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White Mountains – our owners

White Mountains Insurance Group, Ltd.

(White Mountains or the Company) is a financial services holding company with primary business interests in property and casualty insurance and reinsurance. The Company's corporate headquarters and its registered office are located in Hamilton, Bermuda and its principal executive office is located in Hanover, New Hampshire. The Company conducts its business through:

WHITE MOUNTAINS RE – global reinsurance.

ONEBEACON – specialty and segmented commercial and personal property and casualty primary insurance. OneBeacon's common shares are listed on the New York Stock Exchange under the symbol "OB". White Mountains holds a 75% interest in OneBeacon.

ESURANCE – personal auto insurance directly marketed and underwritten on the internet.

WHITE MOUNTAINS ADVISORS – investment management with \$25.8 billion of assets under management.

White Mountains' common shares are listed on the New York Stock Exchange and the Bermuda Stock Exchange under the symbol "WTM". Market capitalization as of December 31, 2008 was approximately \$2.4 billion.

As of December 31, 2008, White Mountains reported total assets of \$15.9 billion, shareholders' equity of \$2.9 billion, and adjusted GAAP book value per share^{NGM} of \$353.

White Mountains Re Group, Ltd.

(White Mountains Re) is a Bermuda holding company whose operating companies offer capacity for most property, casualty, accident & health, marine, and aviation exposures. Its principal operating companies are:

White Mountains Reinsurance Company of America, a U.S.-based international multiline reinsurance company that employs a conservative strategy with specialized underwriting expertise, a diversified portfolio, and strong operational discipline.

Sirius International Insurance Corporation, a Swedish-based international reinsurer that focuses mainly on property and other short-tailed lines. WMRe Sirius is the largest reinsurance company in Scandinavia and a leading reinsurer in Europe.

White Mountains Re Bermuda Ltd., a Bermuda-based Class 4 property and casualty reinsurer that writes a portfolio of third party property catastrophe reinsurance and provides reinsurance capacity for its sister reinsurers, WMRe America and WMRe Sirius.



"Once again, my sincere thanks to all those who make our continued success possible: to our hard-working and skilled staff for all their efforts and to our brokers and customers for their continued support."

Comments from the President and CEO

Stability and resilience were the themes of 2008. We successfully navigated our way through a terrible year for the world's financial system, enhancing our profitability at the same time as reaching out to new customers.

In all the attention paid to the difficulties of the banks, some people have overlooked the fact that it was also a big year for natural catastrophes. The total cost to insurers and reinsurers is estimated to have been around \$50 billion, a figure only previously exceeded in 2005. Add in the soft renewal season at the start of 2008, with prices falling in most of classes of business, and it was always going to be a challenging year.

I am, therefore, pleased to report that Sirius International was able to deliver a slightly improved performance, recording its second highest profits ever. We have now achieved positive underwriting results for each of the past seven years – in bad times as well as good. As I have said before, it is this consistency that enables us to provide our customers with a meaningful, long-term commitment.

Our combined ratio of 87% (88% in 2007) is certain, yet again, to be one of the best in our industry. It came about

despite some very significant losses. Unsurprisingly, Hurricane Ike topped the list, costing us around \$25 million net (\$28 million gross). This made it our third highest loss ever, and there were others. We were heavily exposed to hailstorms in Slovenia, for example, and also to extreme cold weather conditions in parts of China. Despite these events, all classes of business made an underwriting profit.

The fact that we managed to improve on last year's excellent results reflected the lower number of minor losses. Above all, though, we were again able to release funds from prior years. At Sirius we take a conservative view of our loss reserves, and it is normal for us to see them run off at a profit. This year our claims development was especially favourable.

Although 2008 was a grim year for investment returns globally, even here we achieved a profit of \$42 million: excellent under the circumstances if modest by historical standards. Like the rest of the market we saw our equities fall in value, but this movement was offset by our holdings in the United States and the sharp rise in the dollar.



GÖRAN THORSTENSSON
PRESIDENT & CEO

Our security ratings were confirmed during the year: A (Excellent) from A.M. Best; A3 from Moody's; and A- (Strong) from Standard & Poor's. Noting "the company's outperformance of its peers over an extended period," S&P predicted that Sirius would prove more resilient than most during the economic downturn.

Looking ahead, the market has stopped softening and is moving upwards in some areas. At the 2008/2009 renewal we saw rate rises on United States business and in those programs that had recently experienced high loss ratios. After writing slightly less premium in 2008 in response to worsening market conditions, we anticipate a resumption in our upward

trend. It is worth noting that increased line sizes and a growing reputation in the market have enabled us to lead more business. We expect this trend to continue. In January 2009 we were pleased to open a new branch office in Australia, in order to better serve our clients.

Once again, my sincere thanks to all those who make our continued success possible: to our hard-working and skilled staff for all their efforts and to our brokers and customers for their continued support. Whatever 2009 may bring to the wider economy, we look forward to being of continued service.

<u>At a glance</u>	<u>2008</u>	<u>2007</u>
Net premium income	\$858 million	\$858 million
Claims net of reinsurance	\$560 million	\$505 million
Combined Ratio	87%	88%
Investment income	\$42 million	\$61 million
Income before tax (group)	\$127 million	\$132 million
Solvency capital (group)	\$1,343 million	\$1,617 million
Solvency capital (group)	SEK 10,455 million	SEK 10,399 million



GÖRAN THORSTENSSON
PRESIDENT & CEO

Board of Directors' Report

Sirius International Insurance Corporation (publ)

Corporate Identity Number: 516401-8136

The Board of Directors and the President of Sirius International Insurance Corporation (publ) (Sirius International) hereby submit the company's annual report for 2008.

General information concerning the company

Sirius International is active in international insurance and reinsurance. Sirius International was established in 1989.

Insurance operations commenced in 1945 in Sirius Insurance Company Ltd. In 1989, the reinsurance activities were transferred to Sirius International. Sirius International has been the Parent Company of the Sirius Group since 1992.

The development, results and position of the company

The financial year 2008 was yet another of the best years for Sirius in terms of the results of the insurance operations, in spite a somewhat higher level of claims frequency compared with the previous year. Contributing factors have included the continued favourable results of the run-off portfolios from previous years and a satisfactory premium rate level on the active insurance portfolio. The positive run-off results of the previous years' portfolios is due to the adjustments of the reserve levels which were made after internal and external technical reviews were undertaken earlier in the year.

Catastrophic events worth noting during 2008 are the snowstorm in China, in January, the storm Emma in March, hailstorms in Slovenia and Germany during the summer and Hurricane Ike, which hit the American East Coast in September. Together, these events are expected to result in claims totalling approximately MSEK 600 for own account, and refer primarily to the class of business, Property. Except for these claims, the claims frequency and the allocation between the classes of business are in line with expected results. As regards the reinsurance business, in total, 2008 is seen as one of the years with the highest claims frequency occurring during the last 20 years.

Gross premium income for the Group amounted to MSEK 6,683 (2007: MSEK 6,652) and MSEK 6,683 (2007: MSEK 6,652) for the Parent Company. Premium income for own account for the Group totalled MSEK 5,602 (2007: MSEK 5,810) and for the Parent Company MSEK 5,602 (2007: MSEK 5,810). The insurance operating results of the Group amounted to MSEK 928 (2007: MSEK 972) and for the Parent Company MSEK 923 (2007: MSEK 998).

It is worth noting that all of the branch offices, with the exception of the agency in Hamburg, which was hit by claims for the hailstorms mentioned above, recorded a combined ratio below 100%, as did all active classes of insurance. The combined ratio was 87% (2007: 88%) for the Group and 87% (2007: 88%) for the Parent Company. The return on deployed capital in the insurance operations amounted to 16%

The volatility on the financial markets

during the autumn with dramatic collapses in the world's stock markets has had a negative impact on the company's investment results. It is principally the equity portfolio that has been impacted by significant realised and unrealised losses, as a result of the global recession. The Company has had no exposure against bonds with inferior credit ratings (Subprime Debt) and, therefore, the amount of incurred and expected losses in the bond portfolio are insignificant. The substantial reductions in interest rates which have been carried out by the majority of the central banks during the year have positively affected the increase in value of the bond portfolio. Furthermore, the Company's continued, strategic policy regarding currency exposure to, primarily, the USD has provided significant realised and unrealised currency rate gains.

The investment results, as presented in the Income Statement of the Group, amounted to a profit of MSEK 94 (2007: MSEK 208) before allocation of interest to the insurance operations. If unrealised fluctuations in the value of the bond portfolio, which is recorded directly in equity, are included, then the investment result amounted to a profit of MSEK 213, which is equivalent to a total yield of 2%. Calculation of investment yield and total yield is made in accordance with the recommendations of the Swedish Financial Supervisory Authority. The Group has, during the year, decreased the share of equities in the investment portfolio from approximately 25% at the beginning of the year to approximately 23% at the end of the year, including investments in associated companies and deposits from companies which have ceded reinsurance. During the year, Sirius International acquired an additional 5% of White Mountains Inter-

national (WMI), and now owns a total of 22% of the company. The shareholding in WMI is reported according to capital equity method and is classified as an investment in an associated company. Furthermore, the Company has acquired, through the subsidiary in The Netherlands, approximately 6% of the fellow subsidiary OneBeacon Insurance Group (OBI.) The classification, valuation and reporting as regards OBI is based on the rules for financial instruments listed in active markets as approximately 25% of OBI is listed on the New York Stock Exchange (NYSE).

Sirius International Holdings (NL) BV, Amsterdam, The Netherlands, has received a capital contribution of MUSD 100.

Other events regarding changes in the Group's structure are described primarily under the section "Ownership".

Ownership

Sirius International is a wholly owned subsidiary of Sirius Insurance Holding Sweden AB (Corporate Identity Number 556635-9724), Stockholm, Sweden, which is ultimately owned by White Mountains Insurance Group Ltd, Bermuda.

In June 2008, the company Sirius International Holdings (NL) BV, Amsterdam, The Netherlands, was acquired.

At year-end, the Group consists of Sirius International Insurance Corporation (publ) with the subsidiaries Sirius Belgium Réassurances S.A. (in liquidation), Liège, Belgium, Sirius Rückversicherungs Service GmbH, Hamburg, Germany, and Sirius International Holdings (NL) BV, Amsterdam, The Netherlands.

In addition, Sirius International has six branch offices outside of Sweden. These include the branch office in London, Great Britain - Sirius International Insurance Cor-

poration (publ) UK Branch; the branch office in Zurich, Switzerland - Sirius International Insurance Corporation (publ), Stockholm, Zurich Branch; the branch office in Singapore - Sirius International Insurance Corporation (publ) (Asia Branch), Singapore; the branch office in Liège, Belgium - Sirius International Insurance Corporation (publ), Belgian Branch; the branch office in Copenhagen, Denmark, Sirius International Danish Branch, filial af Sirius International Försäkringsaktiebolag (publ) and in Hamburg, Germany. The operation in Germany is conducted through the agency Sirius Rückversicherungs Service GmbH, which operates on behalf of Sirius International.

Additionally, Sirius International has applied for and received permission to establish a branch office in Australia, where the operations are planned to commence during the first half year 2009.

During 2001, a voluntary liquidation of Sirius Belgium Réassurances S.A., Liège, Belgium, was commenced as the company is no longer in active operation. The liquidation has not been completed, due to a tax dispute.

Major events occurring during the financial year or after the closing day

As per January 21, 2009 a restructuring has taken place within the White Mountains International Group, of which Sirius International owns approximately 28.2%. This restructuring is considered to have no impact on Sirius International's holding.

Information on risks

Please refer to Note 1, Accounting principles and Note 2, Information on risks.

Financial instruments and risk management

Please refer to Note 1 Accounting principle and Note 2 Information on risks.

Salaries and other remuneration to senior members of the management

Please refer to Note 34, Average number of employees, salaries and other remuneration.

Insurance contracts with no significant insurance risk

The Company has only a few insurance contracts with no significant insurance risk. These contracts are classified as investment contracts. Please refer to Note 1, Accounting principles.

Expectations concerning future developments

The underlying profitability of the insurance operations is positive in spite of increasing competition and the diversified investment portfolio is expected to contribute to a stable return on investments. However, the continued increased competition requires discipline in pricing and underwriting, continued efficiency improvements and a well-balanced risk relationship between insurance operations and investments in order to secure long-term profitability. For 2009, Sirius International's objective is to achieve a combined ratio lower than 94% and an underwriting return on capital (UROC) of 12%.

Five-year Summary

GROUP (MSEK)	2008	2007	2006 ¹⁾	2005 ²⁾	2004 ²⁾
Net premium income	5 602	5 810	7 257	4 877	4 781
Net premiums earned	5 822	6 019	5 898	4 988	4 608
Other technical income	0	10	5	-12	5
Allocated interest	168	259	149	130	173
Net claims incurred	-3 659	-3 471	-3 046	-3 463	-2 663
Net operating expenses	-1 403	-1 845	-1 927	-1 618	-1 805
Insurance operating result	928	972	1 079	26	316
Investment operating result	-74	-51	84	692	597
Other expenses	-27	-27	-35	-35	-35
Net income for the year	695	577	669	541	651
Net technical provisions	7 992	7 001	8 774	8 824	8 907
Market value on investment assets	16 743	15 508	17 881	18 862	14 957
Insurance operating result					
Claims ratio	63%	58%	51%	69%	58%
Cost ratio	24%	30%	33%	32%	39%
Combined ratio	87%	88%	84%	102%	97%
Investment result					
Investment yield	3%	6%	3%	4%	3%
Total yield	2%	2%	1%	5%	6%
Solvency capital					
Shareholders' equity	8 017	7 833	7 468	7 268	6 616
Deferred tax on untaxed reserves	2 420	2 581	2 430	2 094	2 081
Deferred tax other	0	0	0	0	-26
Deferred tax on reserve for unrealised capital gains	18	-15	-5	4	44
Excess/under values on investment assets					
- Other investment assets	0	0	0	-2	65
Total solvency capital	10 455	10 399	9 893	9 364	8 780
Solvency ratio	187%	179%	136%	192%	184%
Capital base 3)	10 013	9 764	9 628	8 324	8 040
Required solvency capital	956	956	1 154	792	1 302
Group-based values 4)					
Capital base	17 236	18 482			
Solvency requirement	2 566	2 369			
PARENT COMPANY (MSEK)	2008	2007	2006 ¹⁾	2005 ²⁾	2004 ²⁾
Net premium income	5 602	5 810	7 245	4 713	3 768
Net premiums earned	5 822	6 019	5 886	4 739	3 765
Allocated interest	168	258	149	130	164
Net claims incurred	-3 659	-3 418	-2 807	-3 165	-1 973
Net operating expenses	-1 408	-1 861	-1 916	-1 543	-1 536
Insurance operating result	923	998	1 312	161	421
Investment operating result	106	153	329	511	-109
Other expenses	-17	-17	-25	-25	-25
Net income for the year	738	430	227	553	-70
Net technical provisions	7 993	7 001	7 340	7 159	4 588
Market value on investment assets	16 882	15 508	15 314	14 431	11 774
Insurance operating result					
Claims ratio	63%	57%	48%	67%	52%
Cost ratio	24%	31%	32%	33%	41%
Combined ratio	87%	88%	80%	99%	93%
Investment result					
Investment yield	3%	5%	3%	4%	3%
Total yield	2%	3%	3%	5%	2%
Solvency capital					
Shareholders' equity	1 295	1 136	1 093	1 077	785
Untaxed reserves	9 197	9 217	8 680	7 408	7 433
Deferred tax other			0	0	0
Deferred tax on Reserve on reserve for unrealised capital gains	18	-15	-14	0	44
Excess/under values on investment assets					
- Other investment assets	0	0	0	28	83
Total solvency capital	10 510	10 338	9 759	8 513	8 345
Solvency ratio	188%	178%	135%	181%	198%
Capital base	9 968	9 776	9 560	8 210	7 876
Required solvency capital	956	956	1 105	724	722

1) For the comparison year 2006 the figures have been recalculated according to legally restricted IFRS

2) For the comparison years 2005 and 2004 the figures have not been recalculated according to legally restricted IFRS.

3) Includes Sirius International with subsidiaries.

4) Includes WM Re Ltd Group.

Proposed Appropriation of Earnings

For 2008, the Parent Company recorded a result before appropriations and taxes of MSEK 1,012 (2007: MSEK 1,134). Net income for the year amounted to a profit of MSEK 738 (2007: MSEK 430). As of December 31 2008 retained earnings in the Group amounted to MSEK 439.

