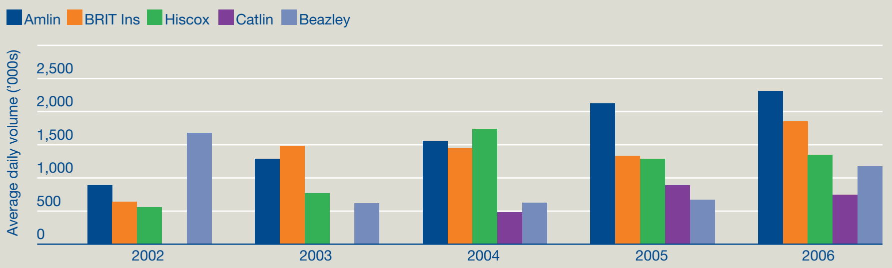
During 2006, the Chief Executive and/or Finance Director met with 134 (2005:125) existing or potential institutional equity investors in the UK, Europe and the United States. They also visited some 19 (2005: 22) private client brokers and fund managers.

We held presentations for broker analysts on the days of the release of our annual and half year results statements. For the last four years we have webcast our annual and half year results presentations so that all investors may access the information simultaneously. Webcast log-in details are available on our website at least seven days prior to results announcements.

In IR magazine's 2006/7 Investor Perception Study, Amlin was ranked 12th in the "Grand prix for best investor relations by a FTSE 250 company" and 5th for the "Most progress in investor relations by a non-FTSE 100 company". In both cases, Amlin was the only insurance sector company shortlisted.

The Board received anonymous feedback from our broker, Hoare Govett Limited, of views expressed by shareholders following our 2005 results and 2006 interim results presentations. We continued to be pleased with the level of positive and constructive feedback.

Sector liquidity 2002-2006



Source: Hoare Govett Limited (Catlin listed April 2004)

Analyst coverage

We are aware of 10 analysts having published notes on Amlin during 2006 and we provide the names of analysts and their firms on our website.

Corporate information

Our annual report and accounts are an important means of communicating with shareholders and over the past five years we have sought to provide increasing levels of meaningful information on the Company. Our aim is to provide an objective and fair view of the performance and prospects for the Company.

In 2006 we were pleased to be awarded our second Building Public Trust Award, sponsored by PricewaterhouseCoopers, this time for our People Reporting.

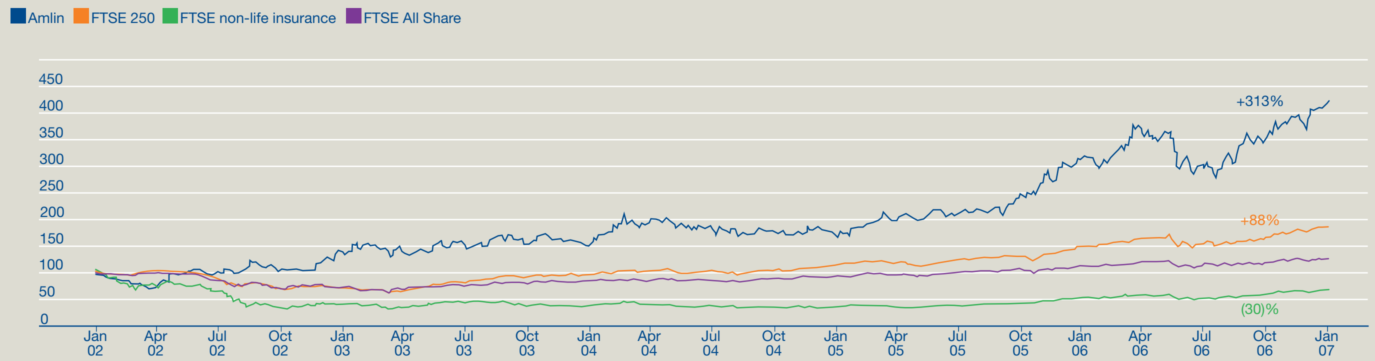
We complement our annual and interim reports with information on our website which includes details of press releases and other updates. We provide e-mail alerts to investors and others who like to receive notification of press releases.

For those shareholders who would 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 potentially reduces paper usage and costs. 44 shareholders registered for this last year.

2007 Annual General Meeting ("AGM")

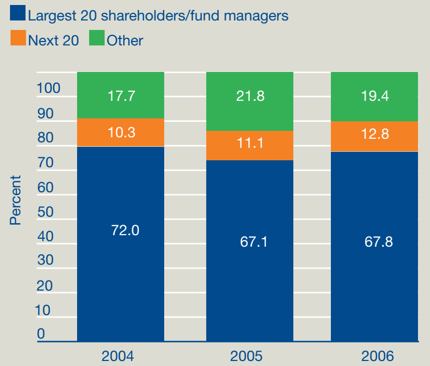
Our AGM, to which all shareholders are welcome, will be held at the Company's London offices at noon on 24 May 2007. Further details are contained in the Notice of Meeting being mailed to shareholders with this report. *Information on AGM participation and voting is also contained in the Board corporate governance statement on page 52.*

Amlin relative share price performance over five years



Source: Datastream

3 year shareholder profile



Source: Amlin

Share dealing

The Company's shares are listed on the London Stock Exchange. Prices are given daily in newspapers including the Financial Times, The Times, Daily Telegraph, Independent and Evening Standard.

Our broker, Hoare Govett Limited, offers a low cost dealing service, which enables UK resident investors to buy or sell Amlin shares. For further information please call 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.

We are happy to answer queries from current and potential shareholders and to provide a copy of our Annual Report to those who do not ordinarily receive it. It is also available on our website.

Contact details

Registrar
Computershare Investor Service PLC
0870 703 6165

Amlin Shareholder
investor.relations@amlin.com
www.amlin.com

Amlin share register
31 December 2006 by size of investment (shares)

By size of investment	Number of holdings	%	Number of shares	%
Up to 50,000	1,499	78.93	11,370,365	2.13
50,001 to 100,000	92	4.84	6,519,458	1.22
100,001 to 500,000	169	8.90	39,020,380	7.31
500,001 to 1,000,000	55	2.90	39,908,979	7.47
1,000,001 to 5,000,000	66	3.48	134,704,424	25.23
5,000,0001 to 10,000,000	7	0.37	49,049,677	9.19
Over 10,000,000	11	0.58	253,433,437	47.45
Total	1,899	100.00	534,006,720	100.00

Source: Amlin

Amlin share register
31 December 2006

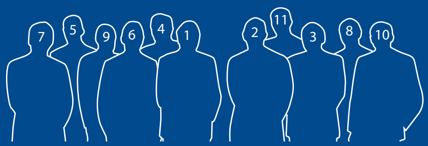
By type of investor	Number of holdings	%	Number of shares	%
Current Directors (and connected persons)	11	0.58	4,108,965	0.77
Other individuals	1,027	54.08	16,266,943	3.05
Employee Share Ownership Trust	1	0.05	774,579	0.15
Corporate, nominee and institutional	860	45.29	512,856,233	96.03

Source: Amlin

Financial calendar

2007	
30 March	Record date for final dividends
24 May	2006 Annual General Meeting
30 May	Payment of final dividends for 2006 (subject to shareholder approval)
30 August	Announcement of interim results and interim dividend for the six months ended 30 June 2006
19 October	Expected payment of interim dividend
2008	
March	Expected date of announcement of 2006 results
May	Annual General Meeting
May	Expected payment of 2007 final dividend

Board



1 Roger Taylor, Chairman ■
Aged 65. Chairman of the Nomination Committee. Appointed a non-executive Director and Chairman in 1998. He was a member of the Remuneration Committee until December 2003. He is non-executive Deputy Chairman of Helphire Group plc, non-executive President of Yura International Holding B.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 48. Appointed Group Chief Executive in 1999, having joined the Amlin 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 has been a director of the Lloyd's Market Association since 2003 and a Vice Chairman since January 2004. He was elected to the Council of The Insurance Institute of London in 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 63. Appointed a Director in 2004. Chartered Accountant. Chairman of the Audit Committee since 2005. 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 49. 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 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 58. Appointed a Director in December 2005. He is non-executive Vice Chairman of the Yorkshire Building Society and senior independent non-executive director of Severn Trent Plc. He is a former non-executive director of Freeserve plc (until 2001) and of Scottish Widows Life Assurance Society (until its sale to Lloyds TSB in 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 Richard Hextall, Finance Director
Aged 38. Appointed Group Finance Director in 1999 on joining from Deloitte & Touche, where he was a director specialising in the insurance and financial services sector. Chartered Accountant. He has been Chairman of the Finance Committee of the Lloyd's Market Association since 2005, having been a member since 2002. He has been a member of the Lloyd's Investment Committee since 2003.

7 Tony Holt, Underwriting Director
Aged 55. 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 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.

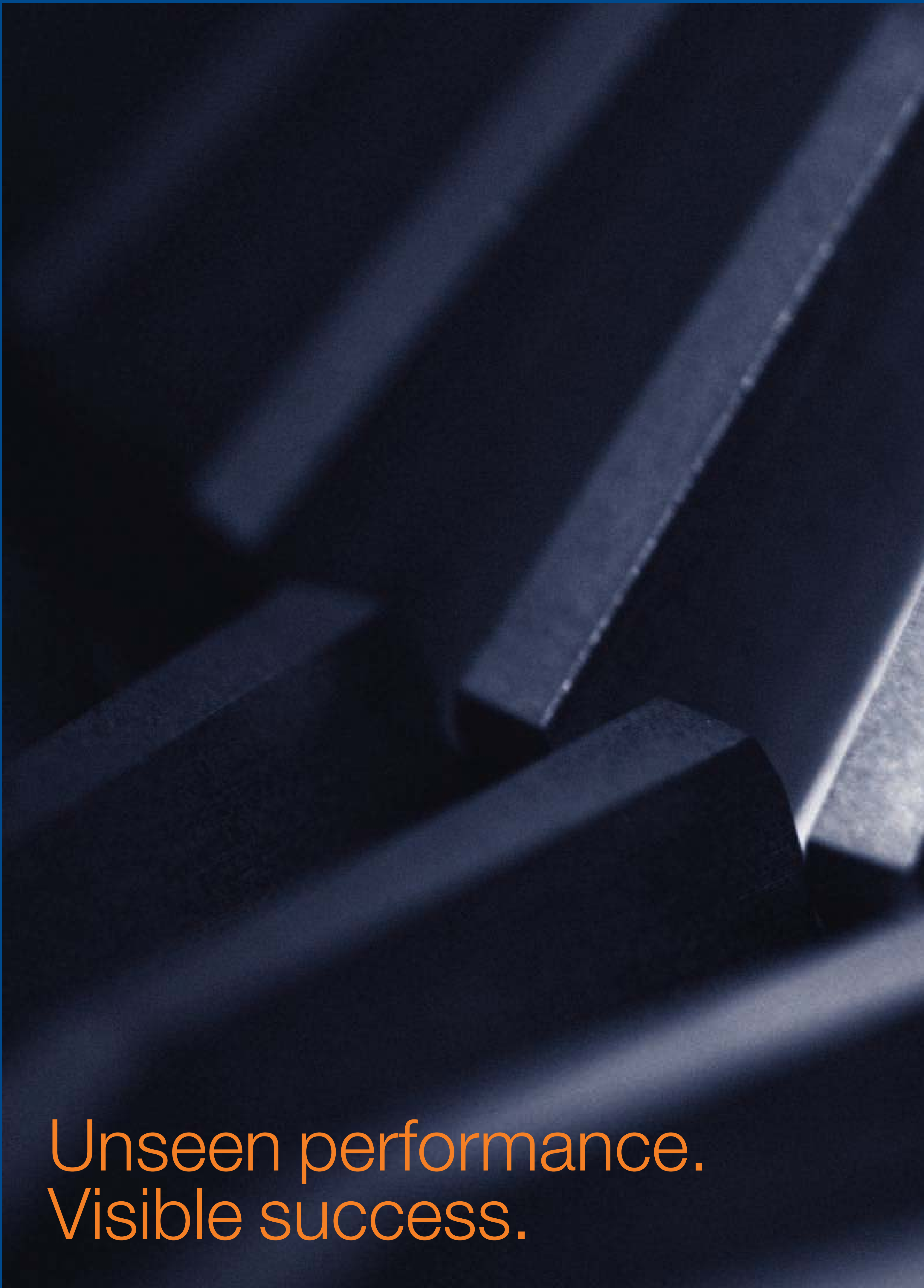
8 Roger Joslin, Independent Non-Executive ▲■
Aged 70. Appointed a Director in 2001. He has been a non-executive director of Archer Daniels Midland Company since 2001. Until he retired in December 2002 he was Vice Chairman of State Farm Mutual Automobile Insurance Company and a director of State Farm 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.

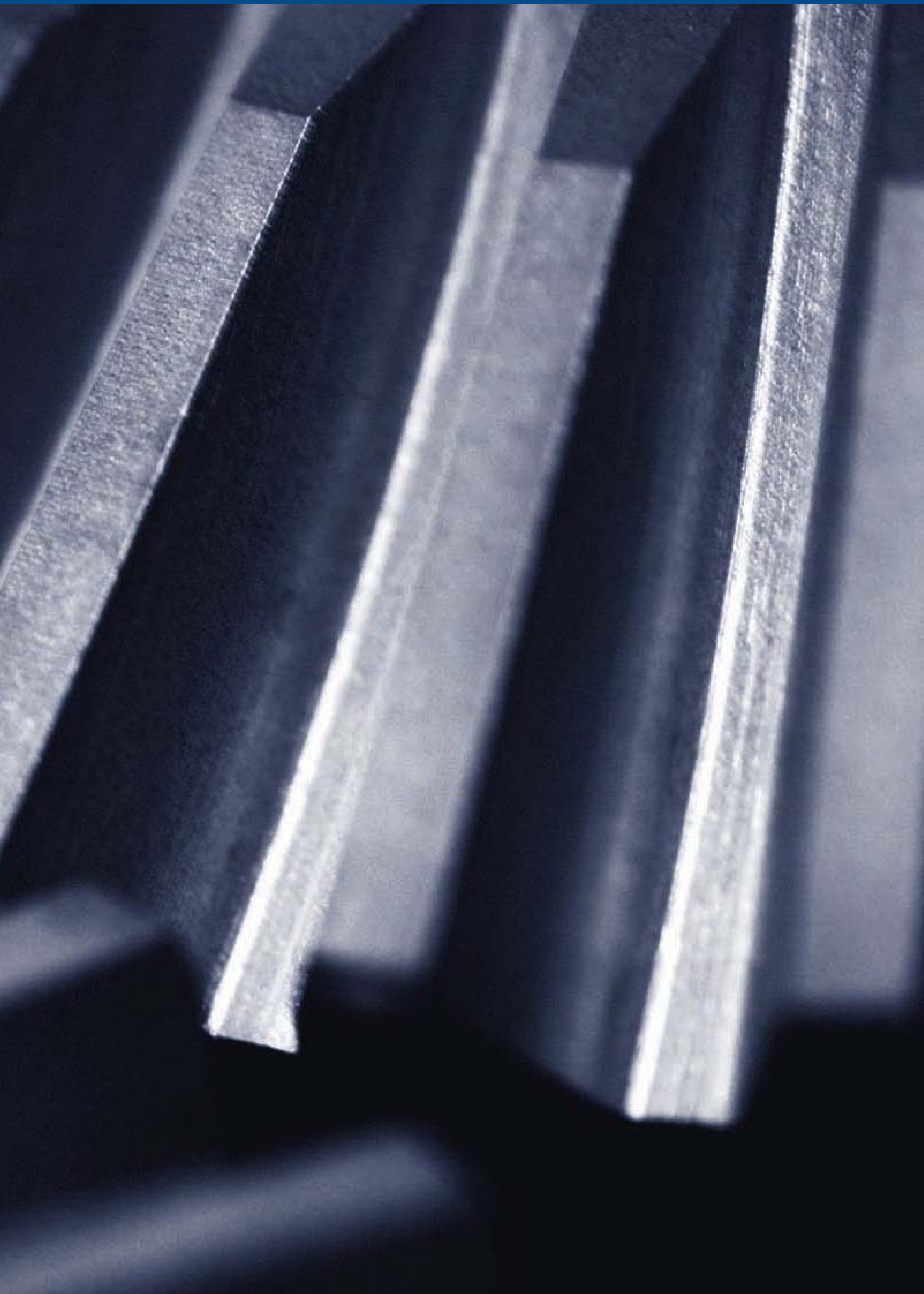
9 Tom Kemp, Non-Executive (Non-Independent)
Aged 66. Appointed a Director in 1998. Member of the Remuneration Committee until January 2004. He has indicated that he will retire from the board at the conclusion of the Annual General Meeting in May 2007. He was a director of White Mountains Insurance Group Ltd from 1994 until March 2004. He served that group as President from 2001 to 2003, Deputy Chairman from 2000 to 2001, and President and Chief Executive Officer from 1997 to 2000, having joined in 1990. He is a non-executive director of Montpelier Re Holdings Ltd and was seconded to that company by White Mountains as its Chief Financial Officer from July 2002 to September 2004. He is a former President and Chief Executive Officer of Resolute Reinsurance Company and former Vice President for Corporate Finance and Development at GEICO Corporation. He is a US citizen.

10 Ramanam Mylvaganam, Independent Non-Executive ▲■●
Aged 57. Appointed a Director in 1998, 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 business planning and development, and a director of Dobson Lyle Limited and Bern Aqua bv.

11 Sir Mark Wrightson Bt, Independent Non-Executive ●
Aged 56. Appointed a Director in March 2006. He retired as Co-Chairman of Close Brothers Corporate Finance Limited, a subsidiary of Close Brothers Group plc, in July 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


Unseen performance.
Visible success.



Amlin plc Statutory report and accounts

Contents

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 2006.

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 included in the Chairman's statement and the Operating and Financial Review (OFR). The OFR includes 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 risk management and policies. Such information and analysis is hereby incorporated by reference into this report.

The Group measures a number of key performance indicators and leading indicators. These include: changes in gross premium written, movements in the price of inwards business, claims ratios, expenses compared with budget, combined ratios, strength of reserving, returns on capital and equity, cash flow and employeee turnover. Most of these are measured by business area and across the Group. The OFR includes analysis of a number of these performance indicators.

Dividends
An interim dividend of 4.2p (2005: 4.0p) per ordinary share was paid on 20 October 2006. The directors propose a final ordinary dividend of 7.8p per ordinary share (2005: 6.2p), to be paid on 30 May 2007 in respect of shares on the register at the close of business on 30 March 2007. This makes total ordinary dividends for the year of 12.0p per ordinary share (2005: 10.2p). In addition, the Directors propose a special dividend of 8.0p per share, also in respect of shares on the register at the close of business on 30 March 2007 and payable on 30 May 2007. Those shareholders who wish to use their dividends to purchase further shares through a Dividend Reinvestment Plan may do so for the proposed 2006 final and special 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 46 and 47. Sir Mark Wrightson Bt joined the Board on 15 March 2006. Lord Stewartby served on the Board from the start of the year until 25 May 2006, when he did not offer himself for re-election at the Annual General Meeting. All of the current directors were elected or re-elected for three year terms in either 2005 or 2006 and therefore none of such directors complete their terms of office at the 2007 Annual General Meeting.

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

	At 1 Mar 2007 and at 31 Dec 2006 No of shares	At 31 Dec 2005 No of shares
N J C Buchanan	**12,600**	12,600
B D Carpenter	**624,352**	724,352
R A Hextall	**146,362**	146,362
A W Holt	**2,756,084**	2,756,084
R W Mylvaganam	**4,610**	4,460
C E L Philipps	**534,722**	285,019
R J Taylor	**20,235**	20,235
Sir Mark Wrightson Bt	**10,000**	n/a

In addition, Messrs Carpenter, Hextall, Holt, and Philipps are deemed, as employees of a Group company, and therefore potential beneficiaries, to be interested in the whole of the holding of the Group's Employee Share Ownership Trust (ESOT), details of which are given below. The directors' own ESOT and other share options are set out in the Directors' remuneration report. Details of transactions between the Group and directors who served during the year are set out in note 32 to the Accounts.

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

Shares held by Employee Share Ownership Trust
The trustee of the Group's ESOT, Kleinwort Benson (Guernsey) Trustees Limited, held 774,579 shares in the Company on both 31 December 2006 and 1 March 2007 (31 December 2005: 2,227,489 shares). All of the changes in the ESOT's shareholding between 31 December 2005 and 1 March 2007 were as a result of exercises of options.

Substantial shareholdings
At 1 March 2007 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*
Fidelity International Limited	44,702,939	8.4
J P Morgan Chase & Co companies	42,068,758	7.9
State Farm Mutual Automobile Insurance Company	38,945,955	7.3
Barclays PLC	21,500,316	4.0
Legal & General Group Plc companies	18,907,713	3.5

* Based on the shares in issue as at 1 March 2007 of 534,010,393

Corporate governance
Statements on corporate governance, including reports from the Board's Nomination and Audit Committees, immediately follow this report. The Directors' remuneration report, which includes details of the Board's Remuneration Committee and is subject to approval by shareholders at the forthcoming Annual General Meeting, starts on page 58.

Employment policies
The Group is committed to keeping employees informed about the business, including through the Group intranet, presentations to staff, management conferences and an Employee Consultation Forum.

The Group encourages its employees to develop their full potential by providing opportunities for training and professional development. Such opportunities, as well as career development and promotion, are equally available to disabled employees, whether newly recruited or existing employees who become disabled whilst in the Group's employment.

The Group's equal opportunities policy aims to ensure that no potential or existing employee 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 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.

Further commentary on the Group as an employer is included in the OFR starting on page 24.

Directors' report

Corporate responsibility
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 reporting to him.

Environment
As discussed in the OFR, Amlin recognises the need to manage the impact of its activities on the environment and the importance of global climate change to insurers such as Amlin.

The Group's Environmental Policy is available on the Company's website or from the Secretary. It is implemented and developed with the assistance of the Group's Environmental Committee, which is chaired by a senior executive, David Harris, the Group Operations Director, who is a member of the Board of the principal UK operating subsidiary, Amlin Underwriting Limited, and reports directly to the Chief Executive.

Risk management
In most of the areas commonly associated with corporate responsibility, other than Amlin's role as an employer, the Board considers that the social impact of the Group's activities is relatively low. Nonetheless, as part of the Group's general risk management review processes, the significant risks to the Company's short and long term value arising from social, environmental and ethical matters, and the opportunities to enhance value from an appropriate response, are incorporated as a specific consideration. More details of risk management generally are included in the Board corporate governance statement.

Charitable donations
The Group made charitable donations during the year of £54,915 (2005: £47,557, including a £10,000 special donation to the Disaster Emergencies Committee in respect of the Asian tsunami). Donations in 2006 include those made in Bermuda by the Company's subsidiary, Amlin Bermuda Ltd (ABL). The Group's charities budget (excluding ABL's) is managed by a Charities Committee of staff representatives. The ABL budget is managed in Bermuda under the overall direction of the ABL board. In both the UK and Bermuda special consideration is given to community projects and fund raising in which members of staff themselves are involved, as well as to charities involved with children and health.

Further commentary on these and other aspects of the Group's social responsibility, community and charitable activities are included in the OFR on page 43.

Political donations
The Group made no political donations during the year (2005: 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 2006, excluding insurance creditors, represented approximately 30 days (2005: 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 May 2007 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 with this report.

Directors' indemnities
The Company has made third party indemnity provisions for the benefit of its directors and certain directors of the Company's subsidiaries. These were made during the year 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.

Auditors
In accordance with Section 385 of the Companies Act 1985, 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
2 March 2007

Board corporate governance statement

Purpose
Corporate governance is the framework of business principles, structures and controls within which the Group, its management, directors and shareholders operate. Its aim is to ensure:

- **accountability;**
- **transparency of responsibility;**
- **the containment of risk within the Group's agreed risk appetite;**
- **the appropriate management of conflicts of interest; and**
- **effective relationships between the Company's stakeholders, especially between the Board and shareholders**

all of which support the Company's underlying purpose of creating shareholder value through the successful delivery of its vision and strategy.

This report sets out the practical elements of the Company's corporate governance policies and practices.

Commitment and basis of reporting
The Company is committed to high standards of corporate governance, including to the principles contained in the 2003 edition of the Combined Code on Corporate Governance issued by the Financial Reporting Council (Combined Code).

