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# White Mountains – our owners

## 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 insurance. OneBeacon's common shares are listed on the New York Stock Exchange under the symbol "OB". White Mountains owns 76% of OneBeacon.

**Esurance & AFI** – personal auto insurance directly marketed and underwritten on the internet and through call centers.

**White Mountains Advisors** – investment management with \$32 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, 2010 was ("ABVPS") \$2.8 billion. As of December 31, 2010, White Mountains reported total assets of \$14.5 billion, adjusted shareholders' equity<sup>NGM</sup> of \$3.6 billion, and adjusted book value per share<sup>NGM</sup> of \$441.

## White Mountains Re Ltd.

**White Mountains Re Ltd.** (White Mountains Re) – is a Bermuda-domiciled holding company whose operating companies offer capacity for property, accident & health, aviation, trade credit, marine and other exposures.

Our principal operating companies are:

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

**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 and strong operational discipline. WMRe America's home office is in New York with branch offices in Connecticut, Miami and Toronto.

**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 transaction returns via effective post-acquisition management of the run-off process.

# Comments from the President and CEO



In the previous annual report I indicated that 2010 would be a challenging year, not least because it had started with a high level of natural catastrophes. I remained optimistic, however, that the quality of our underwriting and the spread of our portfolio would hold us in good stead.

Claims experience for the reinsurance industry in 2010 did indeed prove to be much higher than average but, despite a string of substantial losses, Sirius International turned in another set of excellent results. Our combined ratio of 89% was virtually unchanged on 2009, maintaining our record of stability.

The year began with two big earthquakes. The first, in Haiti in January, took at least 250,000 lives, left more than a

million people homeless and continues to cause tremendous suffering. The second, in Chile the following month, killed around 500 people but was much bigger in terms of cost to the insurance and reinsurance industries. For Sirius International, it became the second largest net loss in our history at \$80 million.

There were several other catastrophes in the first half of the year. European windstorm Xynthia in western Europe, although not as big as originally feared, had a sizeable financial impact, as did the flooding in Poland, Czech Republic and Slovakia. The most publicised disaster of the year was, however, man-made. The implications of the Deepwater Horizon blow-out will reverberate for years to come and go well beyond our industry. Sirius International's

exposure was relatively modest in the scale of things, but is still likely to be in \$10-15 million range.

Fortunately the second half of the year was mostly free of major catastrophes, despite the earthquake in New Zealand and events in Australia. At the time of writing we are still assessing the effects of the flooding and cyclone in Queensland, but our exposure is likely to be relatively modest. We also anticipate a significant level of claims as a result of the exceptionally cold winter in Scandinavia.

The fact that we were able to maintain our excellent levels of profitability at a time of substantial losses and highly competitive market conditions underlines the stability we are able to offer our customers. Our average combined ratio for the past seven years has been 89%. Over the past fifteen years, a period that includes the events of September 11, 2001 and the 2005 hurricane season, it has been 94%. This exceptional degree of resilience helps to explain why we are able to provide a safe haven for the business of any ceding company.

At Sirius, we do not believe in change for change's sake, nor will we expand just to gain market share when conditions dictate a more cautious strategy. 2010 saw little in the way of new announcements, and our premium income remained broadly flat. One significant change from 2009 was in the Credit and Bond area where the financial crisis had created space in the market. Our writing of this type of business through the Liège office increased many-fold, most of it for European customers. Our Accident and Health portfolio had another excellent year and also enjoyed steady growth, es-

pecially out of the USA and Brazil. Elsewhere, I was pleased with the progress of all our offices and classes, though Marine did experience above-average losses.

Apart from our usual preoccupation with serving our customers, another priority has been the need to prepare for Solvency II. Sirius has more than enough solvency capital to meet the new regulatory requirements but, as the whole European industry is experiencing, the administrative and compliance demands are burdensome. I am happy to report that our preparations are on schedule, and we will submit an internal model for approval by the Swedish regulator.

