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Sirius
International

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White Mountains Insurance Group, Ltd.

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 principal businesses through:

White Mountains Re – global reinsurance.

OneBeacon – specialty 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 owns a 75% interest of OneBeacon.

White Mountains Advisors – investment management with \$29.2 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, 2009 was approximately \$2.9 billion. As of December 31, 2009, White Mountains reported total assets of \$15.4 billion adjusted, shareholders' equity^{NGM} of \$3.7 billion, and adjusted GAAP book value per share^{NGM} of \$417.

White Mountains Re Ltd

White Mountains Re Ltd. ("White Mountains Re") – 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 ("WMRe America") – a U.S.-based international multi-line reinsurance company that employs a conservative strategy with specialized underwriting expertise, a diversified portfolio, and strong operational discipline. WMRe America's home office is in New York, and it has branch offices in Connecticut, Miami and Toronto.

Sirius International Insurance Corporation ("Sirius") – a Sweden based international reinsurer that focuses mainly on property and other short-tailed lines. Sirius is the largest reinsurance company in Scandinavia and a leading reinsurer in Europe. Sirius' home office is in Stockholm, and it has branch offices in Bermuda, Copenhagen, Hamburg, Liège, London, Singapore and Zurich.

White Mountains Specialty Underwriting, Inc. (DBA "White Mountains Re Solutions") – a Connecticut-based professional team specializing in opportunistic structured acquisitions of run-off property and casualty insurance liabilities. White Mountains Re Solutions further enhances traditional returns via effective post-acquisition management of the run-off process.

Comments from the President and CEO



2009 was a year that reinsurers will want to remember, one where profits rose as losses failed to materialise. As I write this review, however, 2010 has already given us a timely reminder of the importance of maintaining a longer perspective. After barely two months of the New Year there have been three big events: earthquakes in Haiti and Chile; and storm Xynthia through Portugal, Spain, France and Germany. In case we forget, we work in a volatile business.

For this reason, I would like to use this report to consider Sirius International's performance over several years, as well as its achievements during 2009. As much as it gives me genuine pleasure to look back on a highly profitable 12 months, our consistency over a longer timeframe is even more important to our customers and shareholders alike. Beginning with 2009 itself, the headline

figures are set out at the bottom of this report. They are outstanding no matter how you view them. Premium income was higher than ever, whilst the cost of claims fell. In fact, we only had two net losses above \$10 million, and none at all above \$15 million.

As a result of this combination of trends, profitability increased from an already high level, and we were able to build our solvency capital yet again. Every one of our business units returned underwriting surpluses. Overall, 2009 was the second best year in the history of our company.

At the same time we were able to develop our business in a way consistent with our strategic goal of steady rather than spectacular growth. Our new Australian branch made a promising start and is giving us a stronger presence in the region. Above all, we were pleased to welcome colleagues in our new Bermuda branch to the Sirius family after their transfer from our sister company White Mountains Re. They write mainly US Catastrophe XL business.

These extensions to our activities were entirely in line with our main focus: the maintenance and development of long-term relationships with brokers and cedants underpinned by mutual trust. Consistency of service, combined with a conservative, sustainable approach to underwriting, form the basis of all that we do.

Saying this is one thing, making it happen

quite another, which is why I would also like to discuss briefly our longer-term record. We have now returned underwriting profits every year from 2002 onwards. Our average combined ratio for the past decade, including the World Trade Centre 2001 and the 2005 hurricane season, is 94%. This falls to 89% over the past six years. In other words, our great results in 2009 were no flash in the pan; they were part of a pattern.

Similarly, we have increased our solvency capital for each of the past eight years, even in 2008 at the height of the financial crisis. Although the latest rise in capital of more than 50% followed a transfer of funds from within the White Mountains group, there was also significant organic growth.


This year-in, year-out performance underlines our resilience even in difficult times, as our aviation team in Zurich were able to demonstrate in 2009. Although benign for the reinsurance industry as a whole, it was one of the worst years ever for the aviation market. Yet, even in this class, we achieved a 97% combined ratio. With performances

like this, we are truly able to back our promise of giving our clients solid, long-term support. The growth of our premium income may not be exciting, but it is sustainable and a tribute to the quality of our underwriting teams.

Looking to the prospects for this year, it started with a challenging renewal season. Nonetheless, we substantially increased our footprint in Credit and Aviation, and were pleased to welcome new clients across all classes of business and geographical regions.

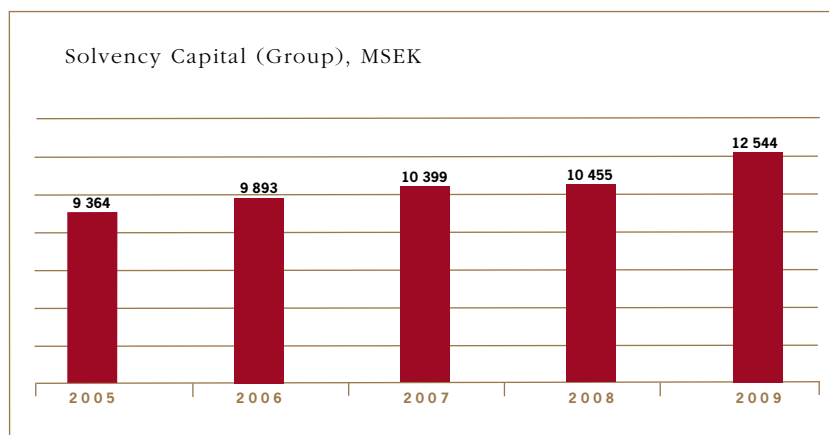
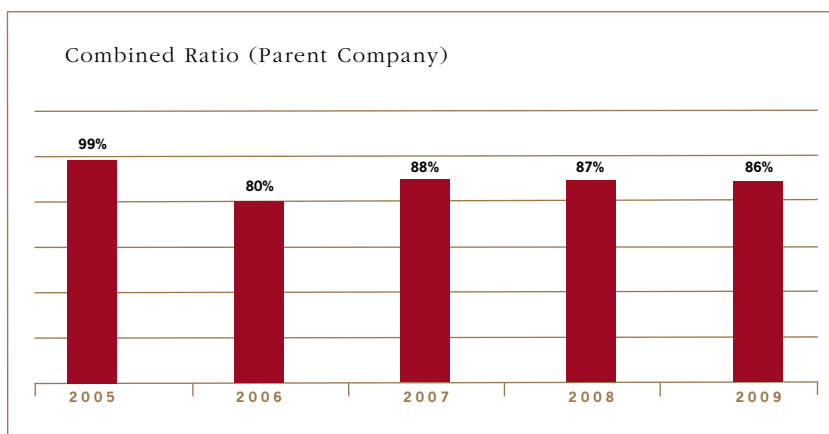
As already mentioned, we know that there are some significant losses in the pipeline. Even so, the underlying strength of our portfolio and underwriting justifies confidence in the eventual outcome for 2010 and future years.

I would like to thank the staff of Sirius International for their continuing hard work and loyalty and, above all, our clients and brokers for the trust you place in us.



GÖRAN THORSTENSSON
PRESIDENT & CEO

<i>At a glance</i>	2009	2008
Net premium income	\$911 million	\$858 million
Claims net of reinsurance	\$545 million	\$560 million
Combined Ratio	86%	87%
Investment income	\$30 million	\$42 million
Income before tax (group)	\$207 million	\$127 million



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 2009.

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 Försäkringsaktiebolaget Sirius. 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

2009 was a benign year as regards natural catastrophes; no major hurricanes, typhoons, floods or earthquakes occurred, and the year turned out to be a good one, both for the reinsurance industry as a whole and for Sirius International. The company had one of its best years ever, with a combined ratio of 86%. Sirius International has had, as of and including 2009, a combined ratio of less than 100% for eight years in a row. During the year, the operations increased with two new branch offices. In January a branch office was opened in Australia. The aim is to be able to underwrite local business in the country, both direct and reinsurance. The administration is handled

by Sirius International's London branch. Furthermore, a branch office was opened in Bermuda in September. The operations on Bermuda were taken over from Sirius International's fellow subsidiary, White Mountains Re, Bermuda. The branch underwrites American catastrophe reinsurance. With the new branch in Bermuda, Sirius International now underwrites business from all parts of the world.

The largest claim for the year, a hail storm in Switzerland and Austria, took place in July and is expected to cost approximately MSEK 118 for own account. In addition to this claim, there was only one further claim of any significance; winter storm Klaus, which hit France and Spain. The cost for this storm is calculated at approximately MSEK 105 for own account.

In general, price levels were satisfactory in the majority of markets for all classes of business. The run-off results were positive for earlier years.

Gross premium income for the Group amounted to MSEK 8,630 (MSEK 6,683) and MSEK 8,630 (MSEK 6,683) for the Parent Company. Premium income for own account for the Group totalled MSEK 6,957 (MSEK 5,602) and for the Parent Company MSEK 6,957 (MSEK 5,602). The insurance operating results of the Group amounted to MSEK 1,316 (MSEK 928) and for the Parent Company MSEK 1,311 (MSEK 923).

It is worth noting that all of the branch offices recorded a combined ratio below 100%, as did all active classes of business. The combined ratio was 86% (87%) for the Group and 86% (87%) for the Parent Company. The return on deployed capital

in the insurance operations amounted to 16%.

The financial markets bounced back notably during the year. Stock markets around the world saw major upswings, with the Swedish OMX 30 increasing by 44%, S&P 500 in the US increasing by 24% and the major stock exchanges in Europe noting upturns of around 20%. The interest rate levels on government bonds continue to be low, in spite of an increase in interest on the somewhat longer durations during the year. The credit spreads compared with risk-free interest have decreased notably during the year.

All in all, the yield on the bond portfolios amounted to 4.2%, excluding exchange rate effects. For the equity portfolio, including investments in associated companies and private equity companies, the yield amounted to 19.7%, excluding exchange rate effects. As a result of a decline, during the year, in the USD vis á vis the Swedish krona of 8.4%, the company's continued policy, regarding the exchange rate exposure vis á vis the USD, resulted in realised and unrealised exchange rate losses.

Exchange rate losses have negatively impacted the yield in terms of Swedish krona. From 1 January, 2010, the company has hedged approximately 50% of its foreign exchange rate exposure in USD.

The investment result, as presented in the Income Statement of the Group, amounted to a profit of MSEK 658 (MSEK 94) including currency exchange losses but before allocation of interest to the insurance operations. If unrealised gains in the bond portfolio, which is recorded directly in shareholders' equity, are included, then the investment result amounted to a profit of MSEK 791. The year's total yield amounted to 3.3%. Calculation of investment

yield and total yield is made in accordance with the recommendations of the Swedish Financial Supervisory Authority.

The investment portfolio's focus and composition is largely unchanged compared with the previous year. During the latter part of the year, the portion of short-term investments increased, as well as the bank funds in the portfolio. These funds will be reinvested in interest-bearing investments with a somewhat longer investment horizon in 2010. At the end of the year, the investment portfolio was composed of: shares and participations, 7%; investments in associated companies, 16%; and interest-bearing investments and bank funds, 77%.

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 September 2009, Sirius International Insurance Corporation Bermuda Branch, Hamilton, Bermuda was opened.

At year-end 2009, 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 eight branch offices outside of Sweden. These include the branch office in London, Great Britain - Sirius International Insu-

rance Corporation (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 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), the branch office in Hamilton, Bermuda, Sirius International Insurance Corporation Bermuda Branch, the branch office in Australia, Sirius International Insurance Corporation, Australian Branch, and in Hamburg, Germany. The operation in Germany is conducted through the agency Sirius Rückversicherungs Service GmbH, which operates on behalf of Sirius International.