During the year ended 31 December 2006 the Company was in compliance with all of the provisions of section 1 (companies) of the Combined Code. This report, together with the Directors' remuneration report and the reports from the Nomination and Audit Committees, describes how the Company applied the Main and Supporting Principles of the Combined Code during the year.

Role and responsibilities of the Board, its committees and the Company Secretary
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; remuneration policies; accounting policies; and capital expenditure, acquisitions and debt facilities over certain thresholds. Matters reserved to the Board also include 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.

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 relevant senior executives as the Board considers appropriate. Procedures are in place for directors to take independent professional advice, when necessary, at the Company's expense.

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 shareholder relations and in ensuring constructive relations between executive and non-executive directors, was approved by the Board in 2003. Mr Nigel Buchanan is the senior independent director designated as an appropriate director to whom shareholders' concerns may be conveyed if contact through the normal channels of Chairman, Chief Executive or Finance Director has failed to resolve them or is inappropriate.

Key parts of the duties of the Board, notably with regard to Board appointments, controls, risk management and remuneration-related matters, are carried out through, or on the recommendation of, the Board's Nomination, Audit and Remuneration Committees. The majority of the members of the Nomination Committee and all the members of the latter two committees are independent non-executive directors. The terms of reference of each of these committees, as well as a statement of the relationship between the Company and its remuneration advisers, are available in the 'Corporate Governance' section of 'Investor Relations' on the Company's website or from the Company Secretary.

The Board and its committees are supported by the Company Secretary who, under the direction of the Chairman, 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 is also, with the Chairman, a guardian of all Board procedural matters, regularly advises the Board on governance matters and facilitates the Board updating and induction work outlined below.

The non-executive directors met during the year without executive directors or other executive management present, including once without the Chairman. The Chairman chairs full non-executive meetings and the senior independent director chairs meetings when the Chairman is not present.

Board meetings
The Board meets on a regular basis, holding five main pre-scheduled Board meetings in 2006 (2005: six) and, as in 2005, a planning and strategy session over two days (2005: one). No Board meetings were held during the year to consider corporate transactions (2005: two). The attendance record of each director (out of six possible meetings, including the planning and strategy session, unless stated otherwise) was as follows:

Board meeting attendance 2006

Director	Number of meetings attended
N J C Buchanan	6
B D Carpenter	6
R H Davey	6
R A Hextall	6
A W Holt	6
R S Joslin	5
K T Kemp	5
R W Mylvaganam	6
C E L Philipps	6
Lord Stewartby (retired 25 May 2006 – maximum possible meetings 3)	3
R J Taylor	6
Sir Mark Wrightson Bt (appointed 15 March 2006 – maximum possible meetings 4)	4
Average % attendance	97%

Board terms of appointment, membership and time commitments
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. Details of the procedures whereby appointments and re-appointments to the Board are considered on a formal, rigorous and transparent manner, on merit and against objective criteria, are set out in the Report from the Nomination Committee.

At both the start and end of the year the Board comprised: the Chairman, six other non-executive directors (of whom five were classified as independent and one not) and four executive directors. Biographical details of all the current directors are included on pages 46 and 47. The changes to the Board during the year were the appointment on 15 March 2006 of an independent non-executive director, Sir Mark Wrightson Bt, and the retirement from the Board on 25 May 2006 of the Deputy Chairman and senior independent non-executive director, Lord Stewartby. On 25 May 2006 Mr Buchanan was appointed senior independent non-executive director.

The Board continues to satisfy itself that the Chairman has sufficient time available to devote to his duties as non-executive Chairman of Amlin plc and, since 1 April 2006, as non-executive Chairman of the Company's principal UK operating subsidiary, Amlin Underwriting Limited (AUL). He and the other current non-executive directors have made the following minimum annual time commitments to the Company, to include (where applicable) time spent on duties as a non-executive director of AUL:

Chairman (Mr Taylor):	75 days
Chairman of either the Audit or Remuneration Committee and a member of all three main Board committees (Messrs Buchanan and Mylvaganam):	30 days
Other non-executive directors (Messrs Davey, Joslin, Kemp and Sir Mark Wrightson):	20 days

Further details of the terms of appointment of both the non-executive and executive directors are set out in the Directors' remuneration report.

Board independence
The non-executive Chairman was independent on his appointment in 1998.

Apart from Mr Kemp, all the non-executive directors serving during and/or since the year were determined by the Board as being independent in character and judgement with (in the words of the Combined Code) "no relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement".

Until 31 December 2002 Mr Joslin was Vice Chairman of State Farm Mutual Automobile Insurance Company (State Farm), which is a 7.3% shareholder in the Company and until November 2004 provided material Letter of Credit facilities to the Group (on commercial terms). His relationship with State Farm ceased on his retirement three years before the start of 2006. He was therefore classified as independent throughout the year.

Lord Stewartby, who retired from the Board in May 2006, had been a director since October 1995. Notwithstanding provision A.3.1 of the Code regarding Board service of more than nine years, the Board continued to classify him as independent, for the same reasons given in previous years' reports, until his retirement.

From June 2002 to September 2004 Mr Kemp was temporarily Chief Financial Officer of Montpelier Re Holdings Limited (Montpelier), with which the Group's managed syndicate has in the past had reinsurance arrangements on commercial terms. Although Mr Kemp was not involved in the negotiation of these arrangements, the Board considers that the past business relationship between Amlin and Montpelier, and the current potential competition between Amlin Bermuda Ltd and Montpelier, of which Mr Kemp remains a non-executive director, are sufficiently material for Mr Kemp to be classified as non-independent.

Board information and professional development
In addition to information about the Company, 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 sessions on technical and/or industry matters are included in the Board programme as required. During 2006 a Board session was conducted on the Companies Act 2006 and on recent and prospective changes to the FSA's Listing Rules and the Disclosure Rules. In addition, the Company encourages, facilitates and monitors other professional development undertaken by both executive and non-executive directors as is required for their particular roles and responsibilities. The Company maintains a model director induction programme, which is tailored to meet the needs of each new director joining the Board. Both Mr Davey and Sir Mark Wrightson, who joined the Board in December 2005 and March 2006 respectively, undertook the programme in 2006.

Board evaluation
During the year the Board undertook its third annual evaluation of the performance of the Board, its Committees and each director. The evaluations were initiated by a comprehensive questionnaire completed by each director giving his assessment of both collective and individual performances, including self-evaluation. The results of the evaluation of the Board as a whole were summarised by the Chairman and, at its meeting in February 2007, the Board agreed its conclusions. Each Board Committee evaluated its performance, and also reported and discussed its findings at the Board.

The Chairman also discussed the conclusions on each individual director, including the performances of executive directors in respect of their boardroom as opposed to executive roles, at private meetings with the director concerned. Executive directors' managerial roles continue to be assessed as part of the Group's executive Performance Development Review process, in respect of which the Chief Executive's performance is reviewed by the Chairman.

The Chairman's own evaluation was conducted by the non-executive directors led by the senior independent non-executive director, who discussed and agreed the conclusions with the Chairman.

The evaluations are also taken into account by the Nomination Committee when considering specifications for new non-executive directors, succession planning and nominations for re-election at AGMs.

Relations with shareholders
The Company is committed to a process of continuing dialogue with its shareholders. In addition to usual briefings on financial results, the Company makes appropriate contact with institutional investors and their representative bodies, for instance on the new incentive plans proposed at the 2006 AGM. Shareholder views on the Company are the subject of specific reports at Board meetings at least twice annually and an independently conducted survey of institutional shareholders' investment criteria, and their perceptions of the Company, its management and its investor communications, is conducted approximately every eighteen months. Further details of investor relations activities are included in the relevant section of the Operating and Financial Review.

Annual General Meeting participation and voting
Shareholders are encouraged to attend the Annual General Meeting, when a presentation on the Group's progress is made each year. The Company attaches importance to encouraging a high level of voting participation at its general meetings, receiving proxies representing 76%, 74% and 77% of its shares in issue at its 2004, 2005 and 2006 AGMs respectively. Electronic proxy voting, details of which are included in the 2007 AGM circular and Notice of Meeting, is made available. The totals of proxy votes on each resolution, including details of any votes withheld (i.e. deliberately abstained), are announced after each resolution has been dealt with on a show of hands and the full proxy voting results also 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.

Accountability and internal control
The Company has an ongoing process for identifying, evaluating and managing its significant risks. This process has been in place throughout the year and up to the date of approval of the Annual Report. The process and its findings are regularly reviewed by the Audit Committee, which reports on the matter to the Board, and accords with the guidance in the document 'Internal Control: Revised Guidance for Directors on the Combined Code' published by the Financial Reporting Council in October 2005. This process explicitly includes the risks, and opportunities to enhance value, arising from social, environmental and ethical matters. The directors are responsible for the Company's systems of internal control and for reviewing the effectiveness of these systems, which are designed to provide reasonable, but not absolute, assurance against material avoidable loss or misstatement of financial information. They are also designed to manage rather than eliminate the risk of failure to achieve business objectives. Other procedures which may assist the effectiveness of internal controls, such as 'whistle blowing' procedures whereby any member of staff may take matters of concern direct to the head of Internal Audit or, if appropriate, to the Chairman of the Company or the senior independent non-executive director, have been put in place and are reviewed annually.

Necessary actions have been or are being taken to remedy any significant identified control failings or weaknesses. The Board has put 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 Board receives regular reports from the Audit Committee which reviews the following main processes established by the Company to review the effectiveness of internal control:

- 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 reports to each meeting of the Audit Committee.
- A self-certification process whereby senior managers report on those parts of the systems for which each of them is responsible.
- Internal audit and compliance monitoring work carried out respectively by the Group's Internal Audit and Risk Assessment and Monitoring departments. The latter also provides compliance advice. The heads of both departments report to the Group Chief Executive and the head of Internal Audit also has a direct reporting line to the Audit Committee. The Group has established a continuous audit and compliance programme for reviewing and evaluating the internal controls and compliance procedures used in the management of risk.

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

By Order of the Board

C C T Pender Secretary
2 March 2007

Report from the Nomination Committee

Purpose

The Nomination Committee (the Committee) is responsible for recommending Board appointments and considering succession planning, so that the Board and its 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 the Company needs to deliver its vision.

Membership

The Committee was chaired throughout the year by the Chairman of the Company, who is non-executive. Its other four members throughout 2006 and in 2007 to date have been three independent non-executive directors and the Chief Executive. The independent non-executives were Messrs Joslin and Mylvaganam throughout, with Lord Stewartby until 25 May 2006 and Mr Buchanan from the same date.

Terms of reference

The Committee, which is a joint committee of the Boards of the Company and of its principal UK operating subsidiary, Amlin Underwriting Limited, 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 in a non-executive or executive capacity. 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.

Meetings

The Committee meets as frequently as is required to fulfil its duties. When there are not specific recommendations or decisions to be made, the Chairman consults members of the Committee between meetings. The Committee met three times during 2006 (2005: twice).

Nomination Committee attendance 2006

Committee member	Number of meetings attended
N J C Buchanan (appointed 25 May 2006 – maximum possible meetings 1)	1
R S Joslin	3
R W Mylvaganam	3
C E L Philipps	3
Lord Stewartby (retired 25 May 2006 – maximum possible meetings 2)	2
R J Taylor	3
Average % attendance	100%

Activities

Early in the year the Committee completed the process of recommending the appointment of a further independent non-executive director. An agreed specification had been drawn up in 2005 and, working with external search consultants, Sir Mark Wrightson Bt was recommended for appointment. He joined the Board on 15 March 2006.

On the completion of a number of the non-executive directors' terms of office, the Committee considered and recommended their renomination at the 2006 AGM. The Committee also recommended to the Board that each of the four executive directors be renominated at the 2006 AGM, as well as changes in committee appointments. Following the retirement of Lord Stewartby at the AGM as Deputy Chairman and senior non-executive director, the Committee recommended that the Deputy Chairmanship be left vacant and that Mr Buchanan be appointed as senior independent non-executive director. All of these recommendation were agreed by the Board.

Both executive and non-executive succession planning continued to be kept under review. Mindful that both of the US non-executive directors have served on the Board for some years, the process of seeking to recruit a new US non-executive director, in due course to replace either or both of the existing ones, was commenced during the year. With a high proportion of the Group's premium income originating in the US, the Committee (and the Board) wishes to maintain a strong US element on the Board.

An annual self-evaluation was conducted by the Committee of its own composition, procedures, contribution and effectiveness, the conclusions of which were agreed and reported to the Board in November 2006.

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

C C T Pender Secretary
2 March 2007

Report from the Audit Committee

Purpose

The Audit Committee (the Committee) makes recommendations on the reporting, control 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 that high standards of corporate reporting, controls and compliance are achieved, in the belief that excellence in these areas enhances the effectiveness, and reduces the risks, of the business.

Membership

The following have been members of the Committee during the year and up to the date of this report: Mr Buchanan (chairman of the Committee), Mr Davey, Mr Joslin and Mr Mylvaganam. In addition, Lord Stewartby was a member of the Committee until his retirement from the Board on 25 May 2006.

All of the members of the Committee were at all times classified by the Board as independent. Throughout the year there have been a number of members with recent and relevant financial experience, including Mr Buchanan and Mr Joslin.

The Chairman of the Company, the Group Chief Executive and the Finance Director usually attend the Committee's meetings, as does the head of Internal Audit and, since the role was created during 2006, the Chief Risk Officer.

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.

Terms of reference

The terms of reference of the Committee, which is a joint committee of the Boards of the Company and its principal UK operating subsidiary, Audit 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.

Meetings

The Committee meets a minimum of four times a year. It met five times during 2006 (2005: four), when attendance by committee members was as follows:

Audit Committee attendance 2006

Committee member	Number of meetings attended
N J C Buchanan	5
R H Davey	4
R S Joslin	5
R W Mylvaganam	4
Lord Stewartby (retired 25 May 2006 – maximum possible meetings 1)	1
Average % attendance	90%

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 the systems set up in the new Amlin Bermuda Ltd business; 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 11 to the Accounts); 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 judgemental areas, which were then discussed by the Committee with executive management and the auditors at the relevant Committee meeting.

A special meeting was held to consider AUL's Individual Capital Assessment report prior to its submission to Lloyd's in September 2006.

Procedures were 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' impartiality or independence.

Details of the Committee's role regarding internal control issues are set out in the 'Accountability and internal control' section of 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. The Committee also considered and approved management's proposals for a separation of the internal audit and compliance functions, which involved compliance becoming part of an expanded Risk Assessment and Monitoring department under the Chief Risk Officer, and Internal Audit becoming a stand-alone function.

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 in November 2006.

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

C C T Pender Secretary
2 March 2007

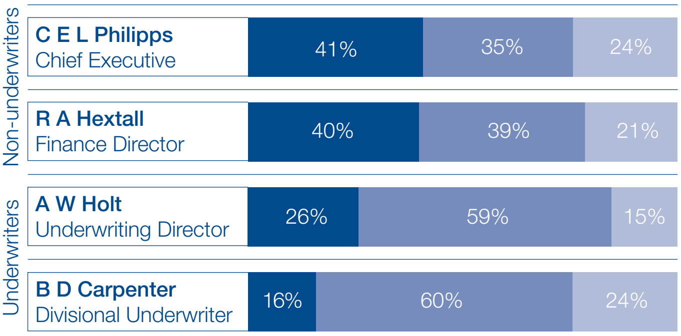
Directors' remuneration report

Purpose and overview
The purpose of the Remuneration Committee is to ensure that the levels and structures of the remuneration of executive directors, the Chairman and senior executives are appropriate to attract, retain and incentivise the high calibre talent that the Company and shareholders require in a demanding and complex business, and to reward them fairly. The Committee aims to optimise the alignment of interests between executive management and shareholders. It is also responsible for remuneration policies in the Group generally, in so far as they affect the framework and policy for senior executive remuneration.

In 2005 the Committee conducted a thorough review of the Company's senior executive remuneration arrangements to ensure that they continued to support and advance the Group's strategic objectives. As reported last year, the conclusion was that the rationale underpinning the Company's remuneration arrangements was soundly based but that certain incentive scheme arrangements, particularly long term incentives, required refinement. Consequently three new incentive plans were proposed and approved by shareholders at the 2006 Annual General Meeting. The period since then has been one of implementation.

As illustrated below, a significant proportion of executive directors' remuneration in 2006, a year of continuing success for the Company, was performance related. This overall picture, given similar success going forward, is unlikely to alter as a result of the changes to future long term incentive schemes currently being implemented.

Split of Executive Directors' remuneration in 2006



Fixed is base salary, allowances, benefits and pensions costs

Annual performance is annual payment from Group Bonus Scheme (non-underwriters) or of Profit Commission (underwriters)

Longer term is the Companyís estimated value at award of Performance Share Plan awards made in the year (non-underwriters) or accrued during the year under the Capital Builder Plans (original and new) (underwriters), plus the Company's estimated value at grant of executive options granted in the year

Further details of each element of the above components of 2006 remuneration, and the basis of calculation of the performance related elements, are set out in the 'Remuneration policies' and later section of this report.

Status and shareholder approval of report
This report, which is to be proposed to shareholders for approval at the Company's Annual General Meeting on 24 May 2007, has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the Financial Services Authority. As required by those regulations, the sections entitled 'Remuneration received', 'Executive directors' pensions', 'Executive directors' Performance Share Plan participations', 'Executive directors' Capital Builder Plan participations' and 'Executive directors' share options' have been audited by Deloitte & Touche LLP. The remainder of this report is unaudited.

Remuneration committee membership and meeting attendance
The members of the Committee throughout 2006 and in 2007 to date, except as stated otherwise, are set out below. The Committee met five times during the year (2005: nine). Attendance by Committee members, all of whom are (or were during their service) independent non-executive directors, was as follows:

Remuneration Committee membership and attendance 2006

	Number of meetings attended
R W Mylvaganam (Chairman throughout)	5
N J C Buchanan	5
Lord Stewartby (until 25 May 2006 – maximum possible meetings 4)	3
Sir Mark Wrightson Bt (from 25 May 2006 – maximum possible meetings 1)	1
Average % attendance	93%

Terms of reference and advisers
The Committee's terms of reference, which are published on the Company's website and available on request from the Secretary, may be summarised as being 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 generally. The Committee determines the targets for all performance-related pay schemes operated by the Group and exercises the Board's powers in relation to all the Company's share schemes. 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), also utilising an independent review conducted in 2005 by the remuneration consultancy of Deloitte & Touche LLP (Deloitte). NBSC advises the Committee on the structuring and utilisation of the Group's performance related incentives and on remuneration policy generally. 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 matters relating to the remuneration and terms of appointment of the non-executive directors.

A statement regarding the Company's other relationships with NBSC and Deloitte is published on the Company's website and available on request from the Secretary. Deloitte are the Company's and the Group's auditors and also provide certain other non-audit services provided to the Group, the details of which in 2006 are included in note 11 to the Accounts. Occasional legal advice on remuneration matters is also given to the Committee by Dechert LLP.

The Committee is assisted by the Group's head of human resources and by advice and recommendations from the Chief Executive, who is usually invited to attend its meetings other than when items specific to him are being considered. 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.

Structure of senior executive remuneration

Before 2006/07 changes

	Fixed		Annual performance	Longer term	
Underwriters	Salary and benefits	Pension[2]	Profit commission	Options grants	Original Capital Builder Plan
Non-underwriters	Salary and benefits	Pension[2]	Bonus	Options grants	Performance Share Plan

From 2007 onwards

	Fixed		Annual performance	Longer term		
Underwriters	Salary and benefits	Pension[2]	Profit commission	New LTIP awards	New Capital Builder Plan	All employee SIP[3]
Non-underwriters	Salary and benefits	Pension[2]	Bonus	New 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 changes made in 2006 as described on the next page.
[3] Share Incentive Plan allocation of up to £3,000 of shares per annum.

Implementation of remuneration strategy review conclusions
As mentioned above, three new incentive plans were approved at the 2006 Annual General Meeting (2006 AGM):

- a new long term incentive plan for both underwriting and non-underwriting directors and senior executives, which will replace grants of executive share options from 2007 onwards;
- a long term incentive plan for underwriters, the Capital Builder Plan 2006, to replace the previous Capital Builder Plan, which came to the end of its five year performance period at the end of 2005; and
- an all-employee Share Incentive Plan as an additional means of encouraging staff at all levels to build up an interest in the Company's equity, under which the first awards are to be made in early 2007.

Fuller details of these Plans are set out in the relevant sections of this report.

The structure of the Group's senior remuneration, before and after these changes to incentive plans, is illustrated in the charts at the top of this page.

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. The annual salary review date is 1 April, but interim adjustments are sometimes made in the light of market or other factors.

Certain aspects of remuneration are 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 commission 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 such Lloyd's market practice for staff for whom such market influenced remuneration structures are appropriate as not to do so would put it at a competitive disadvantage in competing for staff. Similar remuneration structures and policies have been adopted for staff in Amlin Bermuda Ltd, taking account of local conditions and the ex patriot status of its key underwriters who moved from London.

Structure of directors' and employees' remuneration, and alignment of interests with shareholders
The remuneration of the executive directors consists of three principal elements: (1) base salary, benefits and pension contributions; (2) shorter term performance rewards; and (3) longer term performance rewards. The elements of performance rewards for senior executives differ between underwriters and non-underwriters, as illustrated in the above charts. Details of directors' individual participations in each type of remuneration are set out later in this report.

In 2006 an estimated average of around 71% (2005: 78%) of executive directors' remuneration was performance related (either shorter or longer term). These percentages will vary from year to year according to performance. The Committee believes that the balance between fixed and performance rewards is appropriate, noting that the underwriters' performance rewards in 2006 remained at high levels owing to the continuing favourable underwriting performance, both in absolute and relative terms. 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.

The analysis of performance related remuneration for 2006 includes the theoretical values of share options and the non-underwriters' Performance Share Plan participations granted during the year, on the basis set out in the section entitled 'Valuation of options and Performance Share Plan awards granted in 2006' later in this report. It does not include the actual cash profits, or the value of shares retained, as a result of the exercises of options granted in earlier periods, or the increases in unrealised share option profits during the year. As a result of the strong share price performance in recent years, these profits, set out in the section entitled 'Executive directors' share options' below, have often been substantial.

In connection with the introduction of long term incentive schemes, an objective was set that executive directors would build up shareholdings in the Company to the value of at least 125% of their base salaries. From the shareholdings set out in the 'Directors' report' and the information in this report, it can be seen that by 31 December 2006 this target was comfortably exceeded in all cases, mostly by a substantial margin. 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, including changes made in 2006
The Company pays a percentage of base salary into either a Group occupational or personal (usually 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. As at the year end only 83 out of 622 staff, including two of the four executive directors, were accruing an 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 contributions for an executive director in 2006 was 16.5% of base salary. In respect of those with defined benefits, the Group contributes at rates which vary according to actuarial advice in order to deliver the promised levels of pension.

In the case of those higher paid employees with DC pensions, including directors, in respect of whom the Group was, until April 2006, unable to contribute a significant proportion of the full operative percentages of base salary into the relevant group pension scheme as a result of the HM Revenue & Customs earnings cap, the Group made extra contributions through a Funded Unapproved Retirement Benefit Scheme set up for each such employee. In cases of less significant constriction, a cash allowance was paid in lieu. As a result of the additional flexibility regarding annual pension contributions under the new pension regime from April 2006, such special employer contribution arrangements ceased from that date.

The Group's DB schemes have been closed to new entrants since 1998 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 will generally be based on March 2006 pensionable salaries, as will DB pensions based on service to that date (in the latter case uprated for inflation, with a 5% cap), with salary increases from that date being pensioned only through the Company's stakeholder DC arrangements. Exceptionally the pensionable salaries of members restricted in March 2006 by the HM Revenue & Customs earnings cap will continue to grow, calculated as if that cap has continued on the same increasing basis, until such time as the pensionable salary reaches the actual March 2006 salary. The future accrual rate was also rationalised from April 2006 (at 45th's in the case of directors and others at the most senior levels). 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 over that period. The DB employee contribution rate of 5% of the relevant salary is unchanged. From April 2006 the Group also raised the normal pension age from 60 to 65, with greater flexibility being introduced in certain respects.

Overall there were no additional DC pension costs to the Group from April 2006 other than those resulting from the Group starting to make DC contributions as part of the pension provision for members of the DB schemes as referred to above. By no later than when the three year compensation period for DB members is completed, there is likely to be an on-going saving in the Group's overall pension costs.