Looking ahead to 2011, there is no doubt that it will be challenging for the reinsurance industry as a whole. A quarter of the way through the year, and we have already seen some exceptional natural catastrophes. Most notably, the New Zealand earthquake in January was followed by the Japanese earthquake and tsunami, an event that is certain to be among our highest-ever losses, though still not the biggest we have experienced.

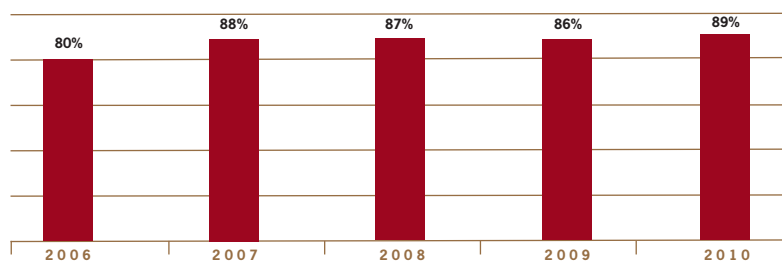
These events came after a flat renewal season, with conditions overall softening a bit despite hardening in one or two areas, most notably Chilean earthquake covers. As ever, I maintain the utmost confidence in our underwriting teams to handle these challenges professionally within a robust risk management framework. I thank all the staff at Sirius International for their dedication, and look forward to being of continued service to our customers and brokers throughout 2011 and beyond.



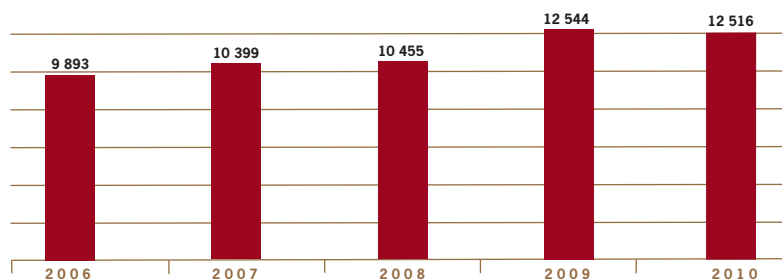
GÖRAN THORSTENSSON  
PRESIDENT & CEO

<b>At a glance</b>	<b>2010</b>	<b>2009</b>
Net premium income	\$778 million	\$911 million
Claims net of reinsurance	\$475 million	\$545 million
Underwriting profit	\$116 million	\$172 million
Combined Ratio	89%	86%
Investment income	\$12 million	\$30 million
Income before tax (group)	\$150 million	\$207 million

Combined Ratio (Parent Company)



Solvency Capital (Group), MSEK



## 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 2010.

### **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**

2010 was significantly more affected than both 2008 and 2009 as regards natural disasters and other large damaging events. This applies for Sirius International and the entire reinsurance industry. As a comparison, it can be stated that the company's 10 largest claims during 2010 cost the company more than twice as much compared with 2009. The larger claims during the year can be summarized as follows: a powerful earthquake struck 100 km from the coast of Chile on 27 February. The earthquake, which is the largest to have hit Chile in fifty years, measured 8.8 on the Richter scale and caused comprehensive material damage. Hurricane Xynthia swept

across Western Europe between 27 and 28 February. At the end of April, Deepwater Horizon's drilling rig in the Mexican Gulf sank. The resulting oil spill is considered to be the largest ever environmental disaster in the USA. During May, the central and eastern parts of Europe were affected by floods. On 4 September, a further powerful earthquake struck, this time in New Zealand, with similar comprehensive material damage, primarily in the town of Christchurch. There were also a number of aviation claims during the year. During the final weeks of December, Queensland in Australia was affected by significant flooding after a prolonged period of rain. The floods in Australia did not, however, have any more than a small effect on net profit for the year.

Thanks to a strong earnings trend during the second half of the year, the company can, despite the increased claims, report a very satisfactory result from the insurance operations, with a combined ratio of 89%. With the inclusion of 2010, Sirius International has experienced a combined ratio below 100% for nine consecutive years.