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. The outcome of the dispute will have no impact on the company's financial status.

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

As per 21 January, 2009 a restructuring has taken place within the White Mountains International Group, of which Sirius International owned approximately 28%. After this restructuring, Sirius International is part-owner in the Luxembourg-based White Mountains Phoenix Group, which, in turn, owns 100% of the shares in White Mountains Reinsurance Company of America. After the restructuring, Sirius Internationals'

ownership is equivalent to approximately 24%. As per 1 September, 2009 the personnel in White Mountains Re Bermuda were transferred to the newly opened branch office in Bermuda. After that point in time, all new underwriting which previously took place in White Mountains Re Bermuda, was executed in the new branch office's name. The company White Mountains Re Bermuda has been placed in run-off as at the same date. In conjunction with the opening of the branch office, Sirius International received a shareholders' contribution of MUSD 200.

In the continued restructuring work within the group, Sirius International has, as at 4 February, 2010, in an intra-group transfer, acquired all of the shares in White Mountains Re Bermuda Ltd for a purchase price equivalent to MUSD 100.

As at 1 January, 2010, the company had entered into an internal currency hedging agreement with White Mountains Re Financial Services Ltd (WMReFS). This agreement implies that Sirius International has sold MUSD 250 on the basis of a currency futures transaction to WMReFS with a duration of five years. With the help of foreign exchange options, the currency futures transactions are settled on the basis of an exchange rate cap of SEK 11.93 per USD, and an exchange rate floor of SEK 5.11 per USD. Outside this range, the company takes no hedging measures.

On 27 February, 2010 a massive earthquake struck 60 km off the coast of Chile. The earthquake measured 8.8 on the Richter-scale and caused substantial material damages. Sirius International has exposures in the area. However, it is still too early to forecast how large loss the earthquake will cause the company.

Information on risks and factors of uncertainty

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

Financial instruments and risk management

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

Salaries and other remuneration to senior members of the management

Please refer to Note 31, 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, deemed to be insufficiently reinsured. These contracts are then classified as investment agreements. 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 increase in 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 2010, Sirius International's objective is to achieve a combined ratio lower than 90% and an underwriting return on capital (UROC) of 12%.

Five-year Summary

GROUP (MSEK)	2009	2008	2007	2006 ¹⁾	2005 ²⁾
Net premium income	6,957	5,602	5,810	7,257	4,877
Net premiums earned	6,867	5,822	6,019	5,898	4,988
Other technical income	0	0	10	5	-12
Allocated interest	369	168	259	149	130
Net claims incurred	-4,164	-3,659	-3,471	-3,046	-3,463
Net operating expenses	-1,756	-1,403	-1,845	-1,927	-1,618
Insurance operating result	1,316	928	972	1,079	26
Investment operating result	289	-74	-51	84	692
Other expenses	-27	-27	-27	-35	-35
Net income for the year	1,275	695	577	669	541
Net technical provisions	7,883	7,992	7,001	8,774	8,824
Market value on investment assets	18,449	16,743	15,508	17,881	18,862
Insurance operating result					
Claims ratio	61%	63%	58%	51%	69%
Cost ratio	25%	24%	30%	33%	32%
Combined ratio	86%	87%	88%	84%	102%
Investment result					
Investment yield	2%	3%	6%	3%	4%
Total yield	3%	2%	2%	1%	5%
Solvency capital					
Shareholders' equity	9,945	8,017	7,833	7,468	7,268
Deferred tax on untaxed reserves	2,548	2,420	2,581	2,430	2,094
Deferred tax on reserve for unrealised capital gains	53	18	-15	-5	4
Other adjustment items	-2	0	0	0	-2
Total solvency capital	12,544	10,455	10,399	9,893	9,364
Solvency ratio	180%	187%	179%	136%	192%
Capital base 3)	12,149	10,013	9,764	9,628	8,324
Required solvency capital	1,030	956	956	1,154	792
Group-based values 4)					
Capital base	17,544	17,236	18,482		
Solvency requirement	2,350	2,566	2,369		
PARENT COMPANY (MSEK)					
Net premium income	6,957	5,602	5,810	7,245	4,713
Net premiums earned	6,867	5,822	6,019	5,886	4,739
Allocated interest	369	168	258	149	130
Net claims incurred	-4,164	-3,659	-3,418	-2,807	-3,165
Net operating expenses	-1,761	-1,408	-1,861	-1,916	-1,543
Insurance operating result	1,311	923	998	1,312	161
Investment operating result	-139	106	153	329	511
Other expenses	-17	-17	-17	-25	-25
Net income for the year	490	738	430	227	553
Net technical provisions	7,886	7,993	7,001	7,340	7,159
Market value on investment assets	18,379	16,882	15,508	15,314	14,431
Insurance operating result					
Claims ratio	61%	63%	57%	48%	67%
Cost ratio	25%	24%	31%	32%	33%
Combined ratio	86%	87%	88%	80%	99%
Investment result					
Investment yield	2%	3%	5%	3%	4%
Total yield	3%	2%	3%	3%	5%
Solvency capital					
Shareholders' equity	2,654	1,295	1,136	1,093	1,077
Untaxed reserves	9,691	9,197	9,217	8,680	7,408
Deferred tax on Reserve for unrealized capital gains	53	18	-15	-14	0
Other adjustment items	0	0	0	0	28
Total solvency capital	12,398	10,510	10,338	9,759	8,513
Solvency ratio	178%	188%	178%	135%	181%
Capital base	12,021	9,968	9,776	9,560	8,210
Required solvency capital	1,030	956	956	1,105	724

1) For the comparison year 2006 legally restricted IFRS has been applied

2) For the comparison year 2005 legally restricted IFRS has not been applied.

3) Includes Sirius International with subsidiaries.

4) Includes WM Re Ltd. with subsidiaries.

Proposed Appropriation of Earnings

For 2009, the Parent Company recorded a result before appropriations and taxes of MSEK 1,155 (MSEK 1,012). Net income for the year amounted to a profit of MSEK 490 (MSEK 738). As of December 31, 2009 retained earnings in the Group amounted to MSEK 2,000.

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

	SEK in thousands
Retained earnings	495,027
Shareholders' contribution received	1,423,660
Unrestricted reserves	98,103
Dividend paid, as resolved by the meeting of the shareholders	-295,000
Group contribution	-357,412
Net income for the year	489,782
Total	1,854,160

The Board of Directors and the President propose that the amount be appropriated as follows:

- Dividends to owners	160,000
- Retained earnings	1,694,160
Total	1,854,160

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	2009	2008
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	8,630	6,683
Ceded reinsurance premiums	3	-1,673	-1,081
Change in the gross provision for unearned premiums		-237	156
Change in the provision for unearned premiums, Reinsurers' share		147	64
Total earned premiums, for own account		6,867	5,822
Allocated investment return transferred from the non-technical account		369	168
Claims incurred, for own account			
Claims paid	4		
- Gross amount		-4,243	-4,321
- Reinsurers' share		431	561
Claims paid, for own account		-3,812	-3,760
Change in the provision for claims, for own account			
- Gross amount	4	-206	-2,992
- Reinsurers' share		-146	3,090
Total claims incurred, for own account		-4,164	-3,662
Change in other technical provisions, for own account			
- Gross amount		0	3
Total other claims incurred, for own account		0	3
Operating costs	5	-1,756	-1,403
Operating profit/loss of technical account		1,316	928
Balance of technical account			
Investment income/expenses			
- Investment income	6	421	1,386
- Unrealised gains	7	635	170
- Investment expenses and charges	8	-370	-563
- Unrealised losses	9	-28	-899
Investment income allocated to the technical account		-369	-168
Total investment income/expenses		289	-74
Goodwill depreciation	12	-27	-27
Result before taxes		1,578	827
Taxes	11	-303	-132
Net income for the year		1,275	695

Balance Sheet - Group

December 31	Note	2009	2008
ASSETS			
Intangible assets	12		
Goodwill		264	291
Capitalized software		5	1
Total intangible assets		269	292
Investment assets			
Land and buildings	13	2	4
Total land and buildings		2	4
Investments in associated companies			
Shares and participations in associated companies	15	2,185	2,101
Total investments in group companies		2,185	2,101
Other financial investments			
Shares and participations	16, 19	1,797	1,745
Bonds and other interest bearing securities	17, 19	8,662	8,782
Total other financial investments		10,459	10,527
Deposits with cedents		1,544	1,716
Reinsurers' share of technical provisions			
Provisions for unearned premiums	23	482	385
Claims outstanding	24	3,948	4,588
Total reinsurers' share of technical provisions		4,430	4,973
Debtors			
Debtors arising out of direct insurance operations	18	10	37
Debtors arising out of reinsurance operations		1,480	1,252
Current tax receivables		108	766
Deferred tax receivables	11	26	21
Other debtors	18	770	55
Total debtors		2,394	2,131
Other assets			
Tangible assets	20	21	16
Cash and bank balance		4,384	2,454
Total other assets		4,405	2,470
Prepayments and accrued income			
Accrued interest		152	170
Deferred acquisition costs	21	419	441
Other prepayments and accrued income		23	18
Total prepayments and accrued income		594	629
TOTAL ASSETS		26,282	24,843

December 31	Note	2009	2008
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Share capital (8 million shares of nom. value SEK 100)		800	800
Other restricted reserves		7,142	6,778
Other reserves		147	49
Retained earnings		581	-305
Net income for the year		1,275	695
Total shareholders' equity		9,945	8,017
Technical provisions			
Provisions for unearned premiums	23	2,330	2,343
Claims outstanding	24, 26	9,983	10,620
Equalisation provision	25	0	3
Total technical provisions		12,313	12,966
Provisions for other risks and expenses			
Pension provisions	27	15	15
Current tax liability		2	429
Deferred tax liability	11	2,572	2,419
Total provisions for other risks and expenses		2,589	2,863
Deposits received from reinsurers			
		125	59
Creditors			
Creditors arising out of direct insurance operations	28	14	25
Creditors arising out of reinsurance operations		513	245
Other creditors	19, 28	626	546
Total creditors		1,153	816
Accrued expenses and deferred income			
Accrued expenses and deferred income	19	157	122
Total accrued expenses and deferred income		157	122
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		26,282	24,843
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities			
	29	6,647	8,527
Other pledged assets and comparable collaterals	29	0	0
Contingent liabilities	29	67	79
Commitments	29	0	0

Change in shareholders' equity for the Group

Group (MSEK)	Restricted equity		Non-restricted equity			Total
	Share Capital	Other Reserves	Other Reserves	Profit/loss brought forward	Net profit/ loss for the year	Total equity
Amount 1 January 2009	800	6,778	49	-305	695	8,017
Transfer of net result from previous year	0	0	0	695	-695	0
Equalisation provision (73.7%)	0	0	0	2	0	2
Shareholders' contribution ¹⁾	0	0	0	1,424	0	1,424
Transfer to fair value reserve	0	0	98	0	0	98
Translation difference for the year	0	364	0	-364	0	0
Change of untaxed reserves	0	0	0	-219	0	-219
Net profit/loss for the year	0	0	0	0	1,275	1,275
Group contribution provided ²⁾	0	0	0	-357	0	-357
Dividend paid ³⁾	0	0	0	-295	0	-295
Amount 31 December 2009	800	7,142	147	581	1,275	9,945
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 difference for the year	0	0	0	68	0	68
Change in fair value reserve	0	0	86	0	0	86
Change in 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	0	0	0	-330	0	-330
Amount 31 December 2008	800	6,778	49	-305	695	8,017

In the table above so-called shareholder activities, consisting of shareholders' contribution received, provision for group contribution and dividends, are included.

1) Shareholders' contribution received from White Mountains Re Financial Services Ltd.