Shorter term performance rewards: annual bonus scheme for non-underwriting directors and employees (Group Bonus Scheme)
The Group's shorter term performance incentives consist, in the case of those executive directors and other employees who are not directly involved in underwriting or claims settlement, of a cash Group Bonus Scheme. Senior participants are rewarded and incentivised under the scheme 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, with 50% of base salary being payable to executive directors for on-target performance and a 100% maximum payment.

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. Whilst the precise structure and payment basis of the PC Scheme may vary from year to year, the underlying policy is to reward those involved in underwriting, on an underwriting year basis, according to the underwriting performance of both their own division and the wider Group.

The scheme divides rewards between those related to the performance of the relevant participant's division and those related 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 personal 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 a slightly higher percentage may apply. Up to 3% of Amlin Bermuda Ltd's underwriting profit is also made available to a parallel scheme for those contributing to that subsidiary's results.

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 may be made a year earlier. Such early payment was agreed by the Committee in each of the last three years. As payments are based on underwriting years, rather than reported IFRS figures, and can be paid at variable times after each year of account starts, they do not necessarily reflect the profitability of the Group in the year in which they are paid or reported.

The longer term development of the PC Scheme was considered as part of the 2005 remuneration review and, having considered possible specific changes in 2006, the Committee has decided to operate the scheme on a broadly unchanged basis for 2007.

Longer term performance rewards: long term incentive plan for non-underwriting directors and other senior management (Performance Share Plan)
The Amlin Performance Share Plan 2004 (PSP) was introduced 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. The extent to which awards vest depends on the Company's long term financial performance over the ensuing five years. Awards have been in the form of conditional nil cost share options (expected to be satisfied out of shares purchased in the market by the Group's Employee Share Ownership Trust (ESOT)), so that the eventual benefit will depend also on share price appreciation over the five years. Awards may be made each year at the discretion of the Committee, with no individual receiving awards over shares having a market value on grant in excess of 100% of annual base salary. At each of the three annual PSP awards to date, which were made in the form of nil cost options, the Committee's policy was that only the Chief Executive was made an award under the PSP close to 100% of salary, with other participants receiving lesser awards. The third set of grants were made in March 2006 to 15 participants (2005: 19) over an aggregate of 385,120 shares (2005: 558,528). The Committee intends to continue making similar annual awards, although the criteria for inclusion may vary.

The performance condition of the PSP is based on the average annual post tax return on the Group's ROE over the ensuing five years. The Committee determined that such an ROE measure would most closely align participants' and shareholders' interests and would be an absolute, rather than relative, performance measure in common with the Capital Builder Plan but in contrast to executive share options. The average ROE is calculated after five years, with no re-testing, and determines the proportion of awards that vest on a sliding scale. The targets and scales may vary with each grant at the discretion of the Committee. The scale for all of the grants to date, and for the 2007 grants planned to be made soon after publication of the 2006 results, is as follows:

Average ROE 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 is normally capable of exercise within the following six months. There is provision for the Committee to 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 original and new Capital Builder Plans)
The original Amlin Capital Builder Long Term Incentive Plan 2001 (the Plan) rewards senior underwriters if they exceed long term target underwriting returns. Its basis is that participants benefit to the extent that, in their particular class or classes of business, target returns on capital are exceeded over the specified long term performance period (usually 2001 to 2005). Participants share in up to 6% of the relevant underwriting profit (gross premiums less net claims and reinsurance costs) which are in excess of the relevant target return over the duration of the performance period. Up to around a further 4% of such excess profits may be allocated at a divisional or whole syndicate level to the heads of each underwriting division. Rewards are paid in three annual tranches following the end of the 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 the 2006 payments were made in cash and there is no present intention to settle the remaining payments other than in cash.

The benchmarks for each relevant class of business, set for the measurement period on an aggregated basis and after allowing for estimated expenses and syndicate investment income but before tax, were set on the basis that they corresponded to an estimated overall benchmark return on allocated capital of at least 15% per annum over a full insurance cycle.

The Committee believes that the Plan 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 and therefore decided that, with refinements, it should continue.

Thus at the 2006 AGM shareholders approved the Capital Builder Plan 2006 (New CB Plan), replacing the original Plan for performance periods from 2006 onwards. The New CB Plan is based on the same principles and objectives as the original one but with detailed differences, including:

- Rather than operating over a single five year performance period (i.e. 2001 to 2005), the New CB Plan has rolling five year performance periods, i.e. for 2006 to 2010, 2007 to 2011 etc. The potential reward for each award, as they are made annually rather than five yearly, is commensurably lower than under the previous scheme but, over time, the overall rewards payable under the New CB Plan are designed to be similar to its predecessor's.
- The number of participants has been extended so that the rewards earned will be shared amongst a wider group of underwriters, not only leading class underwriters but with a number of underwriters below that level. Whereas there were originally 25 participants in the old Plan, there are 54 participants for the awards made in 2006.
- 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 demanding target claims ratios set for each class, rather than being calculated on a return on capital basis. An excess profit percentage is set for each class of business (i.e. the percentage which is to be paid under the Plan of any excess in profit earned as a result of the actual claims ratio of such class being lower (better) than its target claims ratio). The maximum permitted excess profit percentage, although it is usually lower, is 10%. Variations in each business class's target claims ratio and excess profit percentage depend on the the Committee's assessment of the risk, historic experience and long term market prospects of the class. The Committee considers that the new basis is more transparent to participants and, taking account of the Group's Dynamic Financial Analysis tool, targets have been able to be set at broadly equivalent overall levels to those previously set in relation to return on capital. As previously, the Committee's objective is to incentivise underwriters to contribute to the Company's objective of achieving an overall average return on equity of at least 15% per annum over the insurance cycle.
- Whereas rewards under the original Plan are uncapped, the New CB Plan has 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.
- At the end of each five year performance period, payments will be made in the following two, rather than three, years. The first payment will be up to 70% of each pool allocated, with the balance paid a year later.

Longer term performance rewards: executive share options (Option Schemes)
Executive share options were granted at the discretion of the Committee under the Approved and Unapproved Amlin Executive Share Option

Schemes (Amlin Schemes) each year from 1997 to 2006 to executive directors and other employees (whether underwriters or not) above a certain level of seniority. Grants were made on 21 March 2006 over a total of 2,290,481 new shares at an exercise price of 293p per share (2005: 2,598,264 new shares at 161.77p, as subsequently adjusted for the 2005 rights issue). No further grants will be made.

All grants were subject to performance conditions set by the Committee. From 1999 onwards the primary condition has been related to Total Shareholder Return (TSR) with a secondary condition that the Company has returned a satisfactory overall financial performance. Since the grants made in 2004, to the extent that an individual's annual grant was over shares valued at over 50% of salary it may only be exercised in full if the Company has been an upper quartile performer over a three year performance period against the group of comparable companies. Options over shares valued at up to 50% of salary are exercisable on above median performance. Since the grants made in 2005 there has been no allowance for any re-testing. The fulfilment of all TSR performance conditions is independently calculated by NBSC, and confirmed by the Committee, at the end of each relevant measurement period. Further details of the status of performance conditions are set out in 'Executive directors' share options' below.

Longer term performance rewards: the Amlin Long Term Incentive Plan 2006 (the New LTIP)
The New LTIP was approved by shareholders at the 2006 AGM to replace grants of executive share options. In common with the Option Schemes its primary performance condition will be a relative 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, will participate in the New LTIP, although participation will be restricted to somewhat more senior levels than used to apply to the Option Schemes. The first grants under the New LTIP are planned to be made soon after the announcement of the 2006 results in March 2007.

Awards will be subject to performance conditions set by the Committee each year. For the awards to be made in 2007, 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, as follows:

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%

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 will be in the form of nil cost share options and are expected to be satisfied out of shares purchased in the market by the ESOT. Awards may be made each year at the discretion of the Committee, based on seniority and with no individual receiving awards over shares having a market value on grant in excess of 100% of annual base salary (or, exceptionally, 200% for a senior new recruit). Once the vesting level is determined after three years, and provided the relevant participant is still employed by the Group, an award is normally capable of exercise within the following six months. The New LTIP contains similar provisions on such matters as variations in capital as apply to the PSP referred to above.

All-employee share plans
A Sharesave option scheme has operated since 1998. This is a UK Revenue and Customs approved scheme and five offers and grants of options have been made to date, in each case entirely over new shares. No grant was made in 2006 but an offer is intended to be made to staff following the results in March 2007. This scheme is open to all Group employees, including executive directors, who have been employed for more than a number of months which is specified at each grant. Exercises are not subject to any performance condition. The Board considers that the Sharesave scheme has proved successful in providing a tax effective mechanism for directors and staff to build up interests, and subsequently shareholdings, in the Company.

At the 2006 AGM shareholders approved a second all-employee plan, the Amlin Share Incentive Plan 2006 (SIP). This was recommended as an additional means of assisting employees to build up shareholdings in the Company, particularly as some of the staff who have previously been granted executive share options each year will not be participating in the replacement New LTIP. The SIP rules allow offers of Partnership Shares, whereby employees may buy shares, and Matching Shares, whereby the Company can allocate shares proportionately to Partnership Shares, but at present the Committee only intends to offer Free Shares, on an equal basis to all executive directors and staff (subject to a pro rata adjustment for part time employees and to a qualification period of approximiately nine months). The Committee intends to consider making awards of SIP Free Shares after the announcement of the results each year, with the quantum, between nil and the annual maximum level of £3,000 worth of shares per employee, being decided in the light of the ROE achieved in the previous year. The first awards are expected to be made shortly after the 2006 results are announced.

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 contractual advantages to the Group in some circumstances of longer periods of notice against the potential cost arising from such contracts in the event of termination of employment 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.

Outside appointments
The Company's policy is to allow executive directors and other appropriate senior employees to accept a maximum of 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, although there are no such appointments at present. Suitable outside appointments, including limited term secondments, relating to Amlin's business, such as to Lloyd's bodies, are encouraged on the basis that such appointments are often directly in the Company's interest. Fees from outside appointments are generally payable to the Group rather than retained by the employee concerned.

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 2006 £000**	Total year to 31 Dec 2005 £000
N J C Buchanan	–	59.8	–	–	**59.8**	45.7
B D Carpenter	270.0	–	989.7	14.4	**1,274.1**	1,313.4
R H Davey*	–	45.0	–	–	**45.0**	1.8
R A Hextall	296.3	–	300.0	17.8	**614.1**	570.2
A W Holt	312.0	–	826.1	14.5	**1,152.6**	1,275.2
K T Kemp	–	45.0	–	–	**45.0**	38.0
R S Joslin	–	45.0	–	–	**45.0**	38.0
R W Mylvaganam	–	70.4	–	–	**70.4**	67.8
C E L Philipps	466.5	–	472.5	14.9	**953.9**	852.5
Lord Stewartby**	–	26.2	–	–	**26.2**	59.6
R J Taylor	–	167.5	–	–	**167.5**	142.5
Sir Mark Wrightson Bt***	–	37.0	–	–	**37.0**	n/a
	1,344.8	495.9	2,588.3	61.6	**4,490.6**	4,404.7

* Joined the Board on 15 Dec 2005
** Left the Board on 25 May 2006
*** Joined the Board on 15 Mar 2006

Executive directors' service contracts
The dates of the current service or employment contracts with the Company (and/or a wholly owned subsidiary) of each current executive director, all of whom served throughout the year, are as follows:

	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 birthdays) in line with a choice given to employees generally. Mr Carpenter has to date retained his sixtieth birthday retirement date. There are no special provisions for compensation on termination of any director's contract other than that the Company 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 2006 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 above table.

The amounts paid to non-executive directors in 2005 and 2006 include fees paid on behalf of the Company's subsidiary, Amlin Underwriting Limited. All of the independent non-executive directors became non-executive directors of that subsidiary, if they were not already, during 2006.

The 2006 salaries of each executive director shown above are between 14.0% and 21.6% higher than in 2005. These increases partly reflect previously reported special mid-year adjustments for Messrs Hextall and Philipps in 2005, as a result of their salaries having unjustifiably fallen well behind relevant market comparators, and partly the results of the annual salary review as at April 2006. By the latter review date, the highly competitive nature of the industry, including the development of the Bermudian market, had seen even greater pressure build on the packages being offered to senior Lloyd's directors and underwriters and the Committee concluded that the strong performance of the Company, and the desire to ensure that the highly successful management team remains in place, required a further realignment of salary levels. The personal performance of the individuals and the performance of the Company, as well as market levels, were significant contributing factors in the reviews. As a result of the pension changes described above, the salary increases in April 2006 do not generally affect the ultimate DB pension entitlements of the two directors in the DB scheme.

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 (described above). For 2006 the scheme's business performance target ROE was 19% (2005: 16%), the 'stretch' target was 24% (2005: 19%) and the level at which the maximum business performance related payment was payable was 30% (2005: 24%). The increased targets in 2006 reflected the higher expectations that the Committee had of market conditions at the start of 2006 than a year previously. The 2006 ROE as calculated under the rules of the scheme, and reflected in Messrs Hextall's and Philipps's payments above, was 34%, resulting in maximum business performance payments (2005: 29.5%, 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:

	B D Carpenter £000	A W Holt £000
First instalment of 2005 year of account PC:	124.5	58.2
Second instalment of 2004 year of account PC:	665.7	455.6
Performance uplift and adjustment for 2003 year of account PC:	198.5	203.1
2006 Amlin Bermuda award:	–	109.2
Long service award payable to the value of:	1.0	–
Totals	989.7	826.1

Directors' pension details

	Defined benefit (DB) or Defined contribution (DC)	Contributions for director for the year ended 31 Dec 2006 £000	Contributions for director for the year ended 31 Dec 2005 £000	Increase/ (decrease) in accrued pension during year ended 31 Dec 2006 £000	Total accrued pension at 31 Dec 2006 £000	Transfer value of accrued pension at 31 Dec 2005 £000	Transfer value of accrued pension at 31 Dec 2006 £000	Transfer value of the increase/ (decrease) in accrued pension during 2006 £000	Change in transfer value during 2006 after deducting contributions made by director £000
B D Carpenter	DB & DC	10.4	–	0.6	43.8	418.8	485.8	1.5	43.2
R A Hextall	DC	32.3	20.3	–	–	–	–	–	–
A W Holt	DB & DC	15.3	–	(1.0)	210.7	3,117.3	3,539.1	(30.0)	270.9
C E L Philipps	DC	76.9	80.4	–	–	–	–	–	–

In both cases their PC payments related to both their own underwriting divisions and the managed syndicate as a whole. The first instalment for 2005, payable in March 2007, is 30% of the estimated final payment for the year of account. The second instalment for 2004 is the balance other than any performance uplift, after the first instalment paid in the previous year, of the total PC for that year of account, also payable in March 2007. The performance uplift in respect of 2003 was paid during 2006 and is an additional amount to that reported in the 2005 Directors' remuneration report as the relevant relative performance data was not available early enough in the year to be included in that report (as is the case this year in respect of 2004). Long service awards are paid on a staff-wide basis and Mr Carpenter qualified for a 15 year service award during the year.

Benefits in kind/allowances principally comprised cash car allowances, private medical and permanent health insurance and, where applicable, cash in lieu of pensions contributions.

No payments were made during the year in respect of any director leaving the Board or ceasing to be employed by the Group.

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 at the top of this page. This should be read in conjunction with the description earlier in this report of pension changes made in April 2006, which particularly affect Messrs Carpenter and Holt. 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 contributions during the year. Transfer values as at 31 December 2005 and 2006 are calculated in accordance with guidance published by the Institute of Actuaries and the Faculty of Actuaries dated 4 August 2003.

Executive directors' Performance Share Plan participations
An outline of the Performance Share Plan, and of the basis of the participations granted, is set out in the 'Remuneration policies' section earlier in this report. The options granted to the directors of the Company participating in this Plan are shown in the table below.

Directors' Performance Share Plan options held

	Shares under option	Date of grant	Share price at grant	Value of shares at grant (£)	Performance period	Dates exercisable*	Potential value/profit on 31 December 2006 (£)*
R A Hextall	85,053	19 May 2004	161.00p	136,935	Jan 2004-Dec 2008	May-Nov 2009	276,635
	97,362	21 March 2005	171.00p	166,489	Jan 2005-Dec 2009	Mar-Sept 2010	316,670
	77,816	21 March 2006	293.00p	228,001	Jan 2006-Dec 2010	Mar-Sept 2011	253,097
	260,231						846,402
C E L Philipps	189,734	19 May 2004	161.00p	305,472	Jan 2004-Dec 2008	May-Nov 2009	617,110
	190,087	21 March 2005	171.00p	325,049	Jan 2005-Dec 2009	Mar-Sept 2010	618,258
	153,584	21 March 2006	293.00p	450,001	Jan 2006-Dec 2010	Mar-Sept 2011	499,532
	533,405						1,734,900

* These options are only exercisable to the extent that the demanding performance conditions set out in the earlier section within 'Remuneration policies' are met. For this reason, the potential profit at the year end, which is stated as the market value of 325.25p per share at that date of all the shares over which options are outstanding, is hypothetical. For an estimated theoretical value on grant of the 2006 PSP options, see page 70.

Executive directors' Capital Builder Plan participations

Further to the descriptions of both the original and new Capital Builder Plans earlier in this report, the applicable classes and wider categories of underwriting business which will determine the rewards payable to each of the directors of the Company participating in both these Plans are as follows:

	Original Plan to 2005 Class of business/division/syndicate	New Plan from 2006 Class of business/Group
B D Carpenter	Fleet AIS division Whole of Syndicate 2001	Fleet Other Motor Package AIS liability classes (lesser participations than in above classes) Group
A W Holt	Catastrophe Risk Excess of Loss Marine Excess of Loss Total of Excess of Loss accounts Non-marine division Whole of Syndicate 2001	Catastrophe Risk Excess of Loss Marine Excess of Loss Aviation Excess of Loss Other Non-marine classes (generally lesser participations than in above classes) Group

In the new Plan 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.

On the basis of the relevant estimated returns in respect of the 2001 to 2005 Lloyd's years of account, the rewards of each of the directors in respect of the original Plan are currently estimated as shown in the table below. 50% of the total estimated reward was paid to participants in 2006 based on 31 December 2005 reserving. 50% of the balance, based on 31 December 2006 reserving, is payable in 2007 and the final balance, based on 31 December 2007 reserving, in 2008. It is emphasised that the estimated payments in 2007 and the estimated balance payments given in the table could be reduced, or increased, both as a result of further detailed audit and by changes in the performance of relevant years of account resulting from reserving run-off development up to 31 December 2007.

Directors' estimated Capital Builder Plan rewards for the 2001 to 2005 year of account performance period

	Class/division	Estimated reward for 2001 to 2005 as at 31 December 2006 £000	Estimated reward for 2001 to 2005 as at 31 December 2005, as reported in 2005 Directors' remuneration report £000
B D Carpenter	Class	1,173.4	1,061.3
	AIS division	1,048.4	934.9
	Syndicate 2001	200.6	186.5
	Total	2,422.4	2,182.7
	50% paid (estimated payable) in 2006	1,039.0	1,091.3
	Presently estimated balance	1,383.4	
	Estimated payable in 2007	691.7	
A W Holt	Classes	887.3	1,010.7
	Non-marine division	1,170.2	1,091.4
	Syndicate 2001	501.5	466.2
	Total	2,559.0	2,568.3
	50% paid (estimated payable) in 2006	1,207.0	1,284.1
	Presently estimated payment	1,352.0	
	Estimated payable in 2007	676.0	

In 2006 the first awards were made under the New CB Plan, in which the executive directors' estimated rewards from the first year, based on reserving at 31 December 2006, were as follows:

Directors' estimated Capital Builder Plan rewards for the first year of 2006 to 2010 performance period

	Class/division	Estimated reward for 2006 as at 31 December 2006 £000
B D Carpenter	Classes	118.8
	Group	16.1
	Total	134.9
A W Holt	Classes	180.7
	Group	24.1
	Total	204.8

It is emphasised that the above are just the presently estimated rewards for the first underwriting year (2006) of a five year period (2006 to 2010). They reflect the accrual in the Group accounts but, in view of the eventual rewards being over a five year performance period, as well as the early stage of the development of the 2006 underwriting year the estimates are speculative and should not be taken as indicative of the rewards likely eventually to be attributable to 2006.

Executive directors' share options

Share options held over shares in the Company as at 31 December 2006 by executive directors serving at the year end (non-executive directors not being eligible), all of whom were directors throughout the year, and the changes during the year, are set out in the following two tables:

Options held

	Scheme(s)	Over new or ESOT shares	Shares under option on 1 Jan 2006	Tranche	Grants during the year	Shares under option on 31 Dec 2006	Exercise price per share	Dates options exercisable (if performance conditions met)	Potential profit on 31 December 2006 £
B D Carpenter	ML 1998	ESOT	40,157		-	40,157	90.19p	Aug 2003 - Aug 2008	94,393
	Amlin	New	95,717		-	95,717	76.33p	May 2005 - May 2012	238,259
		New	53,239		-	53,239	110.82p	Apr 2006 - Apr 2013	114,160
		New	67,387	(T1)	-	67,387	152.85p	Mar 2007 - Mar 2014	116,175
		New	26,953	(T2)	-	26,953	152.85p	Mar 2007 - Mar 2014	46,467
		New	65,833	(T1)	-	65,833	161.77p	Mar 2008 - Mar 2015	107,624
		New	13,167	(T2)	-	13,167	161.77p	Mar 2008 - Mar 2015	21,525
		New	-	(T1)	38,396	38,396	293.00p	Mar 2009 - Mar 2016	12,383
		New	-	(T2)	7,679	7,679	293.00p	Mar 2009 - Mar 2016	2,476
			362,453		46,075	408,528			753,462

Options held continued

	Scheme(s)	Over new or ESOT shares	Shares under option on 1 Jan 2006	Tranche	Grants during the year	Shares under option on 31 Dec 2006	Exercise price per share	Dates options exercisable (if performance conditions met)	Potential profit on 31 December 2006 £
R A Hextall	Amlin	New	191,435		-	-	76.33p	May 2005 - May 2012	n/a
		New	106,478		-	-	110.82p	Apr 2006 - Apr 2013	n/a
		New	65,423	(T1)	-	65,423	152.85p	Mar 2007 - Mar 2014	112,789
		New	26,169	(T2)	-	26,169	152.85p	Mar 2007 - Mar 2014	45,115
		New	69,541	(T1)	-	69,541	161.77p	Mar 2008 - Mar 2015	113,686
		New	13,909	(T2)	-	13,909	161.77p	Mar 2008 - Mar 2015	22,738
		New	-	(T1)	48,635	48,635	293.00p	Mar 2009 - Mar 2016	15,685
		New	-	(T2)	9,727	9,727	293.00p	Mar 2009 - Mar 2016	3,137
	Sharesave	New	7,027		-	7,027	134.11p	Jul 2007 - Jan 2008	13,431
			479,982		58,362	240,431			326,581
A W Holt	Amlin	ESOT	194,288		-	-	80.16p	Oct 2002 - Oct 2009	n/a
		ESOT	92,113		-	-	72.95p	Jun 2003 - Jun 2010	n/a
		New	77,715		-	-	108.09p	May 2004 - May 2011	n/a
		New	95,717		-	-	76.33p	May 2005 - May 2012	n/a
		New	53,239		-	53,239	110.82p	Apr 2006 - Apr 2013	114,160
		New	81,778	(T1)	-	81,778	152.85p	Mar 2007 - Mar 2014	140,985
		New	32,711	(T2)	-	32,711	152.85p	Mar 2007 - Mar 2014	56,394
		New	81,133	(T1)	-	81,133	161.77p	Mar 2008 - Mar 2015	132,636
		New	16,227	(T2)	-	16,227	161.77p	Mar 2008 - Mar 2015	26,528
		New	-	(T1)	46,587	46,587	293.00p	Mar 2009 - Mar 2016	15,024
		New	-	(T2)	9,317	9,317	293.00p	Mar 2009 - Mar 2016	3,005
	Sharesave	New	10,990		-	10,990	146.49p	Dec 2010 - Jun 2011	19,646
			735,911		55,904	331,982			508,378

Options held continued

	Scheme(s)	Over new or ESOT shares	Shares under option on 1 Jan 2006	Tranche	Grants during the year	Shares under option on 31 Dec 2006	Exercise price per share	Dates options exercisable (if performance conditions met)	Potential profit on 31 December 2006 £
C E L Philipps	Amlin	New	208,771		-	-	105.38p	May 2000 - May 2007	n/a
		New	74,345	-		-	108.54p	Sep 2001 - Sep 2008	n/a
		ESOT	77,715		-	-	108.09p	May 2004 - May 2011	n/a
		ESOT	273,480		-	-	76.33p	May 2005 - May 2012	n/a
		New	106,478		-	106,478	110.82p	Apr 2006 - Apr 2013	228,321
		New	94,864	(T1)	-	94,864	152.85p	Mar 2007 - Mar 2014	163,546
		New	37,945	(T2)	-	37,945	152.85p	Mar 2007 - Mar 2014	65,417
		New	95,042	(T1)	-	95,042	161.77p	Mar 2008 - Mar 2015	155,375
		New	19,008	(T2)	-	19,008	161.77p	Mar 2008 - Mar 2015	31,074
		New	-	(T1)	76,792	76,792	293.00p	Mar 2009 - Mar 2016	24,765
		New	-	(T2)	15,358	15,358	293.00p	Mar 2009 - Mar 2016	4,953
Sharesave		New	6,382		-	6,382	146.49p	Dec 2008 - Jun 2009	11,408
			994,030		92,150	451,869			684,859

Options exercised during 2006 (all from the Amlin executive schemes)

	Over new or ESOT shares	No. of shares exercised	Exercise price per share	Date of exercise	Share price on exercise	Profit on exercise £
R A Hextall	New	191,435	76.33p	13 Mar 2006	279.75p	389,417
	New	106,478	110.82p	25 Apr 2006	277.25p	177,211
		297,913				566,628
A W Holt	ESOT	194,288	80.16p	14 Mar 2006	284.00p	396,037
	ESOT	92,113	72.95p	14 Mar 2006	284.00p	194,404
	New	77,715	108.09p	14 Mar 2006	284.00p	136,708
	New	95,717	76.33p	14 Mar 2006	284.00p	198,775
		459,833				925,924
C E L Philipps	New	208,771	105.38p	13 Mar 2006	279.75p	364,034
	New	74,345	108.54p	13 Mar 2006	279.75p	127,286
	ESOT	77,715	108.09p	13 Mar 2006	279.75p	133,406
	ESOT	273,480	76.33p	13 Mar 2006	279.75p	556,313
		634,311				1,181,039

The calculations in the table on the previous two pages of potential profit on exercise as at 31 December 2006 are based on a year end share price of 325.25p (2005: 248.5p). The high and low during the year were 220p and 331.5p respectively. These calculations are before tax and are theoretical as in many cases the relevant options were not exercisable at the year end. Where indicated T1 and T2 indicate tranches of Amlin Scheme options with median and upper quartile relative TSR conditions respectively. Other than grants of options, the only changes in directors' options during the year resulted from the exercises set out above.