At the disposal of the General Meeting of the Shareholders of the Parent Company Sirius International:

	SEK in thousands
Retained earnings	372,559
Unrestricted reserves	49,345
Dividend paid, resolved by the meeting of the shareholders	-330,000
Group contribution	-335,084
Net income for the year	738,207
Total	495,027

The Board of Directors and the President propose that the amount shall be appropriated as follows (TKR):

- Dividends to owners	295,000
- Retained earnings	200,027
Total	495,027

The company's financial position does not reflect any other view than that the company can be expected to fulfil its obligations in the short-term, as well as in the long-term. It is the opinion of the Board of Directors that the solvency capital of the company as it has been reported in the annual report is adequate in relation to the scope and risks of the operations.

Regarding the company's and the Group's results and financial position, please refer to the attached income statements and balance sheets, cash flow analyses, report on changes in shareholders' equity and accompanying notes.

Income Statement – Group

January 1 - December 31 (MSEK)	Note	2008	2007
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	6,683	6,652
Ceded reinsurance premiums	3	-1,081	-842
Change in the gross provision for unearned premiums		156	120
Change in the provision for unearned premiums, Reinsurers' share		64	89
Total earned premiums, for own account		5,822	6,019
Allocated investment return transferred from the non-technical account		168	259
Other technical income, for own account		0	10
Claims incurred, for own account			
Claims paid	4		
- Gross amount		-4,080	-3,714
- Claims handling expenses	5	-241	-163
- Reinsurers' share		561	423
Claims paid, for own account		-3,760	-3,454
Change in the provision for claims, for own account			
- Gross amount	4	-2,992	-71
- Reinsurers' share		3,090	44
Total claims incurred, for own account		-3,662	-3,481
Change in other technical provisions, for own account			
- Gross amount		3	10
Total other claims incurred, for own account		3	10
Operating costs	5	-1,403	-1,845
Operating profit/loss of technical account		928	972
NON-TECHNICAL ACCOUNT			
Balance of technical account			
Investment income/expenses			
- Investment income	6	1,386	1,136
- Unrealized gains/losses	7,9	-729	-5
- Investment expenses and charges	8	-563	-923
Investment income allocated to the technical account		-168	-259
Total investment income/expenses		-74	-51
Goodwill depreciation		-27	-27
Result before appropriations and taxes		827	894
Taxes		-132	-317
Net income for the year	11	695	577

Balance Sheet - Group

December 31	Note	2008	2007
ASSETS			
Intangible assets	12		
Goodwill		291	318
Capitalized software		1	0
Total intangible assets		292	318
Investment assets			
Land and buildings	13	4	5
Total land and buildings		4	5
Investments in associated companies			
Shares and participations in associated companies	15	2,101	1,652
Total investments in associated companies		2,101	1,652
Other financial investments			
Shares and participations	16, 20	1,745	2,196
Bonds and other interest bearing securities	17, 20	8,782	7,662
Other financial assets	18, 20	0	2
Total other financial investments		10,527	9,860
Deposits with cedents		1,716	1,268
Reinsurers' share of technical provisions			
Provisions for unearned premiums	24	385	254
Claims outstanding	25	4,588	1,107
Total reinsurers' share of technical provisions		4,973	1,361
Debtors			
Debtors arising out of direct insurance operations	19	37	30
Debtors arising out of reinsurance operations		1,252	991
Other debtors	19	842	654
Total debtors		2,131	1,675
Other assets			
Tangible assets	21	16	17
Cash and bank balance		2,454	2,723
Total other assets		2,470	2,740
Prepayments and accrued income			
Accrued interest		170	166
Deferred acquisition costs	22	441	464
Other prepayments and accrued income		18	11
Total prepayments and accrued income		629	641
TOTAL ASSETS		24,843	19,520

December 31	Note	2008	2007
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Share capital (8 million shares of nom. Value SEK 100)		800	800
Fair value reserve		49	-37
Restricted reserves		6,778	6,637
Retained earnings		-305	-144
Net income for the year		695	577
Total shareholders' equity		8,017	7,833
Technical provisions			
Provisions for unearned premiums	24	2,343	2,061
Claims outstanding	25	10,507	6,219
Equalization provision	26	3	5
Claims handling provision	27	113	77
Total technical provisions		12,966	8,362
Provisions for other risks and expenses			
Pension provisions	28	15	13
Tax provisions	29	2,848	2,841
Total provisions for other risks and expenses		2,863	2,854
Deposits received from reinsurers		59	36
Creditors			
Creditors arising out of direct insurance operations	30	25	23
Creditors arising out of reinsurance operations		245	17
Derivatives	31	0	1
Other creditors	30	546	301
Total creditors		816	342
Accrued expenses and deferred income			
Accrued expenses and deferred income		122	93
Total accrued expenses and deferred income		122	93
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		24,843	19,520
Pledged assets	32	8,527	7,714
Contingent liabilities	32	79	76

Change in shareholders' equity for the Group

Group (MSEK)	Restricted equity		Non-restricted equity			Total
	Share Capital	Other Reserves	Fair value reserve	Profit/loss brought forward	Net profit/ loss for the year	Total equity
Amount 1 January 2008	800	6,637	-37	-144	577	7,833
Transfer of net result from previous year	0	0	0	577	- 577	0
Translation differences for the year	0	0	0	68	0	68
Transfer to fair value reserve	0	0	86	0	0	86
Change of untaxed reserves	0	141	0	-141	0	0
Net profit/loss for the year	0	0	0	0	695	695
Group contribution provided	0	0	0	-335	0	-335
Dividend paid ²⁾	0	0	0	-330	0	-330
Amount 31 December 2008	800	6,778	49	-305	695	8,017
Amount 1 January 2007	800	6,250	- 50	-202	670	7,468
Transfer of net result from previous year	0	0	0	670	-670	0
Translation difference for sale of subsidiary	0	0	0	158	0	158
Translation difference for the year	0	0	0	1	0	1
Acquisition of subsidiary ¹⁾	0	0	0	6	0	6
Sale of subsidiary	0	0	0	-3	0	-3
Transfer from fair value reserve net previous year	0	0	69	0	0	69
Transfer to fair value reserve	0	0	-52	0	0	-52
Tax effect of transfer from fair value reserve previous year	0	0	-19	0	0	-19
Tax effect of transfer to fair value reserve	0	0	15	0	0	15
Transfer to untaxed reserves	0	387	0	-387	0	0
Net profit/loss for the year	0	0	0	0	577	577
Group contribution provided	0	0	0	-152	0	-152
Dividend paid	0	0	0	-235	0	-235
Amount 31 December 2007	800	6,637	-37	-144	577	7,833

1) The subsidiary Sirius International Holdings (NL) B.V. has been acquired during the year.

2) During the year dividends have been provided to the Parent Company Fund American Holdings AB.

	2008	2007
SHARE CAPITAL		
Specified in number of shares, SEK		
Issued per 1 January	8,000,000	8,000,000
Issued per 31 December	8,000,000	8,000,000

Per 31 December 2008, registered share capital comprised of 8,000,000 (8,000,000) ordinary shares. The shares have a quotient value of SEK 100 (100).

	2008	2007
TRANSLATION DIFFERENCE		
Opening translation difference	7	-152
Change for the year	68	159
Closing translation difference	75	7
UNTAXED RESERVES		
Equity portion of untaxed reserves		
Opening equity portion of untaxed reserves	6,637	6,250
Change for the year	141	387
Closing equity portion of untaxed reserves	6,778	6,637
FAIR VALUE RESERVE		
Fair value reserve before tax		
Opening fair value reserve	-52	-69
Change for the year	119	17
Closing fair value reserve	67	-52
Tax on fair value reserve		
Opening tax on fair value reserve	15	19
Change for the year	-33	-4
Closing tax on fair value reserve	-18	15
Fair value reserve after tax		
Opening fair value reserve	-37	-50
Change for the year	86	13
Closing fair value reserve	49	-37
PROFIT/LOSS BROUGHT FORWARD		
Opening profit/loss brought forward	-144	-202
Transfer of net result from previous year	577	670
Translation difference for the year	68	159
Transfer to restricted reserves	-141	-387
Bought/sold subsidiaries, net	0	3
Dividend paid	-335	-235
Group contribution provided 72% - equity portion	-330	-152
Closing profit/loss brought forward	-305	-144
NET PROFIT/LOSS FOR THE YEAR		
Net profit/loss for the year	695	577

Cash flow statement for the Group

	2008	2007
OPERATING ACTIVITIES		
Profit/loss before tax ¹⁾	827	894
Adjustment for non-cash items	94	198
Income tax paid	-193	-83
Cash flow from current operations before changes in assets and liabilities	728	1,009
Change in land and buildings	1	2
Change in financial investments	-997	-517
Change in other operating receivables	-4,399	1,712
Change in other operating liabilities	4,885	-2,870
Cash flow from operating activities	278	1,673
INVESTING ACTIVITIES		
Net investment in tangible assets	-6	-4
Acquisition of subsidiaries, net impact on liquidity	0	2
Disposal of subsidiaries, purchase price received	0	414
Disposal of subsidiaries, cash and cash equivalents disposed of	0	-537
Cash flow from investing activities	-6	-125
FINANCING ACTIVITIES		
Loans taken	0	414
Repayment of loans	0	-414
Dividends paid	-330	-235
Group contributions paid	-211	-242
Cash flow from financing activities	-541	-477
Cash flow for the year	- 269	-1,266
Cash and cash equivalents at beginning of year	2,723	3,989
Cash flow for the year	-269	-1,266
Cash and cash equivalents at end of year ²⁾	2,454	2,723
¹⁾ Of which		
Interest received	455	614
Dividends received	52	435
Total	507	1,049
²⁾ The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	272	229
Current investments, equivalent to cash and cash equivalents	2,182	2,494
Total	2,454	2,723

Income Statement – Parent Company

January 1 - December 31 (MSEK)	Note	2008	2007
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	6,683	6,652
Ceded reinsurance premiums	3	-1,081	-842
Change in the gross provision for unearned premiums		156	120
Change in provision for unearned premiums, reinsurers' share		64	89
Total earned premium, for own account		5,822	6,019
Allocated investment return transferred from the non-technical account			
		168	258
Claims incurred, for own account			
Claims paid	4		
- Gross amount		-4,080	-3,693
- Claims handling expenses	5	-241	-163
- Reinsurers' share		561	423
Claims paid, for own account		-3,760	-3,433
Change in the provision for claims, for own account			
- Gross amount	4	-2,992	-44
- Reinsurers' share		3,090	44
Total claims incurred, for own account		-3,662	-3,433
Change in other technical provisions, for own account			
- Gross amount		3	15
Total claims incurred, for own account		3	15
Operating costs	5	-1,408	-1,861
Operating profit/loss of technical account		923	998
NON-TECHNICAL ACCOUNT			
Balance of technical account			
Investment income/expenses		923	998
- Investment income	6	1,053	1,016
- Unrealised gains/losses	7, 9	-450	9
- Investment expenses and charges	8	-329	-614
Investment income allocated to the technical account		-168	-258
Total investment income/expenses		106	153
Goodwill depreciation		-17	-17
Result before appropriations and taxes		1,012	1,134
Appropriations		0	-537
Change of excess depreciation on intangible assets		19	0
Result before taxes		1,031	597
Taxes	11	-293	-167
Net income for the year		738	430

Balance Sheet - Parent Company

December 31

(MSEK)

	Note	2008	2007
ASSETS			
Intangible assets	12		
Goodwill		229	246
Other intangible assets		1	0
Total intangible assets		230	246
Investment assets			
Land and buildings	13	4	5
Total land and buildings		4	5
Investments in group companies and associated companies			
Shares and participations in group companies	14	656	13
Shares and participations in associated companies	15	2,058	1,673
Total investments in group companies and associated companies		2,714	1,686
Other financial investments			
Shares and participations	16, 20	1,294	2,191
Bonds and other interest-bearing securities	17, 20	8,782	7,662
Other financial assets	18, 20	0	2
Total financial investments		10,076	9,855
Deposits with cedents		1,716	1,267
Reinsurers' share of technical provisions			
Provisions for unearned premiums	24	385	254
Claims outstanding	25	4,588	1,107
Total reinsurers' share of technical provisions		4,973	1,361
Debtors			
Debtors arising out of direct insurance operations	19	37	30
Debtors arising out of reinsurance operations		1,252	992
Other debtors	19	814	630
Total debtors		2,103	1,652
Other assets			
Tangible assets	21	15	15
Cash and bank balance		2,431	2,720
Total other assets		2,446	2,735
Prepayments and accrued income			
Accrued interest		169	165
Deferred acquisition costs	22	441	464
Other prepayments and accrued income		18	11
Total prepayments and accrued income		628	640
TOTAL ASSETS		24,890	19,447

December 31	Note	2008	2007
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Share capital (8 million shares of nom. value SEK 100)		800	800
Fair value reserve		49	-37
Retained earnings		-292	-57
Net income for the year		738	430
Total shareholders' equity		1,295	1,136
Untaxed reserves			
	23		
Excess depreciations on intangible assets		61	81
Safety reserve		9,136	9,136
Total untaxed reserves		9,197	9,217
Technical provisions			
Provisions for unearned premiums	24	2,343	2,061
Claims outstanding	25	10,507	6,219
Equalization provision	26	3	5
Claims handling provision	27	113	77
Total technical provisions		12,966	8,362
Provisions for other risks and expenses			
Tax provisions	29	427	257
Total provisions for other risks and expenses		427	257
Deposits received from reinsurers			
		59	35
Creditors			
Creditors arising out of direct insurance operations	30	25	23
Creditors arising out of reinsurance operations		245	17
Derivatives	31	0	1
Other creditors	30	554	306
Total creditors		824	347
Accrued expenses and deferred income			
Accrued expenses and deferred income		122	93
Total accrued expenses and deferred income		122	93
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
		24,890	19,447
Pledged assets	32	8,527	7,714
Contingent liabilities	32	79	76

Change in shareholders' equity - Parent Company

(MSEK)	Restricted equity	Non-restricted equity			Total
	Share Capital	Fair value reserve	Profit/loss brought forward	Net profit/loss for the year	Total equity
Amount 1 January 2008	800	-37	-57	430	1,136
Transfer of net result from previous year	0	0	430	-430	0
Change in fair value reserve	0	86	0	0	86
Group contribution provided ²⁾	0	0	-335	0	-335
Dividend paid ¹⁾	0	0	-330	0	-330
Net profit/loss for the year	0	0	0	738	738
Amount 31 December 2008	800	49	-292	738	1,295
Amount 1 January 2007	800	-37	103	227	1,093
Transfer of net result from previous year	0	0	227	-227	0
Change in fair value reserve	0	0	0	0	0
Group contribution provided - equity portion	0	0	-152	0	-152
Dividend paid	0	0	-235	0	-235
Net profit/loss for the year	0	0	0	430	430
Amount 31 December 2007	800	-37	-57	430	1,136

1) During the year, dividends have been provided to the Parent Company Fund American Holdings AB.

2) Group contributions have been provided to Fund American Holdings AB and Sirius Insurance Holding Sweden AB.

	2008	2007
SHARE CAPITAL		
Specified in number of shares, SEK		
Issued per 1 January	8,000,000	8,000,000
Issued per 31 December	8,000,000	8,000,000

Per 31 December 2008, registered share capital comprised of 8,000,000 (8,000,000) ordinary shares. The shares have a quotient value of SEK 100 (100).