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

3) During the year, dividend has been paid to the Parent Company Fund American Holdings AB

	2009	2008
SHARE CAPITAL		
Specified in number of shares		
Issued per 1 January	8,000,000	8,000,000
Issued per 31 December	8,000,000	8,000,000

Per 31 December 2009, registered share capital comprised of 8,000,000 (8,000,000) ordinary shares. The shares have a nominal value of 100 (100) SEK.

	2009	2008
UNTAXED RESERVES AND OTHER RESTRICTED RESERVES		
Equity portion of untaxed reserve and other restricted reserves		
Opening equity portion of untaxed reserves and other restricted reserves	6,778	6,637
Change for the year	364	141
Closing equity portion of untaxed reserves and other restricted reserves	7,142	6,778
OTHER RESERVES		
Fair value reserve		
Opening fair value reserve	67	-52
Change for the year	133	119
Closing fair value reserve	200	67
Tax on fair value reserve		
Opening tax on fair value reserve after tax	-18	15
Change for the year	-35	-33
Closing tax on fair value reserve after tax	-53	-18
Fair value reserve		
Opening fair value reserve	49	-37
Change for the year	98	86
Closing fair value reserve	147	49
PROFIT/LOSS BROUGHT FORWARD		
Opening profit/loss brought forward	-305	-144
Transfer of net result from previous year	695	577
Shareholders' contribution	1,424	0
Equalisation provision (73.7%)	2	0
Translation difference for the year	-219	68
Transfer to restricted reserves	-377	-141
Transfer from restricted reserves	13	0
Dividend paid	-295	-335
Group contribution provided 73.7% (72%)	-357	-330
Closing profit/loss brought forward	581	-305
NET PROFIT/LOSS FOR THE YEAR		
Net profit/loss for the year	1,275	695
TRANSLATION DIFFERENCE		
Opening translation difference	75	7
Change for the year	-219	68
Closing translation difference	-144	75

Cash flow statement for the Group

	2009	2008
OPERATING ACTIVITIES		
Profit/loss before tax ¹⁾	1,578	827
Adjustment for non-cash items	-192	94
Income tax paid	204	-193
Cash flow from current operations before changes in assets and liabilities	1,590	728
Change in land and buildings	2	1
Change in financial investments	117	-997
Change in other operating receivables	-202	-4,399
Change in other operating liabilities	-228	4,885
Cash flow from operating activities	1,279	278
INVESTING ACTIVITIES		
Net investment in tangible assets	-13	-6
Cash flow from investing activities	-13	-6
FINANCING ACTIVITIES		
Dividends paid	-295	-330
Shareholders contribution received	1,424	0
Group contributions paid	-465	-211
Cash flow from financing activities	664	-541
Cash flow for the year	1,930	-269
Cash and cash equivalents at beginning of year	2,454	2,723
Cash flow for the year	1,930	-269
Cash and cash equivalents at end of year ²⁾	4,384	2,454
¹⁾ Of which		
Interest received	482	455
Dividends received	45	52
Total	527	507
²⁾ The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	320	272
Current investments, equivalent to cash and cash equivalents	4,064	2,182
Total	4,384	2,454

Income Statement – Parent Company

January 1 - December 31 (MSEK)	Note	2009	2008
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	8,630	6,683
Ceded reinsurance premiums	3	-1,673	-1,081
Change in the gross provision for unearned premiums		-237	156
Change in provision for unearned premiums, reinsurers' share		147	64
Total earned premium, for own account		6,867	5,822
Allocated investment return transferred from the non-technical account		369	168
Claims incurred, for own account			
Claims paid	4		
- Gross amount		-4,243	-4,321
- Reinsurers' share		431	561
Claims paid, for own account		-3,812	-3,760
Change in the provision for claims, for own account			
- Gross amount	4	-206	-2,992
- Reinsurers' share		-146	3,090
Total claims incurred, for own account		-4,164	-3,662
Change in other technical provisions, for own account			
- Gross amount		0	3
Total claims incurred, for own account		0	3
Operating costs	5	-1,761	-1,408
Operating profit/loss of technical account		1,311	923
NON-TECHNICAL ACCOUNT			
Balance of technical account			
Investment income/expenses		1,311	923
- Investment income	6	385	1,053
- Unrealised gains	7	228	170
- Investment expenses and charges	8	-355	-329
- Unrealised losses	9	-28	-620
Investment income allocated to the technical account		-369	-168
Total investment income/expenses		-139	106
Goodwill depreciation	12	-17	-17
Result before appropriations and taxes		1,155	1,012
Appropriation to safety reserve		-511	0
Changes in excess depreciation on intangible assets		17	19
Result before taxes		661	1,031
Taxes	11	-171	-293
Net income for the year		490	738

Balance Sheet - Parent Company

December 31

(MSEK)

	Note	2009	2008
ASSETS			
Intangible assets	12		
Goodwill		212	229
Other intangible assets		5	1
Total intangible assets		217	230
Investment assets			
Land and buildings	13	2	4
Total land and buildings		2	4
Investments in group companies and associated companies			
Shares and participations in group companies	14	656	656
Shares and participations in associated companies	15	2,058	2,058
Total investments in group companies and associated companies		2,714	2,714
Other financial investments	16, 19	1,251	1,294
Shares and participations	17, 19	8,662	8,782
Bonds and other interest-bearing securities		9,913	10,076
Total financial investments		1,544	1,716
Deposits with cedents			
Reinsurers' share of technical provisions	23	482	385
Provisions for unearned premiums	24	3,948	4,588
Claims outstanding		4,430	4,973
Total reinsurers' share of technical provisions			
Debtors	18	10	37
Debtors arising out of direct insurance operations		1,480	1,252
Debtors arising out of reinsurance operations		95	753
Current tax receivables	11	25	21
Deferred tax receivables	18	756	40
Other debtors		2,366	2,103
Total debtors			
Other assets	20	20	15
Tangible assets		4,331	2,431
Cash and bank balance		4,351	2,446
Total other assets			
Prepayments and accrued income			
Accrued interest	21	152	169
Deferred acquisition costs		419	441
Other prepayments and accrued income		21	18
Total prepayments and accrued income		592	628
TOTAL ASSETS		26,129	24,890

December 31	Note	2009	2008
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Share capital (8 million shares of nom. value SEK 100)		800	800
Other reserves		147	49
Retained earnings		1,217	-292
Net income for the year		490	738
Total shareholders' equity		2,654	1,295
Untaxed reserves			
	22		
Excess depreciations on intangible assets		44	61
Safety reserve		9,647	9,136
Total untaxed reserves		9,691	9,197
Technical provisions			
Provisions for unearned premiums	23	2,330	2,343
Claims outstanding	24, 26	9,983	10,620
Equalisation provision	25	3	3
Total technical provisions		12,316	12,996
Provisions for other risks and expenses			
Current tax liability		0	427
Deferred tax liability	11	21	0
Total provisions for other risks and expenses		21	427
Deposits received from reinsurers			
		125	59
Creditors			
Creditors arising out of direct insurance operations	28	14	25
Creditors arising out of reinsurance operations		513	245
Other creditors	19, 28	638	554
Total creditors		1,165	824
Accrued expenses and deferred income			
Accrued expenses and deferred income	19	157	122
Total accrued expenses and deferred income		157	122
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
		26,129	24,890
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities			
	29	6,647	8,527
Other pledged assets and comparable collateral	29	0	0
Contingent liabilities	29	67	79
Commitments	29	0	0

Change in shareholders' equity - Parent Company

(MSEK)	Restricted equity	Non-restricted equity			Total
	Share Capital	Other reserves	Profit/loss brought forward	Net profit/loss for the year	Total equity
Amount 1 January 2009	800	49	-292	738	1,295
Transfer of net result from previous year	0	0	738	-738	0
Shareholders' contribution ¹⁾	0	0	1,424	0	1,424
Change in fair value reserve	0	98	0	0	98
Group contribution provided ²⁾	0	0	-358	0	-358
Dividend paid ³⁾	0	0	-295	0	-295
Net profit/loss for the year	0	0	0	490	490
Amount 31 December 2009	800	147	1,217	490	2,654
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	0	0	-335	0	-335
Dividend paid	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

In the table above so-called shareholder activities, consisting of shareholders' contribution received, provision for group contribution and dividends, are included.

- 1) Shareholders' contribution received from White Mountains Re Financial Services Ltd
- 2) Group contribution provided to Fund American Holdings AB och Sirius Insurance Holding Sweden AB.
- 3) During the year, dividend has been paid to the Parent Company Fund American Holdings AB.

	2009	2008
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 2009, registered share capital comprised of 8,000,000 (8,000,000) ordinary shares. The shares have a nominal value of SEK 100 (100).

	2009	2008
FAIR VALUE RESERVE		
Fair value reserve		
Opening fair value reserve	67	-52
Change for the year	133	119
Closing Fair value reserve	200	67
Tax on Fair value reserve		
Opening tax on Fair value reserve	-18	15
Change for the year	-35	-33
Closing tax on Fair value reserve	-53	-18
Fair value reserve after tax		
Opening Fair value reserve	49	-37
Change for the year	98	86
Closing Fair value reserve after tax	147	49
PROFIT/LOSS BROUGHT FORWARD		
Opening profit/loss brought forward	-292	-57
Transfer of net result from previous year	738	430
Shareholders' contribution	1,424	0
Dividend paid	-295	-330
Group contribution provided 73,7% (72%)	-358	-335
Closing profit/loss brought forward	1,217	-292
NET PROFIT/LOSS FOR THE YEAR		
Net profit/loss for the year	490	738

Cash flow statement for the Parent Company

	2009	2008
OPERATING ACTIVITIES		
Profit/loss before tax ¹⁾	661	1,031
Adjustment for non-cash items	515	4
Income tax paid	204	-178
Cash flow from current operations before changes in assets and liabilities	1,380	857
Change in land and buildings	2	1
Change in financial investments	296	-487
Change in other operating receivables	-202	-4,349
Change in other operating liabilities	-228	4,880
Cash flow from operating activities	1,248	902
INVESTING ACTIVITIES		
Net investment in tangible assets	-12	-7
Acquisition of subsidiaries, net impact on liquidity	0	0
Disposal of subsidiaries, net impact on liquidity	0	0
Cash flow from investing activities	-12	-7
FINANCING ACTIVITIES		
Shareholders' contribution paid	0	-643
Loans taken	0	0
Repayment of loans	0	0
Dividends paid	-295	-330
Shareholders' contribution received	1,424	0
Group contributions paid	-465	-211
Cash flow from financing activities	664	-1,184
Cash flow for the year	1,900	-289
Cash and cash equivalents at beginning of year	2,431	2,720
Cash flow for the year	1,900	-289
Cash and cash equivalents at end of year ²⁾	4,331	2,431
¹⁾ Of which		
Interest received	481	419
Interest paid	0	0
Dividends received	9	34
Total	490	453
²⁾ The following sub-components are included in cash and cash equivalents:		
Cash and bank balances	316	448
Current investments, equivalent to cash and cash equivalents	4,015	1,983
Total	4,331	2,431

Performance analysis, Parent Company

Analysis of Insurance Result (MSEK)	Direct Swedish risks, aviation	Direct foreign risks	Assumed reinsurance	Total
Technical result insurance operations				
Premiums earned, for own account	5	606	6,256	6,867
Allocated investment return transferred from the non-technical account	0	23	346	369
Claims incurred, for own account)	-2	-372	-3,790	-4,164
Operating costs	0	-282	-1,479	-1,761
Change of equalisation provision	0	0	0	0
Technical result of insurance operations	3	-25	1,333	1,311
Of which results from prior years ¹⁾	3	49	232	284
Technical provisions				
Unearned premiums and remaining risks	-1	-348	-1,981	-2,330
Outstanding claims	-1	-263	-9,597	-9,861
Equalisation provision	0	-3	0	-3
Claims adjustment provision	0	-9	-113	-122
Total technical provisions	-2	-623	-11,691	-12,316
Reinsurer's share of technical provisions				
Unearned premiums and remaining risks	0	77	405	482
Outstanding claims	0	61	3,887	3,948
Total technical provisions, reinsurer's share	0	138	4,292	4,430
Premiums earned, for own account				
Gross premium income	7	813	7,810	8,630
Ceded reinsurance premium	-1	-202	-1,470	-1,673
Change in gross provision for unearned premiums	-1	-5	-231	-237
Reinsurer's share of change in unearned premiums	0	0	147	147
Premiums earned, for own account	5	606	6,256	6,867
Claims incurred, for own account				
Claims paid	-1	-563	-3,511	-4,075
Reinsurer's share	0	122	309	431
Claims handling expenses	0	-19	-149	-168
Change in provision for outstanding claims	-1	90	-295	-206
Reinsurer's share	0	-2	-144	-146
Claims incurred, for own account	-2	-372	-3,790	-4,164

1) The performance analysis is substantially the same for the Group and the Parent Company.