As well as options under the Amlin Schemes and the Sharesave Scheme, as described above, one director has an outstanding option under The Murray Lawrence Discretionary Share Option Scheme 1998 (ML 1998). This is not an HM Revenue & Customs approved scheme. Options were granted to selected employees and directors of the Murray Lawrence group in 1998, with a ten year life, prior to the merger of the Company with ML (Bermuda) Limited that year. The options became options over the Company's shares following the merger.

The performance conditions of all of the options granted up to 2003, including the ML 1998 options, had been fully satisfied as at the start of 2006. Those applying to the 2004 to 2006 grants are summarised in 'Remuneration policies' above. In respect of the grants made in 2006 the comparator group, in addition to Amlin, was: Atrium Underwriting, Beazley Group, BRIT Insurance Holdings, Catlin Group, Chaucer Holdings, Domestic & General Group, Hardy Underwriting Group, Highway Insurance Holdings, Hiscox, Kiln, Royal & Sun Alliance Insurance Group, SVB Holdings (now Novae) and Wellington Underwriting.

The performance against the primary conditions of those grants which had not vested by the start of 2006, 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 follows:

Grant	First normal exercise date (third anniversary of grant)	Total shareholder return after three years	Ranking against return performance
2003 grants	23 April 2006	152%	1st out of 15
2004 grants	29 March 2007	192%	1st out of 15

Accordingly, the Committee has confirmed that the primary conditions of the above grants of options, including those granted in 2004 which required top quartile performance, have been satisfied.

The Committee concluded during 2006 and in early 2007 that the secondary condition in respect of the 2003 and 2004 grants respectively, measured over the respective three year period, had been satisfied on first testing. In reaching these conclusions the Committee had regard, amongst other factors, to the underlying earnings, returns on equity, and increases in net tangible assets per share, over the relevant periods.

Limits on potential issues of new shares

The rules of the Amlin and Sharesave Scheme each include limits on the overall number of unissued shares over which options may be granted. These are the Company's only employee schemes under which new shares are committed to be issued but, in the event that new shares were ever issued under any of the long term incentive plans described above (not the present intention), or under the new SIP (to be decided), such share issues would also be subject to the same limits. Grants over new shares under the executive schemes and any selective long term incentive 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. At 31 December 2006, the numbers of shares, and percentages of the year end shares in issue, together with the equivalent percentage a year earlier, relating to each of these limits were as follows:

	Number of shares utilised 31 Dec 2006	**Percentage of shares then in issue utilised 31 Dec 2006**	Percentage of shares then in issue utilised 31 Dec 2005
Executive 5% limit over 10 years	20,523,043	**3.84%**	3.55%
All schemes 5% limit over 5 years	15,223,785	**2.85%**	2.87%
All schemes 10% limit over 10 years	23,626,764	**4.42%**	4.15%

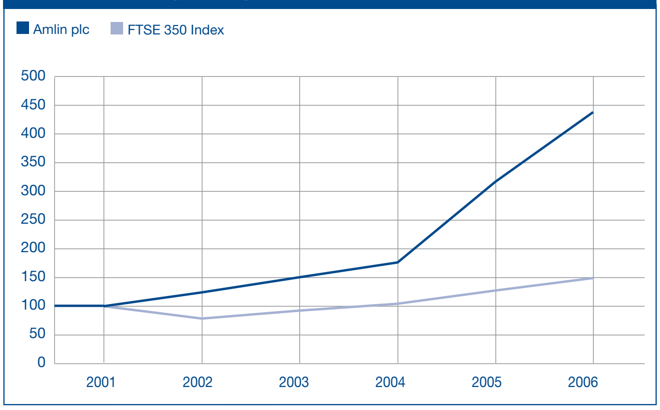
None of the schemes with any options currently outstanding require the payment of any consideration for the grant of options. Adjustments to both numbers of shares under option and exercise prices were made in 2002 and 2005 to take account of the three share issues (rights and open offers) made in those years.

Total shareholder return performance

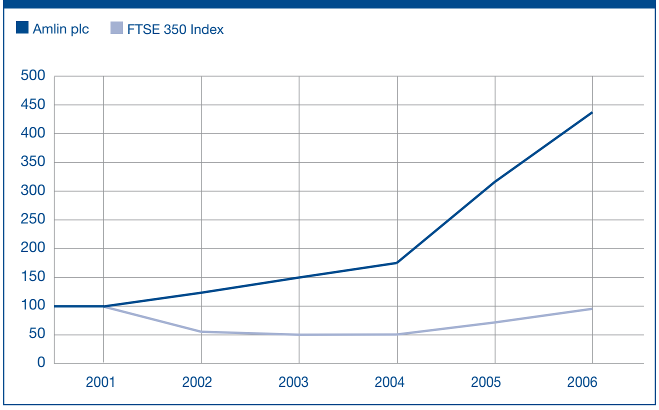
The graphs below illustrate the total shareholder return performance of the Company's ordinary shares relative to two indices of which Amlin's shares are a constituent, the FTSE 350 index and the FTSE All Share Insurance index, over the five years to 31 December 2006. Comparisons are shown with both these indices (as they were in previous years' reports) as the performance of Amlin's shares is affected both by the general UK stock market in companies of its size and by its insurance sector.

The graphs show the values, at each year end from 2002 to 2006 inclusive, of £100 invested in the Company's shares on 31 December 2001 compared with the values of £100 invested in the relevant index on the same date. To produce a 'fair value', each point on the graphs is the average of the relevant return Index over the 30 days preceding the relevant year end.

Total shareholder return compared with FTSE 350 at 31 December (Value £)



Total shareholder return compared with FTSE All-Share Insurance Index at 31 December (Value £)



Valuation of options and Performance Share Plan awards granted in 2006

The unrealised profits and the profits on exercise shown on pages 66 to 68 are heavily dependent on share price performance and on the director's decisions on when to exercise. In terms of the make-up of each director's remuneration decided upon by the Committee during the year, the relevant measure relating to options is the value, at the date of grant, of the executive options granted during the year. Using the same Black Scholes valuation method as used in the Company's financial statements (as summarised in note 21 to the Accounts) and assuming continuing employment, the theoretical values of the executive options granted are estimated as follows:

Theoretical values of executive options granted in 2006

	Number of shares over which executive options granted in 2006	Exercise price per share	**Theoretical value on date of grant in 2006 £000**	Theoretical value of 2005 grants on their date of grant £000
B D Carpenter	46,075	293.00p	**15.8**	13.1
R A Hextall	58,362	293.00p	**20.0**	13.9
A W Holt	55,904	293.00p	**19.2**	16.2
C E L Philipps	92,150	293.00p	**31.6**	18.9

Theoretical values at the date of the awards of the two participating directors' Performance Share Plan awards, also calculated on the same basis as used in the Company's financial statements which in this case includes assumptions of continuing employment and that a 15% average ROE is achieved over the five year performance period, are as follows:

Theoretical values of PSP awards made in 2006

	Number of shares over which PSP options granted in 2006	Share price on grant	**Theoretical value on date of grant in 2006 £000**	Theoretical value of 2005 grants on their date of grant £000
R A Hextall	77,816	293.00p	**146.0**	97.0
C E L Philipps	153,584	293.00p	**288.2**	189.4

Non-executive directors' fees, appointment and removal

In line with the recommendations of the Combined Code, 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 special committee chaired by the Chairman, with the Chief Executive and two other directors (one executive and one non-executive, 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.

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. 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 as follows:

	Current term commenced	Date of most recently amended 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
R S Joslin	18 May 2005	18 July 2006	AGM in 2008
K T Kemp	18 May 2005	18 July 2006	AGM in 2008
R W Mylvaganam	18 May 2005	18 July 2006	AGM in 2008
R J Taylor	18 May 2005	7 August 2006	AGM in 2008
Sir Mark Wrightson Bt	25 May 2006	18 July 2006	AGM in 2009

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 its Remuneration Committee

C C T Pender Secretary
2 March 2007

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 2006 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, accounting policies, risk disclosures and the related notes 1 to 43. 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 Operating and Financial Review that is cross referred from the Business Review section 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 Reports reflects the company's compliance with the nine provisions of the 2003 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 unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Reports. 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 2006 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 2006;
- 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.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the goup's affairs as at 31 December 2006 and of its profit for the year then ended.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors

London

2 March 2007

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report, 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 IFRSs (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.

Consolidated Income Statement
For the year ended 31 December 2006

	Notes	2006 £m	2005 (restated) £m
Gross premium earned	1,2	**1,087.3**	986.7
Insurance premium revenue from the receipt of reinsurance to close	2	**78.8**	78.6
Reinsurance premium ceded	1,2	**(113.4)**	(164.6)
Net earned premium revenue	2	**1,052.7**	900.7
Investment return	1,3	**115.1**	90.9
Other operating income	4	**1.8**	1.4
Total income		**1,169.6**	993.0
Insurance claims and claims settlement expenses	1,5	**(460.7)**	(912.1)
Insurance claims and claims settlement expenses relating to the receipt of reinsurance to close	5	**(78.8)**	(78.6)
Insurance claims and claims settlement expenses recoverable from reinsurers	1,5	**58.5**	436.4
Net insurance claims	5	**(481.0)**	(554.3)
Expenses for the acquisition of insurance contracts	6	**(195.4)**	(170.2)
Other operating expenses	7	**(126.7)**	(71.4)
Total expense		**(322.1)**	(241.6)
Results of operating activities		**366.5**	197.1
Finance costs	10	**(23.8)**	(10.4)
Profit before tax	11	**342.7**	186.7
Tax	12	**(74.9)**	(46.5)
Total recognised profit for the year		**267.8**	140.2
Attributable to:			
Equity holders of the Parent Company		**267.5**	140.2
Minority interests		**0.3**	–
		267.8	140.2
Earnings per share from continuing operations attributable to equity holders of the Parent Company			
Basic	26	**50.4p**	34.3p
Diluted	26	**49.8p**	33.7p

Consolidated Statement of Changes in Equity
For the year ended 31 December 2006

	Notes	Share capital £m	Share premium £m	Other reserves £m	Minority interest £m	Retained earnings £m	Total £m
At 1 January 2006 as previously stated		132.5	344.0	51.0	–	265.1	792.6
IAS19 Employee benefits prior period adjustment		–	–	–	–	(7.8)	(7.8)
At 1 January 2006 restated		132.5	344.0	51.0	–	257.3	784.8
Gains on revaluation of employee share ownership trust recognised directly in equity		–	–	1.3	–	–	1.3
Currency translation differences on overseas operations		–	–	(77.1)	–	–	(77.1)
Deferred tax		–	–	1.3	–	–	1.3
Profit for the financial year		–	–	–	0.3	267.5	267.8
Total recognised income for the year		–	–	(74.5)	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	27	–	–	–	–	(47.4)	(47.4)
		1.0	3.6	1.1	–	(47.4)	(41.7)
At 31 December 2006		133.5	347.6	(22.4)	0.3	477.4	936.4

	Notes	Share capital £m	Share premium £m	Other reserves £m	Minority interest £m	Retained earnings £m	Total £m
At 1 January 2005 as previously stated		98.8	154.2	43.5	–	163.3	459.8
IAS19 Employee benefits prior period adjustment		–	–	–	–	(10.6)	(10.6)
At 1 January 2005 restated		98.8	154.2	43.5	–	152.7	449.2
Gains on revaluation of employee share ownership trust recognised directly in equity		–	–	1.3	–	–	1.3
Currency translation differences on overseas operations		–	–	3.8	–	–	3.8
Deferred tax		–	–	1.7	–	–	1.7
Profit for the financial year (restated)		–	–	–	–	140.2	140.2
Total recognised income for the year		–	–	6.8	–	140.2	147.0
Rights issue proceeds, net of issue costs	20	31.9	182.8	–	–	–	214.7
Employee share option scheme:							
– share based payment reserve		–	–	0.7	–	–	0.7
– proceeds from shares issued		1.8	7.0	–	–	–	8.8
Dividends paid	27	–	–	–	–	(35.6)	(35.6)
		33.7	189.8	0.7	–	(35.6)	188.6
At 31 December 2005 (restated)		132.5	344.0	51.0	–	257.3	784.8

Consolidated Balance Sheet
At 31 December 2006

ASSETS	Notes	2006 £m	2005 (restated) £m
Cash and cash equivalents	14	**16.5**	65.6
Financial investments at fair value through income	15	**2,367.7**	2,078.2
Reinsurance assets	16		
– reinsurers share of outstanding claims		**357.0**	604.6
– reinsurers share of unearned premium		**37.7**	24.2
– debtors arising from reinsurance operations		**300.6**	387.3
Loans and receivables, including insurance receivables			
– insurance receivables	17	**216.3**	214.3
– loans and receivables	17	**51.6**	132.9
Current income tax assets		**6.3**	3.7
Deferred tax assets	12	**20.9**	24.4
Property and equipment	18	**6.2**	6.0
Intangible assets	19	**66.0**	66.0
Total assets		**3,446.8**	3,607.2
EQUITY			
Share capital	20	**133.5**	132.5
Share premium account	22	**347.6**	344.0
Other reserves	22	**(23.4)**	51.3
Treasury shares	22	**1.0**	(0.3)
Retained earnings	22	**477.4**	257.3
Equity attributable to equity holders of the parent		**936.1**	784.8
Minority interest	22	**0.3**	–
Total equity and reserves		**936.4**	784.8
LIABILITIES			
Insurance contracts	16		
– outstanding claims		**1,417.5**	1,704.3
– unearned premium		**545.5**	523.8
– creditors arising from insurance operations		**68.6**	114.8
Trade and other payables	23	**68.4**	67.1
Current income tax liabilities		**28.7**	19.6
Borrowings	24	**278.8**	298.2
Retirement benefit obligations	25	**7.5**	12.4
Deferred tax liabilities	12	**95.4**	82.2
Total liabilities		**2,510.4**	2,822.4
Total equity, reserves and liabilities		**3,446.8**	3,607.2

The financial statements were approved by the Board of Directors and authorised for issue on 2 March 2007. They were signed on its behalf by:

Roger Taylor
Chairman

Richard Hextall
Finance Director

Consolidated Cash Flow Statement
For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Cash generated from operations	31	**(20.2)**	(447.4)
Income taxes paid		**(50.4)**	(17.6)
Net cash flows from operations		**(70.6)**	(465.0)
Cash flows from investing activities			
Interest received		**97.5**	65.3
Dividends received		**4.5**	2.0
Acquisition of subsidiary, net of cash acquired		**–**	(0.2)
Purchase of property and equipment		**(3.6)**	(1.9)
Net cash used in investing activities		**98.4**	65.2
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**4.6**	223.5
Proceeds from borrowings		**227.7**	266.1
Repayment of borrowings		**(238.0)**	(32.0)
Dividends paid to shareholders		**(47.4)**	(30.6)
Interest paid		**(24.1)**	(9.2)
Net cash flows from financing activities		**(77.2)**	417.8
Net (decrease)/increase in cash and cash equivalents		**(49.4)**	18.0
Cash and cash equivalents at beginning of year		**65.6**	47.6
Effect of rate changes on cash and cash equivalents		**0.3**	–
Cash and cash equivalents at end of year	14	**16.5**	65.6

The Group classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows, as the purchases are funded from the cash flows associated with the origination of insurance contracts or the capital required to support underwriting, net of £271.8 million (2005: £756.3 million) being cash generated in the period that 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.

Accounting policies

Summary of significant accounting policies
The basis of preparation, basis of consolidation principles 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 (IFRS) 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 financial investments, 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 2005 with the exception of IAS19, Employee Benefits (IAS19). Further details of the impact of the change in accounting policy can be found below.

Basis of consolidation
The financial statements consolidate the accounts of the Company, its 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 any different accounting policies that may exist. Subsidiaries are consolidated from the date control is transferred to the Group and cease to be consolidated from the date 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 37 to the parent company accounts.

IAS19, Employee Benefits: change in accounting policy and prior period adjustment
The Group participates in a number of pension schemes, full details of which are provided within note 25, Retirement benefit obligations. One of the schemes in which the Group participates, the Lloyd's Superannuation Fund (the Fund), is a defined benefit scheme which is classified as a multi-employer scheme under the criteria set out in IAS19. As such, the Group recognises its pension costs for this scheme as if it were a defined contribution scheme. Historically, the implication of this has been that the Group did not report the assets and liabilities of the Fund in its own balance sheet, but did charge contributions made to the Fund in the period in which they were made.

In December 2004 an amendment was introduced to IAS19 that requires full provision to be made for the net present value of any future contractual contributions into a multi-employer pension scheme. This amendment is now mandatory and has been fully adopted by the Group. In 2004, Amlin agreed with the Fund's trustee a schedule of annual payments into the Fund commencing in 2004 and concluding in 2009. Previously, these payments were being expensed as they were paid and were not provided for in advance. However, in accordance with the requirements of the amendment to IAS19, a prior period adjustment has been made to the net assets at 1 January 2005 and 31 December 2005 and the reported profit for the year ended 31 December 2005.

The effects of the change in accounting policy on the consolidated income statement and balance sheet are:

	12 months 2006 £m	12 months 2005 £m
Reported profit for the period under previous accounting policy after tax	264.2	137.4
Payments made included within other operating expenses	4.6	4.6
Movement in discount on present value of future payments	0.3	(0.5)
Movement in deferred tax	(1.3)	(1.3)
Restated profit for the period under new accounting policy after tax	**267.8**	**1 0.2**

	Notes	31 December 2005 £m
Net assets as reported		792.6
Increase in retirement benefit liabilities		(11.1)
Increase in associated deferred tax asset	12	3.3
Restated net assets		**784.8**

The cumulative effect of the change in accounting policy on the net assets of the Group on accounting periods to 31 December 2004 is a reduction of £10.6m in total shareholders' equity.

The impact of the change in accounting policy as detailed on earnings and diluted earnings per share are as follows:

	2006	2005
Basic earnings per share under previous accounting policies	**49.7p**	33.6p
Basic earnings per share	**50.4p**	34.3p
Diluted earnings per share under previous accounting policies	**49.1p**	33.1p
Diluted earnings per share	**49.8p**	33.7p

International Financial Reporting Standards
At the date of authorisation of these financial statements a number of standards had been published by the IASB but were not yet effective. These include:

– IFRS 7, Financial Instruments Disclosures; and
– IFRS 8, Operating Segments

Other interpretations issued by the IASB at the date of authorisation include:

– IFRIC 8, which clarifies IFRS 2, Share-Based Payments;
– IFRIC 9, Reassessment of Embedded Derivatives;
– IFRIC 10, Interim Financial Reporting and Impairment;
– IFRIC 11, IFRS 2 – Group and Treasury Share Transactions; and
– IFRIC 12, Service Concession Arrangements

The directors anticipate that the adoption of IFRS7 and IFRS8 in future periods and the interpretations IFRIC 8 to 12 will have no material impact on the financial statements except for additional disclosures.

In accordance with the standard for insurance contracts (IFRS4), the Group has applied existing accounting practices for insurance contracts, modified, as appropriate, to comply with the IFRS framework and applicable standards.

Accounting policies

Use of estimates
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.

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 Limited and Amlin Bermuda Ltd which are incorporated in Bermuda. 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.

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 written premium 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. Where the incidence of risk is the same throughout the contract, 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 written premium, gross of commission payable, attributable to periods after the balance sheet date is deferred as a provision for unearned premium. The change in this provision is taken to the income statement in order that revenue is recognised over the period of the risk.

Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premium they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting period and are written off where they are no longer considered to be recoverable.

Reinsurance premium ceded
Reinsurance premium ceded comprise the cost of reinsurance arrangements placed and are 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.

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 and so that there is a reasonable chance of release of reserves from one underwriting year to the next.

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.

The claims provision also includes, 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 Group have been regarded as groups of business that are managed together.

Although the claims provision is 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 losses, 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 on page 81.

Net investment income
Dividends and any related tax credits are recognised as income on the date 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 syndicate participations which 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.

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 has been determined by management based on the decision 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 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.

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.

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 recognised initially at fair value, 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 two defined benefit schemes, defined contribution schemes and personal pension schemes.

The liability in respect of the J E Mumford (Underwriting Agencies) Limited defined benefit scheme is calculated as the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. The resulting pension scheme surplus or deficit appears as an asset or liability in the consolidated balance sheet. Actuarial gains and losses arising from revaluations are recognised in full in the income statement, as they arise.

The Lloyd's Superannuation Scheme is treated as a multi-employer scheme where insufficient information is available to account as 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.

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 assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax and liabilities have not been discounted.

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.

a. Insurance risk

Introduction

The Group accepts insurance risk in a range of classes of business through Lloyd's Syndicate 2001's four separate 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 the underwriting of 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 which should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce a profit. However due to the nature of insurance risk there is no guarantee that the premiums charged will be sufficient to cover claims costs. This shortfall may be caused by insufficient premium being charged or result from an unexpectedly 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 to be written in total and for each class of business. Progress to 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 on page 86.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby Amlin is bound by other underwriting entities. Binding authority arrangements delegate underwriting authority to agents acting as coverholders who 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 these could exceed the reserves carried. Furthermore there is increased uncertainty in establishing an accurate provision for claims which have been incurred but not reported 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 over the actuarial best estimate.

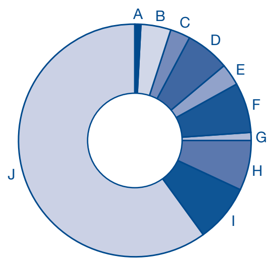
The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew 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 1 to 4 below describe the business and the risks of Amlin's syndicate operations. Amlin Bermuda is described in section 5.