	2008	2007
FAIR VALUE RESERVE		
Opening fair value reserve	-52	-51
Change for the year	119	-1
Closing fair value reserve	67	-52
Tax on fair value reserve		
Opening tax on fair value reserve	15	14
Change for the year	-33	1
Closing tax on fair value reserve	-18	15
Fair value reserve, net		
Opening fair value reserve	-37	-37
Change for the year	86	0
Closing fair value reserve after tax	49	-37
PROFIT/LOSS BROUGHT FORWARD		
Opening profit/loss brought forward	-57	103
Transfer of net result from previous year	430	227
Dividend paid	-330	-235
Group contribution provided 72% - equity portion	-335	-152
Closing profit/loss brought forward	-292	-57
NET PROFIT/LOSS FOR THE YEAR		
Net profit/loss for the year	738	430

Cash flow statement for the Parent Company

	2008	2007
OPERATING ACTIVITIES		
Profit/loss before tax ¹⁾	1,031	597
Adjustment for non-cash items	4	561
Income tax paid	-178	-89
Cash flow from current operations before changes in assets and liabilities	857	1,069
Change in land and buildings	1	2
Change in financial investments	-487	-771
Change in other operating receivables	-4,349	-50
Change in other operating liabilities	4,880	-334
Cash flow from operating activities	902	-84
INVESTING ACTIVITIES		
Net investment in tangible assets	-7	-9
Acquisition of subsidiaries, net impact on liquidity	0	-414
Disposal of subsidiaries, net impact on liquidity	0	414
Cash flow from investing activities	-7	-9
FINANCING ACTIVITIES		
Shareholders' contribution paid	-643	-282
Loans taken	0	414
Repayment of loans	0	-414
Dividends paid	-330	-234
Group contributions paid	-211	-242
Cash flow from financing activities	-1,184	-758
Cash flow for the year	-289	-851
Cash and cash equivalents at beginning of year	2,720	3,571
Cash flow for the year	-289	-851
Cash and cash equivalents at end of year ²⁾	2,431	2,720
¹⁾ Of which		
Interest received	419	585
Interest paid	0	0
Dividends received	34	435
Total	453	1,020
²⁾ The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	448	968
Current investments, equivalent to cash and cash equivalents	1,983	1,752
Total	2,431	2,720

Performance analysis, Parent Company

Analysis of Insurance Result (MSEK)	Direct Swedish risks, credit	Direct Swedish risks, aviation	Direct foreign risks	Assumed reinsurance	Total
Technical result insurance operations					
Premiums earned, for own account	2	1	497	5,322	5 822
Allocated investment return transferred from the non-technical account			13	155	168
Claims incurred, for own account)	8	0	-356	-3,314	-3,662
Operating costs	1	0	-251	-1,158	-1,408
Change of equalisation provision	0	0	3	0	3
Technical result of insurance operations	11	1	-94	1,005	923
Of which results from prior years ¹⁾	11	1	-60	852	804
Technical provisions					
Unearned premiums and remaining risks	0	0	-375	-1,968	-2,343
Outstanding claims	0	0	-353	-10,154	-10,507
Equalisation provision	0	0	-3	0	-3
Claims adjustment provision			-4	-109	-113
Total technical provisions	0	0	-735	-12,231	-12,966
Reinsurer's share of technical provisions					
Unearned premiums and remaining risks	0	0	77	308	385
Outstanding claims	0	0	63	4,525	4,588
Total technical provisions, reinsurer's share	0	0	140	4,833	4,973
Premiums earned, for own account					
Gross premium income	-80	1	635	6,127	6,683
Ceded reinsurance premium	0	0	-144	-937	-1,081
Change in gross provision for unearned premiums	82	0	19	55	156
Reinsurer's share of change in unearned premiums	0	0	-13	77	64
Premiums earned, for own account	2	1	497	5,322	5,822
Claims incurred, for own account					
Claims paid					
Gross amount	0	0	-445	-3,635	-4,080
Reinsurer's share	0	0	98	463	561
Claims handling expenses	0	0	-20	-221	-241
Change in provision for outstanding claims					
Gross amount	8	0	22	-3,022	-2,992
Reinsurer's share	0	0	-11	3,101	3,090
Claims incurred, for own account	8	0	-356	-3,314	-3,662

¹⁾ Defined as results from underwriting year 2007 and prior.

Note 1 • Accounting Principles

General information

This annual report was issued per 31 December 2008 and refers to Sirius International Insurance Corporation (publ), both the Group and the Parent Company, which is an insurance company with its registered offices in Stockholm.

The address of the head office is Birger Jarlsgatan 57B, Stockholm and the Corporate Identity Number is 516401-8136.

Compliance with standards and law

The Company's annual report/consolidated accounts have been prepared in accordance with the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL), as well as the Swedish Financial Supervisory Authority's regulations and general advice on Annual Reports in Insurance Companies (FFFS 2008:26) and the Swedish Financial Accounting Standards Council's recommendation RFR 2. The insurance company applies so-called legally restricted IFRS (IFRS as restricted by Swedish legislation), which refers to international accounting standards adopted for application with the limitations implied by RFR 2 and FFFS 2008:26. This entails that all IFRS and statements approved by the EU are applied to the extent that this is possible within the framework of Swedish law and with regard to the relation between accounting and taxation.

The Parent Company applies the same accounting principles as the Group, save for the exceptions described in the section on the Parent Company's accounting principles.

Assumptions in the preparation of the Company's financial reports

The Company's functional currency is the Swedish krona (SEK) and the financial reports are presented in Swedish kronor. Unless otherwise stated, all amounts are rounded to the nearest million. Assets and liabilities are recorded at acquisition cost, with the exception of certain financial assets and liabilities which are valued at fair value. Financial assets and liabilities valued at fair value consist of derivative instruments, financial assets classified as financial assets valued at fair value via the income statement or as available-for-sale financial assets.

Assessments and estimates in the financial reports

The preparation of financial statements in conformity with IFRS requires the Company's management to make assessments and estimates, as well as assumptions impacting the application of the accounting principles and the recorded values of assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and a number of other factors considered reasonable in the current situation. The results of these estimates and assumptions are, subsequently, used to assess the recorded values of assets and liabilities which are not otherwise clearly apparent from other sources. Actual outcome can deviate from these estimates and assessments.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are recorded in the period in which the change is made if the change only affects that period, or the period in which the change is made as well as future periods, if such change affects both current and future periods.

Insurance contracts and financial instruments

According to IFRS 4, contracts transferring significant insurance risk should be classified as insurance. The Company has made the assessment that insurance risk in excess of five percent should be deemed significant and the contract is thus classified as insurance.

All agreements which legally can be considered insurance contracts have been subject to assessment regarding whether they signify a transfer of significant insurance risk, so that they can also be presented as insurance contracts in the accounts. In the case of certain agreements which are a

combination of risk and savings, the Company has been obligated to undertake an assessment of the contracts which can be considered to signify a transfer of significant insurance risk. The amount of the insurance risk has been assessed through a consideration of whether there exists one or more scenarios with commercial implications in which the insurance company would be liable to pay significant further benefits in excess of the amount which would have been paid had the insured event never occurred.

Certain contracts include an option for the contract holder to insure themselves in the future. The Company does not consider such options, in themselves, to constitute a material insurance risk.

Classification of financial assets and liabilities

The Company's accounting principles provide detailed definitions of the manner in which assets and liabilities should be classified into different categories:

The classification of financial assets and liabilities held for trade presumes that these correspond to the description of financial assets and liabilities held for trade in the accounting principles.

Financial assets and liabilities that the Company has initially chosen to value at fair value via the income statement under the presumption that the criteria of the accounting principles have been fulfilled.

Classification of financial assets as investments held to maturity under the presumption that Company has the expressed intention and capacity to hold the assets until maturity in accordance with what is stated in the accounting principles.

Important sources of uncertainty in estimates

The Company makes assessments and estimates forming the basis for the valuation of certain assets and liabilities. These assessments and valuations are made on an ongoing basis and are based on previous experience and future expected outcomes.

Technical provisions

The Company's accounting principles for insurance contracts are described below. The Company's most critical accounting estimate concerns insurance technical provisions. This estimate is based on historical experience and other relevant factors considered as reasonable. Even if the applied methods and employed parameters are assessed as correct, future outcomes may deviate from the expected value.

The process applied for the determination of central assumptions, forming the basis for the valuation of the provisions, is described in Note 2.

Determination of fair value of financial instruments

The valuation methods described below have been applied in the valuation of financial assets and liabilities for which there is no observable market price. There may be some uncertainty as regards the observed market price for financial instruments with limited liquidity. Such instruments may, therefore, require further assessments, depending on the uncertainty of the market situation.

Company management has discussed the development, selection and disclosure of significant accounting principles and estimates of the Group and of the Parent Company, as well as discussing the application of these principles and estimates. The specified accounting principles have been consistently applied to all periods presented in the financial reports, unless stated otherwise below.

Approval

The annual accounts were approved for publication by the Board of Directors on 9 March 2009. The income statement and balance sheet will be adopted at the General Meeting held in the spring of 2009.

Changed accounting principles

No changes to the accounting principles have been made during the year.

Changes to standards, statements and interpretations

A number of standards, statements and interpretations have been published in connection with the preparation of the Company's annual report per 31 December 2008 but have not yet come into force. In addition, certain standards, statements and interpretations currently in force have been changed, and certain standards, statements and interpretations have come into force during 2008. Below follows a summary and a preliminary assessment of the effect these standards, statements and interpretations may have on the Company's financial reports. Changes other than those given below are not deemed relevant to the Company, alternatively are not expected to affect the Group's financial reports.

IAS 39 (Amendment) and IFRS 7 (Amendment), "Reclassification of Financial Instruments" (applies from 1 July 2008). The amendment to IAS 39 enables companies to, under certain circumstances, reclassify financial assets available for sale. The amendment is not obligatory. The Group has not applied the amendments made to IAS 39 and IFRS 7.

IAS 1 (Revised) "Presentation of Financial Statements" (applies from 1 January 2009). The revised standard will prohibit the presentation of income and cost items (i.e. "changes in shareholders' equity exclusive of transactions with shareholders") in the report on changes in shareholders' equity and will, instead, require such "changes in shareholders' equity exclusive of transactions with shareholders" to be presented in a separate report to that presenting changes in shareholders' equity involving transactions with shareholders. The Group will apply IAS 1 (amendment) as of 1 January 2009.

Consolidation principles

Subsidiaries

Subsidiaries are companies in which the Parent Company has a controlling influence. The term "controlling influence" refers to the direct or indirect right to formulate a company's financial and operative strategies with the intention of receiving financial benefit. Subsidiaries are reported according to the purchase accounting method. This method implies that the acquisition of subsidiaries is considered to be a transaction through which the Group indirectly acquires the subsidiary's assets and takes over its liabilities and contingent liabilities.

The Group acquisition value is determined through an acquisition analysis concurrent with the acquisition. In the case of business acquisitions in which the acquisition cost exceeds the net value of the acquired assets and assumed liabilities and contingent liabilities, the difference is recorded as goodwill. When the difference is negative, this is recorded directly in the income statement.

Subsidiaries' financial reports are included in the consolidated accounts from the date of acquisition until the date upon which the controlling influence ceases.

Associated companies

Associated companies are those companies in which the Group has a significant, but not controlling, influence over the operational and financial administration, usually through the holding of participations between 20% and 50% of the number of votes. From the point in time when the significant influence is acquired, participations in associated companies are recorded in the consolidated accounts according to the equity method. The equity method implies that the value of the shares in the associated company, reported in the Group, corresponds to the Group's share of the associated companies' equity and Group goodwill and any other remaining amount of positive or negative group adjustment in consolidation. In the consolidated income statement, the Group's share of the associated companies' net profit/loss after tax and minority interest adjusted for any amortisation, impairment or reversals of acquired surplus or deficit values, are recorded as "Participations in associated companies". Dividends received from the associated company reduce the recorded value of the investment.

When the Group's share of reported losses in an associated company exceeds the book value of the Group's participations in the company, the value of the participations is reduced to zero. The equity method is applied up to the point in time when the significant influence ceases.

Transactions eliminated on consolidation

Receivables and liabilities, income and expenses, and unrealised gains and losses arising on internal transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared. Unrealised gains arising from transactions with associated companies are eliminated in an amount corresponding to the Group's participating interest in the company. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent there is no impairment requirement.

Foreign currency

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on transaction date. The Company's functional currency is the Swedish krona and the closing rate on the balance sheet date has been used in the valuation of assets and liabilities in foreign currency. Exchange rate fluctuations are recorded net in the income statement on the lines, Investment, income or Investment, expenses.

Closing rates for the most important currencies

USD	7.78
EUR	10.88
GBP	11.40

Financial reports of foreign operations

Assets and liabilities in foreign operations, including goodwill and other Group surplus and deficit values, are translated from the functional currency of the foreign operation to the Group's reporting currency, Swedish kronor, at the exchange rate prevailing on the balance sheet date. Income and expenses in foreign operations are translated into Swedish kronor at an average rate that approximates the exchange rates prevailing at the date of the respective transactions. Translation differences arising in the currency translation of foreign operations are recorded directly against shareholders' equity in a translation reserve.

Net investments in foreign operations

Translation differences arising in the translation of foreign net investments and the associated effects of the hedging of net investments are recorded directly in the translation reserve in shareholders' equity. Upon disposal of a foreign operation, accumulated translation differences attributable to the operation, less any currency hedging, are realised in the Group's income statement.

Insurance contracts

Insurance contracts are recorded and valued in the income statement and balance sheet in accordance with their financial substance as opposed to their legal form, in the event that these differ. Contracts transferring material insurance risks from the policyholder to the Company and whereby the Company agrees to compensate the policyholder or other beneficiary in the event that a pre-agreed insured event occurs are recorded as insurance contracts. Investment contracts are contracts which do not transfer any material insurance risk from the policyholder to the Company. The Company has issued a policy entailing a mandatory test of whether sufficient insurance risk exists in signed contracts for classification as insurance contracts. This test builds upon definitions in accordance with IFRS 4. For contracts or groups of contracts classified as insurance contracts, recording and valuation are carried out in accordance with previously applied principles. For contracts or groups of contracts which are not classified as insurance contracts, recording and valuation are conducted according to IAS 39, Financial Instruments or according to IAS 18, Revenue.

Recording of insurance contracts

Revenue recognition/Premium income

The total gross premiums for direct insurance and assumed reinsurance

paid or credited to the Company, for insurance contracts in which the insurance period commenced prior to the close of the financial year, are recorded as premium income. Reinstatement premiums (premiums for reinstating the coverage following a claim) and premiums for insurance periods not commencing until after the close of the financial year, are also recorded as premium income if, according to contract, they fall due for payment during the financial year.

The term gross premium refers to the contractual premiums for the entire insurance period. Renewal premiums that are not confirmed by the policyholder and premiums for newly signed insurance contracts are recognised in the amounts expected to flow to the Company. Cancellations reduce premium income, as soon as the amount is known. Additional premiums are recognised in the amount estimated to flow to the Company. Premium revenue corresponds to the portion of premium income that has been earned. Unearned premiums are allocated to Provision for unearned premiums.

Technical provisions

Technical provisions consist of the Provisions for unearned premiums and unexpired risks, Provisions for outstanding claims, Equalisation provisions and Claims adjustment provisions.

Provision for unearned premiums and unexpired risks

In the balance sheet, this provision consists of amounts corresponding to the Company's liability for claims, administrative expenses and other costs during the remainder of the contract period for policies in force. By "policies in force" is meant insurance policies in accordance with established contracts regardless of whether these policies refer, entirely or partly, to subsequent insurance periods. In calculating these provisions, an estimate is made of anticipated expenses for any claims that may occur during the remaining terms of these insurance policies, as well as administrative expenses for this period. The estimation of costs is based on the Company's own experience and consideration is also made for both the observed and the forecasted development of relevant costs.

Unexpired risk refers to the risk that the insurance contract's claims and expenses cannot be covered by unearned and expected premium revenue after the close of the financial year.

For insurance policies with premiums paid for multiple years, the provision for unearned premiums is calculated on the basis of a careful estimation both of the Company's liability for contracts in force and of the expected payment patterns. Provisions for unearned premiums are estimated with the help of the unearned portion of the premium for policies in force, generally using a pro rata temporis calculation in accordance with the insurance contract's terms and conditions over the contract period in relation to the insurance coverage for the period. If the premium level for policies in force is considered insufficient, a provision is made for unexpired risks.

The period's change in provisions for unearned premiums and unexpired risks is recorded in the income statement. Changes that can be explained by the translation of balance sheet provisions at the exchange rate prevailing on balance sheet date are recorded as exchange gains or losses under the Non-technical account.

Provision for outstanding claims

This balance sheet item comprises of estimated undiscounted cash flows relating to final costs for settlement of all claims resulting from events occurring before the close of the financial year, with deduction of those amounts that have already been paid, on the basis of receipt of claims payment advices. This amount also includes estimated undiscounted cash flows regarding future operating costs for the settlement of incurred but, as of balance sheet date, outstanding claims, as well as refunds that are due for payment.

The provision for incurred but not reported claims (IBNR) includes expenses for incurred but, to date, unknown claims. This amount is an estimate based on historic experience of the outcome of claims.

The income statement records the change in outstanding claims for the period. Changes that can be explained by the translation of balance sheet

reserves to the exchange rate prevailing on balance sheet date are recorded as exchange gains or losses under the Non-technical account.

Embedded derivatives in insurance contracts

The Company does not individually value embedded derivatives that can be defined as insurance contracts or options to repurchase insurance contracts, either on the basis of a fixed amount, or on the basis of a fixed amount and interest rate.

Equalisation provision

The amount of this provision is calculated as 150% of the highest net premium revenue for class 14, credit insurance, with equivalent reinsurance, during the five most recent financial years. Provisions for each financial year are equivalent to 75 % of the technical insurance surplus in the credit insurance operations. The period's change in equalisation provision is recorded in the income statement.

Claims adjustment provision

The amount of this provision is based on outstanding claims, including IBNR, for certain specific years. The provision is equal to 4% of outstanding amounts. The period's change in the claims adjustment provision is recorded in the income statement within the items Claims handling expenses and Operating costs.

Provision adequacy testing

The Company's applied accounting and valuation principles for the balance sheet items Deferred acquisition costs, Provisions for unearned premiums and Unexpired risks automatically entail testing of whether the provisions are sufficient with regard to expected future cash flows.