2) Defined as result from year 2008 and earlier.

Note 1 • Accounting Principles

General information

This annual report was issued per 31 December 2009 and refers to Sirius International Försäkringsaktiebolag (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 2.2. 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 2.2 and FFS 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.

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 2009 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 2009. 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.

IFRS 7 (Financial instruments: Disclosures) has been amended and the amendment applies to the financial year beginning 1 January 2009 or later. The amendment requires disclosure in the annual report of the manner in which fair value measurements have been determined for the financial instruments measured at fair value in the balance sheet (Levels 1-3). Financial instruments classified as Level 1 have quoted prices (unadjusted) in active markets; financial instruments classified as Level 2 are based on observable data other than quoted prices included in Level 1; and financial instruments that are classified as Level 3 are based on non-observable data. No comparative figures are required for previous periods, if the amendments to IFRS 7 are applied in the annual report for 2009. For financial instruments classified as Level 3, the disclosures shall also be submitted in the form of a reconciliation of the changes between opening and closing balance in fair value.

Furthermore, IFRS 7 requires that the annual report be supplemented with disclosures on liquidity risk. According to IFRS 7.39, a duration analysis of financial liabilities should be provided, indicating the period of contract remaining until due date.

Sirius applies the afore-mentioned amendments to IFRS 7 in their annual report for 2009.

IAS 1 (Presentation of Financial Statements) has been revised and is mandatory for consolidated accounts, for financial years beginning 1 January 2010 or later. The revised standard prohibits presentation of revenue and cost items (that is, changes in shareholders' equity which do not refer to transactions with shareholders) in the report of changes in shareholders' equity, but requires that changes in shareholders' equity which do not refer to transactions with shareholders be reported separately from changes in shareholders' equity referring to transactions with shareholders, and that this be included in the report of total other comprehensive income. Comparative information is to be re-calculated, in order that it reflects application of the revised standard.

The revised standard IAS 1 (Presentation of Financial Statements) has not been applied in advance of the effective date.

The Swedish Financial Supervisory Authority's instructions and general advice on annual accounts in insurance companies (FFFS 2009:12) was adopted on 11 December 2009. These changed instructions and general advice come into effect on 1 January 2010 and is applied in the annual book-closing, annual reports and consolidated accounts prepared for the financial year beginning after 31 December 2009.

The change implies that the possibility of applying statutory IFRS in consolidated accounts is eliminated and, instead, IFRS is to be applied in full in 2010. This implies changes in a number of areas of which the major areas deemed to impact the company are:

The formats of the income statements and balance sheets are no longer to follow the guidelines of the Swedish Financial Advisory Authority, and should, instead, be determined by the company based on the IAS 1 framework. The company has yet to make a final assessment of the effect of this change.

Pensions are to be reported in accordance with IAS 19, which stipulates that commitments and plan assets for defined-benefit pension plans are to be recorded as pension liabilities or assets. The effect for the company is deemed to be negligible.

Property held for own use may no longer be valued in the same manner as property held for investment, but are, instead, to be valued at acquisition value, less depreciation, or according to the valuation method. The effect for the company is deemed to be negligible.

Goodwill and other items arising in conjunction with the acquisition of operations is to be reported according to the updated version of IFRS 3, which primarily implies that depreciation is not to be reported. The effect on shareholders' equity, as at 31 December 2009, is equivalent to accumulated depreciation on Goodwill of MSEK 351. Please see note 12.

Assessments and estimates in the financial statements

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, provisions, 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, provisions 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.

Significant assessments in the application of the Accounting principles

have been made in conjunction with the decision to report financial instruments at fair value, as well as in conjunction with the decision to classify insurance contracts as insurance/investment contracts.

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.
- Financial assets and liabilities classified as available-for-sale presume that the criteria specified in the accounting principles have been fulfilled.
- Classification of financial assets as investments held to maturity under the presumption that the 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, provisions 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 statements, unless stated otherwise below.

Approval

The annual accounts were approved for publication by the Board of Directors on 8 March 2010. The income statement and balance sheet will be adopted at the General Meeting held in the spring of 2010.

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 provisions, 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 provisions and 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 statements 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 and joint ventures are eliminated to the extent 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 write-down 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, provisions 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	7.13
EUR	10.27
GBP	11.51

Financial statements 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. Financial instruments 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 written 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. The premium income includes the net of entered and withdrawn premium portfolios. 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 written insurance contracts are recognized in the amounts expected to be paid to the Company. Cancellations reduce premium income, as soon as the amount is known. Additional premiums are recognized in the amount estimated to be paid 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, Equalization provisions (in the Parent Company) 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. "Policies in force" refers to insurance policies in accordance with entered agreements irrespective if they wholly or in part relates to later insurance period. In calculating these provisions, an estimate is made of anticipated costs 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 consider both the observed and the forecasted development of relevant costs.

Unexpired risk refers to the risk that the insurance contract's future claims and expenses cannot be covered by unearned 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 of the Company's liability for contracts in force. 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. Differences that can be explained by translation of changes in technical provisions to the exchange rate prevailing on the balance sheet date are recorded as exchange rate gains or losses under investment income.

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 external 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 and not yet fully reported 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. Differences that can be explained by the translation of changes in technical provisions to the exchange rate prevailing on the balance sheet date are recorded as exchange rate gains or losses under investment income.

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.

Claims adjustment provision

The amount of this provision is based on outstanding claims. The provision is equal to 2% of reported unpaid claims and 4% of incurred unreported or not yet fully reported claims. The period's change in the claims adjustment provision is recorded in the income statement within the items Claims handling expenses and Operating costs.

Deferred acquisition costs for insurance contracts

The term acquisition costs refers to such operating costs that, directly or indirectly, vary with 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 amortized 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.

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.

Operating costs

All operating costs are allocated in the income statement according to their functional nature; acquisition, 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

As premiums for ceded reinsurance are recorded amounts paid during the financial year, amounts recorded as liabilities to the company that have assumed the reinsurance, in accordance with entered reinsurance agreements, and premium portfolios. 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 the entered agreements. The Company assesses any required impairment for assets referring to reinsurance agreements 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 weighted average interest rate for 2009 amounted to 6.21%.

Applied interest rates

	2009	2008
EUR	2.68%	6.22%
GBP	8.19%	3.73%
SEK	2.06%	8.03%
USD	8.40%	0.93%

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 expense, 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. As regards interest-bearing securities classified as available-for-sale financial assets, previously unrealised changes in value are recognized as adjustment entries directly under Shareholders' equity. 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 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 provisions and 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 accumulated 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 | 3 years |
| • goodwill arising from the purchase of the net assets of businesses | 20 years |
| • other intangible assets | 3 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

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.

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 -8, while the recorded value per balance sheet date of 31 December 2009 amounted to MSEK 323.

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 provisions.

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 disposed. 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 write-down 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 and 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 RFR2.2, 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 2.2. 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% of the untaxed reserves can be considered as a deferred tax liability and 73.7% 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% of the untaxed reserves can be allocated to deferred tax liabilities and 73.7% 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.

Equalisation provision

The Parent Company's balance sheet includes an Equalisation provision within Technical provisions, and any changes for the period in this provision are reported in the income statement. However, in the consolidated balance sheet, the Equalisation provision is allocated into deferred tax liabilities and shareholders' equity.

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 windstorms 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 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, risk 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 ground 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 risk tolerance 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 allocated 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 underpriced 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 control that underwriting policies and procedures are followed. There is an underwriting control group reporting to the Chief Underwriting Officer. This group focuses in detail on how the business is underwritten and that the underwriters follow issued policies and procedures. Another group controls the underwriting system and ensures it is used correctly and that input data is accurate. Finally, Internal Audit and Group Risk Management also monitor these control

groups, carrying out random inspections/tests, in detail ensuring they use out sufficient control.

Retrocession

Sirius International uses retrocession as a tool to manage risk and has a centralized unit responsible for the purchasing and administration of its outwards reinsurance. The implementation of reinsurance purchase is based on the strategic direction of the inwards portfolio, overall risk tolerance and the search for an optimal portfolio mix. Catastrophe models and other tools are used in the analytical and decision making process.

Sensitivity to risks attributable to insurance agreements

Within the insurance operations, property damage 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 Property Damage 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 October 2009, when the company experienced its highest level of exposure during 2009.

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

	Once per 100 years	Once per 250 years
Global - Gross	3,584	5,136
Global - Net	2,635	3,050
Europe - Gross	3,507	5,136
Europe - Net	1,888	2,854

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 in an estimated net loss of MSEK 2,854 (gross claims MSEK 5,136). In order to estimate how claims of this size affect solvency capital, the company makes an estimation of the so-called Net Financial Impact (NFI), which is based on the estimated net claims adjusted for reinstatement premiums (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 established 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 classes, Accident and Trade Credit, the company has models which it has developed inhouse.

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. This risk is 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 also to Note 4 Claims incurred and Note 24 Claims Outstanding, where a specification of claims costs and expenses relating to the current year and prior years is made.

Historical Loss Reserve Trends

The table below shows historical loss reserve trends. When reading the table it should be noted that amounts in other currencies are converted to the closing exchange rate for 2009. The table below is thus not directly comparable to the income statement. The increases in claims costs shown in the table should be seen in relation to earned exposure. The amounts shown do not include internal claims adjustment expenses. During 2004 two larger operations were acquired, that were accounted in a way that does not make amounts fully available, thus we have excluded this underwriting year.

Claims (MSEK), gross underwriting year	2004 and prior years	2005	2006	2007	2008	2009	Total
Estimated claims: at the close of the calendar year		3 443	2 648	3 749	3 819	3 706	
1 year later		3 994	3 357	4 324	4 727		
2 years later		3 886	6 562	4 325			
3 years later		3 858	6 030				
4 years later		3 844					
Current estimate of total claims		3 844	6 030	4 325	4 727	3 706	
Total paid		3 617	2 946	3 661	2 927	1 288	
Claims outstanding	1 667	227	3 085	665	1 800	2 417	9 861

Claims (MSEK), gross underwriting year	2004 and prior years	2005	2006	2007	2008	2009	Total
Estimated claims: at the close of the calendar year		2 876	2 361	3 272	3 467	3 162	
1 year later		3 355	3 014	3 796	4 151		
2 years later		3 262	3 074	3 775			
3 years later		3 251	3 055				
4 years later		3 237					
Current estimate of total claims		3 237	3 055	3 775	4 151	3 162	
Total paid		3 016	2 724	3 185	2 615	1 199	
Claims outstanding	1 272	221	331	590	1 536	1 963	5 913

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 2009 amounted to a total

return of 3.3 percent, expressed in SEK. The duration in the portfolio with interest-bearing investments at the end of 2009 was 1.56 years which was unchanged compared to 2008. During the year, the percentage of equities in the investment portfolio decreased to approximately 12 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	Percentage split
Bonds and other interest-bearing securities	58.29
Shares and participations	12.11
- whereof venture capital companies	1.47
Cash and bank balances	29.60
Total	100

Market risks

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 2009 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 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 2009.