1. Non-marine risks

1.i Non-marine property risks

Non-marine property 2006



A	Middle East	1%
B	Canada	4%
C	Oceania	3%
D	UK	6%
E	Worldwide / Other	3%
F	Europe (excluding UK)	7%
G	Africa	1%
H	Asia	7%
I	Caribbean, Central & South America	8%
J	USA	60%

Non-marine property classes

	2006 Gross premium £m	Current maximum line size £m	2006 Average line size £m
Catastrophe reinsurance (per programme)	163	50	4.0
Per risk property reinsurance (per programme)	50	20	1.7
Proportional reinsurance	27	5	0.7
Direct and facultative property	77	20	2.8
Binding authorities	19	2	0.2

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) Premiums 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 aspect 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 placed on an excess of loss basis but covers loss or damage to a single risk within the reinsureds portfolio. Proportional reinsurance includes taking a pro-rata share of a reinsureds portfolio of business subject to payment of commission and/or profit commission. This is almost all 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, or on a primary or excess of loss basis, through individual placements, or by way of delegated underwriting facilities given to coverholders ('Binding authorities'). Under these arrangements the day to day underwriting is delegated to underwriting agents working on our behalf under binding authorities. For these contracts, we are reliant on an agent exercising underwriting judgement on our behalf. We control the underwriting by setting clear authority levels for agents, regularly monitoring performance and periodically carrying out underwriting audits. The maximum value insured is currently limited to $30 million at any one location. 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 18. 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 an incurred catastrophe event higher than predicted due to unforeseen circumstances. As explained below the syndicate buys a reinsurance programme to protect the Group against severe catastrophe. 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 inwards exposures to take account of the change in reinsurance availability in order to remain within the risk appetite. 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.

1.ii US casualty risk

The US casualty portfolio of business is protection given to cover individuals or companies to indemnify against legal liability arising from their activities and actions or for incidents occurring on their property. The account is currently written on an insurance and reinsurance basis to a maximum liability of $4 million on any one claim but average lines are $0.6 million on any one claim.

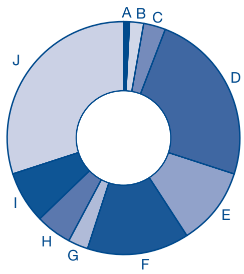
The portfolio is made up of specialist general casualty, professional indemnity, medical malpractice and errors and omissions cover. The syndicate is a recognised market leader for nursing home cover and contractors' general liability. Small amounts of directors' and officers' liability and auto liability are also written. The class is written on a claims notified basis (responding to all claims made during a defined period) except for £1 million of the contractors' general liability business which is 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 may be impacted by a generic claim which impacts many individuals such as poor housing design or bad medical practice. The size of individual claims is subject to the decisions arising from the US court system which can be higher than anticipated. There is also the potential for US courts to impose a 'bad faith' judgement on insurers if 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.

1.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 below:

Non-marine miscellaneous 2006



A	Middle East	**1%**
B	Canada	**2%**
C	Oceania	**3%**
D	UK	**24%**
E	Worldwide / Other	**11%**
F	Europe (excluding UK)	**14%**
G	Africa	**3%**
H	Asia	**5%**
I	Caribbean, Central & South America	**7%**
J	USA	**30%**

Non-marine class

	2006 Gross premium £m	Current maximum line size £m	2006 Average line size £m
Accident & health	12	2	1.2
Credit insurance	10	15	15.0
Auto	29	4	0.2
Aviation reinsurance (per programme)	2	27	4.7
Marine reinsurance (per programme)	17	67	1.5
Special risks	21	17	3.0

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) Premiums are stated net of acquisition costs.

The accident and health class is written through medical expense schemes in the US and provides 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.

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 for 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 there is some property damage and third party motor liability combined cover provided in other international territories. This class is subject to unexpected claim frequency or a multi vehicle event such as a severe flood and also to 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.

1.iv UK commercial risks
Liability classes

	2006 Gross premium £m	Current maximum line size £m	2006 Average line size £m
Employers' liability	23	27	10.0
Public/products liability	10	12	4.3
Professional indemnity	19	7	1.4
UK commercial package	10	27	0.9
Financial institutions fidelity and liability	4	6	1.0

The Group writes three classes of non US liability. 85% 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 written on a claims made basis (covering losses notified in the policy period).

UK commercial package policies which 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 European financial institutions with the balance spread broadly by territory. Very little US domicile liability risk is now written in the financial institutions portfolio. 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 company, stockbroking or other practices.

2. UK motor risks
The Group's motor insurance risk written in the UK commercial division is in the UK and Ireland which covers fire, theft, collision and third party property and bodily injury liability. 99% of this portfolio is UK business. 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. There is also a UK agriculture and a specialist private car account written.

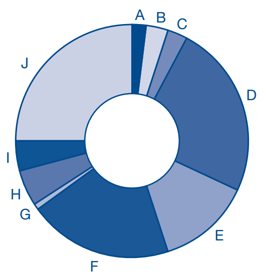
Claims frequency has improved in recent years due to car and road safety measures but can fluctuate due to factors such as weather conditions. UK inflation is the key factor in determining the size of motor claims. Car values affect the size of theft claims and for physical damage claims size is linked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

3. Marine risks

The Group writes a broad account of marine risks with maximum lines as follows:

Marine 2006



A	Middle East	**2%**
B	Canada	**3%**
C	Oceania	**3%**
D	UK	**24%**
E	Worldwide / Other	**13%**
F	Europe (excluding UK)	**20%**
G	Africa	**1%**
H	Asia	**5%**
I	Caribbean, Central & South America	**4%**
J	USA	**25%**

Marine classes

	2006 Gross premium £m	Current maximum line size £m	2006 Average line size £m
Hull	15	10	1.0
Cargo	17	17	2.3
Energy	40	20	2.5
War and terrorism	21	17	6.3
Specie	8	34	8.2
Bloodstock	14	4	0.5
Yacht (hull and liability)	19	4	0.9
Liability	17	57	3.3

Notes:

1) Limits are set in US dollars converted at a rate of exchange of £1 = US$1.5 and therefore currency rate of exchange changes may increase or reduce the sterling limits.

2) Maximum line size is after business written and ceded by specific proportional treaties to Amlin Bermuda Ltd.

3) Premiums are stated net of acquisition costs.

The hull and cargo account is worldwide and 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 areas such as 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 therefore 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. It is therefore subject to 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.

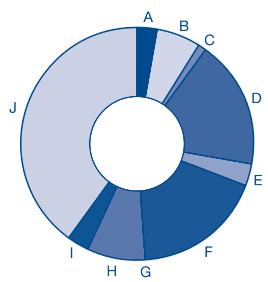
Yacht business covers property damage and third party injury for small leisure boats and craft. The bulk of the account is smaller value yachts in UK and Europe and there is an expectation of a large number of small claims. Third party liability yacht claims arise from injury or damage caused by one 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.

4. Aviation risks

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

Aviation 2006



A	Middle East	**3%**
B	Canada	**6%**
C	Oceania	**1%**
D	UK	**18%**
E	Worldwide / Other	**3%**
F	Europe (excluding UK)	**18%**
G	Africa	**0%**
H	Asia	**8%**
I	Caribbean, Central & South America	**3%**
J	USA	**40%**

Aviation classes

	2006 Gross premium £m	Current maximum line size £m	2006 Average line size £m
Airline (hull & liability)	16	84	23.8
General aviation (hull & liability)	7	57	15.3
Risk excess (hull & liability)	8	57	10.4
Airports liability	17	57	21.0
Products liability	11	50	14.6
Space (hull & liability)	6	46	9.0

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) Premiums are stated net of acquisition costs.

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.

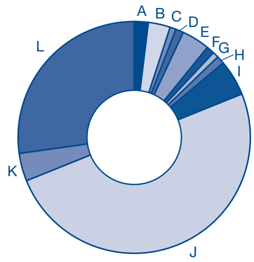
Airport liability insurance covers airport operators, refuellers and air traffic controllers against losses arising from injury caused by their activities, or occurring on the premises of, the assured. Product liability covers manufacturers against accidents arising from faulty parts or equipment, or 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 United States. Large accidents involving the potential death of 500 or so passengers are feasible and could result in a gross claim to the division of more than $200 million before reinsurance if, for example, two major airlines were to collide. Space losses are generally one off large amounts caused by launch failure or operational failure in orbit.

5. Amlin Bermuda

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

Gross Premium by territory



A	Australia	**2%**
B	Caribbean	**3%**
C	Central America	**1%**
D	Europe	**1%**
E	Japan	**4%**
F	Other	**1%**
G	South Africa	**1%**
H	South America	**1%**
I	UK	**5%**
J	USA	**50%**
K	Western Europe (excluding UK)	**4%**
L	Worldwide (Marine, Satellite etc)	**27%**

	2006 Gross premium written $m	Current maximum line size $m	2006 Average line size $m
Catastrophe reinsurance	136	75	6.0
Per risk property reinsurance	31	12.5	2.6
Proportional reinsurance	44	7.5	1.0
Accident & health	1	7.5	2.6
Aviation reinsurance	1	20	2.5
Marine reinsurance	3	20	6.0
Special risks	10	15	5.0
Syndicate 2001 whole account QS	121		
Syndicate 2001 variable QS	53		
Syndicate 2001 catastrophe reinsurance	12		

In 2006 Amlin Bermuda's business has strong similarities to the reinsurance portfolio of the Non-Marine Division of Syndicate 2001. All of the business written emanates from London broker markets and is frequently seasoned business already underwritten by Syndicate 2001. Necessary balance is provided by a whole account quota share of Syndicate 2001. This is further supplemented by a number of specific variable quota share treaties on short tail classes such as property and energy. These are utilised by Syndicate 2001 underwriters on an individual risk basis when deemed appropriate.

Amlin Bermuda supplied Syndicate 2001 with short term catastrophe reinsurance to alleviate pressure in peak zones while the Syndicate's reinsurance negotiations were taking place. This maximised capital utilization while not unduly over-exposing an Amlin Bermuda that was still very much in the process of building its portfolio. These reinsurance contracts expired on 30 June 2006.

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 a key aspect of the 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 $250 million any one zone and $300 million 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 below. 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.

The Bermuda subsidiary writes risks without the protection of a reinsurance programme and therefore 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 facilitate cover 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 currently is placed for the US catastrophe XL 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 that specific risk.

Specific risk excess of loss reinsurance is purchased for each class of business. The amount of cover bought depends upon the line size written for each class. 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 a fire or large energy loss 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 XL on XL programme may be purchased to protect the XL 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 XL reinsurance losses. However, since 2006, the level of XL reinsurance purchased is significantly lower and covers only very large events, and no multi-class umbrella protection has been purchased.

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 £200 million for Syndicate 2001 and $250 million any one zone or $300 million for a multi-zonal loss for Amlin Bermuda Ltd.

These maximum losses are expected only to be incurred in extreme events – with an estimated occurrence probability of less than 1 in 100 years 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 the 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 premiums both payable and receivable are included.

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimate figures are accurate. Furthermore there could also be 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 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.

Process and methodology
The reserving process commences with the proper recording and reporting of claims information which is made up 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 and service companies, directly from 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 leading underwriter but there are circumstances on larger claims where Amlin will post higher or lower case reserves than those notified. These cases are explained and discussed in reserving review.

To establish a provision for incurred but not reported ('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 year of account. 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 claims 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.

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.

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 £11 million (2005: £11 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 United States 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 Company. 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 no 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.

In the course of reserving the businesses provide a reserve for future events occurring to the existing portfolio. These provisions are removed in order to reflect GAAP accounting practice.

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 analysis quoted below concentrates on underwriting assets and liabilities and thus excludes the investment performance of corporate assets.

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 premiums 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, individual runs of the model cannot be relied upon to accurately forecast outcomes. 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 various levels of profitability.

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 business plan volume 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.
- The potential for model error is 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.

Amlin Bermuda commenced underwriting late in 2005. As a result, the risk profile is changing in line with the growth of the business. The current assumptions as to the performance of the corresponding Syndicate 2001 classes of business have therefore been used as a proxy for the Amlin Bermuda portfolio.

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. As explained above Group corporate assets are excluded from the analysis.

All figures in £m based on 2007 business plan forecast

Risk class after diversification	
Underwriting (new business risk)	(327)
Reserving	(18)
Credit (reinsurance counterparty risk)	(33)
Investment (market risk)	55
Diversified result	(323)

Notes:

1. *Excluding any additional capital provision for operational risk.*
2. *No dividend or tax is considered.*
3. *Currency risk is not modelled explicitly.*
4. *Non sterling amounts have been converted at Lloyd's required rates, including for US Dollars $1.77 to £1.0.*
5. *The strength of correlation between Amlin Bermuda and Syndicate 2001 has been estimated subjectively.*
6. *These figures are based on work for the September 2006 ICA submission and thus include the previously projected year end asset and liability position.*
7. *Investment income does not include group corporate assets.*
8. *Within reserving risk no credit is taken for investment returns generated on assets backing the insurance liabilities (i.e. there is no discounting). Therefore the investment risk evaluation is shown as a positive, since, given the nature of assets held, even at the 1 to 200 level the modelled investment return is greater than zero.*

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 to 2006 exchange rates to aid comparability.

Gross written premium	2001	2002	2003	2004	2005	2006
Underwriting Year	£m	£m	£m	£m	£m	£m
At end of underwriting year	668.4	812.0	944.0	924.5	937.3	1,146.6
One year later	632.0	851.4	944.3	932.4	943.1	
Two years later	646.2	827.4	947.2	939.2		
Three years later	651.9	826.9	948.7			
Four years later	653.6	828.5				
Five years later	656.1					
Ultimate gross written premium	656.1	828.5	948.7	940.4	971.7	1,250.8

Gross earned premium	2001	2002	2003	2004	2005	2006
Underwriting Year	£m	£m	£m	£m	£m	£m
At end of underwriting year	333.2	412.5	504.6	469.9	483.7	624.9
One year later	597.0	813.0	898.5	886.5	901.4	
Two years later	646.2	827.4	947.2	939.2		
Three years later	651.9	826.9	948.7			
Four years later	653.6	828.5				
Five years later	656.1					

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 to 2006 exchange rates to aid comparability.

Aviation

Gross Basis	2001	2002	2003	2004	2005	2006
Underwriting Year	£m	£m	£m	£m	£m	£m
Ultimate gross written premium	100.1	94.6	82.4	85.8	80.4	87.4
Estimate of cumulative claims						
At end of underwriting year	96.8	66.7	50.6	52.0	46.7	47.6
One year later	51.0	45.4	37.6	41.9	45.4	
Two years later	47.1	46.1	30.9	37.8		
Three years later	44.0	42.7	30.9			
Four years later	46.0	42.4				
Five years later	45.2					
Cumulative payments	27.3	29.5	16.1	16.8	7.8	3.5
Estimated balance to pay	17.9	12.9	14.8	21.0	37.6	44.1

Net Basis	2001	2002	2003	2004	2005	2006
Underwriting Year	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims						
At end of underwriting year	33.9	44.9	38.6	42.3	38.3	40.9
One year later	33.9	35.4	29.8	35.8	33.5	
Two years later	31.1	34.9	24.4	32.4		
Three years later	28.5	30.7	24.2			
Four years later	28.7	31.1				
Five years later	27.9					
Cumulative payments	22.2	23.6	13.8	15.1	6.0	3.0
Estimated balance to pay	5.7	7.5	10.4	17.3	27.5	37.9

Non-marine

Gross Basis Underwriting Year	2001 £m	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m
Ultimate gross written premium	326.9	403.8	509.7	507.0	539.0	604.0
Estimate of cumulative claims:						
At end of underwriting year	361.6	231.8	255.6	356.4	557.3	237.5
One year later	353.2	157.9	177.5	375.4	545.9	
Two years later	349.0	136.3	167.1	367.0		
Three years later	350.0	133.2	156.0			
Four years later	351.2	132.5				
Five years later	351.8					
Cumulative payments	319.2	111.4	121.2	293.2	366.1	17.1
Estimated balance to pay	32.6	21.1	34.8	73.8	179.8	220.4

Net Basis Underwriting Year	2001 £m	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m
Estimate of cumulative claims:						
At end of underwriting year	211.0	192.7	211.6	265.8	301.4	233.5
One year later	201.0	143.1	148.9	246.9	288.9	
Two years later	200.2	124.6	137.2	238.2		
Three years later	196.8	121.5	126.3			
Four years later	198.8	120.6				
Five years later	199.3					
Cumulative payments	155.8	81.3	77.7	178.8	166.7	14.9
Estimated balance to pay	43.5	39.3	48.6	59.4	122.2	218.6

Marine

Gross Basis Underwriting Year	2001 £m	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m
Ultimate gross written premium	81.2	122.7	165.2	160.7	182.0	199.0
Estimate of cumulative claims:						
At end of underwriting year	48.9	73.7	96.6	91.8	129.2	97.1
One year later	54.3	73.5	92.2	84.7	173.9	
Two years later	49.7	62.4	70.1	70.4		
Three years later	48.6	61.0	68.9			
Four years later	46.4	59.2				
Five years later	45.4					
Cumulative payments	41.4	49.4	57.0	49.7	58.2	6.3
Estimated balance to pay	4.0	9.8	11.9	20.7	115.7	90.8

Net Basis Underwriting Year	2001 £m	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m
Estimate of cumulative claims:						
At end of underwriting year	43.2	65.5	83.3	86.1	86.8	93.5
One year later	46.3	62.8	76.1	74.0	97.6	
Two years later	42.9	51.5	56.9	58.5		
Three years later	42.3	50.3	55.7			
Four years later	40.3	48.9				
Five years later	39.5					
Cumulative payments	35.7	43.4	48.7	41.6	36.8	6.2
Estimated balance to pay	3.8	5.5	7.0	16.9	60.8	87.3

UK commercial

Gross Basis	2001	2002	2003	2004	2005	2006
Underwriting Year	£m	£m	£m	£m	£m	£m
Ultimate gross written premium	148.0	176.3	191.3	186.8	168.5	149.4
Estimate of cumulative claims:						
At end of underwriting year	99.4	135.5	143.5	124.9	113.6	100.8
One year later	93.1	122.2	128.5	110.8	109.9	
Two years later	102.7	110.1	101.4	103.5		
Three years later	108.9	106.1	95.9			
Four years later	113.3	100.0				
Five years later	121.6					
Cumulative payments	61.7	70.2	53.3	41.7	29.4	7.5
Estimated balance to pay	59.9	29.8	42.6	61.8	80.5	93.3

Net Basis	2001	2002	2003	2004	2005	2006
Underwriting Year	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims:						
At end of underwriting year	91.5	111.6	124.3	109.5	102.9	102.1
One year later	86.4	104.2	108.5	100.8	99.6	
Two years later	85.5	92.6	91.0	92.6		
Three years later	86.2	87.1	87.0			
Four years later	84.4	82.7				
Five years later	85.8					
Cumulative payments	57.2	67.7	53.3	41.6	29.4	7.5
Estimated balance to pay	28.6	15.0	33.7	51.0	70.2	94.6

Syndicate 2001 Total

Gross Basis	2001	2002	2003	2004	2005	2006
Underwriting Year	£m	£m	£m	£m	£m	£m
Ultimate gross written premium	656.1	797.5	948.7	940.4	969.9	1,039.8
Estimate of cumulative claims:						
At end of underwriting year	606.7	507.7	546.3	625.1	846.8	483.0
One year later	551.6	399.0	435.8	612.8	875.1	
Two years later	548.5	354.9	369.5	578.7		
Three years later	551.5	343.0	351.7			
Four years later	556.9	334.1				
Five years later	564.0					
Cumulative payments	449.6	260.5	247.6	401.4	461.5	34.4
Estimated balance to pay	114.4	73.6	104.1	177.3	413.6	448.6

Net Basis	2001	2002	2003	2004	2005	2006
Underwriting Year	£m	£m	£m	£m	£m	£m
Estimate of cumulative claims:						
At end of underwriting year	379.6	414.7	457.8	503.7	529.4	470.0
One year later	367.6	345.5	363.3	457.5	519.6	
Two years later	359.7	303.6	309.5	421.7		
Three years later	353.8	289.6	293.2			
Four years later	352.2	283.3				
Five years later	352.5					
Cumulative payments	270.9	216.0	193.5	277.1	238.9	31.6
Estimated balance to pay	81.6	67.3	99.7	144.6	280.7	438.4

Amlin Bermuda Ltd

Gross written premium	2005	2006
Underwriting Year	$m	$m
At the end of underwriting year	6.1	413.6
One year later	3.6	
Ultimate gross written premium	3.6	413.6

Gross earned premium	2005	2006
Underwriting Year	$m	$m
At the end of underwriting year	–	240.8
One year later	3.0	

Gross basis	2005	2006
Underwriting Year	$m	$m
Estimate of cumulative claims		
At the end of underwriting year	–	86.2
One year later	1.2	
Cumulative payments	0.1	5.3
Estimated balance to pay	1.1	80.9

b. Financial investment risk disclosures

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:

Policyholders' funds
These are the premiums received and held to meet future insurance claims. For the London operations these are referred to as syndicate assets. For Bermuda they are referred to as underwriting assets.

Corporate assets
These are the capital required by the regulators to support the underwriting business plus working capital or surplus funds. Currently London's corporate assets are predominantly charged to the Corporation of Lloyd's to support the underwriting in that market. Unlike the policyholders' funds the corporate assets do not have specific current liabilities attached to them.

Risk management

Investment frameworks
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 and the Investment Advisory Panel.

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 as well as monitoring 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 has been delegated responsibility to monitor and critique investment strategy and tactics. In addition Group Compliance provides advice on investment regulations.

Risk tolerance
The investment process is led by 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 corporate assets will be low. Conversely, the risk tolerance for the policyholders' funds under these circumstances will be relatively high due to the strong cash flows. In a soft underwriting market the opposite applies.

Strategic benchmarks
The strategic benchmarks form part of the investment frameworks and set the neutral asset allocation for each category of assets. For the London operations the expected timescale for future claims in each currency is calculated by our Group Actuarial team. These durations form the basis for the strategic benchmarks for the policyholders' funds against which the assets are invested. Due to the nascent nature of the Bermudian operations the policyholders' funds are currently all held in money market funds. The strategic benchmarks for corporate 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. In both cases the investment frameworks provide tactical ranges around these strategic benchmarks to provide sufficient flexibility to ensure that the appropriate risk/reward balance is maintained in changing investment markets. Tactical asset allocation changes are made by moving funds to and from the relevant specialist fund managers.

Asset allocation

The asset allocation at the year end is shown below.

	31 December 2006					31 December 2005			
	London		**Bermuda**			London		Bermuda	
	Syndicate	**Corporate**	**Underwriting**	**Corporate**	**Total**	Syndicate	Corporate	Corporate	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Equities	**–**	**209.3**	**–**	**39.0**	**248.3**	–	116.2	–	116.2
Bonds	**1,167.2**	**183.2**	**–**	**338.0**	**1,688.4**	1,038.0	104.1	–	1,142.1
Property	**43.1**	**–**	**–**	**–**	**43.1**	–	–	–	–
Other liquid investments	**58.5**	**84.9**	**111.8**	**158.4**	**413.6**	171.9	130.2	583.4	885.5
Total	**1,268.8**	**477.4**	**111.8**	**535.4**	**2,393.4**	1,209.9	350.5	583.4	2,143.8

The analysis in this section is for investments which Amlin has direct responsibility for and does not include corporate assets of £5.1m bonds and £2.4m other liquid investments which relate to spread syndicate exposure (see note 16). The assets in the table above include £16.7 million accrued income which is shown separately in the notes to the accounts.

[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.

A breakdown of the asset classes as at the 31 December 2006 is given below.