Deferred acquisition costs for insurance contracts

The term acquisition costs refers to operating costs varying with and directly or indirectly constituting the acquisition or renewal of insurance contracts. Deferred acquisition costs are only recorded for insurance contracts deemed to generate a margin at least covering the acquisition costs. Sirius only records deferred acquisition costs to agents and ceding companies. Deferred acquisition costs are normally amortised over a period of 12 months in a manner corresponding to the earning pattern of the premium for the insurance policy in question. The asset is tested for impairment each quarter to ensure that the contracts are deemed to generate a margin that, as a minimum, covers the value of the asset. Other costs for insurance contracts are recorded as costs when they arise.

Operating costs

All operating costs are allocated in the income statement according to their functional nature, claims adjustment, administration, commission and profit shares in ceded reinsurance, investment expenses and in certain cases, other technical costs. Changes in technical provisions for insurance contracts are recorded in the income statement under each heading. Payments to policyholders, due to insurance contracts or incurred claims, during the financial year, are recorded as claims paid, regardless of when the claim was incurred.

Ceded reinsurance

Amounts paid out during the financial year or amounts recorded as liabilities to insurance companies that have accepted reinsurance in accordance with signed reinsurance contracts, including portfolio premiums, are recorded as premiums for ceded reinsurance. These premiums are expensed so that costs are allocated to the corresponding period of the insurance cover. Deductions are made for amounts credited due to portfolio transfers or a change in the reinsurer's share of proportional reinsurance contracts.

The reinsurer's share of technical provisions corresponds to the reinsurer's liability for technical provisions according to contract. The Company assesses any required impairment for assets referring to reinsurance contracts biannually. If the recoverable amount is lower than the carrying amount of the asset, the asset is impaired to the recoverable amount and the impairment is recorded in the income statement.

Reporting of investment return

Investment income allocated to the technical account

Investment return is transferred from the non-technical account to the technical account on the basis of average technical provisions for the Company's own account, less deductions for net receivables in insurance operations.

This capital base is allocated per currency. The transferred investment return is calculated on the basis of an interest rate per currency equivalent to the actual total yield from the investment assets belonging to the insurance operations. The average interest rate for 2008 amounted to 2.83%.

Applied interest rates

%	2008	2007
EUR	6.22%	3.88%
GBP	3.73%	5.21%
SEK	8.03%	2.86%
USD	0.93%	6.46%

Investment, income

The item Investment, income refers to yield from investment assets and comprises rental income from land and buildings, dividends from shares and participations, including dividends from shares in Group companies and associated companies, interest income, net foreign exchange gains, reversed impairments and net capital gains.

Investment expenses and charges

Charges on investment assets are recorded under the item Investment expenses and charges. The item comprises operating costs for land and buildings, asset management costs, interest expenses, net foreign exchange losses, depreciations and impairments and net capital losses.

Changes in realised and unrealised gains and losses

For investment assets valued at acquisition value, capital gain comprises the positive difference between sale price and book value. For investment assets valued at fair value, a capital gain is the positive difference between sale price and acquisition value. For interest-bearing securities, acquisition value is the amortised cost value and, for other investment assets, it is the historical acquisition value. At the sale of investment assets, previously unrealised changes in value are recognised as adjustment entries under the item Unrealised profits from investment items or Unrealised losses from investment items, as appropriate. Capital gains from assets other than investment assets are recorded as Other income.

Unrealised gains and losses are recorded net per asset class. Changes due to exchange rate fluctuations are recorded as exchange rate gains or exchange rate losses under the item Investment income/expenses.

Taxes

Income tax

Income taxes consist of current tax and deferred tax. Income taxes are recorded in the income statement, except when the underlying transaction is recorded directly against shareholders' equity, whereupon the pertaining tax effect is recorded in shareholders' equity.

Current tax is tax to be paid or received regarding the current year, with application of the tax rates which have been enacted or practically enacted at balance sheet date, which also includes the adjustment of current tax referring to previous periods.

Deferred tax is calculated according to the balance sheet method on the basis of temporary differences between the book values of assets and liabilities and their tax values. Temporary differences are not considered as regards the differences arising at the initial recording of goodwill and the initial recording of assets and liabilities that are not business acquisitions and which did not affect either net profit/loss or taxable profit/loss at the transaction date. Furthermore, temporary differences referring to participations in subsidiaries or associated companies that are not expected to be

reversed within the foreseeable future are not considered either. The valuation of deferred tax is based on the extent to which underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and regulations that have been enacted or practically enacted as per balance sheet date.

Deferred tax assets regarding deductible temporary differences and losses carry-forward are recorded only to the extent that they are likely to be utilised. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilised.

Intangible assets

Goodwill

Goodwill represents the difference between the acquisition value in the business acquisition and the fair value of acquired assets, assumed liabilities and contingent liabilities.

Goodwill and other intangible assets with indeterminable economic lives are amortised in accordance with the Swedish Annual Accounts Act. This usually entails amortisation over five years. In certain cases, the amortisation period may be longer than five years.

Regarding goodwill arising from the purchase of the net assets of businesses acquired before 1 January 2004, the Company has chosen not to apply IFRS retroactively following the transition to IFRS. Instead, the carrying amount at this date consists of the Company's acquisition cost, after impairment testing.

Other intangible assets

Other separately acquired intangible assets acquired by the Company are recorded at acquisition value less accrued amortisation (see below) and impairment.

Amortisation method

Amortisation is recognised in the income statement on a straight-line basis over the intangible asset's calculated useful life. This useful life is reassessed annually. Amortisable intangible assets are amortised from the date on which they become available for use. The calculated useful lives are:

• goodwill	20 years
• capitalised development expenditure	5 years
• goodwill arising from the purchase of the net assets of businesses	20 years
• other intangible assets	5 years

Amortisation deviating from plan is recognised as an appropriation under the heading Difference between book amortisation and amortisation according to plan.

Land and buildings

Investment properties are recorded at acquisition value less a deduction for accumulated depreciation and any impairment, with an addition for appreciation, if applicable.

Financial instruments

Financial instruments recorded in the balance sheet include, on the asset side, shares and other equity instruments, loan receivables and interest-bearing securities as well as derivatives. Where appropriate, derivatives with negative market value are included among liabilities and shareholders' equity.

Acquisitions and disposals of financial assets are recorded on trade date, the date upon which the Company commits to acquire or dispose of the asset.

Classification and valuation

Financial instruments which are not derivatives are initially recorded at acquisition value corresponding to the fair value of the instrument plus transaction costs, except in the case of instruments belonging to the category Financial assets recorded at fair value via the income statement,

which are recorded at fair value exclusive of transaction costs. A financial instrument is classified when it is initially reported, based upon the purpose for which the instrument was acquired. This classification determines the manner in which the financial instrument will be valued after initial recording, as described below.

Derivative instruments are recorded at fair value both initially and on an ongoing basis. Changes in fair value are recorded in the manner described below.

Financial assets valued at fair value via the income statement

This category consists of two sub-groups: financial assets available for sale and other financial assets that the Company had initially chosen to be placed into this category (according to the so-called Fair Value Option). Financial instruments in this category are continually valued at fair value, with changes in value recorded in the income statement. The first sub-group includes derivatives with a positive fair value, except for derivatives that are identified as, and deemed effective hedging instruments. The second sub-group consists of financial investments in equity instruments, except for shares in subsidiaries or associated companies.

Calculation of fair value

The following summarises the methods and assumptions primarily used to establish the fair value of the financial instruments shown in the table above.

Financial instruments listed on an active market

For financial instruments listed on an active market, fair value is determined on the basis of the asset's listed bid rate at balance sheet date, with no added transaction costs (e.g. commission) at the time of acquisition. A financial instrument is considered to be listed in an active market if listed prices are easily accessible on a stock exchange, with a trader, broker, trade association, company supplying current price information or supervisory authority and these prices represent actual and regularly occurring market transactions under business-like conditions. Possible future transaction costs from a disposal are not considered. These instruments are included in the balance sheet items Shares and participations, Bonds and other interest-bearing securities and Other financial assets. Derivative transactions with a negative market value are recorded on the liability side of the balance sheet under the heading Derivatives. The predominant proportion of the Company's financial instruments has been assigned a fair value with prices quoted on an active market.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, the Company establishes the fair value by means of various valuation techniques. As far as is possible, the valuation methods employed are based on market data, while company-specific information is used to the least degree possible. The Company regularly calibrates valuation methods and tests their validity by comparing the outcome of the valuation methods with prices from observable current market transactions in the same instrument. These valuation methods are used solely for the Company's investments in private equity companies and hedge funds.

The total effect in the Income Statement from financial instruments valued at fair value in the balance sheet by using valuation techniques based on assumptions that are neither supported by the prices from observable current market transactions in the same instruments, nor based on available observable market information, amounted to MSEK -190, while the recorded value per balance sheet date of 31 December 2008 amounted to MSEK 376.

Loans receivable and accounts receivable

Loans receivable and accounts receivable are non-derivative financial assets which are not listed on an active market and with fixed or determinable payments. These assets are valued at amortised cost. Amortised cost is determined on the basis of the effective rate calculated at the time of acquisition. Accounts receivables and loans outstanding are reported in the amounts which are expected to be received, that is, after deductions for bad debt losses.

Held-to-maturity investments

Held-to-maturity investments are financial assets comprising interest-bearing securities with determined or determinable payments and determined durations which the Company has the expressed intent and ability to hold to maturity. Assets in this category are valued at amortised cost.

Available-for-sale financial assets

The category available-for-sale financial assets includes financial assets not classified in any other category or financial assets that the Company has initially chosen to classify in this category. The holding of bonds and other interest-bearing securities is recorded here. Assets in this category are continuously valued at fair value with changes in value recorded in shareholders' equity, except for changes in value due to impairment or to foreign exchange rate differences on monetary items recorded in the income statement. Furthermore, interest on interest-bearing instruments is recorded in accordance with the effective interest method in the income statement. As regards these instruments, any transaction costs will be included in the acquisition value when initially reported, and will, thereafter, be assessed on an ongoing basis at fair value, to be included in the reserve item at fair value until that point in time the instruments in question mature or are sold. At disposal of the assets, the accumulated profit/loss, previously recorded in the shareholders' equity section, is recorded in the income statement.

A long-term approach forms the basis for investments in this category, where the yield granted by these instruments at the time of investment is of significance for which investments shall be made.

Other financial liabilities

Borrowings and other financial liabilities, for example, accounts payable, are included in this category. These liabilities are valued at amortised cost.

Financial guarantees

Financial guarantee agreements are recorded as insurance contracts in accordance with the accounting principles described in the section Accounting of insurance contracts, above.

Write-downs of financial instruments

Impairment testing of financial assets

At each reporting date, the Company assesses whether there exists any objective evidence indicating that a financial asset or group of assets requires impairment as a consequence of one or several events occurring after the asset is reported for the first time and that these loss-making events have an impact on the estimated future cash flows from the asset or group of assets. If there is objective evidence indicating that an impairment requirement may exist, the assets in question are considered to be doubtful. Objective evidence is constituted both of observable conditions which have arisen and which have a negative impact on the possibility of recovering the acquisition cost, and of significant or extended reductions of the fair value of a financial investment classified as an available-for-sale financial asset.

During an impairment of an equity instrument classified as an available-for-sale financial asset, previously reported accumulated profit or loss in the shareholders' equity section is recorded in the income statement.

The reported value after impairment of assets belonging to the categories held-for-maturity investments and loans receivable and accounts receivable, which are recorded at amortised cost, are estimated as the current value of future cash flows discounted by the effective interest rate applicable when the asset was first recorded. Assets with a short duration are not discounted. An impairment loss is recognised in the income statement.

Reversal of impairment

An impairment is reversed if an indication exists both that the impairment requirement no longer exists and that a change has taken place in the assumptions forming the basis of the estimation of the impaired amount. The impairment of held-for-maturity investments or loans receivable and accounts receivable, recorded at amortised cost, is reversed if a later increase of the recoverable amount can be objectively related to an event

occurring after the impairment has been performed.

The impairment of interest-bearing instruments, classified as available-for-sale financial assets, is reversed over the income statement if fair value increases and this increase can objectively be related to an event occurring after the impairment was carried out.

Leased assets

All lease agreements are classified and recorded in the Group and Parent Company as operational leases.

In operational leasing, the leasing fee is expensed over the duration of the lease, on the basis of the benefit received, which can differ from the amount paid as a leasing fee during the year.

Tangible assets

Tangible assets are recorded at acquisition value after deduction for accumulated depreciation and any impairment, with a supplement for any appreciation. In disposal or sale, gains and losses are recorded net in operating cost. Depreciation takes place systematically over the estimated useful lives of the assets.

Estimated useful lives:

equipment such as cars, furniture and computer equipment 3 - 10 years

Depreciation of tangible and amortisation of intangible assets Impairment testing of tangible and intangible assets and participations in subsidiaries and associated companies.

The reported values of the assets are tested on each balance sheet date. If any indication of an impairment requirement exists, the asset's recoverable amount is estimated in accordance with IAS 36.

An impairment loss is recognised when the reported value of an asset or cash-generating unit exceeds its recoverable amount. An impairment loss is recognised in the income statement. The impairment of assets related to a cash-generating unit is primarily allocated to goodwill. The proportional impairment of other assets included in the unit is subsequently performed.

The recoverable amount is the highest of fair value less selling expenses and value in use. In the calculation of value in use, future cash flow is discounted by a discount factor that considers the risk-free interest rate and the risk associated with the specific asset.

Reversal of impairment

An impairment is reversed if an indication exists both that the impairment requirement no longer exists and that a change has taken place in the assumptions forming the basis of the estimation of the recoverable amount. However, the impairment of goodwill is never reversed. A reverse is only performed to the degree that the asset's reported value after reversal does not exceed the reported value that should have been reported, with deduction for depreciation or amortisation when appropriate, if no impairment had been carried out.

Share capital

Dividends

Dividends are recorded as liabilities after approval of the dividend by the General Meeting of Shareholders.

Other provisions

A provision is recognised in the balance sheet when the Company has an existing legal or constructive obligation as a result of past events, when it is likely that an outflow of resources will be required to settle the obligation and when the amount can be estimated reliably. In cases in which the date of payment has a material effect, the amount of the provision is calculated via the discounting of the expected future cash flow to an interest rate before taxes which reflects the relevant market assessments of the effect of the time value of money and, if applicable, the risks associated with the liability.

Pensions and similar commitments

The Company's pension plans for contracted occupational pensions are safeguarded via insurance contracts.

The pension plan for the Company's employees has been assessed as both a defined benefit and a defined contribution plan. The Company's commitments regarding contributions to defined contribution plans are recorded as expenses in the income statement at the rate they are earned by employees through the performance of services to the Company over a period.

In addition to the contracted occupational pensions safeguarded via insurance, the Company has also signed separate agreements with certain employees ensuring that these employees may terminate their service at an earlier age than 65 years of age, although no earlier than 64 years of age for an increased amount of compensation than granted by the collectively agreed pension benefits.

Employees in Germany are covered by a defined benefit plan in which pension obligations are entered as a liability in the Company's balance sheet.

Held-for-sale assets and discontinued operations

Classification as a discontinued operation takes place upon disposal or at an earlier point in time if and when the operation meets the criteria for classification as held-for-sale. A disposal group which is to be discontinued can also qualify for classification as a discontinued operation. Sirius lacks such assets.

Contingent liabilities

A contingent liability is recognised when there is a possible obligation which arises from past events and whose existence is solely confirmed by one or more uncertain future events, or when there is a commitment which is not recorded as an liability or provision due to the fact that it is unlikely that an outflow of resources will be required.

Parent Company's accounting principles

The Parent Company's annual report has been prepared in accordance with the Swedish Act on Annual Accounts in Insurance Companies (ÅRFL), the Swedish Financial Supervisory Authority's regulations and general advice concerning insurance companies (FFFS 2008:26) and the Swedish Financial Accounting Standards Council's recommendation RFR2, Accounting for Legal Entities.

Changed accounting principles

The Parent Company's changed accounting principles have been recorded in accordance with the provisions of IAS 8, but taking consideration of the special transitional regulations in RFR 2. This implies that the changed accounting principles are recorded with retroactive effect.

Differences between accounting principles in the Group and the Parent Company

The differences between the accounting principles in the Group and the Parent Company are presented below. The accounting principles stated below for the Parent Company have been consistently applied for all periods presented in the Parent Company's financial statements, unless stated otherwise.

Subsidiaries and associated companies

The Parent Company records participations in subsidiaries and associates according to the cost method. Only dividends which have been received are recognised as income, provided that such dividends derive from profits earned subsequent to the acquisition. Dividend amounts exceeding this earned profit are considered as repayment of the investment and reduce the carrying value of the participations.