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	3,611	30%	101	82	54
Nominal interest rate risk in EUR	602	25%	85	5	3
Nominal interest rate risk in USD and other currencies	4,449	30%	115	121	80
Total	8,662	-	-	208	137

Equity risk

The equity risk is the risk that the market value of equities 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 2009.

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	1,251	35%	438	285
Foreign associated companies	2,741	35%	959	637
Total	3,992		1,397	922

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 to Owner's Funds. Sirius' net Policyholders Funds exposure for currency risk is marginal as the company's objective for managing currency risk is to match net insurance debts in foreign currency with corresponding assets within very tight frames. The company's total net exposure for currency risk, i.e. including both Policyholder and Owners Funds, before and after any hedging by derivatives is shown in the table below.

**Exchange rate exposure – Group
(MSEK)**

	USD	EUR	GBP	Other
Investment assets				
Shares and participations	3,514	114	0	0
Bonds and other interest-bearing securities	4,338	971	143	0
Other financial investment assets	1,395	2,176	39	38
Other assets and liabilities, net	1,971	289	-41	38
Total assets	11,218	3,550	141	76
Technical provisions, net	5,323	1,763	141	66
Total liabilities and provisions	5,323	1,763	141	66
Net exposure before financial hedging with derivatives	5,895	1,787	0	10
Nominal value currency forwards	0	0	0	0
Net exposure after financial hedging with derivatives	5,895	1,787	0	10

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 rate. The sensitivity analysis takes into consideration existing financial hedges with currency related derivatives.

Sensitivity analysis per currency

(MSEK)	USD	EUR	GBP	Other	Total
Change 25 basis points	205	43	0	-	248
Change 10%	590	178	0	1	769

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 turbulence in the credit and financial markets, a phenomenon which was clearly manifested during 2008 and 2009.

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

Exposure (MSEK) - Group

Bonds & other interest-bearing assets	8,662
Governments	5,305
Swedish mortgage institutions	103
Other Swedish issuers	104
Other issuers	3,150
Shares & participations	1,797
Total	10,459

The table below lists the ten largest holdings. The table includes Corporate bonds and Shares and participations and excludes Government bonds and other similar interest-bearing securities as well as Shares and participations in associated companies.

Name of security	Type of security	Market value	% of financial assets
OneBeacon Insurance Group Ltd	Share	543	4.3
SABMiller PLC	Bond	138	1.1
Atlas Copco AB	Bond	106	0.8
Royal Dutch Shell PLC	Bond	98	0.8
PPG Industries Inc	Bond	98	0.8
Anheuser-Busch Inbev	Bond	77	0.6
BAE Systems PLC	Bond	77	0.6
Enterprise Rent A Car	Bond	75	0.6
Merck & Co Inc	Bond	72	0.6
Cargill Inc	Bond	65	0.5
Total		1,349	10.7

The tables 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	BBB	BB	Total
Bonds and other interest-bearing securities	74	3	10	13	0	100
-Swedish government	100	0	0	0	0	100
-Swedish mortgage institutions	100	0	0	0	0	100
-Other Swedish institutions	0	0	100	0	0	100
-Foreign governments	99	1	0	0	0	100
-Other foreign issuers	33	7	25	34	1	100

Equity investments, divided by geographical area

	Percentage Split
Western Europe	25.85
North America	72.28
Asia	1.87
Total	100

Interest-bearing investments, divided by geographical areas

	Percentage split
Western Europe	11.65
North America	48.75
Scandinavia	38.69
Other	0.91
Total	100

Interest-bearing investments, divided by sector

	Percentage split
Governments	61.26
Swedish mortgage institutions	1.18
Other Swedish issuers	1.20
Other foreign issuers	36.36
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 in the 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 model for reinsurance counterparty analysis. For each rating there is a corresponding maximum limit for the total exposure per reinsurer and per program.

If the credit worthiness of a retrocessionaire 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 2009, to MSEK 65.

Ageing balances

Receivables regarding both direct insurance as well as assumed reinsurance are followed up on a monthly basis and outwards reinsurance receivables are 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, 1-3 months, 3-6 months, 6-9 months, 9-12 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.

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 total MSEK 13.

Due	<1 month	1-3	3-6	6-9	9-12	>1	Total
Net receivables (MSEK)	119	52	-1	1	-6	64	229

Retrocession credit risk

Reinsurers' share of technical provisions 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 2009 was MSEK 4,430. The credit rating distribution for this exposure is shown in the table below.

Financial Strength Rating - Standard & Poor's	Gross MSEK	Collateral MSEK	Net MSEK	Percentage
AAA	137	0	137	3
AA+	0	0	0	0
AA	43	0	43	1
AA-	34	0	34	1
A+	387	0	387	9
A	70	0	70	2
A-	148	33	115	3
BBB+	5	0	5	0
BBB or lower	756	107	649	17
Special approval	130	0	130	3
Internal reinsurance	2 720	2 720	0	61
Sum	4 430	2 860	1 570	100

In the item Internal reinsurance above the majority of ceded reinsurance refers 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 from 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 from Retrocessionaires (excluding costs for reinstatements) and the distribution of credit ratings for Sirius' 2009 Retrocession Program.

Financial Strength Rating - Standard & Poor's	MSEK	Percentage split
AA+	80.4	3
AA	483.6	16
AA-	268.0	9
A+	993.0	33
A	125.3	4
A-	739.3	24
BBB+	56.0	2
BBB or lower	54.7	2
Fully collateralized	114.6	4
Special approval	106.4	3
Sum	3 021.3	100

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 2009, the duration of interest-bearing investment assets was 1.56 years and the duration of insurance liabilities was 1.88 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 2009 also provides an illustration of the company's liquidity situation.

The tables below show a more detailed maturity profile for the Group in respect of both financial assets and debts.

Liquidity profile – financial assets

(Contractual inflows)

MSEK	On demand	<3 months	3 months			No duration	Total
			-1 year	1-5 years	>5 years		
Bonds and other interest-bearing securities	0	1 017	404	5 162	2 079	0	8 662
Shares & participations in associated companies	0	0	0	0	0	2 185	2 185
Shares & participations	0	0	0	0	0	1 797	1 797
Cash & bank balances	4 383	0	0	0	0	0	4 383
Receivables, direct insurance	0	0	0	0	0	10	10
Receivables, reinsurance	0	0	1 461	0	0	19	1 480
Other debts	15	719	0	0	0	36	770
Prepaid expenses and accrued income	0	23	152	0	0	0	175
Sum	4 398	1 759	2 017	5 162	2 079	4 047	19 462

Liquidity profile - financial debts

(Contractual outflows)

MSEK	On demand	<3 months	3 months			No duration	Total
			-1 year	1-5 years	>5 years		
Payables, direct insurance	0	0	0	0	0	14	14
Payables, reinsurance	0	0	556	0	0	-43	513
Other debts	0	102	485	39	0	0	626
Accrued expenses and deferred income	0	78	50	29	0	0	157
Sum	0	180	1 091	68	0	-29	1 310

Liquidity profile – Technical provisions

(Estimated claim payments, net, excluding ULAE)

MSEK	3 months				Total
	<3 months	-1 year	1-5 years	>5 years	
Technical provisions	717	2 183	3 062	964	6 926
Sum	717	2 183	3 062	964	6 926

Operational risks

Sirius has defined operational risks as "The risk of losses due to defective or inappropriate internal processes and routines, human errors, defective systems or external events, including legal risk".

All employees within Sirius are responsible for the contribution to a well functioning process for operational risk management and shall see themselves as risk managers. The Group Risk Management function for Risk Control is a group function responsible for developing and improving the operational risk methodology and thereby supporting the organization and the process owners with the tools needed to manage these risks. During 2009 the improvement of Sirius' operational risk management process has been into focus. The development of a framework for Operational Risk Management and an Incident Reporting Database will continue during the first quarter of 2010, followed by implementation of the framework and new routines.

Operational risks within Sirius are e.g. identified through regularly conducted Risk Control & Compliance Reviews (the RCC Review). Other helpful sources are the continuously updated process narratives and flowcharts where any gaps or operational risks are visualized and can be mitigated. Operational risks are also identified and managed by defining controls within the processes and through follow up and testing of the effectiveness of the key controls.

The result of the RCC Review that was performed from November 2008 until April 2009 was presented to the Executive Group in June 2009 together with suggested recommendations. Within the RCC Review key persons from different parts of the organization were interviewed regarding the risks within their respective working area or process, covering not only operational risks but also other risks.

Any material issues subject to operational risks and incidents are reported to the Board of Directors and Senior Management within the Quarterly Risk Report and to the Board of Directors as part of the yearly summarizing Risk and Governance Report.

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 ("solvency 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 2009 and 2008.

Total capital requirement according to the Traffic Light model

	2009	2008
Total capital net requirement	3 919	2 622
Capital buffer	12 567	10 925
Surplus	8 648	8 303

Financial Strength Rating

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

Financial Strength Rating as per 31 December 2009

	S&P's	A M Best	Moody's
Financial Strength Rating	A-	A	A3
Outlook	Stable	Negative	Stable

Note 3 • Premium income

Premium income, geographical allocation	Group		Parent Company	
	2009	2008	2009	2008
Direct insurance, Sweden	8	-79	8	-79
Direct insurance, other EEA	128	106	128	106
Direct insurance, other countries	684	529	684	529
Premiums for accepted reinsurance	7,810	6,127	7,810	6,127
Premium income before ceded reinsurance	8,630	6,683	8,630	6,683
Premium for ceded reinsurance	-1,673	-1,081	-1,673	-1,081
Premium income after ceded reinsurance	6,957	5,602	6,957	5,602

Note 4 • Claims incurred for own account

Claims incurred for the year's operations	2009			Group			2008		
	Gross	Ceded	Net	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-1,401	90	-1,311	-1,531	99	-1,432			
Loss portfolios	59	0	59	45	9	54			
Change in provision for incurred and reported claims	-1,563	298	-1,265	-1,284	165	-1,119			
Change in provision for incurred but not reported claims (IBNR)	-981	175	-806	-843	55	-788			
Claims handling expenses	-168	0	-168	-241	0	-241			
Total claims incurred for the year's operations	-4,054	563	-3,491	-3,854	328	-3,526			
Claims incurred for previous year's operations									
	2009			Group			2008		
	Gross	Ceded	Net	Gross	Ceded	Net			
Claims paid	-3,001	337	-2,664	-2,518	380	-2,138			
Loss portfolios	268	4	272	-76	73	-3			
Change in provision for incurred and reported claims	1,124	-84	1,040	995	-273	722			
Change in provision for incurred but not reported claims (IBNR)	1,214	-535	679	-1,860	3,143	1,283			
Total claims incurred for the previous year's operations	-395	-278	-673	-3,459	3,323	-136			
Total claims incurred	-4,449	285	-4,164	-7,313	3,651	-3,662			
Total claims paid									
	2009			Group			2008		
	Gross	Ceded	Net	Gross	Ceded	Net			
Claims paid	-4,402	427	-3,975	-4,049	479	-3,570			
Loss portfolios	327	4	331	-31	82	51			
Claims handling expenses	-168	0	-168	-241	0	-241			
Total claims paid	-4,243	431	-3,812	-4,321	561	-3,760			
Change in Provision for outstanding claims									
	2009			Group			2008		
	Gross	Ceded	Net	Gross	Ceded	Net			
Change in provision for incurred and reported claims	-439	214	-225	-289	-108	-397			
Change in provision for incurred but not reported claims (IBNR)	233	-360	-127	-2,703	3,198	495			
Total	-206	-146	-352	-2,992	3,090	98			