	31 December 2006					31 December 2005			
	London		**Bermuda**			London		Bermuda	
	Syndicate	**Corporate**	**Underwriting**	**Corporate**	**Total**	Syndicate	Corporate	Corporate	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Global equities	**–**	**209.3**	**–**	**39.0**	**248.3**	–	116.2	–	116.2
Bonds									
Government securities	**643.8**	**98.4**	**–**	**140.7**	**882.9**	736.7	14.5	–	751.2
Government index-linked securities	**44.2**	**–**	**–**	**–**	**44.2**	5.5	–	–	5.5
Government agencies	**7.2**	**–**	**–**	**–**	**7.2**	13.9	–	–	13.9
Supranational	**0.7**	**16.1**	**–**	**–**	**16.8**	–	–	–	–
Asset backed securities	**81.7**	**8.2**	**–**	**51.0**	**140.9**	23.6	–	–	23.6
Mortgage backed securities	**131.4**	**6.1**	**–**	**71.1**	**208.6**	73.4	–	–	73.4
Corporate bonds	**208.1**	**54.4**	**–**	**49.5**	**312.0**	184.9	89.6	–	274.5
Pooled vehicles	**50.1**	**–**	**–**	**25.7**	**75.8**	–	–	–	–
	1,167.2	**183.2**	**–**	**338.0**	**1,688.4**	1,038.0	104.1	–	1,142.1
Property	**43.1**	**–**	**–**	**–**	**43.1**	–	–	–	–
Other liquid investments									
Money market instrument/CDs	**–**	**–**	**–**	**–**	**–**	52.9	61.2	–	114.1
Cash and cash equivalents	**1.6**	**12.6**	**–**	**2.3**	**16.5**	52.4	13.2	–	65.6
Money market funds	**56.9**	**72.3**	**111.8**	**156.1**	**397.1**	66.6	55.8	583.4	705.8
	58.5	**84.9**	**111.8**	**158.4**	**413.6**	171.9	130.2	583.4	885.5
	1,268.8	**477.4**	**111.8**	**535.4**	**2,393.4**	1,209.9	350.5	583.4	2,143.8

	%	**%**	**%**		**%**	%	%	%	%
Equities	**–**	**44**	**–**	**7**	**10**	–	33	–	5
Bonds	**92**	**38**	**–**	**63**	**71**	86	30	–	53
Property	**3**	**–**	**–**	**–**	**2**	–	–	–	–
Other liquid investments	**5**	**18**	**100**	**30**	**17**	14	37	100	42
Total	**100**	**100**	**100**	**100**	**100**	100	100	100	100

At 31 December 2006 the industry and geographical splits were as follows:

Equity	**London**	**Bermuda**	
Industry	**Corp**	**Corp**	**Total**
Oil & Gas	9.0%	8.7%	9.0%
Basic Materials	1.8%	1.8%	1.8%
Industrials	13.6%	11.8%	13.3%
Consumer Goods and Services	23.3%	25.3%	23.6%
Health Care	5.3%	5.4%	5.3%
Telecommunications	11.6%	10.3%	11.4%
Utilities	4.8%	4.4%	4.7%
Financials	29.6%	31.3%	29.9%
Technology	1.0%	1.0%	1.0%
	100.0%	100.0%	100.0%

	London	**Bermuda**	
Region	**Corp**	**Corp**	**Total**
United Kingdom	22.7%	25.4%	23.2%
USA and Canada	20.0%	19.0%	19.8%
Europe (ex UK)	35.4%	32.8%	34.9%
Far East	21.6%	21.3%	21.6%
Emerging markets	0.3%	1.5%	0.5%
	100.0%	100.0%	100.0%

Bonds Industry	London Synd	London Corp	Bermuda Corp	Total
Oil & Gas	4.1%	6.4%	–	3.8%
Basic Materials	0.1%	–	–	0.1%
Industrials	8.1%	4.6%	41.8%	12.8%
Consumer Goods and Services	7.3%	3.3%	–	5.4%
Health Care	0.2%	–	–	0.1%
Telecommunications	5.7%	4.2%	–	4.5%
Utilities	4.9%	9.7%	7.9%	6.3%
Financials	69.6%	71.8%	50.3%	67.0%
Technology	–	–	–	–
	100.0%	100.0%	100.0%	100.0%

Region	London Synd	London Corp	Bermuda Corp	Total
United Kingdom	30.2%	70.9%	2.7%	29.5%
USA and Canada	61.3%	5.5%	94.5%	61.4%
Europe (ex UK)	6.4%	23.6%	2.0%	7.5%
Far East	1.2%	–	–	0.9%
Emerging markets	0.7%	–	0.8%	0.6%
Other	0.2%	–	–	0.1%
	100.0%	100.0%	100.0%	100.0%

Note: The tables by industry and location exclude pooled investments.

Investment management

Specialist external investment managers are used to manage each asset class on a segregated, pooled or commingled basis[2]. The Overseas Deposits are managed by the Corporation of Lloyd's 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. 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 Investment Consulting.

[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 managers as at 31 December 2006 were as follows:

Manager	Asset class
Segregated funds	
Aberdeen Asset Management	US dollar bonds
AEGON Asset Management	Sterling bonds
Insight Investement Management	Sterling bonds
Morley Fund Management	Property manager of managers
Robeco Investment Management	US and Canadian dollar bonds
Taube Hodson Stonex 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
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	High alpha 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

The funds under management with each manager as at 31 December 2006 is shown below:

	Aberdeen £m	AEGON £m	BGI £m	Corporation of Lloyd's £m	Goldman Sachs £m	HSBC £m	Insight £m	JP Morgan £m	Morley £m	PIMCO £m	THS £m	UBS £m	Robeco £m	Western £m
Syndicate														
Sterling	–	–	–	22.0	–	–	366.7	–	43.0	50.1	–	–	–	–
Euros	–	–	–	–	–	–	–	–	–	–	–	–	–	–
US dollars	–	–	0.1	27.7	–	–	–	–	–	–	–	6.4	383.5	75.9
Canadian dollars	–	–	–	5.9	–	–	–	–	–	–	–	4.7	35.1	236.6
Corporate														
Sterling	–	158.1	68.5	–	–	–	0.4	–	–	–	238.2	–	–	–
Euros			0.2	–	–	–	–	–	–	–	–	–	–	–
US dollars	–	–	3.3	–	–	–	–	–	–	–	–	–	–	–
Bermuda														
Sterling	–	–	–	–	20.5	–	–	–	–	–	–	–	–	–
Euros	–	–	–	–	7.1	–	–	–	–	–	–	–	–	–
US Dollars	312.7	–	–	–	129.6	46.7	–	48.3	–	25.8	53.8	–	–	–
Total	312.7	158.1	72.1	55.6	157.2	46.7	367.1	48.3	43.0	75.9	292.0	11.1	418.6	312.5
%	13.2	6.7	3.0	2.3	6.6	2.0	15.5	2.0	1.8	3.2	12.3	0.5	17.7	13.2
Average for year (or period of investment if less than one year)														
	315.5	151.9	126.7	53.2	214.6	133.4	451.7	100.6	24.4	76.3	230.8	9.9	428.4	254.0
31 December 2005	–	–	183.3	51.9	367.1	216.3	283.7	–	–	–	110.8	8.6	342.2	200.8

Fair value

All investments are marked to market. Prices are obtained by the investment managers and custodians using recognised market sources. Prices are checked by Amlin for reasonableness by using Bloomberg data feeds.

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, interest rates and exchange rates. These factors have an impact on all Amlin's investments and are taken into consideration when setting strategic benchmarks and tactical asset allocation. The impact of interest rates and exchange rates are discussed in more detail below.

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. In addition the equity mandate limits the exposure to any one geographic region or industrial sector.

If the value of Amlin's equity portfolio was to fall by 10% the impact on the overall assets as at 31 December 2006, pre-tax, would be a decline of £24.8 million.

Interest rates

Investors' expectations for interest rates will impact bond yields[3]. The value of Amlin's bond holdings is therefore subject to fluctuation as bond yields rise and fall. If the yield falls the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration[4]. The greater the duration of a security, the greater its price volatility. Typically the longer the maturity of a bond the greater its duration. The maturity bands of the Group's bond holdings at 31 December 2006 are shown below.

	London		Bermuda	
	Syndicate £m	Corporate £m	Corporate £m	Total £m
Less than 1 year	106.7	65.3	88.5	260.5
1-2 years	105.2	27.1	7.3	139.6
2-3 years	106.2	28.9	18.7	153.8
3-4 years	153.7	13.0	9.0	175.7
4-5 years	388.2	36.1	69.2	493.5
Over 5 years	257.0	12.8	119.8	389.6
	1,117.0	183.2	312.5	1,612.7

Note: The table above excludes pooled investments.

There are no direct bond holdings in the Bermudian underwriting assets.

Amlin London sets the duration of its policyholders' assets by setting the duration ranges of its bond portfolios with reference to the duration of the underlying liabilities.

The duration of the bond and cash portfolios as at 31 December 2006 was as follows:

	31 December 2006		31 December 2005	
Policyholders' assets	Assets Years	Liablities Years	Assets Years	Liabilities Years
London				
Sterling	**2.4**	**2.5**	2.2	2.5
US dollars	**3.0**	**3.1**	2.8	3.1
Euro	**3.3**	**3.0**	2.5	3.0
Canadian dollars	**3.0**	**3.2**	2.1	3.2
Bermuda				
Sterling	**0.0**	**–**	–	–
US dollars	**0.0**	**–**	–	–
Euro	**0.0**	**–**	–	–

Due to the short-tail nature of much of the underwriting portfolio this means that the duration of the assets is at the shorter end of the yield curve. Cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise, and therefore capital values fall.

An indication of the potential sensitivity of the value of the bond funds to changes in yield is shown below[5]:

Shift in yield (basis points)	Sterling %	Syndicate US$ %	CAN$ %	Euro %	Corporate Sterling %	Bermuda Underwriting %	Corporate %	Net (reduction) increase in value £m
100	(2.1)	(3.0)	(2.4)	(3.3)	(1.0)	(0.1)	(1.2)	(44)
75	(1.6)	(2.3)	(1.8)	(2.5)	(0.7)	(0.1)	(0.9)	(33)
50	(1.1)	(1.5)	(1.2)	(1.6)	(0.5)	(0.1)	(0.6)	(22)
25	(0.5)	(0.7)	(0.6)	(0.8)	–	–	(0.3)	(10)
-25	0.5	0.8	0.6	0.8	–	–	0.3	10
-50	1.0	1.5	1.2	1.6	0.5	0.1	0.6	22
-75	1.6	2.3	1.8	2.5	0.7	0.1	0.9	33
-100	2.1	3.0	2.4	3.3	1.0	0.1	1.1	44

[3] The yield is the rate of return paid if a security is held to maturity. The calculation is based on the coupon rate, length of time to maturity and the market price. It assumes coupon interest paid over the life of the security is reinvested at the same rate.

[4] The duration is the weighted average maturity of the security's cash flows, where the present values of the cash flows serve as the weights.

[5] This assumes a parallel shift in the yield curve.

Liquidity
Liquidity in the event of a major disaster is tested regularly using internal cash flow forecasts and realistic disaster scenarios. In addition, the policyholders' funds investment guidelines require at least 25% of the funds to be held in government bonds and/or cash equivalents, which are highly liquid. As discussed above, the corporate 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 corporate funds.

Cash flow
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. The policy of limiting the extent of duration divergence between the policyholders' assets and the liabilities helps to reduce the risk of a cash flow mismatch.

Foreign exchange
Currently policyholders' 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.

However, as the sales for each year of account are spread over the time period up to its close it is open the cumulative average rates achieved as at the 31 December 2006 for the 2004 year of account, to be distributed to the Group in 2007 were: US dollars 1.86, euros 1.45 and Canadian dollars 2.19.

Amlin will occasionally transact currencies on a forward basis. These are carried out with well rated banks, so as to limit counterparty risk. The transactions are not designed as specific hedges and therefore realised and unrealised gains and losses are recorded in the profit and loss account of the period in which they occur. As at 31 December 2006 Amlin had no direct forward contracts outstanding. The investment managers did hold some forward foreign exchange contracts in their portfolios at the year end in order to hedge non-base currency investments. These are marked to market in their valuations.

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. As this exchange rate impact is purely translational the exposure is not currently hedged.

Further foreign exchange risk arises until non-sterling profits are converted into sterling. It is Amlin Group policy to mitigate foreign exchange risk by systematically converting its syndicate 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 is part of Amlin's risk management strategy as it 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 2006 is shown in the table below.

	US dollar		Euro		Canadian dollar	
	Total (millions)	Average rate	Total (millions)	Average rate	Total (millions)	Average rate
31 December 2006	73	1.92	21	1.45	9	2.07

Foreign exchange exposure also arises when business is written in non-base currencies. These transactions are converted into sterling or US dollars (depending on whether 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.

Other
Amlin's investments are subject to credit risk as discussed below, but otherwise no other investment risks were identified as at 31 December 2006.

c. 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.

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.

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

The table below shows the breakdown at 31 December 2006 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 2006 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 2006	**Bonds £m**	**%**	**Premium debtors £m**	**%**	**Reinsurance debtors £m**	**%**
AAA	**1,305.9**	**81**	**–**	**–**	**21.1**	**5**
AA	**88.2**	**5**	**–**	**–**	**157.9**	**38**
A	**160.6**	**10**	**–**	**–**	**217.6**	**52**
BBB	**58.0**	**4**	**–**	**–**	**3.4**	**1**
Other	**–**	**–**	**388.2**	**100**	**17.9**	**4**
	1,612.7	**100**	**388.2**	**100**	**417.9**	**100**

31 December 2005	Bonds £m	%	Premium debtors £m	%	Reinsurance debtors £m	%
AAA	870.5	76	–	–	75.3	12
AA	134.8	12	–	–	101.4	15
A	120.1	11	–	–	450.6	70
BBB	16.7	1	–	–	5.0	1
Other	–	–	404.3	100	12.9	2
	1,142.1	100	404.3	100	645.2	100

1 Segmental reporting by business group

The tables below show segmental information by business segment. Business segments are primary segments and represent the way in 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 operating and financial review. 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 2 as these have no impact on profit for the year.

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 Ltd £m	Intra group items £m	Other technical £m	Total £m
Gross premium written	75.7	554.6	210.9	150.0	991.2	223.5	(100.8)	(0.1)	1,113.8
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
Agency expenses(1)	(2.6)	(14.3)	(3.3)	(4.5)	(24.7)	–	–	24.7	–
Other non-underwriting expenses(2)									(16.5)
Finance costs(2)									(23.8)
Profit before tax									342.7
Combined ratio	89%	69%	85%	85%	76%	48%			72%

Included within the UK gross written premium of Amlin Bermuda Ltd a premium from Syndicate 2001 amounting to £100.8 million (2005: £0.3 million) on reinsurance contracts undertaken at commercial rates.

Assets and liabilities by business segment At 31 December 2006	Aviation £m	Non-marine £m	Marine £m	UK commercial £m	Total UK divisions £m	Amlin Bermuda Ltd £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

The net assets of Amlin Bermuda Ltd are located in Bermuda and the USA. 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 Bermuda Ltd purchased £1.9 million of fixed assets. Other assets purchased by Amlin Corporate Services Limited during the year totalled £1.7 million. These cannot be allocated to a specific segment. Depreciation has been charged on property and equipment for the year amounting to £3.1 million of which £0.3 million has been charged to aviation, £1.4 million to non-marine, £0.5 million to marine, £0.2 million to UK commercial, £0.4 million to Amlin Bermuda Ltd with the remainder not being allocated to a specific segment.

(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.

1 Segmental reporting by business group (continued)

Income and expenses by business segment Year ended 31 December 2005 (restated)	Aviation £m	Non-marine £m	Marine £m	UK commercial £m	Total UK divisions £m	Amlin Bermuda Ltd £m	Intra group items £m	Other technical £m	Total £m
Gross premium written	83.0	558.0	172.8	175.5	989.3	2.9	(0.3)	1.6	993.5
Analysed by geographic segment									
UK	11.4	55.5	43.1	159.1	269.1	0.8	(0.1)	0.5	270.3
US	32.6	330.5	30.2	0.3	393.6	1.1	(0.1)	0.7	395.3
Europe	15.8	40.0	32.4	7.2	95.4	0.3	–	0.1	95.8
Worldwide	0.2	17.9	25.7	2.2	46.0	0.1	–	0.1	46.2
Other	23.0	114.1	41.4	6.7	185.2	0.6	(0.1)	0.2	185.9
Total	83.0	558.0	172.8	175.5	989.3	2.9	(0.3)	1.6	993.5
Gross premium earned	93.0	546.6	164.7	181.1	985.4	0.1	(0.3)	1.5	986.7
Reinsurance premium ceded	(23.6)	(100.6)	(25.9)	(14.2)	(164.3)	–	–	(0.3)	(164.6)
Net premium earned	69.4	446.0	138.8	166.9	821.1	0.1	(0.3)	1.2	822.1
Insurance claims and claims settlement expenses	(50.1)	(651.2)	(105.7)	(105.0)	(912.0)	–	(2.7)	2.6	(912.1)
Reinsurance recoveries	15.1	347.0	55.3	19.1	436.5	–	–	(0.1)	436.4
Underwriting expenses	(14.4)	(113.6)	(40.8)	(37.6)	(206.4)	(0.1)	(1.0)	(1.8)	(209.3)
Profit attributable to underwriting	20.0	28.2	47.6	43.4	139.2	–	(4.0)	1.9	137.1
Investment return					90.9				90.9
Agency expenses[1]	(3.9)	(24.9)	(4.2)	(5.0)	(38.0)	–	38.0	–	–
Other non-underwriting expenses[2]									(30.9)
Finance costs[2]									(10.4)
Profit before tax									186.7
Combined ratio[3]	70%	93%	63%	72%	82%	–			82%

Assets and liabilities by business segment At 31 December 2005 (restated)	Aviation £m	Non-marine £m	Marine £m	UK commercial £m	Total UK divisions £m	Amlin Bermuda Ltd £m	Intra group items £m	Other technical £m	Total £m
Assets									
Assets attributable to business segments	321.9	1,273.4	415.8	589.6	2,600.7	589.3	–	14.3	3,204.3
Assets allocated between the UK and Bermuda					402.9	–			402.9
Total assets									3,607.2
Liabilities									
Assets attributable to business segments	300.1	1,157.8	357.5	508.2	2,323.6	4.9	–	14.5	2,343.0
Liabilities allocated between the UK and Bermuda					479.4	–			479.4
Total liabilities									2,822.4
Total net assets									784.8

(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;
(3) The combined ratios are calculated assuming a constant 100% ownership over the period from which premiums have been earned.

2 Net earned premium

	2006 £m	2005 (restated) £m
Insurance contracts premium		
Gross premium written	1,113.8	993.5
Change in unearned premium provision	(26.5)	(6.8)
Gross premium earned	1,087.3	986.7
Insurance premium revenue from the receipt of reinsurance to close	78.8	78.6
Reinsurance premium ceded		
Reinsurance premium payable	(100.3)	(164.2)
Change in unearned reinsurance premium provision	(13.1)	(0.4)
	(113.4)	(164.6)
Net earned premium	1,052.7	900.7

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 (2005: 2002 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.

3 Investment return

	2006 £m	2005 £m
Investment income		
– dividend income	4.5	2.1
– interest income	67.7	66.7
Cash and cash equivalents interest income	26.5	2.4
	98.7	71.2
Net realised gains/(losses) on financial assets		
– equity securities	7.4	12.2
– debt securities	(0.3)	(6.0)
	7.1	6.2
Net fair value gains on assets at fair value through income statement		
– equity securities	10.3	12.5
– debt securities	(1.0)	1.0
	9.3	13.5
	115.1	90.9

4 Other operating income

	2006 £m	2005 £m
Information fee income	0.7	0.6
Other income	1.1	0.8
	1.8	1.4

5 Insurance claims and loss adjustment expenses

	2006 £m	2005 (restated) £m
Gross		
Current year insurance claims and loss adjustment expenses	515.7	991.6
Reduced costs for prior period insurance claims	(55.0)	(79.5)
	460.7	912.1
Insurance claims and loss adjustment expenses relating to the receipt of reinsurance to close (note 2)	78.8	78.6
Reinsurance		
Current year insurance claims and loss adjustment expenses recoverable from reinsurers	(44.7)	(436.2)
Additional costs for prior period claims recoverable from reinsurers	(13.8)	(0.2)
	(58.5)	(436.4)
Total net insurance claims and loss adjustment expenses	481.0	554.3

6 Expenses for the acquisition of insurance contracts

	2006 £m	2005 £m
Expenses for the acquisition of insurance contracts	**203.4**	173.4
Changes in deferred expenses for the acquisition of insurance contracts	**(8.0)**	(3.2)
	195.4	170.2

7 Other operating expenses

Expenses related to underwriting	2006 £m	2005 (restated) £m
Administrative expenses	**71.9**	64.8
Underwriting exchange losses/(gains)	**36.5**	(25.7)
	108.4	39.1
Other expenses		
Central management and other expenses	**7.2**	2.8
Asset management fees	**1.3**	2.3
Marketing and administration	**0.5**	0.6
Depreciation	**0.3**	2.4
Employee incentives	**18.6**	24.2
Group company exchange gains	**(9.6)**	–
	18.3	32.3
Total	**126.7**	71.4

8 Directors' remuneration

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

	2006 £m	2005 £m
Emoluments of executive directors (including payments made under long term incentive plans)	**6.6**	3.0
Fees to non-executive directors	**0.5**	0.4
	7.1	3.4
Pension contributions	**0.2**	0.2
	7.3	3.6

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 starting on page 58. Payments were made to defined benefit pension schemes for two executive directors and to defined contribution schemes for two executive directors.

9 Employee benefit expenses

The average number of persons employed by the Group, including individuals on fixed term contracts and directors, were:

	2006	2005
Underwriting divisions		
Underwriting, claims and reinsurance	**361**	356
Administration and support	**122**	125
Central functions		
Operations	**68**	66
Finance	**68**	68
Internal audit and compliance	**8**	10
	627	625

	2006	2005
By location		
UK	**617**	625
Bermuda	**10**	–

9 Employee benefit expenses (continued)

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

	2006 £m	2005 £m
Wages and salaries	**29.4**	29.0
Employee incentive and related social security costs	**18.6**	24.2
Share options granted to directors and employees	**1.1**	0.7
Social security costs	**6.0**	5.6
Pension costs – defined contribution schemes (note 25)	**3.1**	2.4
Pension costs – defined benefit schemes (note 25)	**1.3**	5.8
	59.5	67.7
Payroll costs attributable to third party members	**–**	(0.8)
Payroll costs retained in the Group	**59.5**	66.9

10 Finance costs

	2006 £m	2005 £m
Letter of credit commissions	**1.3**	2.3
Subordinated bond interest	**21.0**	4.3
Loan interest	**1.5**	3.8
	23.8	10.4

11 Profit before tax

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

	2006 £m	2005 (restated) £m
Depreciation		
– owned assets	**3.1**	2.4
Operating lease charges	**3.1**	2.3
Auditors' remuneration		
– Group audit	**0.1**	0.1
– subsidiary company audits	**0.4**	0.3
– tax and related services	**–**	0.1
Foreign exchange losses/(gains)	**26.9**	(31.9)

Subsidiary companies audit fees amounted to £353,517 (2005: £249,165) including first time audit of Bermuda subsidiaries. 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.

Disclosure of auditor remuneration has been amended in accordance with the requirements of the Companies (Disclosure of Auditor Remuneration) Regulations 2005 (Statutory Instrument 2005/2417). The main impact of this on the disclosure above is the reallocation of syndicate audit fees of £211,730 (2005: £173,230) from Group audit to subsidiary companies audit.

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

	2006 £	2005 £
Amounts charged to the income statement		
Taxation advice	**28,100**	12,400
Consultation on remuneration policy	**7,350**	30,000
IFRS opening balance sheet related audit	**–**	47,000
Systems testing	**–**	14,300
Other	**5,750**	9,240
	41,200	112,940
Amounts capitalised on the balance sheet		
Rights issue related services	**–**	77,250
Potential acquisition due diligence services	**–**	111,758
	–	189,008
	41,200	301,948

12 Tax

	2006 £m	2005 (restated) £m
Current tax		
UK corporation tax	**57.0**	34.3
Foreign tax	**(0.1)**	(1.6)
	56.9	32.7
Deferred tax – current year		
Movement in assets	**4.8**	4.1
Movement in liabilities	**13.2**	9.7
	18.0	13.8
Taxes on income	**74.9**	46.5

In addition to the above, deferred tax £1.3 million (2005: £1.7 million credit) has been credited directly to equity.

Underwriting profits or losses are recognised in the technical account on an annual accounting basis, recognising the results in the period in which they are earned. Corporation tax is charged in the period in which the underwriting profits are actually paid by the Syndicate to the corporate names.

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 this 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 this 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 £218.4 million (2005: £143.3 million).

Deferred tax assets on loss provisions in respect of non-aligned syndicate participations (see note 16) 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 £3.8 million (2005: £4.5 million).

Reconciliation of tax expense

The UK standard rate of corporation tax is 30% (2005: 30%), whereas the current tax assessed for the year ended 31 December 2006 as a percentage of profit before tax is 21.9% (2005 (restated): 24.9%). The reasons for this difference are explained below:

	2006 £m	2006 %	2005 (restated) £m	2005 (restated) %
Profit before tax	**342.7**		186.7	
Taxation on profit on ordinary activities calculated at the standard rate of corporation tax in the UK	**102.8**	**30.0**	56.0	30.0
Non-deductible or non-taxable items	**4.5**	**1.3**	(0.2)	(0.1)
Utilisation of unprovided for capital losses	**(3.8)**	**(1.1)**	(7.1)	(3.8)
Tax rate differences on overseas subsidiaries	**(29.3)**	**(8.5)**	–	–
Under/(over) provision in respect of prior periods	**0.8**	**0.2**	(0.6)	(0.3)
Irrecoverable overseas tax	**(0.1)**	**–**	(1.6)	(0.9)
Taxes on income	**74.9**	**21.9**	46.5	24.9

The Group's tax provision for 2006 and 2005 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% (2005: 0%).