Anticipated dividends

Anticipated dividends from subsidiaries are recorded in those cases in which the Parent Company has the sole right to make decisions regarding the amount of the dividend and the Parent Company has reached a decision on the dividend's amount before the Parent Company has published its financial statements.

Taxes

Untaxed reserves are recorded in the Parent Company including deferred income tax liabilities. However, untaxed reserves in the consolidated accounts are allocated between deferred income tax liabilities and shareholders' equity.

Appropriations and untaxed reserves

Appropriations and untaxed reserves are only recorded in the Parent Company and not in the Group.

Taxation legislation in Sweden gives companies the option of decreasing taxable income for the year by making provisions to untaxed reserves. When applicable, untaxed reserves are set off against fiscal loss deductions or become subject to taxation upon resolution. In accordance with Swedish practice, changes in untaxed reserves are recorded in the income statement. Provisions made to untaxed reserves are recorded in the income statement under the heading Appropriations. The accumulated value of the provisions is recorded in the balance sheet under the heading Untaxed Reserves.

A total of 26.3 percent (28) of the untaxed reserves can be considered as a deferred tax liability and 73.7 percent (72) as shareholders' equity. The deferred tax liabilities can be described as an interest-free liability with a non-defined duration. In the group accounts, 26.3 percent (28) of the untaxed reserves can be allocated to deferred tax liabilities and 73.7 percent (72) to shareholders' equity. In an assessment of financial strength, the total value of the untaxed reserves is considered risk capital, as any losses can be covered, to a large extent, by the dissolution of untaxed reserves without taxes becoming payable. The largest item attributable to untaxed reserves refers to the safety reserve. The safety reserve forms a collective security-conditioned reinforcement of the technical provisions. Accessibility is limited to loss coverage and otherwise requires official authorisation.

Group contributions and shareholders' contributions for legal entities

The Company reports group contributions and shareholders' contributions in accordance with the statements of the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council (UFR2). Shareholders' contributions are recorded directly against shareholders' equity in the receiving entity and in shares and participations in the entity providing the contribution, to the extent that no impairment is required. Group contributions are recorded according to their financial significance. This implies that group contributions provided and received for the purpose of minimising the Group's total taxes are recorded directly against retained earnings, with a deduction for the current tax effects of the contribution.

Group contributions which can be seen as the equivalent of a dividend are reported as a dividend. This implies that group contributions received and their current tax effects are recorded in the income statement. Group contributions provided and their current tax effects are recorded directly against retained earnings.

In the receiving entity, group contributions which can be seen as the equivalent of a shareholders' contribution are directly recorded in retained earnings, with consideration for current tax effects. The contributor records the group contribution and its current tax effects as investments in participations in the Group company, to the extent that impairments are not required.

Note 2 • Information on risks

Risk management

The company's risk management – also referred to as Enterprise risk management, ERM – is at the heart of Sirius' thinking. Sirius defines ERM as the discipline by which Sirius assesses, controls, exploits, finances and monitors risks from all sources for the purpose of increasing Sirius' short- and long-term value to Sirius stakeholders.

ERM is, in essence, an ongoing process with the objective of creating a risk management culture that emanates from top management and which permeates throughout the entire organization. The management's role is to communicate, implement, monitor and nurture this culture.

The objectives of Sirius' work with ERM are:

- Secure existing high profitability through better risk management.
- Obtain better information for strategic management decisions.
- Demonstrate strong risk management vis à vis rating agencies and other interested parties.
- Provide stakeholders with transparent risk management information.
- Comply with Solvency II requirements.

Risk strategy and the company's risk appetite

Risk strategy and risk appetite comprise the foundation of the risk management processes and risk management infrastructure. Sirius' risk strategy and risk appetite have been established by the Sirius Board which aims to secure a balance between risk, return and capital requirements. As part of the planning process, strategic limits are explicitly discussed and specified. The strategic risk appetite is expressed either in quantitative terms – for example an aggregate risk limit for storms in Europe – or in qualitative terms – for example in relation to operational risk.

From these overall risk appetite statements, operational limits are successively applied at detail level throughout the organization in the form of operational risk limits, maximum risk exposure, retrocession limits, foreign exchange exposure limits, maximum equity exposure in the investment portfolio, etc.

As part of the ERM culture, Sirius embraces the following qualitative principles:

- Controlled/moderate risk taking and adequate capitalization.
- All insurance transactions are to yield positive technical results.
- Active use of retrocession as part of business and capital planning.
- Strive for diversification.
- Strong accumulation control.
- Strong and independent risk control functions.
- Inspire and motivate employees to further develop their risk management capabilities.

Risk management infrastructure

The risk management processes within Sirius risk are supported by a risk management infrastructure consisting of the Board of Sirius, various risk committees, risk management functions, risk control functions, policies and procedures, risk models and reporting routines. This is described in further detail in the risk sections below.

The Board of Sirius is ultimately responsible for the Sirius risk management strategy, risk tolerance and policies.

Sirius' Management is directly responsible for all ERM activities, and in order to discharge this responsibility, Sirius works through different risk committees in carrying out certain duties.

The Sirius Group Risk Management function is responsible for the coordination, monitoring, internal control and compliance of all risk areas.

Internal Audit fulfils an important role in the independent evaluation of risk management and control systems. This includes evaluating the reliability of reporting, effectiveness and efficiency of operations, and compliance with laws and regulations.

Sirius' owner is listed in the US and, consequently, is required by the Sarbanes-Oxley Act, Section 404, to express an opinion on the effectiveness of internal control over financial reporting executed during the year. As part of this assessment, a thorough documentation and evaluation of all processes and controls leading up to the annual report have been undertaken. This work has enabled Sirius to demonstrate compliance with the requirements of the act.

Insurance risk management

Goals, principles and methods

A clear focus on managing insurance risks is vital for Sirius' continued success. These risks are managed mainly by evaluating the degree of gross and net risk after retrocession Sirius is willing to assume.

The goal for all underwriting is to maximize profitability for each selected risk level. The anticipated profitability of each contract which is entered into shall comprise the basic grounds for decision making regarding all underwriting. Other guiding principles include diversification, strong accumulation controls and an active use of reinsurance in order to adjust risks to acceptable levels.

Sirius divides insurance risk management into two principal areas; underwriting risk and reserve risk.

Underwriting risk

Underwriting risk refers to premium and accumulation assessment, which is defined as premium risk and catastrophe risk, respectively. The underwriting risk assessment is performed by underwriters on each individual risk and the Chief Underwriting Officer is ultimately responsible for managing these risks.

The insurance premiums for assumed business are to cover expected losses and expenses as well as provide a reasonable return on capital. The premium risk is therefore associated with any possible level of losses deviating from expected levels. The premium risk is generally managed through the application of pricing models and underwriting procedures, but also through a reduction in under-priced business, or through declining to accept such business.

If a larger, catastrophic event occurs, impacting simultaneously a large number of cedants, this may result in a single loss that could wipe out the expected annual profit, or, even consume a portion of the solvency capital. This catastrophic risk is generally managed with the assistance of underwriting methods and tools which monitor and control the company's total risks, both gross and net. Catastrophe risk is also managed by the effective use of retrocession.

In order to ensure consistency in the underwriting process, all underwriting within Sirius complies with specific routines. Detailed Underwriting Guidelines comprise the framework for all risk acceptances, and these guidelines contain sections regarding, for example, Limits, Underwriting Authorities and Restricted Business. A Four-Eyes Underwriting System, that is, a system in which at least two individuals participate in each decision, is

applied for the majority of all business. The Guidelines are updated continuously and reviewed annually.

There are several levels of control functions, as well as technical systems, which are in place to monitor and ensure that policies and procedures are followed. An underwriting control group reports to the Chief Underwriting Officer. This group focuses in detail on the manner in which the underwriting takes place and the underwriters follow these policies and procedures. Another group monitors the underwriting system, in which all contracts are registered, and ensures that the system is used correctly and that the data is accurate. Finally, internal audit and Group risk management also monitor and supervise the other control groups to ensure that sufficient controls are being undertaken.

Sensitivity to risks attributable to insurance agreements

Within the insurance operations, property insurance (wind, flooding, and earthquakes) constitutes the company's greatest risk. In order to manage this catastrophe risk, and the resulting accumulated risks, the company utilizes a number of different models. Within the Property Insurance, the area with the highest level of catastrophe risk, the company utilizes a system linked to the underwriting system. In this system, all business is registered and the company's exposure is measured via a number of predefined catastrophe scenarios.

The total exposure limits per country are also registered. The primary tools, however, are the so-called catastrophe models which the company has at its disposal via licensing agreements with AIR and RMS. Based on these models, reports and analyses can be produced on a regular basis demonstrating the various degrees of likelihood of estimated claims. Everything from average claims per year to claims that are only expected to occur once every 10,000 years can be estimated using these models. Aside from the possibility of modeling single events, aggregate claims are also modeled. Different levels of claims can also be modeled to varying degrees of likelihood, from expected claims per year, to the worst level of annual claims in 10,000 years.

Sensitivity analyses are undertaken based on a comparison of claims estimated by various models, but also through changes to the assumptions applied by the different models, such as, return periods.

Concentrations and sensitivity analysis

The table below shows a summary of the manner in which the company analyses catastrophe risks, divided by geographical area and return periods. The figures show the situation as per 31 July 2008, when the company experienced its highest level of exposure during 2008.

Sensitivity analysis – losses divided by geographical area and return periods (MSEK)

	Once per 100 years	Once per 250 years
Global - Gross	3,351	4,206
Global - Net	2,042	2,599
Europe - Gross	2,617	3,399
Europe - Net	1,399	1,848

Through the use of these simulation models, the company can obtain an estimation of catastrophe risk, both prior to and after retrocession. The largest single catastrophe risk in the current portfolio is a storm ("windstorm") in Europe. An estimation of the maximum loss an individual windstorm in Europe, expected to occur only once every 250 years, can result, according to the table above, in an estimated net loss of MSEK 1,848 (gross claims MSEK 3,399). In order to estimate how claims of this size affect solvency capital, the company makes an estimation of the so-called net financial impact, which is based on the estimated net claims adjusted for

the reinstatement premium (premium to reinstate cover after a loss) from the covered clients and from the profit from other lines of business and areas. The deficit is then compared to the solvency capital in order to find whether the losses in relation to solvency capital are acceptable in relation to the company's risk tolerance.

Within the area Aviation reinsurance, the company applies another licensed third-party model, ALPS, in which the exposure per airline company can be followed on-line. Within the insurance class Accidents, the company has a model which it has developed itself.

Reserve risk

The reserving risk, i.e. the risk that insurance technical provisions will be insufficient to settle incurred and future claims, is foremost handled by actuarial methods and a careful continuous review of reported claims. Risks are also limited by reinsurance.

Provisions are made to obtain a correct balance sheet and match revenues and costs with the period in which they emerged. The amount of the provision shall correspond to the amount that is required to fulfill all expected obligations and reflect the best knowledge available to Sirius. Acknowledged and appropriate methods are used in these estimations.

Sirius supports its decisions on provisions by a combination of several actuarial methods, such as the Chain Ladder method, the Bornhuetter-Ferguson method and the Benktander method. A combination of benchmarks and underwriting judgment is used for the most recent years. The provisions are further annually reviewed by independent actuaries.

Regarding run-off results and claims development from previous years please refer to Note 4 Claims incurred and Note 25 Claims Outstanding, where a specification of claims costs and expenses relating to the current year, respectively prior years is made.

Objectives, principles and methods for managing financial risks

In the company's operation various types of financial risks arise, such as market risks, credit risks, liquidity risks and operational risks. In order to limit and control the risk taking in the operations, Sirius' Board of Directors has, as ultimately responsible for the internal control in the company, determined guidelines and instructions for the financial operations. The overall investment objective is to achieve consistent positive returns and to maximize long-term after-tax return on invested assets within prudent levels of risk, through a diversified portfolio of high-quality fixed income and equity investments.

Sirius makes an important distinction between Policyholder Funds Investments and Owners' Funds Investments. Policyholder Funds are defined as policyholder liabilities plus statutory minimum capital and surplus, less policyholder assets. Policyholder liabilities are Net Technical Reserves as defined by The Swedish Financial Supervisory Authority.

As regards Policyholder Funds Investments, at least 95 percent shall be invested in fixed income securities at all times. Furthermore, at least 80 percent of the fixed income portfolio must be creditworthy and liquid; i.e. consisting of securities with high credit ratings (investment grade).

To limit concentration risk (the risk of large losses) the guidelines also include size limits, industry limits and rating limits.

The balance of Sirius' investable assets (Owners' Funds Investments) may utilize a mixture of fixed income, equity and private investments with a focus on maximizing total return and preserving capital.

Market risk

Market risk is the risk that an actual value on current or future cash flows from a financial instrument varies due to changes in market prices and due to changes in their respective volatilities. There are three types of market risk: interest rate risk, currency risk and other price risk, primarily equity risk.

The company's investment operations during 2008 amounted to a return

of 2 percent, expressed in SEK. The duration in the portfolio with interest-bearing investments decreased during the year to 1.55 years. During the year, the percentage of equities in the investment portfolio decreased to approximately 26 percent. The table below shows the investment assets divided by class of asset, excluding deposits in companies that are reinsured by Sirius.

Investment assets, division by class of asset

Bonds and other interest-bearing securities	58.23%
Shares and participations in associated companies	13.93%
Shares and participations	11.57%
- whereof venture capital companies	1.54%
Cash and bank balances	16.27%
Total	100%

Below, the company's exposure and sensitivity to respective market risk is described. The descriptions are made on the basis of the company's reporting of the Traffic Light model to the Swedish Financial Supervisory Authority as per 31 December 2008 with its sensitivity analyses in the form of stress tests and subsequent capital requirements.

Interest rate risk

The company is exposed to the risk that the market value on its fixed-interest assets decreases as market interest rates increase, or alternatively, that the market value increases as the interest rates decreases. The level of interest rate risk, or price risk, increases with the asset's duration. The following table illustrates, in absolute figures, the company's exposure to interest rate risk in accordance with the Traffic Light model as per 31 December 2008.

Investment assets, interest rate risk according to the Traffic Light model

	Exposure (MSEK)	Scenario, stress test	Corresponding basis points	Capital requirements (MSEK)	Reduced capital requirements (MSEK)
Nominal interest rate risk in SEK	4,312	30%	74	60	36
Nominal interest rate risk in EUR	1,557	25%	74	17	10
Nominal interest rate risk in USD and other currencies	2,822	30%	66	39	24
Total	8,691	-	-	116	70

Equity risk

The equity risk is the risk that the market value of an equity will decrease as a result of factors related to the external economic climate and factors related specifically to the company in question. Equity risks are mainly mitigated by a diversification of the share portfolio. The table below shows the equity risk in accordance with the Traffic Light model as per 31 December 2008.

Investment assets, equity risk according to the Traffic Light model

	Exposure (MSEK)	Scenario, stress test	Capital requirements (MSEK)	Reduced capital requirements (MSEK)
Swedish shares and participations	-	-	-	-
Foreign shares and participations	1,294	35%	453	274
Foreign associated companies	2,714	35%	950	575
Total	4,008		1,403	849

Currency risk

Currency risk arises if assets and liabilities in the same foreign currency vary in amounts. Sirius' total net currency exposure is divided into two categories, exposure related to Policyholders Funds, which is matched with the corresponding assets, and exposure related Owner's Funds. Sirius' net Policyholders Funds exposure for currency risk is marginal as the company's strategy for managing currency risk is to match net insurance debts in foreign currency with corresponding assets. The company's total net exposure for currency risk, i.e. including both Policyholder and Owners Funds, before and after any hedging by derivative is shown in the table below.

Exchange rate exposure – Group

(MSEK)	USD	EUR	GBP	Other
Shares and participations	3,376	107	20	0
Bonds and other interest-bearing securities	2,894	1,849	90	0
Other financial investment assets	914	263	76	49
Other assets and liabilities, net	2,059	498	-2	60
Total assets	9,243	2,717	184	109
Technical provisions, net	5,271	1,769	156	91
Total liabilities and provisions	5,271	1,769	156	91
Net exposure before financial hedging with derivatives	3,972	948	28	18
Nominal value currency forwards	0	0	0	0
Net exposure after financial hedging with derivatives	3,972	948	28	18

A general unfavorable change of 25 basis points, alternatively 10 percent unfavorable change, in the respective foreign currencies toward SEK has been calculated to affect the company's equity and results as shown in the table below. The analysis below assumes that the changes in exchange rates do not affect other risk parameters, such as interest rates. The sensitivity analysis takes into consideration existing financial hedges with currency related derivatives.

Sensitivity analysis per currency

	USD	EUR	GBP	Other	Total
Change 25 basis points	128	22	1	-	151
Change 10%	398	96	3	2	499

Credit risk

Credit risk, or counterparty risk, refers to the risk that the company will not receive agreed payment and/or will make a loss due to the counterparty's inability to fulfill its obligations. A substantial portion of the credit risk to which the company is exposed, arises as a result of established reinsurance agreements.