	Parent Company					
	2009			2008		
Claims incurred for the year's operations	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-1,401	90	-1,311	-1,531	99	-1,432
Loss portfolios	59	0	59	45	9	54
Change in provision for incurred and reported claims	-1,563	298	-1,265	-1,284	165	-1,119
Change in provision for incurred but not reported claims (IBNR)	-981	175	-806	-843	55	-788
Claims handling expenses	-168	0	-168	-241	0	-241
Total claims incurred for the year's operations	-4,054	563	-3,491	-3,854	328	-3,526

	Parent Company					
	2009			2008		
Claims incurred for previous year's operations	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-3,001	337	-2,664	-2,518	380	-2,138
Loss portfolios	268	4	272	-76	73	-3
Change in provision for incurred and reported claims	1,124	-84	1,040	995	-273	722
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Total claims incurred for previous year's operations	-395	-278	-673	-3,459	3,323	-136
Total claims incurred	-4,449	285	-4,164	-7,313	3,651	-3,662

	Parent Company					
	2009			2008		
Total claims paid	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-4,402	427	-3,975	-4,049	479	-3,570
Loss portfolios	327	4	331	-31	82	51
Claims handling expenses	-168	0	-168	-241	0	-241
Paid claims	-4,243	431	-3,812	-4,321	561	-3,760

	Parent Company					
	2009			2008		
Change in Provision for outstanding claims	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	-439	214	-225	-289	-108	-397
Change in provision for incurred but not reported claims (IBNR)	233	-360	-127	-2,703	3,198	495
Total	-206	-146	-352	-2,992	3,090	98

Note 5 • Operating costs

Specification of income statement item operating costs	Group		Parent Company	
	2009	2008	2009	2008
Acquisition costs	-1,673	-1,239	-1,673	-1,239
Change in prepaid acquisition costs (+/-)	86	-100	86	-100
Administrative expenses	-452	-260	-457	-265
Provisions and profit shares in ceded reinsurance (-)	283	196	283	196
Total	-1,756	-1,403	-1,761	-1,408

Other operating costs	Group		Parent Company	
	2009	2008	2009	2008
Claims handling expenses included in claims paid	-168	-241	-168	-241
Costs for treasury management included in Return on capital, costs	-41	-45	-41	-45
Costs for property management included in Return on capital, net	-3	-2	-3	-1
Other operating costs	-1,756	-1,403	-1,761	-1,408
Total operating costs	-1,968	-1,691	-1,973	-1,695

Total operating costs by type	Group		Parent Company	
	2009	2008	2009	2008
Direct and indirect personnel costs	-369	-318	-354	-305
Premises costs	-47	-46	-46	-44
Depreciation/Amortisation	-8	-7	-8	-7
Other expenses related to operations	-1,544	-1,320	-1,565	-1,339
Total	-1,968	-1,691	-1,973	-1,695

Note 6 • Investment, income

	Group		Parent Company	
	2009	2008	2009	2008
Dividend income from:				
Swedish shares and participations	0	2	0	2
Foreign shares and participations	45	48	9	33
Interest income				
Bonds and other interest-bearing securities	329	339	329	338
Other interest income	46	85	46	85
- of which from financial assets not valued at fair value with changes in value reported in the income statement	46	85	46	85
Exchange rate profit (net)	0	913	0	595
Capital gains and reversed write-downs (net)				
Swedish shares	1	0	1	0
Foreign shares	0	0	0	0
Interest-bearing securities	0	0	0	0
Property	0	0	0	0
Total return on capital, income	421	1,386	385	1,053

Note 7 • Unrealised gains on investments

	Group		Parent Company	
	2009	2008	2009	2008
Swedish shares and participations	0	2	0	2
Foreign shares and participations	365	167	228	167
Share of income in associated company ^{*)}	270	0	0	0
Derivatives	0	1	0	1
Total unrealised gains on investments	635	170	228	170

^{*)} Refers to the Group's share of income in associated company, WM Phoenix. The translation of the exchange rate difference arising in the conversion to Swedish krona is reported directly against equity (-186). In previous years, the Group's share of revenues for the previous holdings in associated company White Mountains International, was recorded as realized and unrealized gain/loss.

Note 8 • Investment expenses and charges

	Group		Parent Company	
	2009	2008	2009	2008
Operating expenses for land and buildings	-3	-2	-3	-2
Asset management costs	-43	-49	-43	-43
Interest expenses				
Other interest expenses	-1	-2	-1	-2
- of which from financial assets not valued at fair value with changes in value reported in the income statement	-1	-2	-1	-2
Capital losses on foreign exchange, net	-258	0	-244	0
Swedish shares and participations	0	-4	0	-4
Foreign shares and participations	-35	-259	-34	-258
Subsidiaries & associated companies	0	-232	0	0
Bonds and other interest-bearing securities	-30	-15	-30	-15
Write-down of investment assets	0	0	0	0
Total	-370	-563	-355	-329

Note 9 • Unrealised losses on investments

	Group		Parent Company	
	2009	2008	2009	2008
Swedish shares and participations	0	-8	0	-8
Foreign shares and participations	-28	-889	-28	-610
Derivatives, forward exchange agreements	0	-1	0	-1
Total unrealised losses on investments	-28	-899	-28	-620

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

Group 2009	Financial assets identified as items valued at fair value in the income statement	Available-for- sale financial instruments	Loan receivables and accounts receivables	Total
Shares and participations	575	0	0	575
Bonds and other interest-bearing securities	0	478	0	478
Deposits with edents	0	0	22	22
Other debtors	0	0	7	7
Total	575	478	29	1,082

Parent Company 2009	Financial assets identified as items valued at fair value in the income statement	Available-for- sale financial instruments	Loan receivables and accounts receivables	Total
Shares and participations	166	0	0	166
Bonds and other interest-bearing securities	0	478	0	478
Deposits with edents	0	0	22	22
Other debtors	0	0	7	7
Total	166	478	29	673

Group 2008	Financial assets identified as items valued at fair value in the income statement	Available-for- sale financial instruments	Total
Shares and participations	-1,222	0	-1,222
Bonds and other interest-bearing securities	0	527	527
Total	-1,222	527	-695

Parent Company 2008	Financial assets identified as items valued at fair value in the income statement	Available-for- sale financial instruments	Total
Shares and participations	-710	0	-710
Bonds and other interest-bearing securities	0	527	527
Total	-710	527	-183

The amounts in the table above constitute a specification of the amounts regarding financial instruments which are reported in the income statement as (i) return on capital, income (ii) unrealised gains (iii) return on capital, expenses, (iv) unrealised losses, with exception for (a) potential amortisation and write-downs, (b) asset management costs and (c) exchange rate gains/losses.

As the Company has no financial liabilities generating interest expenses, these have not been specified in the above table; neither does the table include interest income from Cash & Bank.

Note 11 • Taxes

	Group		Parent Company	
	2009	2008	2009	2008
Current tax expense (-)/[tax revenue (+)]				
Current tax expenses	-187	-341	-185	-338
Tax adjustment attributable to previous years	-4	278	-4	278
Deferred tax expense (-) [tax revenue (+)]				
Deferred tax regarding temporary differences	-112	-69	18	-233
Total reported tax expense	-303	-132	-171	-293

Reconciliation of effective tax

Reconciliation of effective income tax rate for the Group and Parent Company to the Swedish income tax rate:

	Group		Parent Company	
	2009	2008	2009	2008
Tax according to applicable tax rate for the Parent Company	-26.3%	-28.0%	-26.3%	-28.0%
Non-deductible expenses	-0.3%	-8.6%	-0.3%	-0.1%
Non-taxable income	8.4%	7.6%	3.2%	4.4%
Tax regarding previous years	-1.0%	-5.5%	-2.4%	-4.5%
Other	0%	18.6%	0	-0.2%
Reported effective tax	-19.2%	-15.9%	-25.8%	-28.4%

"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 2009 amounts to 511 (0).

Reported deferred tax receivables and tax liabilities

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

	Group					
	Deferred tax assets		Deferred tax liabilities		Net	
	2009	2008	2009	2008	2009	2008
Pension provisions	10	8	0	0	10	8
Other provisions	16	13	-1	0	15	13
Surplus value of securities	0	0	-22	0	-22	0
Safety reserve and accelerated depreciation	0	0	-2 549	-2 419	-2 549	-2 419
Net tax receivables/tax liabilities	26	21	-2,572	-2,419	-2,546	-2,398

	Parent Company					
	Deferred tax assets		Deferred tax liabilities		Net	
	2009	2008	2009	2008	2009	2008
Pension provisions	10	8	0	0	10	8
Other provisions	15	13	0	0	15	13
Surplus value of securities	0	0	-21	0	-21	0
Net tax receivables/tax liabilities	25	21	-21	0	4	21

Unreported deferred tax receivables

There are no deductible temporary differences and fiscal loss carry forward for which deferred tax receivables have not been reported in the income statement and balance sheet.

	Group		Parent Company	
	2009	2008	2009	2008
Changes in deferred tax				
Opening balance	-2,398	-2 296	21	287
Recognized in income statement	-112	-69	18	-233
Recognized in shareholders' equity	-36	-33	-35	-33
Closing balance	-2,546	-2,398	4	21

Taxes recognized in shareholders' equity mainly refers to available-for-sale financial assets -35 (-33).

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

Note 12 • Intangible assets

	Intangible assets -IT			Intangible assets -IT		
	Capitalized expenditure for development work	Acquired intangible assets Goodwill	Total	Capitalized expenditure for development work	Acquired intangible assets Goodwill	Total
<i>Accumulated acquisition value</i>						
Opening balance, 1 January 2008	65	615	680	65	460	525
Acquisitions for the year	1	0	1	1	0	1
Closing balance, 31 December 2008	66	615	681	66	460	526
Opening balance, 1 January 2009	66	615	681	66	460	526
Acquisitions for the year	5	0	5	5	0	5
Closing balance, 31 December 2009	71	615	686	71	460	531
<i>Accumulated amortisation</i>						
Opening balance, 1 January 2008	-65	-297	-362	-65	-214	-279
Depreciation for the year	0	-27	-27	0	-17	-17
Closing balance, 31 December 2008	-65	-324	-389	-65	-231	-296
Opening balance, 1 January 2009	-65	-324	-389	-65	-231	-296
Depreciation for the year	-1	-27	-28	-1	-17	-18
Closing balance, 31 December 2009	-66	-351	-417	--66	-248	-314
Carrying amount						
Per 1 January 2008	0	318	318	0	246	246
Per 31 December 2008	1	291	292	1	229	230
Per 1 January 2009	1	291	292	1	229	230
Per 31 December 2009	5	264	269	5	212	217
<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
<i>Amortisation for the year is included in the following rows of the income statement for 2009:</i>						
Operating costs	-1	0	-1	-1	0	-1
Other costs	0	-27	-27	0	-17	-17
Total	-1	-27	-28	-1	-17	-18

In the item IT-related intangible assets, acquired licenses and expenses brought forward are included for the development of business-critical systems. All intangible assets are depreciated. For information regarding the depreciations, see Note 1, Accounting principles