A deferred tax liability of £8.9 million (2005: £nil) 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 £69.1 million (2005: £2.4 million) as the parent company has determined not to distribute these profits in the foreseeable future.

A deferred tax asset of £5.4 million (2005: £5.7 million) has been taken on existing capital losses to match against deferred tax provisions of £6.4 million (2005: £5.7 million) on unrealised capital gains arising within the Group during this accounting period. As all capital losses have now been provided for the Group will not in future periods enjoy the reduction in its effective tax rate arising from the utilisation or provision of previously unprovided capital losses as in previous years.

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

12 Tax (continued)

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 2006 (restated)	1.2	7.8	5.7	3.3	6.4	24.4
Movements in the year	(0.1)	(2.1)	(0.3)	(1.3)	(1.0)	(4.8)
Movement through equity in the year	–	–	–	–	1.3	1.3
At 31 December 2006	1.1	5.7	5.4	2.0	6.7	20.9

Included within the opening balance for deferred tax under "Pension provisions" is an increase of £3.3 million representing the deferred tax element on the change in accounting for pension liabilities as detailed on page 111.

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

	Underwriting results £m	Unrealised capital gains £m	Syndicate capacity £m	Other timing differences £m	Total £m
At 1 January 2006	73.5	5.7	3.0	–	82.2
Movements in the year	2.5	0.7	1.1	8.9	13.2
At 31 December 2006	76.0	6.4	4.1	8.9	95.4

Deferred tax assets have been provided for on all capital losses carried forward of £18 million (2005: capital losses unprovided for £12.7 million).

Deferred tax assets have not been provided on US net operating losses of £31.0 million (2005: £43.3 million) carried forward due to uncertainty over their future use.

13 Net foreign exchange (losses)/gains

The Group's incurred foreign exchange losses of £26.9 million (2005: £31.9 million gain) 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 incurred foreign exchange losses on translating non-monetary assets and liabilities at historic average rates amounted to £27.9 million (2005: £26.2 million gain).

Foreign exchange gains/(losses) on investments in overseas subsidiaries are taken directly to reserves in accordance with IAS21, The Effects of Changes in Foreign Exchanges. Amlin Bermuda Ltd and Amlin Bermuda Holdings Limited report in US dollars. The loss taken to reserves for the year ended 31 December 2006 was £77.1 million (2005: £3.8 million gain). This reflects the Group's investment of $1 billion of capital in Amlin Bermuda Ltd at the movement in the dollar rate from 1.72 at the start of the year to 1.96 at the balance sheet date.

14 Cash and cash equivalents

	2006 £m	2005 £m
Cash at bank and in hand	**16.5**	65.2
Short-term bank deposits	**–**	0.4
	16.5	65.6

Short-term bank deposits can be recalled within 24 hours.

15 Financial investments

	At valuation 2006 £m	At valuation 2005 £m	At cost 2006 £m	At cost 2005 £m
Shares and other variable yield securities	**291.4**	116.2	**260.8**	96.2
Debt and other fixed income securities	**1,599.6**	1,142.1	**1,599.8**	1,149.5
Participation in investment pools	**126.6**	703.8	**111.7**	688.7
Deposits with credit institutions	**294.2**	62.3	**268.0**	62.3
Overseas deposits	**55.9**	51.9	**55.9**	51.9
Other	**–**	1.9	**–**	1.9
	2,367.7	2,078.2	**2,296.2**	2,050.5
In Group owned companies	**1,105.0**	920.7	**1,140.3**	885.8
In Syndicate 2001	**1,257.1**	1,151.7	**1,150.3**	1,158.9
In non-aligned syndicates participations (see note 16)	**5.6**	5.8	**5.6**	5.8
	2,367.7	2,078.2	**2,296.2**	2,050.5
Listed investments included in Group:				
Shares and other variable yield securities	**291.4**	116.2	**230.7**	96.2
Debt and other fixed income securities	**1,596.7**	104.1	**1,599.6**	103.3
	1,888.1	220.3	**1,830.3**	199.5

As explained in the investment risk disclosure on page 92 and note 29, £382.1 million (2005: £276.7 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.

	2006 £m	2005 £m
At 1 January	**2,078.2**	1,302.5
Exchange adjustments	**(68.5)**	46.0
Net purchases	**341.6**	710.0
Realised gains on disposals	**7.1**	6.2
Unrealised investment gains	**9.3**	13.5
At 31 December	**2,367.7**	2,078.2

16 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 2005	1,103.3	517.3	46.0	1,666.6
Movement in the year	525.5	6.5	65.6	597.6
Exchange adjustments	75.5	–	3.2	78.7
At 31 December 2005	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
Reinsurance assets				
At 1 January 2005	318.6	24.9	261.3	604.8
Movement in the year	262.0	(0.7)	106.8	368.1
Exchange adjustments	24.0	–	19.2	43.2
At 31 December 2005	604.6	24.2	387.3	1,016.1
Movement in the year	(198.7)	13.5	(54.5)	(239.7)
Exchange adjustment	(48.9)	–	(32.2)	(81.1)
At 31 December 2006	357.0	37.7	300.6	695.3

16 Insurance contracts and reinsurance assets (continued)

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 section, on page 81.

The claims reserves are further analysed between notified outstanding claims and incurred but not reported claims below:

	2006 £m	2005 £m
Notified outstanding claims	**843.4**	1,121.8
Claims incurred but not reported	**574.1**	582.5
Insurance contracts claims reserve	**1,417.5**	1,704.3

It is estimated, using historical settlement trends, that £564.2 million (2005: £497.4 million) of the claims reserves included in the above analysis, as at 31 December 2006, 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 £4.2 million (2005: £4.5 million). Syndicates that remain open at 31 December 2006 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
Motor				
Ockham Personal Insurance Agency Ltd	37	4.64	–	–
Aviation				
Duncanson & Holt Syndicate Management Ltd	957	–	3.00	3.00
Total capacity				
Capacity remaining open at 31 December 2006		9.82	7.85	5.50

17 Loans and receivables, including insurance receivables

	2006 £m	2005 £m
Receivables arising from insurance contracts	**98.0**	103.9
Deferred acquisition costs	**118.3**	110.4
Insurance receivables	**216.3**	214.3
Other debtors	**22.6**	116.4
Prepayments and other accrued income	**29.0**	16.5
Loans and receivables	**51.6**	132.9

	2006 £m	2005 £m
Current portion	**267.1**	347.2
Non-current portion	**0.8**	–
	267.9	347.2

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

	2006 £m	2005 £m
At 1 January	**110.4**	107.2
Exchange adjustments	**(0.1)**	–
Movements in the year	**8.0**	3.2
At 31 December	**118.3**	110.4

18 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 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

The assets held under finance leases and hire purchase contracts included in the above had no net book value in either the current or previous year.

19 Intangible assets

	Syndicate participations £m	Goodwill £m	Total £m
Cost and carrying amount			
At 1 January 2006 and 31 December 2006	63.2	2.8	66.0

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 was taken on by Amlin subsidiaries at 1 January 2004 (see note 2).

20 Share capital

Authorised ordinary shares of 25p each	**2006 Number**	**2006 £m**	2005 Number	2005 £m
At 31 December	**800,000,000**	**200.0**	562,000,000	140.5

Allotted, called up and fully paid	**2006 Number**	**2006 £m**	2005 Number	2005 £m
At 1 January	**530,113,127**	**132.5**	395,089,608	98.8
Scrip dividend alternative shares issued	**–**	**–**	3,070,054	0.8
Shares issued on exercise of options	**3,893,593**	**1.0**	4,148,392	1.0
Rights issue	**–**	**–**	127,805,073	31.9
At 31 December	**534,006,720**	**133.5**	530,113,127	132.5

The shares issued on exercise of options were issued for a total consideration of £3.7 million at an average price of 98.00 pence per share (2005: £3.5 million, average price 86.48 pence).

The scrip dividend shares were issued on 24 May 2005 in respect of the 2004 final dividend at a reference share price of 165.92 pence per share. Subsequent dividends did not offer a scrip dividend alternative.

127,805,073 new shares were issued via a 7 for 22 rights issue which closed on the 25 November 2005 with the new shares being issued on the following trading day, 28 November 2005. The rights issue raised £223.7 million gross, and £214.7 million net of expenses. The balance of the capital raised not including the share capital, £182.8 million, is included in the share premium reserve, analysed as gross £191.8 million and expenses of £9.0 million.

21 Share options

Details of the Amlin Executive Share Option Schemes are set out in the Directors' remuneration report starting on page 58. At 31 December 2006 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	Option price per share	Number of shares
June 2003	72.95p	9,690
May 2005	76.33p	359,612
October 2002	80.16p	27,754
May 2004	108.09p	79,372
September 2001	108.54p	91,196
April 2006	110.82p	1,025,441
March 2007	152.85p	2,683,054
March 2008	161.77p	2,367,018
March 2009	293.00p	2,173,915
		8,817,052

The following changes in new shares under option pursuant to these executive schemes took place during the year:

	Number of Shares 2006	**Weighted average exercise price 2006 (pence)**	Number of shares 2005	Weighted average exercise price 2005 (pence)
At 1 January	**10,751,095**	**128.29**	11,342,736	114.83
Granted during the year	**2,290,481**	**293.00**	2,441,903	161.77
Exercised during the year	**(3,710,443)**	**98.00**	(3,591,499)	86.48
Lapsed during the year	**(514,081)**	**187.00**	(107,858)	129.19
Adjustments during the year	**–**	**–**	665,813	127.41
At 31 December	**8,817,052**	**180.40**	10,751,095	128.29

The weighted average remaining contractual life of the executive options outstanding at 31 December 2006 was 7.4 years (2005: 7.4 years).

In addition to these executive options, the following employee Sharesave options over new shares were outstanding at 31 December 2006:

Savings period	Usual first month of exercise	Option price per share	Number of shares
5 years	December 2007	78.89p	149,485
5 years	July 2006	91.87p	4,775
3 years	July 2007	134.11p	324,490
5 years	July 2009	134.11p	142,628
3 years	December 2008	146.49p	497,353
5 years	December 2010	146.49p	205,508
			1,324,239

The following changes in new shares under option pursuant to the Sharesave scheme took place during the year:

	Number of Shares 2006	**Weighted average exercise price 2006 (pence)**	Number of shares 2005	Weighted average exercise price 2005 (pence)
At 1 January	**1,611,327**	**127.7**	1,417,195	101.53
Granted during the year	**–**	**–**	690,234	146.49
Exercised during the year	**(183,150)**	**74.46**	(556,893)	68.87
Lapsed during the year	**(103,926)**	**82.03**	(63,721)	107.01
Adjustments during the year	**(12)**	**106.5**	124,512	117.42
At 31 December	**1,324,239**	**123.17**	1,611,327	127.70

The weighted average remaining contractual life of the Sharesave options outstanding at 31 December 2006 was 3.0 years (2005: 3.0 years).

The trustee of the Group's Employee Share Ownership Trust (ESOT) held 774,579 ordinary shares as at 31 December (2005: 2,227,489), of which 201,959 shares (2005: 1,654,869) 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 upto 1,389,582 Performance Share Plan (PSP) shares, normally not until 2009, 2010 or 2011. 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 2006 was 325.25p per share (2005: 248.5p).

The assets, liabilities, income and costs of the ESOT are incorporated into the consolidated financial statements. The ESOT waives the right to dividends in excess of 0.01p per each share ranking for an interim or final dividend.

21 Share options (continued)

A charge has been made to the income statement for options granted after 7 November 2002 pursuant to the executive and Sharesave option schemes and the PSP, details of which are as follows:

Schemes and grant	Option exercise price	Closing reserve 31 December 2005 £m	Charge for 2006 £m	Closing reserve 31 December 2006 £m
2003 executive grant	110.82p	0.4	0.1	0.5
2004 executive grant	152.85p	0.3	0.2	0.5
2004 Sharesave 3 yrs grant	134.11p	0.1	–	0.1
2004 Sharesave 5 yrs grant	134.11p	–	–	–
2004 PSP grant	0.0p*	0.1	0.1	0.2
2005 executive grant	161.77p	0.1	0.2	0.3
2005 Sharesave 3 yrs grant	146.49p	–	0.1	0.1
2005 Sharesave 5 yrs grant	146.49p	–	–	–
2005 PSP grant	0.0p*	0.1	0.1	0.2
2006 executive grant	293.00p	–	0.2	0.2
2006 PSP grant	0.0p*	–	0.1	0.1
		1.1	1.1	2.2

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	Mar 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 269.9 pence (2005: 186.3 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:

	2006	2005
Weighted average share price	**185.43p**	156.64p
Weighted average exercise price	**159.02p**	134.73p
Expected volatility	**30.0%**	30.0%
Expected life (years)	**3.25 – 7.5**	3.25 – 7.5
Risk free rate of return	**4.30% - 4.50%**	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.

22 Reserves

	Share premium account £m	Other reserves £m	Treasury shares £m	Minority interest £m	Retained earnings £m
At 1 January 2006 (restated)	344.0	51.3	(0.3)	–	257.3
Issues of share capital on exercise of options over new shares	3.6	–	1.3	–	–
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	–	–	–	0.3	267.5
Dividends (note 27)	–	–	–	–	(47.4)
At 31 December 2006	347.6	(23.4)	1.0	0.3	477.4

Other reserves is comprised of £45.7 million (2005: £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 £73.4 million (2005: £3.8 million gain) on investments in overseas operations.

23 Trade and other payables and deferred income

	2006 £m	2005 £m
Trade payables and accrued expenses	**66.3**	66.1
Social security and other tax payables	**2.1**	1.0
	68.4	67.1

	2006 £m	2005 £m
Current portion	**57.9**	56.4
Non-current portion	**10.5**	10.7
	68.4	67.1

24 Borrowings

	2006 £m	2005 £m
Bank loans	**0.9**	241.0
Finance lease creditors	**–**	0.1
Subordinated debt	**277.9**	57.1
	278.8	298.2

	2006 £m	2005 £m
Current portion	**0.9**	148.8
Non-current portion	**277.9**	149.4
	278.8	298.2

The directors' estimation of the fair value of the Group's borrowings is £306.3 million (2005: £299.1 million).

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	Nov 2014	Nov 2019	7.11	LIBOR + 3.48
15 March 2005	$50m	Mar 2015	Mar 2020	7.28	LIBOR + 3.32
20 April 2006	£230m	Apr 2016	Apr 2026	6.50	LIBOR + 3.48

The bonds will be redeemed on the maturity dates at the principal amounts, together with 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 accrued interest.

24 Borrowings (continued)

The old debt facility, entered into in November 2005, consisted of the following arrangements:

- A £170 million term loan bridge facility. The rate of interest was LIBOR plus 0.75% up to 30 June 2006 and LIBOR plus 1.0% thereafter. Only £150 million of the facility has been utilised to date and of this £100 million was repaid in June 2006, £36 million in July 2006 and the balance of £14 million was repaid in August 2006.
- A £20 million term loan. The rate of interest is LIBOR plus 1.5%, plus mandatory costs. The loan was repaid in full in April 2006.
- A $125 million revolving credit facility. The rate of interest is LIBOR plus 1.5%, plus mandatory costs. $105 million of the loan was repaid in April 2006 and the balance of $20 million was repaid in June 2006.
- A £150 million letter of credit (LOC) facility. This was deposited with Lloyd's in November 2005 as part of the Group's Funds at Lloyd's (FAL) required to support underwriting on Syndicate 2001. The LOC was replaced with part of the proceeds from the issue of the subordinated debt in April 2006. Currently the facility is not being utilised but is being retained to provide additional financial strength and flexibility.

On 13 November 2006 the Company entered into a new debt facility with its banks, which replaced the 2005 facility. The new facility 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. 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. 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 2006 $1.7 million LOCs were issued with an additional $8.8 million issued in January 2007.

Obligations due under finance leases and hire purchase contracts are payable as follows:

	2006 £m	2005 £m
Within one year	**0.1**	0.1
Within two to five years	**–**	0.1
	0.1	0.2

25 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:

	Total charge	
	2006 £m	2005 £m restated
Defined benefit schemes		
Lloyd's Superannuation Fund	**(0.2)**	(0.4)
J E Mumford (Underwriting Agencies) Ltd retirement benefit scheme	**0.1**	(0.2)
	(0.1)	(0.6
Defined contribution schemes	**2.7**	2.4
	2.6	1.8

A summary of retirement benefit liabilities at 31 December 2006 is shown in the table below:

	2006 £m	2005 £m
Lloyd's Superannuation Fund (see section a))		
Opening net present value of contractual cash payments	**11.1**	15.2
Payments during the year	**(4.7)**	(4.6)
Unwinding of discount	**0.3**	0.5
Closing net present value of contractual cash payments	**6.7**	11.1
J E Mumford (Underwriting Agencies) Ltd retirement benefit scheme (see section a))		
Benefit obligation at end of year	**3.0**	3.3
Fair value of plan assets at end of year	**(2.2)**	(2.0)
Net scheme deficit	**0.8**	1.3
Total retirement benefit obligations	**7.5**	12.4

The information provided on pages 112-115 on the pension schemes reflects the position as at 31 December 2006 and does not reflect the changes described above.

25 Retirement benefit obligations (continued)

a) The Lloyd's Superannuation Fund funded defined benefit scheme

The scheme is operated as part of the Lloyd's Superannuation Fund (the Fund). Historically the Fund has catered for a number of employers in the Lloyd's market. As a consequence of the consolidation in the market, employers closing final salary schemes and some companies failing, there are now only around five (2005: six) 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 Trustees have 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 Trustees altered this notional split so that, from that date, the active employers contributing to the Fund, including the Amlin Group, have individual notional sections comprising the notionally allocated assets in respect of their active employees, deferred pensioners and pensioners, and their corresponding liabilities. A separate notional fund is maintained for members whose former employers no longer contribute to the Fund (Orphan Schemes). Amlin is also liable for a proportion of the Orphan Scheme'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. Due to an amendment to IAS 19 the Group is now required to recognise the net present value of any contribution schedule that has been agreed with the Trustees. A prior period adjustment has been made this year and details of the effect of this can be found in the accounting policies section to these accounts on page 77. Therefore, £0.2 million (2005: £0.4 million) was charged to the Group result relating to the unwinding of the discount on the future contractual payments.

The total amounts paid in respect of the Fund for Syndicate 2001 and Amlin Group companies are analysed in the table below.

	2006 £m	2005 £m
Contributions relating to:		
2004 valuation deficit – Amlin scheme	**1.2**	1.2
2004 valuation deficit – Orphan scheme	**3.5**	3.5
Ongoing funding	**1.3**	1.3
	6.0	6.0
Group share of total payment	**6.0**	5.5

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 Group's share of the scheme.

The last 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. This valuation has since been updated to 31 December 2005 and 2006 using appropriate techniques and the following assumptions:

	2006 % pa	2005 % pa
Price inflation	**3.1**	2.8
Rate of increase in pay	**–**	4.8
Rate of increase in pensions payment		
- LPI (maximum 5% pa)	**3.1**	2.8
- LPI (minimum 3% pa, maximum 5% pa)	**3.25**	3.25
- LPI (maximum 3% pa)	**3.0**	2.8
Rate of increase of statutory revaluation on deferred pension	**3.1**	2.8
Discount rate	**5.1**	4.7

During 2005 the Group reviewed its remaining defined benefit arrangements and made a number of changes to the schemes' operations, which were implemented during the year. In particular, in order to remove much of the risk associated with salary inflation, the scheme was changed to allow members to continue accruing additional years' service under the schemes, but these accruals would be generally based on March 2006 pensionable salaries. Future salary increases are pensionable through the defined contribution schemes. Therefore the salary inflation assumption used for the ongoing valuation is now nil%.

25 Retirement benefit obligations (continued)

The mortality assumptions used in the latest valuation included the following life expectancies:

	31 December 2006		31 December 2005	
Life expectancy (years) at age 65 for a member currently:	Male	Female	Male	Female
Aged 65	19.6	22.6	19.5	22.6
Aged 45	20.9	23.9	20.9	23.9

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 2006		Asset mix 31 December 2005		Long term rate of return	
	Amlin Section	Orphans Section	Amlin Section	Orphans Section	31 December 2006	31 December 2005
Equities	45%	20%	50%	20%	7.5%	7.5%
Bonds	55%	80%	50%	80%	4.9%	4.5%

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 2006 showed that the assets relating to the Amlin section of the Fund were £146 million (2005: £136.9 million), being £4 million greater than (2005: £9.6 million less than) the amount required to fund members' accrued liabilities on the assumptions adopted, resulting in a surplus of 2.8% (2005: shortfall of 6.5%). 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 addition, the updated assessment at 31 December 2005 showed that the assets notionally allocated to Amlin for the orphans' section of the Fund were £169 million (2005: £168 million), being £7 million greater than (2005: £3.8 million greater than) the amount required to fund members' accrued liabilities on the assumptions adopted. However, it should be noted that there is currently uncertainty concerning the eligibility of another part of the notional Orphan scheme for statutory revaluation of their benefits. This matter is under legal scrutiny and the figures noted above assume that no such revaluation applies. If it were to apply and the Trustees allocated Amlin proportionate liability to the remainder of the Orphan scheme, the past service obligations would increase up to £7 million.

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.

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% (2005: 30%) paid by the employer plus 5% (2005: 5%) member contributions, in each case of pensionable earnings, and totalled £1.3 million (2005: £1.3 million).

b) J E Mumford (Underwriting Agencies) Limited retirement benefit scheme

The scheme consists of a closed funded defined benefit scheme for certain past employees of a subsidiary of the Company, Angerstein Underwriting Limited. In February 2007, the liabilities of the scheme were closed into the Lloyd's Superannuation Fund.

Contributions to the scheme are determined by an independent qualified actuary, based upon triennial valuations, using the attained age actuarial method. The last formal valuation of the scheme was carried out at 1 July 2004 by Mr S Hymans, Fellow of the Institute of Actuaries. This valuation has since been updated to 31 December 2005 and 2006 using appropriate techniques and the following key assumptions:

	2006 % pa	2005 % pa
Price inflation	**3.1**	2.8
Rate of increase in pay	**–**	4.8
Rate of increase of pensions in payment	**3.1**	2.8
Rate of increase of pensions in deferment	**3.1**	2.8
Discount rate	**5.1**	4.7
Expected long-term return on plan assets	**7.5**	6.5

25 Retirement benefit obligations (continued)

As described in section a) above the salary inflation assumption has been reduced to nil% due to changes that were made to the operation of the Group's defined benefit schemes in 2006. The amount recognised in income in respect of this defined benefit scheme is analysed as follows:

Components of pension costs	2006 £m	2005 £m
Current service cost	**0.1**	0.1
Interest cost	**0.2**	0.1
Expected return on plan assets	**(0.1)**	(0.1)
Actuarial loss recognised immediately	**(0.1)**	0.4
Total pension cost recognised in the income statement	**0.1**	0.5

The actual return on the scheme's assets was £0.2 million (2005: £0.3 million).

The amount included in the consolidated balance sheet arising from the Group's obligations in respect of this scheme is as follows:

	2006 £m	2005 £m	2004 £m
Present value of defined benefit obligations	**3.0**	3.3	2.8
Fair value of scheme assets	**2.2**	2.0	1.3
Liability recognised in the balance sheet	**0.8**	1.3	1.5

Movements in the present value of scheme's defined benefit obligations were as follows:

Movements in benefit obligation	2006 £m	2005 £m	2004 £m
Benefit obligation at beginning of the year	**3.3**	2.8	2.3
Current service cost	**0.1**	0.1	0.1
Interest cost	**0.1**	0.1	0.1
Members' contributions	**–**	0.1	0.1
Past service costs	**(0.3)**	–	–
Actuarial loss	**(0.1)**	0.6	0.3
Benefits paid	**(0.1)**	(0.4)	(0.1)
Benefit obligation at end of year	**3.0**	3.3	2.8

Movements in fair value of scheme's assets were as follows:

Movements in scheme assets	2006 £m	2005 £m	2004 £m
Fair value of plan assets at beginning of the year	**2.0**	1.3	1.0
Expected return on plan assets	**0.1**	0.1	0.1
Actuarial gain	**0.1**	0.2	0.1
Employer contribution	**0.2**	0.6	0.1
Members' contributions	**–**	0.1	0.1
Benefits paid	**(0.2)**	(0.3)	(0.1)
Fair value of plan assets at end of year	**2.2**	2.0	1.3

The analysis of the Fund's assets and the expected rate of return at the balance sheet date was as follows:

	Asset mix		Long-term rate of return	
	2006	2005	**2006**	2005
Equities	**99%**	99%	**7.5%**	7.5%
Cash	**1%**	1%	**4.0%**	4.0%

The long term rates of return are estimated by the directors based on their current expectations of future investment performance.