Credit risk in investment management

The company's policy in the investment management is to allow only investments in securities with very high credit quality. The credit/counterparty risk in this part of the operations is therefore assessed to be relatively limited, except for the price effects on securities arising due to increases in credit risk spreads as a result of the turbulence in the credit and financial markets, a phenomenon which was clearly manifested during 2008.

The table below shows the exposure of Sirius' investment assets divided per class of asset.

Maximum exposure (MSEK) - Group

Bonds & other interest-bearing assets	8,782
- Governments	5,704
- Swedish mortgage institutions	455
- Other issuers	2,623
Shares & participations	1,745
Total	10,527

The figures below show fixed income investments and equity investments per geographical area and credit rating classes. Fixed income investments are also presented per sector.

Group and/or parent company

Credit quality on classes of financial assets, %

	AAA	AA	A	BB	BBB	Total
Bonds and other interest-bearing securities	79	4	5	1	11	100
Swedish government	100	0	0	0	0	100
Swedish mortgage institutions	100	0	0	0	0	100
Foreign governments	86	9	5	0	0	100
Other foreign issuers	44	6	9	4	37	100

Equity investments, divided by geographical area

Western Europe	27.18%
North America	71.12%
Scandinavia	0%
Asia	1.70%
Eastern Europe	0%
Other	0%
Total	100%

Interest-bearing investments, divided by geographical areas

Western Europe	22.81%
North America	34.28%
Scandinavia	41.95%
Other	0.96%
Total	100%

Interest-bearing investments, divided by sector

Governments	64.95%
Swedish mortgage institutions	5.18%
Other Swedish issuers	1.18%
Other foreign issuers	28.69%
Total	100%

Credit risk on receivables with reinsurers

The credit risk resulting from reinsurance ceded by Sirius can be divided into two separate components; reinsurers' share of technical provisions as recorded on an ongoing basis under assets in the balance sheet, and the potential exposure that would emerge in the event of large claims on insurance portfolio, for example, in the case of a severe European wind-storm. An event like this would trigger major portions of Sirius' purchased reinsurance cover.

To manage the risk of reinsurer insolvency, Sirius' Security Committee assigns and monitors ratings of all counterparties according to Sirius internal rating scale and reinsurance analysis model. For each rating there is a corresponding maximum limit for the total exposure per reinsurer and per program.

If a retrocessionaire's credit worthiness deteriorates into unacceptable status (in bankruptcy, liquidation, insolvent run-off scheme of arrangement, or is, by other reasons, deemed to be unable or unwilling to honor its obligations), the counterparty is classified as an IDC company (Insolvent or Doubtful Company). Counterparties which are classified as IDC companies are regularly monitored by the company's Credit Control Committee. For IDC companies, a provision is made to a credit risk reserve, which is established based on the company's Bad Debt Reserving Policy.

The credit risk reserve for these bad debts amounted, as per 31 December 2008, to MSEK 73.

Receivables regarding both direct insurance as well as assumed reinsurance are followed up on a monthly basis and outwards reinsurance is followed-up on a quarterly basis. Outstanding receivables are analyzed on the basis of the length of time that has passed since the due date with the following distribution: From up to 1 month, 2-3 months, 4-6 months, 7-9 months, 10-12 months and over 1 year. These analyses comprise the basis for various collection activities, as does the supporting documentation regarding the assessment of the counterparty's credit risk status and any write-down requirements. At the end of 2008, total outstanding receivables exceeding 1 year past-due amounted to MSEK 90. If IDC companies are excluded, this amount corresponds to MSEK 56. Outstanding receivables for IDC companies are included in the credit risk reserve mentioned above. In accordance with Sirius' policy for write-downs of receivables outstanding for more than 1 year, there is a specific reserve for counterparties which are not classified as IDC companies which totals MSEK 23.

Reinsurers' share of technical reserves consists of outstanding claims including IBNR reserves, as well as a provision for unearned premiums and remaining risks. The total amount as per 31 December 2008, was MSEK 4,973. The credit rating distribution for this exposure is shown in the table below.

Credit Rating: Standard & Poor's	MSEK	Percentage
AAA	154	3.1
AA+	0	0
AA	20	0.4
AA-	92	1.9
A+	208	4.2
A	17	0.3
A-	152	3.1
BBB+	0	0
BBB or lower	462	9.3
Fully collateralized	216	4.3
Special approval	24	0.5
Internal reinsurance	3,628	72.9
Total	4,973	100.0

The item Internal reinsurance above, refers to the majority of ceded reinsurance to White Mountains Life Re. This receivable is 100% guaranteed with investment assets. Except for the credit exposure above, reported as an asset in the balance sheet, significant credit losses can potentially arise for large claims. Such credit losses can arise if two different events occur at the same time, that is, if a large catastrophe event occurs at the same time as a reinsurer to which Sirius has ceded business defaults.

The table below describes the assumed liabilities (excluding costs for reinstatements) and the distribution of credit ratings for Sirius' 2008 Retrocession Program.

Credit rating: Standard & Poor's	Assumed liabilities	
	MSEK	Percentage
AA+	0	0
AA	191	8.1
AA-	469	19.8
A+	684	28.9
A	23	1.0
A-	751	31.7
BBB+	0	0
Fully collateralized	125	5.3
BBB or lower	44	1.8
Special approval	80	3.4
Total	2,367	100.0

Liquidity risk

Liquidity risk is the risk that the company will have difficulties fulfilling payment obligations, mainly those related to insurance liabilities. Liquidity risk can also be expressed as the risk of loss or impaired earning potential as a result of the company not being able to fulfill payment obligations in due time. Liquidity risks arise as assets and debts including derivatives instruments have different durations.

The company's strategy for dealing with liquidity risk aims to, in the greatest extent possible, match expected payments and receipts of payment (so called asset-liability management, ALM). This is accomplished through advanced liquidity analysis of financial assets and insurance liabilities. At the end of 2008, the duration of interest-bearing investment assets was 1.55 years and the duration of insurance liabilities was 1.81 years. The liquidity is monitored continuously and stress tests are performed for different scenarios. The company's claims payment capabilities are further strengthened with its high portion of cash and bank deposits of the total investment assets,

The cash flow analysis also provides an illustration of the company's liquidity situation.

Operational risks

Operational risk refers to the risk that errors or deficiencies in administrative routines will lead to unexpected financial and reputational losses. These can be caused by such aspects as insufficient internal control or defective systems or technical equipment. The risk of internal or external irregularities is included in the operational risk. Operational risks are mitigated through internal control. The maintenance of satisfactory internal control is a continuous process in the company and includes, among other things:

- requirements for the existence of appropriate routines and instructions,
- clearly defined segregation of duties, roles and responsibilities for employees,
- IT support with integral mechanical reconciliations and controls,
- authority systems,
- internal information and reporting system, among other things, to meet management's requirements for information regarding, for example, risk exposure, and
- information security.

Sirius Group's Risk Management department performs, on a regular basis, internal governance and control reviews, using a self assessment approach based on interviews with process owners. The identified risks (including all risk types) are classified according to probability of occurrence and severity. The result of the review is presented and discussed with the management of Sirius and suitable actions are decided.

In addition, compliance with the Sarbanes-Oxley Act comprises an important aspect of internal control.

Sirius has prepared plans for the continuity of its operations in the event of various catastrophe scenarios, a so-called Business Continuity Plan. These plans are tested regularly and updated for changing conditions. An important aspect of Sirius' catastrophe planning is its fully integrated branch office network which enables Sirius to conduct its operations from any office without delay.

Solvency and capital requirements

The new Swedish solvency regulation, the so-called Traffic Light system, takes into account the company's risks in the areas financial risks, insurance risk and operating expense risk. The model results in a total capital net requirement which is compared to a so called buffer capital in order to assess the company's capital strength. The table below shows the result in accordance with the Traffic Light model as per 31 December 2008.

Total capital requirement according

to the Traffic Light model	MSEK
Total capital net requirement	2,622
Capital buffer	10,925
Surplus	8,303

Credit rating

The financial strength of Sirius International has been rated by Standard & Poor's, A M Best and Moody's.

Credit rating as per 31 December 2008

	S&P's	A M Best	Moody's
Credit rating	A-	A	A3
Outlook	Stable	Stable	Stable

Note 3 • Premium income

Premium income, geographical allocation	Group		Parent Company	
	2008	2007	2008	2007
Direct insurance, Sweden	-79	0	-79	0
Direct insurance, other EEA	106	208	106	208
Direct insurance, other countries	529	502	529	502
Premiums for accepted reinsurance	6,127	5,942	6,127	5,942
Premium income before ceded reinsurance	6,683	6,652	6,683	6,652
Premium for ceded reinsurance	-1,081	-842	-1,081	-842
Premium income after ceded reinsurance	5,602	5,810	5,602	5,810

Note 4 • Claims incurred for own account

Claims incurred for the year's operations	2008			Group			2007		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-1,531	99	-1,432	-1,461	145	-1,316			
Loss portfolios	45	9	54	44	0	44			
Change in provision for incurred and reported claims	-1,284	165	-1,119	-1,066	175	-891			
Change in provision for incurred but not reported claims (IBNR)	-843	55	-788	-1,096	104	-992			
Claims handling expenses	-241	0	-241	-163	0	-163			
Total claims incurred for the year's operations	-3,854	328	-3,526	-3,742	424	-3,318			

Claims incurred for previous year's operations	2008			Group			2007		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-2,518	380	-2,138	-2,225	264	-1,961			
Loss portfolios	-76	73	-3	-72	14	-58			
Change in provision for incurred and reported claims	995	-273	722	1,134	-243	891			
Change in provision for incurred but not reported claims (IBNR)	-1,860	3,143	1,283	957	8	965			
Total claims incurred for the previous year's operations	-3,459	3,323	-136	-206	43	-163			
Total claims incurred	-7,313	3,651	-3,662	-3,948	467	-3,481			

Total claims paid	2008			Group			2007		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-4,049	479	-3,570	-3,686	409	-3,277			
Loss portfolios	-31	82	51	-28	14	-14			
Claims handling expenses	-241	0	-241	-163	0	-163			
Total claims paid	-4,321	561	-3,760	-3,877	423	-3,454			

Change in Provision for outstanding claims	2008			Group			2007		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	-289	-108	-397	68	-68	0			
Change in provision for incurred but not reported claims (IBNR)	-2,703	3,198	495	-139	112	-27			
Total	-2,992	3,090	98	-71	44	-27			

	2008			Parent Company			2007		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Claims incurred for the year's operations									
Claims paid	-1,531	99	-1,432	-1,439	145	-1,294			
Loss portfolios	45	9	54	44	0	44			
Change in provision for incurred and reported claims	-1,284	165	-1,119	-1,065	175	-890			
Change in provision for incurred but not reported claims (IBNR)	-843	55	-788	-1,074	104	-970			
Claims handling expenses	-241	0	-241	-163	0	-163			
Total claims incurred for the year's operations	-3,854	328	-3,526	-3,697	424	-3,273			

	2008			Parent Company			2007		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Claims incurred for previous year's operations									
Claims paid	-2,518	380	-2,138	-2,226	264	-1,962			
Loss portfolios	-76	73	-3	-72	14	-58			
Change in provision for incurred and reported claims	995	-273	722	1,138	-243	895			
Change in provision for incurred but not reported claims (IBNR)	-1,860	3,143	1,283	957	8	965			
Total claims incurred for previous year's operations	-3,459	3,323	-136	-203	43	-160			
Total claims incurred	-7,313	3,651	-3,662	-3,086	274	-2,812			

	2008			Parent Company			2007		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Total claims paid									
Claims paid	-4,049	479	-3,570	-3,665	409	-3,250			
Loss portfolios	-31	82	51	-28	14	-14			
Claims handling expenses	-241	0	-241	-163	0	-163			
Paid claims	-4,321	561	-3,760	-3,856	423	-3,433			

	2008			Parent Company			2007		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Change in Provision for outstanding claims									
Change in provision for incurred and reported claims	-289	-108	-397	73	-68	5			
Change in provision for incurred but not reported claims (IBNR)	-2,703	3,198	495	-117	112	-5			
Total	-2,992	3,090	98	-44	44	0			

Note 5 • Operating costs

Specification of income statement item operating costs	Group		Parent Company	
	2008	2007	2008	2007
Acquisition costs	-1,239	-1,621	-1,239	-1,620
Change in prepaid acquisition costs (+/-)	-100	-83	-100	-83
Administrative expenses	-260	-238	-265	-255
Provisions and profit shares in ceded reinsurance (-)	196	97	196	97
Total	-1,403	-1,845	-1,408	-1,861

Other operating costs	Group		Parent Company	
	2008	2007	2008	2007
Claims handling expenses included in claims paid	-241	-163	-241	-163
Costs for treasury management included in Return on capital, costs	-45	-44	-45	-42
Costs for property management included in Return on capital, net	-2	-2	-1	-2
Other operating costs	-1,403	-1,845	-1,408	-1,861
Total operating costs	-1,691	-2,054	-1,695	-2,068

Total operating costs by type	Group		Parent Company	
	2008	2007	2008	2007
Direct and indirect personnel costs	-318	-290	-305	-285
Premises costs	-46	-34	-44	-33
Depreciation/Amortisation	-7	-7	-7	-7
Other expenses related to operations	-1,320	-1,723	-1,339	-1,743
Total	-1,691	-2,054	-1,695	-2,068

Note 6 • Investment, income

	Group		Parent Company	
	2008	2007	2008	2007
Dividend income from:				
Swedish shares and participations	2	415	2	415
Foreign shares and participations	48	16	33	16
Interest income				
Bonds and other interest-bearing securities	339	449	338	371
Other interest income	85	115	85	115
- of which from financial assets not valued at fair value with changes in value reported in the income statement	85	115	85	115
Exchange rate profit (net)	913	0	595	0
Capital gains and reversed write-downs (net)				
Foreign shares	0	133	0	94
Interest-bearing securities	0	8	0	5
Property	0	0	0	0
Total return on capital, income	1,386	1,136	1,053	1,016

Note 7 • Unrealised gains on investments

	Group		Parent Company	
	2008	2007	2008	2007
Swedish shares and participations	2	0	2	0
Foreign shares and participations	167	121	167	135
Derivatives	1	2	1	2
Total unrealised gains on investments	170	123	170	137

Note 8 • Investment expenses and charges

	Group		Parent Company	
	2008	2007	2008	2007
Operating expenses for land and buildings	-2	-2	-2	-2
Asset management costs	-49	-44	-49	-42
Interest expenses				
Other interest expenses	-2	-1	-2	-2
- of which from financial assets not valued at fair value with changes in value reported in the income statement	-2	-1	-2	-2
Capital losses on foreign exchange, net	0	-116	0	-102
Swedish shares and participations	-4	-1	-4	-1
Foreign shares and participations	-259	0	-258	0
Subsidiaries & associated companies	-232	-348	0	-54
Bonds and other interest-bearing securities	-15	0	-15	0
Write-down of investment assets	0	-411	0	-411
Total	-563	-923	-329	-614

Note 9 • Unrealised losses on investments

	Group		Parent Company	
	2008	2007	2008	2007
Swedish shares and participations	-8	-2	-8	-2
Foreign shares and participations	-889	-125	-610	-125
Derivatives, forward exchange agreements	-1	0	-1	-1
Total unrealised losses on investments	-899	-128	-620	-128

Note 10 • Net profit or net loss per category of financial instrument

Group	Financial assets identified as items valued at fair value in the income statement	Available-for- sale financial instruments	Total
Financial assets			
Shares and participations	-1,222	0	-1,222
Bonds and other interest-bearing securities	0	527	527
Total	1,222	527	-695

Parent Company	Financial assets identified as items valued at fair value in the income statement	Available-for- sale financial instruments	Total
Financial assets			
Shares and participations	-710	0	-710
Bonds and other interest-bearing securities	0	527	527
Total	-710	527	-183

Note 11 • Taxes

	Group		Parent Company	
	2008	2007	2008	2007
Current tax expense (-) [/tax revenue (+)]				
Current tax expenses(-) [/tax revenue]	-341	-211	-338	-211
Tax adjustment attributable to previous years	278	23	278	25
Deferred tax expense (-) [/tax revenue (+)]				
Deferred tax regarding temporary differences	-69	-129	-233	19
Total reported tax expense	-132	-317	-293	-167

Tax adjustment attributable to previous years includes MSEK 299 regarding a tax credit for foreign taxes which has been reclassified from deferred tax regarding temporary differences by MSEK -299.