Note 13 • Land and Buildings

	Group	Parent Company
<i>Acquisition cost</i>		
Opening balance, 1 January 2008	18	18
Closing balance, 31 December 2008	18	18
Opening balance, 1 January 2009	18	18
Closing balance, 31 December 2009	18	18
<i>Depreciation</i>		
Opening balance, 1 January 2008	-13	-13
Depreciation for the year	-1	-1
Closing balance, 31 December 2008	-14	-14
Opening balance, 1 January 2009	-14	-14
Depreciation for the year	-2	-2
Closing balance, 31 December 2009	-16	-16
Carrying amount		
1 January 2008	5	5
31 December 2008	4	4
1 January 2009	4	4
31 December 2009	2	2

Assessed value	Group		Parent Company	
	2009	2008	2009	2008
Assessed value, buildings (in Sweden)	2	1	2	1
Assessed value, land (in Sweden)	1	1	1	1
Total	3	2	3	2

Note 14 • Shares and participations in Group companies

Name of subsidiary	Registered offices, country	Participating interest, %	
		2009	2008
Sirius Rückversicherungs Service GmbH	Hamburg, Germany	100	100
Sirius Belgium Réassurances S.A	Liège, Belgium	100	100
Sirius International Holdings (NL) B.V	Amsterdam, The Netherlands	100	100

	Parent Company	
	2009	2008
Accumulated acquisition cost		
Beginning of year	1,252	609
Acquisition	0	643
Disposals	0	0
Closing balance, 31 December	1,252	1,252
Accumulated write-downs		
Beginning of year	-596	-596
Acquisition	0	0
Disposals	0	0
Write-downs for the year	0	0
Closing balance, 31 december	-596	-596
Carrying amount 31 December	656	656

Subsidiaries' equity**2009**

Name of subsidiary	Equity	Share %	Number of shares	Book value	Profit/loss 2009
Sirius Rückversicherungs Service GmbH, Hamburg, Germany	18	100	1 share nom. value EUR 51,129	0	5
Sirius Belgium Réassurances S.A., Liège, Belgium	14	100	Share capital total EUR 1,245,681 consisting of 700,000 shares with nom. value EUR 100 per share	13	0
Sirius International Holdings (NL) B.V., Amsterdam, The Netherlands	592	100	Share capital total EUR 18,000 consisting of 180 shares with nom. value EUR 100 per share	643	157
Total	624	100		656	162

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 Holdings (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

Note 15 • Shares and participations in associated companies

	Group	
	2009	2008
Carrying amount at start of year	2,101	1,652
Acquisitions of associated companies	0	385
Share of associated company's profit/loss 1)	270	-249
Translation differences	-186	296
Other changes in associated company's equity	0	17
Carrying amount at end of year	2,185	2,101

	Parent Company	
	2009	2008
Carrying amount at start of year	2,058	1,673
Acquisition of associated company	0	385
Carrying amount at end of year	2,058	2,058

Associated Companies					Share of capital % 2)	Number of shares
	Assets	Liabilities	Equity	Net income		
White Mountains Phoenix S.a.r.l., Luxembourg	22,921	14,455	8,466	1,139	23,6	2,461,000
Total	22,921	14,455	8,466	1,139	23,6	2,461,000

1) Refers to the Group's share of income in the associated company, WM Phoneix. The translation of the exchange rate difference arising in the conversion to Swedish krona is reported directly against shareholders equity (-186). In previous years, the Group's share of revenues for the previous holdings in the associated company, White Mountains International, was specified according to realized and unrealized income.

2) The participating interest in the Company's total shareholders equity at year-end is equivalent to 23.6% (28.2%). The participating interest in total outstanding shares at year-end is equivalent to 22.0% (22.0%).

Note 16 • Investments in shares and participations

	Fair value		Acquisition cost	
	2009	2008	2009	2008
Group	1,797	1,745	2,053	2,338

	Fair value		Acquisition cost	
	2009	2008	2009	2008
Parent Company	1,251	1,294	1,352	1,595

Further information on financial instruments can be found in Note 19.

Note 17 • Bonds and other interest-bearing securities

	Fair value		Acquisition cost	
	2009	2008	2009	2008
Group				
Swedish government	3,144	3,126	3,038	2,982
Swedish mortgage institutions	466	1,089	456	1,121
Other Swedish issuers				
Foreign governments	2,161	2,578	2,152	2,523
Other foreign issuers	2,890	1,989	2,815	2,089
Total	8,662	8,782	8,462	8,715
of which listed	8,662	8,782	8,462	8,715
Average difference compared to nominal value				
Total excess amount	461	365	263	166
Total shortfall	33	200	35	68

	Fair value		Acquisition cost	
	2009	2008	2009	2008
Parent Company				
Swedish government	3,144	3,126	3,038	2,982
Swedish mortgage institutions	466	1,089	456	1,121
Other Swedish issuers				
Foreign governments	2,161	2,578	2,152	2,523
Other foreign issuers	2,890	1,989	2,815	2,089
Total	8,662	8,782	8,462	8,715
of which listed	8,662	8,782	8,462	8,715
Average difference compared to nominal value				
Total excess amount	461	365	263	166
Total shortfall	33	200	35	68

Note 18 • Debtors arising out of direct insurance and other debtors

	Group		Parent Company	
	2009	2008	2009	2008
Amounts due from intermediaries	10	37	10	37
Total debtors arising out of direct insurance¹⁰	37	10	37	

	Group		Parent Company	
	2009	2008	2009	2008
Other debtors, group companies	713	0	713	0
Other debtors	57	55	43	40
Total other debtors	770	55	756	40

Note 19 • Categories of financial assets and liabilities and their fair values

Group 2009	Loan receivables and accounts receivables	Financial assets valued at fair value via the income statement	Available-for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Shares and participations	0	1,797	0	1,797	1,797	2,021
Bonds and other interest-bearing securities	0	0	8,662	8,662	8,662	8,622
Accrued income	0	594	0	594	594	594
Other debtors	770	0	0	770	770	770
Total	770	2,391	8,662	11,823	11,823	12,007

Parent Company 2009	Loan receivables and accounts receivables	Financial assets valued at fair value via the income statement	Available-for-sale financial assets	Total carrying amount	Fair value	Acquisition value
Shares and participations	0	1,251	0	1,251	1,251	1,352
Bonds and other interest-bearing securities	0	0	8,662	8,662	8,662	8,622
Accrued income	0	592	0	592	592	592
Other debtors	756	0	0	756	756	756
Total	756	1,843	8,662	11,261	11,261	11,322

Group 2009	Other financial liabilities	Carrying amount	Fair value
Other liabilities	626	626	626
Accrued expenses	157	157	157
Total	783	783	783

Parent Company 2009	Other financial liabilities	Carrying amount	Fair value
Other liabilities	638	638	638
Accrued expenses	157	157	157
Total	795	795	795

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

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	8,82	8,782	8,234
Accrued income	628	0	628	628	628
Total	1,922	8,782	10,704	10,704	10,221

Group 2008

Financial liabilities	Other financial liabilities	Carrying amount	Fair value
Other liabilities	546	546	546
Accrued expenses	122	122	122
Total	668	668	668

Parent Company 2008

Financial liabilities	Other financial liabilities	Carrying amount	Fair value
Other liabilities	554	554	554
Accrued expenses	122	122	122
Total	676	676	676

In the tables below, data is provided regarding the determination of fair value for financial instruments valued at fair value in the balance sheet. The determination of fair values is categorized according to the following three levels:

- Level 1: Based on prices listed on a active market for identical assets or liabilities

- Level 2: Based on directly (according to price listings) or indirectly (derived from price listings) observable market data for assets or liabilities that are not included in Level 1

- Level 3: Based on input data that is not observable on the market

Group 2009

	Level 1	Level 2	Level 3	Total
Shares and participations	546	928	323	1,797
Bonds and other interest-bearing securities	4,723	3,939	0	8,662
Total	5,269	4,867	323	10,459

Parent Company 2009

	Level 1	Level 2	Level 3	Total
Shares and participations	0	928	323	1,251
Bonds and other interest-bearing securities	4,723	3,939	0	8,662
Total	4,723	4,867	323	9,913

The fair value of financial instruments traded on an active market is based on the listed price on balance sheet date. A market is seen to be active in cases where listed prices from a stock exchange, broker, industry group, pricing service or supervisory authority are easily accessible, and where these prices represent genuine, regularly-occurring market transactions conducted at arm's length. The listed market price applied in determining the fair value of instruments that are to be found in Level 1 is the current buying-rate.

Fair value of financial instruments which are not traded on an active market are determined with the aid of valuation techniques. This procedure applies, as far as possible, such market information as is available, while information specific to a company is applied as little as possible. If all significant input data required in determining the fair value of an instrument is observable, the instrument is to be found in Level 2.

Specific valuation techniques applied in valuing financial instruments include

- Listed market prices or broker listings for similar instruments.

- Fair value of interest swaps is determined as the current value of estimated future cash flows, based on observable yield curves.

- Fair value for currency forward exchange agreements is determined through the use of exchange rates for forward exchanges on balance sheet date, at which point the resulting value is discounted to current value.

- Other techniques, such as the calculation of discounted cash-flows, are applied in determining fair value for any financial instruments not covered by the above techniques.

Note that all fair values determined with the aid of these valuation techniques are to be found in Level 2

In the event that one or more significant input data figures are not based on observable market information, the associated instrument is to be classified in Level 3.

The table below shows a reconciliation of opening and closing balance data for financial instruments valued at fair value in the balance sheet, on the basis on non-observable input data (Level 3)

	Shares and Participations	Bonds	Total
Opening balance, 1 January 2009	376	0	376
Total reported profit/loss:			
-reported in profit/loss for the year ¹⁾	-8	0	-8
-reported directly in equity	0	0	0
Acquisition cost, purchase	36	0	36
Proceeds of sale, sales	-81	0	-81
Transfers from Level 3	0	0	0
Transfers into Level 3	0	0	0
Closing Balance 31 December 2009	323	0	323
Profit/Loss reported in profit/loss for the year for assets included in the closing balance 31 December 2009 ²⁾	-23	0	-23

1) Reported in net income of financial transactions in profit/loss for the year.

2) Reported in net income of financial transactions in profit/loss for the year.