25 Retirement benefit obligations (continued)

The recent history of experience gains and losses is as follows:

History of experience gains and losses	2006	2005	2004
Difference between the expected and actual return on scheme assets:			
Amount (£ million)	**0.1**	0.2	0.1
Percentage of scheme assets	**3%**	12%	8%
Experience losses on scheme liabilities:			
Amount (£ million)	**(0.1)**	0.6	0.3
Percentage of scheme assets	**(3%)**	18%	11%

The estimated contributions expected to be paid into the scheme during the current financial year are £0.2 million.

c) 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 2006 to the scheme were £2.7 million (2005: £2.4 million).

d) 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 2006 (2005: £nil).

26 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:

	2006	2005 (restated)
Profit attributable to equity holders of the Parent Company	**£267.5m**	£140.2m
Weighted average number of shares in issue	**531.8m**	408.8m
Dilutive shares	**6.4m**	6.6m
Adjusted average number of shares in issue	**538.2m**	415.4m
Basic earnings per share	**50.4p**	34.3p
Diluted earnings per share	**49.8p**	33.7p

Basic and tangible net assets per share are as follows:

	2006	2005 (restated)
Net assets	**£936.4m**	£784.8m
Adjustments for intangible assets	**(£66.0m)**	(£66.0m)
Tangible net assets	**£870.4m**	£718.8m
Number of shares in issue at end of period	**534.0m**	530.1m
Adjustment for ESOT shares	**(0.8m)**	(2.2m)
Basic number of shares after ESOT adjustment	**533.2m**	527.9m
Net assets per share	**175.6p**	148.7p
Tangible net assets per share	**163.2p**	136.2p

27 Dividends

The amounts recognised as distributions to equity holders are as follows:

Group	2006 £m	2005 £m
Final dividend for the year ended:		
– 31 December 2004 of 5.0 pence per ordinary share	–	19.7
– 31 December 2005 of 6.2 pence per ordinary share	25.0	–
Interim dividend for the year ended:		
– 31 December 2005 of 4.0 pence per ordinary share	–	15.9
– 31 December 2006 of 4.2 pence per ordinary share	22.4	–
	47.4	35.6

The dividends for 2004 and 2005 were paid in a combination of cash and scrip dividend shares. The 2006 interim dividend was paid solely in cash. The amounts paid in cash and scrip dividend shares were as follows:

	2006 £m	2005 £m
Cash	22.4	30.5
Scrip dividend	–	5.1
	22.4	35.6

The final ordinary dividend of 7.8 pence per ordinary share for 2006, amounting to £41.7 million, payable in cash and a special dividend of 8.0 pence per ordinary share, amounting to £42.7 million, payable in cash, were approved by the Board on 2 March 2007 and have not been included as a liability as at 31 December 2006.

28 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	
	2006	2005	2006	2005
US dollar	1.84	1.82	1.96	1.72
Canadian dollar	2.09	2.21	2.28	2.01
Euro	1.47	1.46	1.48	1.46

29 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 2006, the total guarantee given by the Group under these deeds of covenant (subject to limited exceptions) amounted to £382.1 million (2005: £276.7 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. A floating charge granted to Lloyd's by the Company was also outstanding at the year end but has since been released by Lloyd's in January 2007. 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.

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.

£150 million of LOCs deposited with Lloyd's in November 2005 pursuant to the Lloyd's deposit trust deeds for Funds at Lloyd's were replaced with £150 million of assets on 3 May 2006.

The new debt facility is guaranteed by the Company's subsidiaries Amlin Corporate Services Limited and Amlin Investments Limited (see note 24).

The new debt facility for Amlin Bermuda Ltd 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 (see note 24). As at 31 December 2006 $1.7 million LOCs were issued with an additional $8.8 million of LOCs issued in January 2007.

30 Commitments

There were no capital commitments at the end of the financial year (2005: £nil).

Throughout the year the Group leased certain land and buildings on short-term operating leases, under which the minimum annual commitments were £2.3 million (2005: £2.3 million). The leases expire in over five years.

31 Cash generated from operations

Group cash generated from operations	Notes	2006 £m	2005 (restated) £m
Profit before tax		**342.7**	186.7
Net movement on Premium Trust Funds for non-aligned participations		**–**	(2.9)
Depreciation charge		**3.2**	2.1
Interest paid		**24.1**	9.2
Interest received		**(97.5)**	(65.3)
Dividends received		**(4.5)**	(2.0)
Realised/unrealised losses/(gains) on investments		**(16.4)**	(13.5)
Net purchases of financial investments		**(349.4)**	(752.4)
Decrease/(increase) in loans and receivables		**79.3**	(64.9)
Decrease/(increase) in reinsurance contract assets		**320.8**	(411.5)
(Decrease)/increase in insurance contract liabilities		**(311.1)**	679.2
Increase/(decrease) in trade and other payables		**1.3**	(2.7)
Increase in retirement benefits		**(4.9)**	(4.1)
Exchange (gains)/losses on long term borrowings		**(11.6)**	(5.3)
Other non-cash movements		**3.8**	–
Cash generated from operations		**(20.2)**	(447.4)

32 Related party transactions

Amlin plc is a publicly owned company listed on the London Stock Exchange. Major shareholders are presented in the Directors' Report.

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 (2005: 10 and seven respectively).

Compensation paid during the year to key management personnel is analysed below:

	2006 £m	2005 £m
Short term employee benefits	**9.9**	8.3
Post-employment benefits	**0.4**	0.5
Share-based payments	**0.6**	0.3
	10.9	9.1

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 2005 and 2006.

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.

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 1 segmental reporting under the column "intra group".

The amount of net income transferred to ABL during 2006 under these contracts was £25.5 million (2005: £nil) and the amount of gross written premium ceded totalled £100.8 million (2005: £0.3 million).

At 31 December 2006 balances included within ABL with respect to Syndicate 2001 reinsurance contracts include:

	2006 £m
Insurance receivables	**37.0**
Insurance contracts	
– outstanding claims	**(24.7)**
– unearned premiums	**(39.0)**
– creditors arising from insurance operations	**(4.4)**

In addition, cash amounting to £56.5 million was paid by Syndicate 2001 to ABL in respect of these contracts.

32 Related party transactions (continued)

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.

The value of the services provided during the year by Amlin plc to fellow Group companies is shown below, together with the value of goods and services provided to related parties by other Group companies, to the extent that they are not eliminated on consolidation.

	Group		Company	
	2006 £m	2005 £m	**2006 £m**	2005 £m
Sale of goods and services:				
– Amlin Bermuda Holdings Limited	**–**	0.3	**–**	–
	–	0.3	**–**	–

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.

Purchases of goods and sales

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	
	2006 £m	2005 £m
Purchases of goods and services:		
– Syndicate 2001	**–**	0.1
– Amlin Corporate Services Limited	**6.3**	5.2
	6.3	5.3

Other Group companies

Amlin Underwriting Limited, a subsidiary company, and Hydra House Limited, the owners of Lycetts Hamilton Limited (formerly Hamilton & Partners Limited), own 60% and 40% respectively of the share capital of Amlin Plus Limited. The business of the Company is written under a binding authority agreement with Syndicate 2001 much of which is sourced through a single broker, 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. In addition, Mr Ashby, a director of Amlin Plus Limited and the underwriter responsible for bloodstock underwriting within Syndicate 2001, is married to a director of Lycetts Hamilton Limited.

All transactions between Amlin Plus Limited and its related parties are conducted on an "arm's length" basis.

During the year, Amlin Plus Limited wrote £14,608,746 (2005: £12,099,035) of premium under the binding authority agreement, of which £6,926,822 (2005: £5,741,318) was produced by Lycetts Hamilton Limited. Lycetts Hamilton Limited earned brokerage commission of £1,172,281 (2005: £944,720) on this business of which £816,984 (2005: £604,014) has been deducted by them in the year from payments made to the company. During the year profit commission of £283,898 (2005: £174,621) was paid to Lycetts Hamilton Limited. At the year end, Syndicate 2001 was owed £5,292,517 (2005: £5,252,431) by the Company and Lycetts Hamilton Limited owed £1,729,643 (2005: £951,263) to the Company.

As part of the Amlin Group, Amlin Plus Limited benefited from the services of Amlin Corporate Services Limited, an intermediate holding company, which operates the Group's purchase ledger and therefore incurs the majority of the Group's expenses. Amlin Corporate Services Limited incurred £970,681 (2005: £902,713) in relation to expenses borne on behalf of the Company, which have been fully repaid at the year end. Of the debt owed to Syndicate 2001, £340,030 (2005: £320,743) relates to a loan taken out to enable the Company to pay Amlin Corporate Services Limited for its services. Interest is charged on this loan at a rate of 1.25% above the Bank of England base rate.

Amlin Underwriting Limited and Lycetts Hamilton Limited provided Amlin Plus Limited 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 is charged on both loans at a rate of 2% above the Bank of England base rate. Interest of £7,124 (2005: £6,636) and £4,070 (2005: £3,884) has been recognised during the calendar year. Included in the 2005 balance are share issue costs of £14,400 and £9,600 on the issue of 14,400 A ordinary and 9,600 B ordinary shares respectively (which have been netted off against the loan balance). The year end balances due are £97,669 (2005: £90,545) and £64,032 (2005: £59,962) respectively. It is intended to repay all the loans in the first quarter of 2007.

Year end balance with related parties

Cash resources are held centrally within the Group. This eliminates the need for many of the Group's subsidiary companies to maintain bank accounts and optimises the management of cash resources. As a result of this practice many transactions within the Group are accounted for through intercompany accounts.

32 Related party transactions (continued)

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 2006 Highest £m	Balances during 2006 Lowest £m	2006 £m	2005 £m
Balances outstanding at the year end:				
– Syndicate 2001*	**20.0**	**(30.0)**	**(18.1)**	(3.1)
– Amlin Bermuda Ltd*	**1.0**	**(0.7)**	**0.6**	–
– Amlin Underwriting Group Limited	**5.8**	**(36.2)**	**10.4**	40.1
– AUT Holdings Limited	**44.9**	**8.8**	**41.3**	(12.4)
– Amlin Investments Limited	**148.8**	**(44.2)**	**185.8**	93.3
– St Margaret's Insurance Services Limited	**0.8**	**0.5**	**1.3**	–
– Angerstein Underwriting Limited	**0.1**	**–**	**(0.5)**	(0.5)
– Amlin Corporate Services Limited	**12.6**	**(0.6)**	**15.5**	(5.7)
– Amlin Dedicated plc	**–**	**0.1**	**–**	(0.1)
– Amlin Corporate Member Limited	**81.1**	**(65.2)**	**(19.4)**	(24.0)
– AUT (1 - 10) Limited companies	**12.9**	**(52.1)**	**(42.3)**	(2.8)
– Delian A - L Limited companies	**2.0**	**(8.3)**	**(5.0)**	1.6
– Amlin Overseas Holdings Limited	**–**	**(0.9)**	**–**	1.0
– Amlin Underwriting Services Limited	**–**	**(0.5)**	**(0.5)**	–
			169.1	87.4

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.

33 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 2006 £m	In Syndicate 2001 2006 £m	In Amlin Bermuda Ltd 2006 £m	**Total 2006 £m**	In Group owned companies 2005 £m	In Syndicate 2001 2005 £m	In Amlin Bermuda Ltd 2005 £m	Total 2005 £m
Investments								
Financial investments	468.2	1,257.4	642.1	**2,367.7**	337.3	1,157.5	583.4	2,078.2
Other assets								
Intangible assets	66.0	–	–	**66.0**	66.0	–	–	66.0
Property and equipment	4.6	–	1.6	**6.2**	5.8	–	0.2	6.0
Cash and cash equivalents	14.4	(0.2)	2.3	**16.5**	12.6	52.4	0.6	65.6
Loans and receivables – insurance assets	(32.5)	159.3	89.5	**216.3**	(2.8)	214.2	2.9	214.3
Loans and receivables – other	(10.6)	59.3	2.9	**51.6**	38.2	94.5	0.2	132.9
Deferred income tax	20.9	–	–	**20.9**	24.4	–	–	24.4
Current income tax	2.0	4.3	–	**6.3**	3.7	–	–	3.7
Reinsurance assets	(56.0)	751.3	–	**695.3**	–	1,016.1	–	1,016.1
Total assets	477.0	2,231.4	738.4	**3,446.8**	485.2	2,534.7	587.3	3,607.2
Current liabilities								
Trade and other payables	(35.9)	(20.5)	(1.5)	**(57.9)**	(52.0)	(3.4)	(1.0)	(56.4)
Current income tax liabilities	(28.7)	–	–	**(28.7)**	(19.6)	–	–	(19.6)
Borrowings	–	(0.9)	–	**(0.9)**	(148.8)	–	–	(148.8)
	(64.6)	(21.4)	(1.5)	**(87.5)**	(220.4)	(3.4)	(1.0)	(224.8)
Non-current liabilities								
Trade and other payables	(10.5)	–	–	**(10.5)**	(10.6)	(0.1)	–	(10.7)
Borrowings	(277.9)	–	–	**(277.9)**	(149.4)	–	–	(149.4)
Retirement benefit obligations	(7.5)	–	–	**(7.5)**	(12.4)	–	–	(12.4)
Deferred tax liabilities	(95.4)	–	–	**(95.4)**	(82.2)	–	–	(82.2)
	(391.3)	–	–	**(391.3)**	(254.6)	(0.1)	–	(254.7)
	(455.9)	(21.4)	(1.5)	**(478.8)**	(475.0)	(3.5)	(1.0)	(479.5)
Insurance contracts	84.0	(1,981.8)	(133.8)	**(2,031.6)**	(4.5)	(2,335.5)	(2.9)	(2,342.9)
Consolidated shareholders' funds at 31 December	105.1	228.2	603.1	**936.4**	5.7	195.7	583.4	784.8

The assets of the Syndicate included above are held in regulated trust funds and are only available to pay syndicate related expenditure.

33 Group owned net assets (continued)

The table below sets both Syndicate 2001 and Amlin Bermuda Ltd assets and liabilities by currency at 31 December:

	Amlin Bermuda Ltd		Syndicate 2001		**Net**	Net
	Assets £m	Liabilities £m	Assets £m	Liabilities £m	**2006 £m**	2005 £m
Sterling	–	–	772.1	(685.9)	**86.2**	196.1
US dollar	738.4	(135.3)	1,262.0	(1,146.0)	**719.1**	553.0
Can dollar	–	–	66.8	(49.3)	**17.5**	17.7
Euro	–	–	130.5	(122.0)	**8.5**	12.3
	738.4	(135.3)	2,231.4	(2,003.2)	**831.3**	779.1

Parent Company Balance Sheet
At 31 December 2006

Assets	Notes	2006 £m	2005 £m
Cash and cash equivalents	34	**2.2**	0.7
Financial investments at fair value through income	35	**22.9**	15.1
Loans and receivables	36		
– amount due from subsidiary undertakings		**254.3**	136.8
Current income tax asset		**31.7**	13.7
Deferred tax assets		**5.5**	5.2
Investments in subsidiary undertakings	37	**786.2**	787.4
Property and equipment	38	**1.7**	1.8
Total assets		**1,104.5**	960.7
Equity			
Share capital	20	**133.5**	132.5
Share premium account		**347.6**	344.0
Other reserves		**5.0**	3.9
Treasury shares		**1.0**	(0.3)
Retained earnings		**252.1**	128.5
Total shareholders' equity		**739.2**	608.6
Liabilities			
Current income tax liabilities		**–**	1.0
Trade and other payables		**1.5**	52.9
Amounts due to subsidiary undertakings		**85.9**	–
Borrowings	39	**277.9**	298.2
Total liabilities		**365.3**	352.1
Total liabilities and shareholders' equity		**1,104.5**	960.7

The financial statements were approved by the Board of Directors and authorised for issue on 2 March 2007. 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 2006

	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	3.9	(0.3)	128.5	608.6
Gains on revaluation of employee share ownership trust recognised directly in equity	–	–	–	1.3	–	1.3
Profit for the financial year	–	–	–	–	171.0	171.0
Total recognised income for the year	–	–	–	1.3	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	5.0	1.0	252.1	739.2

	Share capital £m	Share premium £m	Other reserves £m	Treasury shares £m	Retained earnings £m	Total £m
At 1 January 2005	98.8	154.2	3.2	(1.6)	98.0	352.6
Gains on revaluation of employee share ownership trust recognised directly in equity	–	–	–	1.3	–	1.3
Profit for the financial year	–	–	–	–	66.1	66.1
Total recognised income for the year	–	–	–	1.3	66.1	67.4
Rights issue proceeds, net of issue costs	31.9	182.8	–	–	–	214.7
Employee share option scheme:						
– share based payment reserve	–	–	0.7	–	–	0.7
– proceeds from shares issued	1.8	7.0	–	–	–	8.8
Dividends paid	–	–	–	–	(35.6)	(35.6)
	33.7	189.8	0.7	–	(35.6)	188.6
At 31 December 2005	132.5	344.0	3.9	(0.3)	128.5	608.6

Parent Company Cash Flow Statement
For the year ended 31 December 2006

	Notes	2006 £m	2005 £m
Cash generated from operations	41	**93.3**	174.9
Income tax paid		**(14.0)**	(14.1)
Net cash flow from operations		**79.3**	160.8
Cash flows from investing activities			
Contribution to the surplus capital of Amlin Bermuda Ltd		**–**	(578.6)
Acquisition of subsidiary, net of cash acquired		**–**	(0.2)
Net cash used in investing activities		**–**	(578.8)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**4.6**	223.5
Proceeds from borrowings		**227.7**	266.1
Repayment of borrowings		**(238.0)**	(32.0)
Dividends paid to shareholders		**(47.4)**	(30.6)
Interest paid		**(24.7)**	(9.2)
Net cash from financing activities		**(77.8)**	417.8
Net increase in cash and cash equivalents		**1.5**	(0.2)
Cash and cash equivalents at beginning of year		**0.7**	0.9
Cash and cash equivalents at end of year	34	**2.2**	0.7

Accounting policies

Basis of Preparation

Amlin plc, domiciled in the United Kingdom, is the ultimate Parent Company (the 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 £171.0 million (2005: £66.1 million).

The financial statements have been prepared on the historical cost basis except for financial investments, 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.

34 Cash and cash equivalent

	2006 £m	2005 £m
Cash at bank and in hand	2.2	0.7

35 Financial investments

The cost and valuation of the Company's investments are as follows:

	At valuation 2006 £m	At valuation 2005 £m	At cost 2006 £m	At cost 2005 £m
Participations in investment pools	22.9	15.1	22.9	15.1

36 Loans and receivables

	2006 £m	2005 £m
Amounts due from subsidiary undertakings	254.3	136.8

	2006 £m	2005 £m
Current portion	254.3	136.8

37 Investments in subsidiary undertakings

Company	Subsidiary undertakings £m
At 1 January 2006	787.4
Adjustments during the year	(1.2)
At 31 December 2006	**786.2**

37 Investments in subsidiary undertakings (continued)

The principal undertakings of Amlin plc at 31 December 2006 which are consolidated in these financial statements, all of which are wholly owned, operate in the UK or Bermuda:

Subsidiary undertakings	Principal activity	Registered in
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

* 60% owned by the Group

38 Property and equipment

	Leasehold land and buildings £m
Cost	
At 1 January and 31 December 2006	1.9
Accumulated depreciation	
At 1 January 2006	0.1
Charge for the year	0.1
At 31 December 2006	0.2
Net book value	
At 31 December 2006	**1.7**
At 1 January 2006	1.8

39 Borrowings

	2006 £m	2005 £m
Bank loans	**–**	241.0
Finance lease creditors	**–**	0.1
Subordinated debt	**277.9**	57.1
	277.9	298.2

	2006 £m	2005 £m
Current portion	**–**	148.8
Non-current portion	**277.9**	149.4
	277.9	298.2

For details of the Company borrowings refer to note 24 in the notes to the Group accounts.

40 Dividends

The amounts recognised as distributions to equity holders are as follows:

	2006 £m	2005 £m
Final dividend for the year ended:		
– 31 December 2004 of 5.0 pence per ordinary share	–	19.7
– 31 December 2005 of 6.2 pence per ordinary share	**25.0**	–
Interim dividend for the year ended:		
– 31 December 2005 of 4.0 pence per ordinary share	**–**	15.9
– 31 December 2006 of 4.2 pence per ordinary share	**22.4**	–
	47.4	35.6

40 Dividends (continued)

The dividends for 2005 were paid in a combination of cash and scrip dividend shares. The 2006 interim dividend was paid solely in cash. The amounts paid in cash and scrip dividend shares were as follows:

	2006 £m	2005 £m
Cash	**47.4**	30.5
Scrip dividend	**–**	5.1
	47.4	35.6

The final ordinary dividend of 7.8 pence per ordinary share for 2006, amounting to £41.7 million, payable in cash and a special dividend of 8.0 pence per ordinary share, amounting to £42.7 million, payable in cash, were approved by the Board on 2 March 2007 and have not been included as a liability as at 31 December 2006.

41 Cash generated from operations

	2006 £m	2005 £m
Profit before tax	**167.1**	63.1
Depreciation charge	**0.1**	–
Interest paid	**24.7**	9.2
Unrealised gains on investments	**(0.3)**	(2.0)
Net purchases of financial investments	**(7.5)**	(0.5)
Foreign exchange (gain)/loss	**(10.0)**	5.3
(Increase)/decrease in loans and receivables	**(117.5)**	68.2
Increase in trade and other payables	**34.5**	34.6
Other non-cash movements	**2.2**	(3.0)
Cash generated from operations	**93.3**	174.9

42 Related party disclosure

Full details of related party transactions are provided in note 32 to the consolidated financial statements.

43 Share based payments

Full details of share based payment plans are provided in note 21 to the consolidated financial statements.

Five year summary
For the year ended 31 December 2006

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.

	2006 **£m**	**2005 (restated) £m	**2004 £m	***2003 £m	***2002 £m
Managed capacity (year of account)	**1,000.0**	850.0	1,000.0	999.6	799.7
Amlin share	**1,000.0**	850.0	1,000.0	861.4	578.3
Gross premium written	**1,113.8**	993.5	945.6	937.4	717.1
Net premium written (i)	**1,013.5**	829.3	790.2	787.6	573.0
Net earned premium (i)	**973.9**	822.1	722.4	701.1	493.3
Profit attributable to underwriting	**267.9**	137.1	106.6	117.1	17.1
Profit before tax	**342.7**	186.7	119.7	117.8	44.8
Equity dividends	**47.4**	35.6	18.0	8.0	2.9
Intangible assets	**66.0**	66.0	66.0	63.2	63.2
Other financial investments					
Total assets*	**3,446.8**	3,607.2	2,340.7	1,977.8	1,755.7
Total liabilities	**2,510.4**	2,822.4	1,891.5	1,597.3	1,452.3
Equity shareholders' funds*	**936.4**	784.8	449.2	380.5	303.4
Earnings per share					
– basic	**50.4p**	34.3p	20.7p	21.0p	11.8p
– diluted	**49.8p**	33.7p	20.4p		
Dividends per share	**10.4p**	9.0p	4.7p	2.1p	0.8p
Net assets per share*	**175.6p**	148.7p	113.7p	98.7p	80.3p
Tangible net assets per share*	**163.2p**	136.2p	97.0p	82.3p	63.7p
Share price (at 31 December)	**325.3p**	248.5p	141.5p	128.0p	119.0p

* 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.

Notes

Directors and advisers
For the year ended 31 December 2006

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Nigel Buchanan+*
Brian Carpenter
Richard Davey*
Richard Hextall (Finance Director)
Tony Holt
Roger Joslin*
Thomas Kemp*
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
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Nigel Buchanan
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