Reconciliation of effective tax

Reconciliation of effective income tax for the Group and Parent Company with the Swedish income tax rate as follows:

	Group		Parent Company	
	2008	2007	2008	2007
Tax according to applicable tax rate for the Parent Company	-28,0%	-28,0%	-28,0%	-28,0%
Non-deductible expenses	-8,6%	-15,3%	-0,1%	-22,9%
Non-taxable income	7,6%	5,5%	4,4%	19,6%
Utilisation of previously non-capitalised loss carry-forward	0	0,9%	0	1,3%
Tax regarding previous years	-5,5%	0,9%	-4,5%	1,3%
Other	18,6%	0,5%	-0,2%	0,7%
Reported effective tax	-15,9%	-35,5%	-28,4%	-28,0%

"Other" refers mainly to the effect of the change in the tax rate in Sweden for income year 2009 to 26.3% Profit before tax for the Parent Company refers to profit after transfer to safety reserve. The total provision for 2008 amounts to 0 (537).

Note 12 • Intangible assets

	Group			Parent Company		
	Intangible assets -IT Capitalized expenditure for development work	Acquired intangible assets Goodwill	Total	Intangible assets -IT Capitalized expenditure for development work	Acquired intangible assets Goodwill	Total
<i>Accumulated acquisition value</i>						
Opening balance, 1 Jan 2007	65	615	680	65	460	525
Closing balance, 31 Dec 2007	65	615	680	65	460	525
Opening balance, 1 Jan 2008	65	615	680	65	460	525
Closing balance, 31 Dec 2008	66	615	681	66	460	526
<i>Accumulated amortisation</i>						
Opening balance, 1 Jan 2007	-64	-270	-334	-64	-197	-261
Amortisation for the year	-1	-27	-28	-1	-17	-18
Closing balance, 31 Dec 2007	-65	-297	-362	-65	-214	-279
Opening balance, 1 Jan 2008	-65	-297	-362	-65	-214	-279
Amortisation for the year	0	-27	-27	0	-17	-17
Closing balance, 31 Dec 2008	-65	-324	-389	-65	-231	-296
Carrying amount						
Per 1 Jan 2007	1	345	346	1	263	264
Per 31 Dec 2007	0	318	318	0	246	246
Per 1 Jan 2008	0	318	318	0	246	246
Per 31 Dec 2008	1	291	292	1	229	230
<i>Amortisation for the year is included in the following rows of the income statement for 2007:</i>						
Operating costs	-1	0	-1	-1	0	-1
Other costs	0	-27	-27	0	-17	-17
Total	-1	-27	-28	-1	-17	-18
<i>Amortisation for the year is included in the following rows of the income statement for 2008:</i>						
Operating costs	0	0	0	0	0	0
Other costs	0	-27	-27	0	-17	-17
Total	0	-27	-27	0	-17	-17

IT-related intangible assets include capitalised expenditure for development work of critical business systems.

All intangible assets are amortised. Refer to the accounting principles for information on amortisation.

Note 13 • Land and Buildings

	Group		Parent Company	
<i>Acquisition cost</i>				
Opening balance, 1 January 2007	18		18	
Closing balance, 31 December 2007	18		18	
Opening balance, 1 January 2008	18		18	
Disposals	0		0	
Closing balance, 31 December 2008	18		18	
<i>Depreciation</i>				
Opening balance, 1 January 2007	-12		-12	
Depreciation for the year	-1		-1	
Closing balance, 31 December 2007	-13		-13	
Opening balance, 1 January 2008	-13		-13	
Depreciation for the year	-1		-1	
Disposals	0		0	
Closing balance, 31 December 2008	-14		-14	
Carrying amount				
1 January 2007	7		7	
31 December 2007	5		5	
1 January 2008	5		5	
31 December 2008	4		4	
Assessed value				
	Group		Parent Company	
	2008	2007	2008	2007
<hr/>				
Assessed value, buildings (in Sweden)	1	1	1	1
Assessed value, land (in Sweden)	1	1	1	1
Total	2	2	2	2

Note 14 • Shares and participations in Group companies

Name of subsidiary	Registered offices, country	Participating interest, %	
		2008	2007
Sirius Rückversicherungs Service GmbH	Hamburg, Germany	100	100
Sirius Belgium Réassurances S.A	Liège, Belgium	100	100
Sirius International Holding (NL) B.V	Amsterdam, The Netherlands	100	-
Parent Company			
		2008	2007
<hr/>			
Accumulated acquisition cost			
Beginning of year		609	2,990
Acquisition		643	0
Disposals		0	-2,382
Closing balance, 31 December		1,252	609
Accumulated write-downs			
Beginning of year		-596	-1,487
Acquisition		0	0
Disposals		0	891
Write-downs for the year		0	0
Closing balance, 31 december		-596	-596
Carrying amount 31 December		656	13

Subsidiaries' equity**2008**

Name of subsidiary	Equity	Share %	Number of shares	Book value	Profit/loss 2008
Sirius Rückversicherungs Service GmbH, Hamburg, Germany	14	100	1 share nom. Value EUR 51,129	0	2
Sirius Belgium Réassurances S.A., Liège, Belgium	15	100	Share capital total EUR 1,245,681 consisting of 700,000 shares with nom. value EUR 100 per share	13	0
Sirius International Holding (NL) B.V., Amsterdam, The Netherlands	467	100	Share capital total EUR 18,000 consisting of 180 shares with nom. value EUR 100 per share	643	-241
Total	496			656	-239

2007

Name of subsidiary	Equity	Share %	Number of shares	Book value	Profit/loss 2007
Sirius Rückversicherungs Service GmbH, Hamburg	10	100	1 share nom.value EUR 51,129	0	1
Sirius Belgium Réassurances S.A, Liège Belgien	13	100	Share capital total EUR 1,245,681 consisting of 700,000 shares without nom. value	13	0
Total			23	13	1

Note 15 • Shares and participations in associated companies

	Group	
	2008	2007
Carrying amount at start of year	1,652	1,673
Acquisitions of associated companies	385	0
Share of associated company's profit/loss	-249	14
Translation differences	296	-17
Other changes in associated company's equity	17	-18
Carrying amount at end of year	2,101	1,652

	Parent Company	
	2008	2007
Carrying amount at start of year	1,673	0
Acquisition of associated company	385	1,673
Carrying amount at end of year	2,058	1,673

Associated Companies	Assets	Liabilities	Equity	Net income	Share of capital % ¹⁾	Number of shares
White Mountains International S.a.r.l., Luxemburg	27,461	20,001	7,460	-1,549	28,2	2,461,000
Total	27,461	20,001	7,460	-1,549	28,2	2,461,000

1) The participating interest in the company's total equity at the end of the year was 28.2%, with the equivalent figure at the beginning of the year at 20.4%. The participating interest in terms of outstanding shares at the end of the year was 22.0%, with the equivalent figure at the beginning of the year at 17.4%.

Note 16 • Investments in shares and participations

	Fair value		Acquisition cost	
	2008	2007	2008	2007
Group	1,745	2,196	2,338	2,072

	Fair value		Acquisition cost	
	2008	2007	2008	2007
Parent Company	1,294	2,191	1,595	2,069

Further information on financial instruments can be found in Note 31.

Note 17 • Bonds and other interest-bearing securities

	Fair value		Acquisition cost	
	2008	2007	2008	2007
Group				
Swedish government	3,126	2,780	2,982	2,794
Swedish mortgage institutions	1,089	1,477	1,121	1,511
Other Swedish issuers				
Foreign governments	2,578	1,441	2,523	1,444
Other foreign issuers	1,989	1,964	2,089	1,965
Total	8,782	7,662	8,715	7,714
of which listed	8,782	7,662	8,715	7,714
Average difference compared to nominal value				
Total excess amount	365	159	166	183
Total shortfall	200	53	68	25

	Fair value		Acquisition cost	
	2008	2007	2008	2007
Parent Company				
Swedish government	3,126	2,780	2,982	2,794
Swedish mortgage institutions	1,089	1,447	1,121	1,511
Other Swedish issuers				
Foreign governments	2,578	1,441	2,523	1,444
Other foreign issuers	1,989	1,964	2,089	1,965
Total	8,782	7,662	8,715	7,714
of which listed	8,782	7,662	8,782	7,714
Average difference compared to nominal value				
Total excess amount	365	159	166	183
Total shortfall	200	53	68	25

Note 18 • Other financial assets

	Fair value		Acquisition cost	
	2008	2007	2008	2007
Group				
Derivative currency forward agreements	0	2	0	0
Total	0	2	0	0

	Fair value		Acquisition cost	
	2008	2007	2008	2007
Parent Company				
Derivative currency forward agreements	0	2	0	0
Total	0	2	0	0

Note 19 • Debtors arising out of direct insurance and other debtors

	Group		Parent Company	
	2008	2007	2008	2007
<i>Debtors arising out of direct insurance</i>				
Amounts due from intermediaries	37	30	37	30
Total debtors arising out of direct insurance	37	30	37	30
<hr/>				
	Group		Parent Company	
	2008	2007	2008	2007
<i>Other debtors Group companies</i>				
Income taxes recoverable	766	269	753	269
Deferred tax assets – see Note 29	21	320	21	320
Other debtors	55	63	40	39
Total other debtors	842	654	814	630

Note 20 • Categories of financial assets and liabilities and their fair values

Group 2008	Financial assets valued at fair value via the income statement	Available- for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Financial assets					
Shares and participations	1,745	0	1,745	1,745	2,099
Bonds and other interest-bearing securities	0	8,782	8,782	8,782	8,234
Accrued income	629	0	629	629	629
Total	2,374	8,782	11,156	11,156	10,962
<hr/>					
Parent Company 2008	Financial assets valued at fair value via the income statement	Available- for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Financial assets					
Shares and participations	1,294	0	1,294	1,294	1,359
Bonds and other interest-bearing securities	0	8,782	8,782	8,782	8,234
Accrued income	628	0	628	628	628
Total	1,922	8,782	10,704	10,704	10,221

Group 2008	Other liabilities	Carrying amount	Fair value
Financial liabilities			
Other liabilities	546	546	546
Accrued expenses	122	122	122
Total	668	668	668
<hr/>			
Parent Company 2008	Other liabilities	Carrying amount	Fair value
Financial liabilities			
Other liabilities	554	554	554
Accrued expenses	122	122	122
Total	676	676	676

Note 21 • Tangible assets

	Group	Parent Company
	Equipment	Equipment
<i>Acquisition cost</i>		
Opening balance 1 January 2007	88	86
Acquisitions	9	9
Disposals	-3	-3
Acquisition of subsidiary	2	0
Sale of subsidiary	-3	0
Closing balance 31 December 2007	93	92
Opening balance 1 January 2008	93	92
Acquisitions	7	7
Disposals	-28	-28
Closing balance 31 December 2008	72	71
<i>Depreciation</i>		
Opening balance 1 January 2007	-75	-74
Depreciation for the year	-6	-6
Disposals	3	3
Acquisition of subsidiary	-1	0
Sale of subsidiary	2	0
Closing balance 31 December 2007	-77	-77
Opening balance 1 January 2008	-77	-77
Depreciation for the year	-7	-7
Disposals	28	28
Closing balance 31 December 2008	-56	-56
Reported values		
1 January 2007	13	12
31 December 2007	16	15
1 January 2008	16	15
31 December 2008	16	15

Note 22 • Deferred acquisition costs

	Group		Parent Company	
	2008	2007	2008	2007
Opening balance	464	569	464	569
Capitalisation for the year	341	468	341	468
Depreciation/amortisation for the year	-441	-551	-441	-551
Exchange rate gains/losses	77	-22	77	-22
Closing balance	441	464	441	464

Note 23 • Untaxed reserves

Parent Company		
	2008	2007
<i>Accumulated accelerated depreciation regarding goodwill and equipment</i>		
Opening balance 1 January	81	81
Change for the year	-20	0
Exchange rate fluctuation for the year	0	0
Closing balance as of 31 December	61	81
<i>Safety reserve</i>		
Opening balance 1 January	9,136	8,599
Provisions for the year	0	537
Closing balance 31 December	9,136	9,136
Total untaxed reserves	9,197	9,217

Note 24 • Provisions for unearned premiums and unexpired risks

Provisions for unearned premiums	2008			Group			2007		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance	-1,936	161	-1,775	-2,270	167	-2,103			
Insurance policies signed during the period	-1,668	200	-1,468	-1,854	144	-1,710			
Earned insurance premiums for the period	1,832	-135	1,697	2,095	-144	1,951			
Reclassification to return on capital	0	0	0	8	0	8			
Currency effect	-411	48	-363	85	-6	79			
Closing balance	-2,183	274	-1,909	-1,936	161	-1,775			

Provisions for unexpired risks	2008			Group			2007		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance	-125	93	-32	-3	3	0			
Current year's provisions included in profit/loss	-9	0	-9	-121	89	-32			
Previous year's provisions included in profit/loss	1	-1	0	0	0	0			
Currency effect	-27	19	-8	-1	1	0			
Closing balance	-160	111	-49	-125	93	-32			

Provisions for unearned premiums	2008			Parent Company			2007		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance	-1,936	161	-1,775	-2,262	167	-2,095			
Insurance policies signed during the period	-1,668	200	-1,468	1,854	144	-1,710			
Premiums earned during the period	1,832	-135	1,697	2,095	-144	1,951			
Currency effect	-411	48	-363	85	-6	79			
Closing balance	-2,183	274	-1,909	-1,936	161	-1,775			

Provisions for unexpired risks	2008			Parent Company			2007		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance	-125	93	-32	-3	3	0			
Current year's provisions included in profit/loss	-9	0	-9	-121	89	-32			
Previous year's provisions included in profit/loss	1	-1	0	0	0	0			
Currency effect	-27	19	-8	-1	1	0			
Closing balance	-160	111	-49	-125	93	-32			

Note 25 • Claims outstanding

Provisions for outstanding claims	2008			Group			2007		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance, reported claims	-3,898	712	-3,186	-4,057	804	-3,253			
Opening balance, incurred but not reported claims (IBNR)	-2,321	395	-1,926	-3,678	295	-3,383			
Opening balance	-6,219	1,107	-5,112	-7,735	1,099	-6,636			
Cost for claims incurred during the current year	-3,853	329	-3,524	-3,742	424	-3,318			
Change in estimated cost for claims incurred in previous years (close-down profit/loss)	-3,460	3,322	-138	-206	43	-163			
Claims handling expenses	-241	0	-241	-163	0	-163			
Paid/transferred to insurance liabilities or other current liabilities	-4,080	561	-3,519	-3,714	423	-3,291			
Currency effect	-1,296	392	904	191	-36	155			
Sale of company	0	0	0	1,396	0	1,396			
Closing balance	-10,507	4,588	-5,919	-6,219	1,107	-5,112			
Closing balance, reported claims	-4,861	698	-4,163	-3,898	712	-3,186			
Closing balance, incurred but not reported claims (IBNR)	-5,646	3,890	-1,756	-2,321	395	-1,926			

Provisions for outstanding claims	2008			Parent Company			2007		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance, reported claims	-3,898	712	-3,186	-4,058	804	-3,254			
Opening balance, incurred but not reported claims (IBNR)	-2,321	395	-1,926	-2,266	295	-1,971			
Opening balance	-6,219	1,107	-5,112	-6,324	1,099	-5,225			
Cost for claims incurred during the current year	-3,853	329	-3,524	-3,697	424	-3,273			
Change in estimated cost for claims incurred in previous years (close-down profit/loss)	-3,460	3,322	-138	-203	43	-160			
Claims handling expenses	-241	0	-241	-163	0	-163			
Paid/transferred to insurance liabilities or other current liabilities	-4,080	561	-3,519	-3,693	423	-3,270			
Currency effect	-1,296	392	904	149	-36	113			
Closing balance	-10,507	4,588	-5,919	-6,219	1,107	-5,112			
Closing balance, reported claims	-4,861	698	-4,163	-3,898	712	-3,186			
Closing balance, incurred but not reported claims (IBNR)	-5,646	3,890	-1,756	-2,321	395	-1,926			

Note 26 • Equalisation provision

	Group		Parent Company	
	2008	2007	2008	2007
Opening balance	5	15	5	20
Dissolution of provisions made in previous years	-3	-10	-3	-15
Exchange rate gain/loss	1	0	1	0
Closing balance	3	5	3	5

Note 27 • Claims handling provision

	Group		Parent Company	
	2008	2007	2008	2007
Opening balance	77	21	77	0
Dissolution of provisions made in previous years	-77	-21	-77	0
Provisions for the year	113	77	113	77
Closing balance	113	77	113	77

Note 28 • Pension provisions and similar items

Pension provisions	Group		Parent Company	
	2008	2007	2008	2007
Total amount *	15	13	0	0

* Employees in Germany are covered by a defined benefit pension plan. The plan is funded by Sirius. Pension claims are reported as liabilities on the company's balance sheet.