Note 20 • Tangible assets

	Group	Parent Company
	Equipment	Equipment
<i>Acquisition cost</i>		
Opening balance 1 January 2008	93	92
Acquisitions	7	7
Disposals	-28	-28
Closing balance 31 December 2008	72	71
Opening balance 1 January 2009	72	71
Acquisitions	13	13
Disposals	-5	-5
Closing balance 31 December 2009	80	79
<i>Depreciation</i>		
Opening balance 1 January 2008	-77	-77
Depreciation for the year	-7	-7
Disposals	28	28
Closing balance 31 December 2008	-56	-56
Opening balance 1 January 2009	-56	-56
Depreciation for the year	-7	-7
Disposals	4	4
Closing balance 31 December 2009	-59	-59
Reported values		
1 January 2008	16	15
31 December 2008	16	15
1 January 2009	16	15
31 December 2009	21	20

Note 21 • Deferred acquisition costs

	Group		Parent Company	
	2009	2008	2009	2008
Opening balance	441	464	441	464
Capitalisation for the year	460	341	460	341
Depreciation/amortisation for the year	-443	-441	-443	-441
Exchange rate gains/losses	-39	77	-39	77
Closing balance	419	441	419	441

Note 22 • Untaxed reserves

Parent Company		
	2009	2008
<i>Accumulated accelerated depreciation regarding goodwill and equipment</i>		
Opening balance 1 January	61	81
Change for the year	-17	-20
Exchange rate fluctuation for the year	0	0
Closing balance as of 31 December	44	61
<i>Safety reserve</i>		
Opening balance 1 January	9,136	9,136
Provisions for the year	511	0
Closing balance 31 December	9,647	9,136
Total untaxed reserves	9,691	9,197

Note 23 • Provisions for unearned premiums and unexpired risks

Provisions for unearned premiums	Group					
	2009			2008		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance	2,183	-274	1,909	1,936	-161	1,775
Insurance policies signed during the period	2,423	-381	2,042	1,668	-200	1,468
Earned insurance premiums for the period	-2,179	235	-1,944	-1,832	135	-1,697
Currency effect	-237	41	-196	411	-48	363
Closing balance	2,190	-379	1,811	2,183	-274	1,909

Provisions for unexpired risks	Group					
	2009			2008		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance	160	-111	49	125	-93	32
Current year's provisions included in profit/loss	0	0	0	9	0	9
Previous year's provisions included in profit/loss	-7	-1	-8	-1	1	0
Currency effect	-13	9	-4	27	-19	8
Closing balance	140	-103	37	160	-111	49

Provisions for unearned premiums	Parent Company					
	2009			2008		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance	2,183	-274	1,909	1,936	-161	1,775
Insurance policies signed during the period	2,423	-381	2,042	1,668	-200	1,468
Premiums earned during the period	-2,179	235	-1,944	-1,832	135	-1,697
Currency effect	-237	41	-196	411	-48	363
Closing balance	2,190	-379	1,811	2,183	-274	1,909

Provisions for unexpired risks	Parent Company					
	2009			2008		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance	160	-111	49	125	-93	32
Current year's provisions included in profit/loss	0	0	0	9	0	9
Previous year's provisions included in profit/loss	-7	-1	-8	-1	1	0
Currency effect	-13	9	-4	27	-19	8
Closing balance	140	-103	37	160	-111	49

Note 24 • Claims outstanding

Provisions for outstanding claims	Group					
	2009			2008		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance, reported claims	4,861	-698	4,163	3,898	-712	3,186
Opening balance, incurred but not reported claims (IBNR)	5,646	-3,890	1,756	2,321	-395	1,926
Opening balance	10,507	-4,588	5,919	6,219	-1,107	5,112
Cost for claims incurred during the current year	4,054	-563	3,491	3,853	-329	3,524
Change in estimated cost for claims incurred in previous years (close-down profit/loss)	395	278	673	3,460	-3,322	138
Claims handling expenses	168	0	168	241	0	241
Paid/transferred to insurance liabilities or other current liabilities	4,075	-431	3,644	4,080	-561	3,519
Currency effect	-852	494	-358	1,296	-392	904
Closing balance	9,861	-3,948	5,913	10,507	-4,588	5,919
Closing balance, reported claims	4,982	-852	4,130	4,861	-698	4,163
Closing balance, incurred but not reported claims (IBNR)	4,879	-3,096	1,783	5,646	-3,890	1,756

Provisions for outstanding claims	Parent Company					
	2009			2008		
	Gross	Reinsurer's share	Net	Gross	Reinsurer's share	Net
Opening balance, reported claims	4,861	-698	4,163	3,898	-712	3,186
Opening balance, incurred but not reported claims (IBNR)	5,646	-3,890	1,756	2,321	-395	1,926
Opening balance	10,507	-4,588	5,919	6,219	-1,107	5,112
Cost for claims incurred during the current year	4,054	-563	3,491	3,853	-329	3,524
Change in estimated cost for claims incurred in previous years (close-down profit/loss)	395	278	673	3,460	-3,322	138
Claims handling expenses	168	0	168	241	0	241
Paid/transferred to insurance liabilities or other current liabilities	4,075	-431	3,644	4,080	-561	3,519
Currency effect	-852	494	-358	1,296	-392	904
Closing balance	9,861	-3,948	5,913	10,507	-4,588	5,919
Closing balance, reported claims	4,982	-852	4,130	4,861	-698	4,163
Closing balance, incurred but not reported claims (IBNR)	4,879	-3,096	1,783	5,646	-3,890	1,756

Note 25 • Equalisation provision

	Group		Parent Company	
	2009	2008	2009	2008
Opening balance	3	5	3	5
Changed accounting principles ¹⁾	-3	0	0	0
Dissolution of provisions made in previous years	0	-3	0	-3
Exchange rate gain/loss	0	1	0	1
Closing balance	0	3	3	3

An allocation of the equalization provision to equity and deferred tax liabilities has been included in the consolidated accounts for 2009.

Note 26 • Claims handling provision

	Group		Parent Company	
	2009	2008	2009	2008
Opening balance	113	77	113	77
Dissolution of provisions made in previous years	-30	-77	-30	-77
Provisions for the year	39	113	39	113
Closing balance	122	113	122	113

Note 27 • Pension provisions and similar items

Pension provisions	Group		Parent Company	
	2009	2008	2009	2008
Total amount *	15	15	0	0

¹⁾ The pension provisions only comprise employees in Germany. Employees in Germany are covered by a defined benefit pension plan. The plan is funded by the Company. Pension claims are reported as liabilities on the company's balance sheet.

Note 28 • Creditors arising out of direct insurance and other creditors

Creditors arising out of direct insurance	Group		Parent Company	
	2009	2008	2009	2008
Amounts due to intermediaries	14	25	14	25
Total creditors arising out of insurance	14	25	14	25

Other creditors	Group		Parent Company	
	2009	2008	2009	2008
Amounts due to group companies	543	484	560	496
Other creditors	83	62	78	58
Total other creditors ¹⁾	626	546	638	554

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

Note 29 • Contingent liabilities and commitments

	Group		Parent Company	
	2009	2008	2009	2008
<i>In the form of pledged assets for own liabilities and provisions</i>				
Bonds and other interest-bearing securities	6,482	8,343	6,482	8,343
Cash and bank	165	183	165	183
Assets for which policy holders have preferential rights	6,647	8,527	6,647	8,527

On the basis of the stipulations in Chapter 7, Section 11 of the Insurance Business Act, registered assets amount to MSEK 6,468. 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.

MSEK (nominal amount)	Group		Parent Company	
	2009	2008	2009	2008
Future commitments for investments in venture capital company	67	79	67	79
Total	67	79	67	79

Note 30 • Associated parties

Summary of transactions with associated parties
Associated parties within the White Mountains Group

Group and Parent Company 2009	Premium income, net	Indemni- fication	Services purchased from associated parties	Receivables associated parties per 31 Dec.	Liabilities, associated parties per 31 Dec.
Other associated parties					
White Mountains Re America – assumed reinsurance	376	-166	-1	841	3
Esurance - assumed reinsurance	1,956	-1,844	0	498	0
WM Life Re - ceded reinsurance	-216	-491	0	2,715 ¹⁾	16
White Mountains Re Services - administrative services	0	0	-35	0	16
White Mountains Re Services Ltd - assumed reinsurance and administrative services	95	0	0	0	36
White Mountains Re Underwriting Services Ltd. - assumed reinsurance	0	0	0	0	5
White Mountains Financial Services LLC - financial services	0	0	0	713	0
Sirius Insurance Holding Sweden AB - group contribution	0	0	0	0	302
Fund American Holdings AB - group contribution	0	0	0	0	183
White Mountains Advisors LLC - asset management	0	0	-23	0	6
Total	2,211	-2,501	-59	4,767	567

¹⁾ Refers to reinsurer's share of outstanding claims.

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

Note 31 • Average number of employees, salaries and other remuneration

Average number of employees - Group	2009			2008		
	Men	Women	Total	Men	Women	Total
Parent Company	123	127	250	111	127	238
Germany	4	7	11	3	7	10
Total, Group	127	134	261	114	134	248

Average number of employees – Parent Company	2009			2008		
	Men	Women	Total	Men	Women	Total
Sweden	59	70	129	54	73	127
UK	23	18	41	23	19	42
Belgium	24	20	44	23	21	44
Switzerland	4	4	8	4	3	7
Singapore	5	9	14	5	9	14
Denmark	3	1	4	2	2	4
Bermuda (1 September 2009 - 31 December 2009)	5	5	10	0	0	0
Total, Parent Company	123	127	250	111	127	238

Senior management in the Group and Parent Company	2009			2008		
	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	
	2009	2008	2009	2008
Salaries including bonuses	244	207	232	196
Of which paid out bonuses	34	41	32	39
Pension expenses	44	41	43	40
Social security contributions, special employer's contributions, pensions	65	55	65	55
Total remuneration to employees	353	303	340	291

Of which paid remuneration for the year to: CEO	Group		Parent Company	
	2009	2008	2009	2008
Salaries including bonuses	8	8	8	8
Of which paid out bonuses	4	5	4	5
Pension expenses	3	3	3	3
Total remuneration to CEO	11	11	11	11

The board and other senior members of management

Salaries including bonuses	10	9	10	9
Of which paid out bonuses	5	4	5	4
Pension expenses	2	2	2	2
Total remuneration to the board and other senior members of management	12	11	12	11

**Salaries and other remuneration,
divided by country – Group**

	2009		2008	
	Salaries and remuneration	Of which bonuses paid for the year	Salaries and remuneration	Of which bonuses paid for the year
Total, Parent Company	232	32	196	39
Germany	12	2	11	2
Total salaries and other remuneration	244	34	207	41

**Salaries and other remuneration,
divided by country – Parent Company**

	2009		2008	
	Salaries and remuneration	Of which bonuses paid for the year	Salaries and remuneration	Of which bonuses paid for the year
Sweden	113	17	104	22
Belgium	34	1	33	4
UK	45	10	40	10
Switzerland	15	3	9	2
Singapore	9	1	7	1
Denmark	3	0	3	0
Bermuda (1 September 2009 - 31 December 2009)	13	0		
Total, Parent Company	232	32	196	39

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 2009. 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. 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 plan is funded by the company. 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.

Bermuda: All employees are covered by the pension plan applied. The plan is premium based. The company pays 10% of the employee's income in accordance with The National Pension Scheme Act.

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	2009	2008
Total absence due to illness as a percentage of ordinary working hours	2.49%	1.98%
Share of total absence due to illness regarding continuous absence due to illness of 60 days or more	0.71%	11.90%

Absence due to illness as a proportion of each group's standard working hours

Absence due to illness divided by gender:

Men	2.66%	1.71%
Women	2.35%	2.18%

Absence due to illness divided by age category:

Younger than 30 years	1.55%	2.32%
30 - 49 years	3.09%	1.81%
50 years and older	1.83%	2.20%

Note 32 • Fees and reimbursement to auditors

	Group		Parent Company	
	2009	2008	2009	2008
Öhrlings PricewaterhouseCoopers - audit engagement	4	5	4	5

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 33 • Operational leasing

Leasing contracts in which the Company is the lessee	Group		Parent Company	
	2009	2008	2009	2008
<i>Non-cancellable leases amount to:</i>				
Due for payment within one year	33	25	31	24
Due for payment later than one year but within five years	54	57	48	51
Due for payment after five years	9	3	8	0
Total	96	85	87	75

Note 34 • Class analysis**Profit/loss per insurance class**

2009								
Parent Company	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Credit insurance	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	640	28	61	1	90	820	7,810	8,630
Premium earned, gross	645	20	59	1	89	814	7,579	8,393
Incurring claims, gross	-349	-72	-29	0	-44	-494	-3,955	-4,449
Operating expenses, gross	-267	-11	-35	0	-41	-354	-1,658	-2,012
Result, ceded reinsurance	-7	-4	0	0	0	-11	-979	-990
Equalisation provision	0	0	0	0	0	0	0	0
Technical result	22	-67	-5	1	4	-45	987	942

2008								
Parent Company	Personal accident and health	Marine, 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
Incurring 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

Stockholm, March 8, 2010

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 10, 2010

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 2009. 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 10, 2010

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 Annual Report 2009. The audited Swedish version is the binding version.

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