Note 29 • Tax Provisions**Tax items accounted for directly against shareholders' equity**

	Group		Parent Company	
	2008	2007	2008	2007
Deferred taxes attributable to available-for-sale financial assets	-33	-4	-33	1
Total tax items reported directly against equity	-33	-4	-33	1

Reported tax liabilities	Group		Parent Company	
	2008	2007	2008	2007
Current tax liability	429	225	427	224
Deferred tax liability	2,419	2,616	0	33
Total tax liabilities	2,848	2,841	427	257

Reported deferred tax receivables and tax liabilities

Reported deferred tax receivables and tax liabilities related to the following:

Group	Deferred tax assets		Deferred income tax liabilities		Net	
	2008	2007	2008	2007	2008	2007
Pension provisions	8	6	0	0	8	6
Other provisions	13	0	0	0	13	0
Surplus value of securities	0	15	0	-35	0	-20
Safety reserve and accelerated depreciation	0	0	-2,419	-2,581	-2,419	-2,581
Foreign tax credits	0	299	0	0	0	299
Net tax receivables/tax liabilities	21	320	-2,419	-2,616	-2,398	-2,296

Parent Company	Deferred tax assets		Deferred income tax liabilities		Net	
	2008	2007	2008	2007	2008	2007
Pension provisions	8	6	0	0	8	6
Other provisions	13	0	0	0	13	0
Surplus value of securities	0	15	0	-33	0	-18
Foreign tax credits	0	299	0	0	0	299
Net tax receivables/tax liabilities	21	320	0	-33	21	287

Unreported deferred tax receivables

Deductible temporary differences and fiscal loss carry forward for which deferred tax receivables have not been reported in the income statement and balance sheet.

Changes in deferred tax in temporary differences and loss carry-forward

Group	Balance per 1 Jan 2008	Recorded in the income statement	Recorded against equity	Balance per 31 Dec 2008
Pension provisions	6	2	0	8
Other provisions	0	13	0	13
Surplus value of securities	-20	53	-33	0
Safety reserve and accelerated depreciation	-2,581	162	0	-2,419
Foreign tax credits	299	0	0	299
Reclassification	0	-299	0	-299
Total	-2,296	-69	-33	-2,398

Group	Balance per 1 Jan 2007	Recorded in the income statement	Recorded against equity	Balance per 31 Dec 2007
Receivables	47	0	0	47
Reclassification	-47	0	0	-47
Pension provisions	3	3	0	6
Other provisions	-2	2	0	0
Surplus value of securities	0	-16	-4	-20
Safely reserve and accelerated depreciation	-2,430	-151	0	-2,581
Foreign tax credits	266	33	0	299
Total	-2,163	-129	-4	-2,296

Parent Company	Balance per 1 Jan 2008	Recorded in the income statement	Recorded against equity	Balance per 31 Dec 2008
Pension provisions	6	2	0	8
Other provisions	0	13	0	13
Surplus value of securities	-18	51	-33	0
Foreign tax credits	299	0	0	299
Reclassification	0	-299	0	-299
Total	287	-233	-33	21

Parent Company	Balance per 1 Jan 2007	Recorded in the income statement	Recorded against equity	Balance per 31 Dec 2007
Receivables	47	0	0	47
Reclassification	-47	0	0	-47
Pension provisions	0	6	0	6
Surplus value of securities	0	-19	1	-18
Foreign tax credits	266	32	0	299
Total	266	19	1	287

There is no loss carry-forward included in the change of deferred tax.

Note 30 • Creditors arising out of direct insurance and other creditors

Creditors arising out of direct insurance	Group		Parent Company	
	2008	2007	2008	2007
Amounts due to intermediaries	25	23	25	23
Total creditors arising out of insurance	25	23	25	23

Other creditors	Group		Parent Company	
	2008	2007	2008	2007
Amounts due to group companies	484	225	496	231
Other creditors	62	76	58	75
Total other creditors ¹⁾	546	301	554	306

¹⁾ The majority of the receivables has a duration less than one year

Note 31 • Derivatives with negative values

Derivatives with negative values	Group		Acquisition cost	
	2008	2007	2008	2007
Currency forwards	0	-1	0	0
Total	0	-1	0	0

Derivatives with negative values	Parent Company		Acquisition cost	
	2008	2007	2008	2007
Currency forwards	0	-1	0	0
Total	0	-1	0	0

Note 32 • Contingent liabilities and commitments

	Group		Parent Company	
	2008	2007	2008	2007
<i>In the form of pledged assets for own liabilities and provisions</i>	8,527	7,714	8,527	7,714
Bonds and other interest-bearing securities	8,343	7,570	8,343	7,570
Accrued interest	0	0	0	0
Cash and bank	183	144	183	144
Assets for which policy holders have preferential rights	8,527	7,714	8,527	7,714

On the basis of the stipulations in Chapter 7, Section 11 of the Insurance Business Act, registered assets amount to MSEK 8,027. In the case of insolvency, the insured has preferential rights to the registered assets. During the course of operations, the Company has the right to register and de-register assets from the register, provided that all insurable commitments are covered by technical provisions in accordance with the Insurance Business Act. The summary in the annual report for 2007 did not include registered assets in their entirety. For the purpose of comparability between the years, the disclosures for 2007, therefore, have been updated.

MSEK (nominal amount)	Group		Parent Company	
	2008	2007	2008	2007
Guarantee issued on behalf of subsidiaries	0	0	0	0
Future commitments for investments in venture capital company	79	76	79	76
Total	79	76	79	76

Note 33 • Associated parties**Summary of transactions with associated parties****Associated parties within the White Mountains Group****Group and Parent Company**

2008	Premium income, net	Indemni- fication	Services purchased from associated parties	Dividends	Other	Receivables associated parties per 31 Dec.	Liabilities, associated parties per 31 Dec.
Other associated parties							
Folksamerica Reinsurance Co.	336	-313	-2	0	0	914	1
Esurance, OneBeacon	1,850	-1,780	0	0	0	540	13
WM Life Re - ceded reinsurance	-179	3,299	0	0	0	0	0
White Mountains Re Underwriting Services Ltd.	0	0	0	0	0	0	23
White Mountains Financial Services LLC	0	0	-23	0	0	0	11
Sirius Insurance Holding Sweden AB - group contribution	0	0	0	0	0	0	280
Fund American Holdings AB - group contribution	0	0	0	0	0	0	186
White Mountains Advisors LLC	0	0	-24	0	0	0	7
Total	2,007	1,206	-49	0	0	1,454	521

Group and Parent Company

2007	Premium income, net	Indemni- fication	Services purchased from associated parties	Dividends	Other	Receivables associated parties per 31 Dec.	Liabilities, associated parties per 31 Dec.
Other associated parties							
Folksamerica Reinsurance Co.	637	-332	0	0	0	610	0
Esurance, One Beacon	1,476	-1,632	0	0	0	393	0
WM Life Re – ceded reinsurance	-152	-6	0	0	0	0	26
White Mountains Financial Services LLC	0	0	-21	0	0	0	7
Sirius Insurance Holding Sweden AB	0	0	0	414	-411	0	0
Fund American Holdings AB – group contribution	0	0	0	-235	0	0	211
White Mountains Advisors LLC	0	0	-27	0	0	0	6
Total	1,961	-1,970	-48	179	-411	1,003	250

Note 34 • Average number of employees, salaries and other remuneration

Average number of employees - Group	2008			2007		
	Men	Women	Total	Men	Women	Total
Parent Company	111	127	238	117	127	244
Germany	3	7	10	1	2	3
Bermuda	0	0	0	2	0	2
Total, Group	114	134	248	120	129	249

Average number of employees – Parent Company	2008			2007		
	Men	Women	Total	Men	Women	Total
Sweden	54	73	127	59	77	136
UK	23	19	42	25	19	44
Belgium	23	21	44	22	20	42
Switzerland	4	3	7	4	3	7
Singapore	5	9	14	6	8	14
Denmark	2	2	4	1	0	1
Total, Parent Company	111	127	238	117	127	244

Senior management in the Group and Parent Company	2008			2007		
	Men	Women	Total	Men	Women	Total
Board and CEO	4	0	4	4	0	4
Other senior members of management	3	0	3	3	0	3
Total Group/Parent Company	7	0	7	7	0	7

Remuneration to employees	Group		Parent Company	
	2008	2007	2008	2007
Salaries including bonuses	207	191	196	185
Of which paid out bonuses	41	25	39	24
Pension expenses	41	37	40	37
Social security contributions, special employer's contributions, pensions	55	52	55	52
Total remuneration to employees	303	280	291	274

Of which paid remuneration for the year to: CEO	Group		Parent Company	
	2008	2007	2008	2007
Salaries including bonuses	8	6	8	6
Of which paid out bonuses	5	3	5	3
Pension expenses	3	3	3	3
Total remuneration to CEO	11	9	11	9

The board and other senior members of management	Group		Parent Company	
	2008	2007	2008	2007
Salaries including bonuses	9	7	9	7
Of which paid out bonuses	4	2	4	2
Pension expenses	2	2	2	2
Total remuneration to the board and other senior members of management	11	9	11	9

Salaries and other remuneration, divided by country – Group	2008		2007	
	Salaries and remuneration	Of which bonuses paid for the year	Salaries and remuneration	Of which bonuses paid for the year
Total, Parent Company	196	39	185	24
Germany (1 October – 31 December 2007)	11	2	2	0
Bermuda (1 January – 30 September 2007)	0	0	4	1
Total salaries and other remuneration	207	41	191	25

Salaries and other remuneration, divided by country – Parent Company	2008		2007	
	Salaries and remuneration	Of which bonuses paid for the year	Salaries and remuneration	Of which bonuses paid for the year
Sweden	104	22	99	13
Belgium	33	4	28	2
UK	40	10	43	7
Switzerland	9	2	8	1
Singapore	7	1	7	1
Denmark	3	0	0	0
Total, Parent Company	196	39	185	24

Salaries and remuneration

The Board receives remunerations in accordance with the resolutions of the Annual General Meeting. Board fees are not paid to individuals employed in the company. No Board fees were paid in 2008. Remuneration to the CEO and other senior members of management consists of basic salary, bonuses and other compensations such as car benefits and pensions.

Variable remuneration

The Annual General Meeting has resolved upon a variable remuneration plan for the CEO and senior members of management.

Other employees are also covered under a variable remuneration plan. Levels of variable remuneration are based upon the Group's profit/loss as well as individually set goals.

Pensions

Sweden: Sirius applies the pension agreement signed with FAO/FTF/Saco. The agreement comes into effect as of 1 January 2008 and implies that employees born 1971 and earlier have a benefit defined pension plan, whereas employees born 1979 and earlier are offered a premium defined solution.

Employees born between 1 January 1972 and 31 December 1978 have the option, until 31 March 2008, to decide to which of these plans they wish to belong. The pension benefits are safeguarded by insurance.

The Company's CEO has a premium based executive pension plan. Three additional senior members of management subscribe to special premium based pension plans. Both plans are safeguarded by insurance.

The CEO is entitled to a life long pension from the age of 65.

UK: The pension plan covers all employees over 21 years of age and who are employed with conditional tenure. The plan is premium based. The employee pays 1.5 percent or more of his/her salary and Sirius pays 12 percent of the employee's salary. In terms of salary, no upper limit exists. The money is invested in funds of the employee's choosing. The plan is optional and employees may choose not to participate.

Belgium: All employees are covered by a pension plan in which Sirius pays 4.5 percent or 6.5 percent of the salary, depending on the employee category. The employee pays 2 percent.

Possible changes to the plan must be approved by local unions. The premiums are invested by an insurance company and the employee cannot influence how the money is invested. At the time of retirement, the employee has the option of either receiving the money as a lump sum or as a series of payments over time.

Germany: Employees are covered by a defined benefit pension plan. The pension receivables are reported as liabilities on the balance sheet.

Switzerland: Employees are covered by pension plans according to the industrial sector to which they belong.

The plan is a combination of a defined benefit and fee based pension plan. Sirius pays for 60 percent of the premiums while the employee pays for the remaining 40 percent.

Singapore: The Company is not required to pay pensions.

Denmark: All employees are covered by a mandatory pension plan with Danica pension. Sirius pays the agreed upon percentage rate stated in the employee's employment contract, however, this percentage shall be at a minimum, 15 % of the employee's salary. Thereafter, this amount is distributed to cover other aspects such as life insurance and disability benefits.

Severance pay

Upon termination initiated by the Company, the CEO is entitled to severance pay during the termination period of 12 months. A 6 month termination period is required if termination is initiated by the CEO.

Drafting and decision-making process

Decisions regarding remuneration for the CEO are resolved upon by the Board. Decisions regarding remuneration for other senior members of management are made by the CEO, in some cases after consultation with the Chairman of the Board.

Loans to senior members of management – none.

Absence due to illness in the Parent Company	2008	2007
Total absence due to illness as a percentage of ordinary working hours	1.98%	2.20%
Share of total absence due to illness regarding continuous absence due to illness of 60 days or more	11.90%	15.40%
Absence due to illness as a proportion of each group's standard working hours		
Absence due to illness divided by gender:		
Men	1.71%	1.85%
Women	2.18%	2.48%
Absence due to illness divided by age category:		
Younger than 30 years	2.32%	1.10%
30 - 49 years	1.81%	2.49%
50 years and older	2.20%	1.87%

Note 35 • Fees and reimbursement to auditors

	Group		Parent Company	
	2008	2007	2008	2007
Öhrlings PricewaterhouseCoopers - audit engagement	5	6	5	6

Audit assignment refers to the examination of the annual report and accounting records, as well as the administration of the Board of Directors and CEO, other duties which are the responsibility of the Company's auditors to execute and the provision of advisory services or other assistance resulting from observations made during such an examination or the implementation of such other duties. All other undertakings are classified as other assignments.

Note 36 • Operational leasing

Leasing contracts in which the Company is the lessee	Group		Parent Company	
	2008	2007	2008	2007
<i>Non-cancellable leases amount to:</i>				
Due for payment within one year	25	24	24	23
Due for payment later than one year but within five years	57	72	51	67
Due for payment after five years	3	4	0	0
Total	85	100	75	90

Note 37 • Class analysis**Profit/loss per insurance class**

2008								
Parent Company	Personal accident and health	Maritime, aviation and transport	Fire and other property damage	Credit insurance	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	507	19	43	-80	67	556	6,127	6,683
Premium earned, gross	498	41	49	2	66	656	6,183	6,839
Incurred claims, gross	-268	-5	-114	-2	-45	-434	-6,879	-7,313
Operating expenses, gross	-209	-20	-35	1	-33	-296	-1,295	-1,591
Result, ceded reinsurance	-23	-3	2	0	-2	-26	2,843	2,817
Equalisation provision	0	0	0	3	0	3	0	3
Technical result	-2	13	-98	4	-14	-97	852	755

2007								
Parent Company	Personal accident and health	Maritime, aviation and transport	Fire and other property damage	Credit insurance	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	464	67	71	0	108	710	5,942	6,652
Premium earned, gross	459	64	70	0	108	701	6,071	6,772
Incurred claims, gross	-267	-67	10	-1	-51	-376	-3,524	-3,900
Operating expenses, gross	-201	-22	-39	-4	-47	-313	-1,646	-1,959
Result, ceded reinsurance	-6	-4	0	0	-4	-14	-174	-188
Equalisation provision	0	0	0	3	3	6	9	15
Technical result	-15	-29	41	-2	9	4	736	740

Stockholm, March 9, 2009

Allan Waters
Chairman of the Board of Directors

Brian Kensil

Göran Thorstensson
President & CEO

Jan Silverudd
Employee Representative

Our Auditors' Report was submitted on March 16, 2009

Catarina Ericsson
Authorized Public Accountant

Anna Hesselman
Authorized Public Accountant

Audit Report

To the general meeting of the shareholders of Sirius International Insurance Corporation (publ) *Corporate identity number 516401-8136*.

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of Sirius International Insurance Corporation (publ) for the year 2008. These accounts and the administration of the company and the application of the Annual Accounts Act for Insurance Companies when preparing the annual accounts and the consolidated accounts are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director and significant estimates made by the board of directors and the managing director when preparing the annual accounts and the con-

solidated accounts as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend to the general meeting of shareholders that the income statement and balance sheet for the company and the group be adopted, that the profit be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 16, 2009

Catarina Ericsson
Authorized Public Accountant

Anna Hesselman
Authorized Public Accountant

DEFINITIONS

Combined Ratio

Net claims incurred in relation to net premiums earned and operating expenses (both commissions and own expenses) in relation to net premiums earned.

Net Technical Provisions

Total technical provisions (premium & claims provisions) less reinsurers' share of technical provisions.

Solvency Capital

Total of shareholders' equity + deferred taxes (or untaxed reserves in the parent company) + excess values of investment assets.

Solvency Ratio

Solvency capital in relation to net premium income.

This is an unaudited translation of Sirius International's Annual Report 2008. The audited Swedish version is the binding version.

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