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

Gross premium income for the Group amounted to MSEK 7,395 (MSEK 8,630) and MSEK 7,395 (MSEK 8,630) for the Parent Company. Premium income for own account for the Group totalled MSEK 5,608 (MSEK 6,957) and for the Parent Company MSEK 5,608 (MSEK 6,957). The insurance operating results of the Group amounted to MSEK 838 (MSEK 1,317) and for the Parent

Company MSEK 839 (MSEK 1,311).

It is worth noting that all branch offices, with the exception of the branch office in Copenhagen, which is currently undergoing a build-up phase, report a combined ratio under 100% for all insurance categories, with the exception of assumed Marine reinsurance, which was affected by the Deepwater Horizon disaster. The combined ratio amounted to 89% (86%) for the Group and 89% (86%) for the parent company. Return on capital employed in the insurance operations amounted to 16%.

The financial markets have continued to recover during the year. The stock markets in Sweden and the USA saw stable improvements, with the Swedish OMX 30 increasing by 21.4% and the S&P 500 in the USA increasing by 12.8%. The major stock markets in Europe display a more varied pattern, with growth of between 9-16% in England and Germany, while the stock markets in France and Switzerland declined slightly. Interest rates on government securities remained low, despite rate increases on both short and long durations during the second half of the year. The Swedish interest rates generally lie at a higher level compared to the USA and the rest of Europe. The credit spreads compared with the risk-free interest rates have continued to decrease during the year.

All in all, the yield on the bond portfolios amounted to 2.5%, excluding foreign exchange rate effects. For the equity portfolio, including investments in associated companies and private equity companies, the yield amounted to 9.4%, excluding foreign exchange rate effects. As a result of the continued strengthening of the Swedish krona of 6.2% versus the USD and 14.2% versus the EUR, the company's continued policy, regarding the exposure versus these

currencies, resulted in realised and unrealised foreign exchange rate losses. Foreign exchange rate losses have negatively impacted the yield measured in Swedish krona. From 1 January, 2010, the Parent Company has hedged approximately thirty percent of its USD exposure, including the exposure stemming from subsidiaries and associated companies.

The investment results, as presented in the Income Statement of the Group, amounted to a profit of MSEK 449 (MSEK 658) including foreign currency exchange losses but before allocation of interest to the insurance operations. Investment yield amounted to 2.6% (2.4%) and total yield amounted to 0.9% (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, however, the portion of bank funds and short-term investments in the portfolio has been reduced and reinvested in interest-bearing investments with somewhat longer investment horizons. At the end of the year, the investment portfolio was composed of: shares and participations, 12%; investments in associated companies, 12%; and interest-bearing investments and bank funds, 76%.

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 February 2010, Sirius International acquired all of the shares in White Mountains Re Bermuda Ltd, Bermuda.

At year-end 2010, the Group consists of the Parent Company Sirius International Insurance Corporation (publ) with the subsidiaries Sirius Belgium Réassurances S.A. (in liquidation), Liège, Belgium, Sirius Rückversicherungs Service GmbH, Hamburg, Germany, Sirius International Holdings (NL) BV, Amsterdam, The Netherlands and White Mountains Re Bermuda Ltd, Hamilton, Bermuda.

In addition, Sirius International has eight branch offices outside of Sweden. These include the branch office in London, Great Britain - Sirius International Insurance Corporation (publ) UK Branch; the branch office in Zürich, Switzerland - Sirius International Insurance Corporation (publ), Stockholm, Zürich Branch; the branch office in Singapore - Sirius International Insurance Corporation (publ) Asia Branch, Singapore; the branch office in Labuan, Malaysia - Sirius International Insurance Corporation (publ) Labuan branch; 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 (publ) Bermuda Branch, the branch office in Australia - Sirius International Insurance Corporation (publ) Australian Branch as well as Hamburg, Germany where the operation 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.(in liquidation), Liège, Belgium, was commenced as the company is no longer in active operation. The liquidation has not been completed, due to a tax dispute.

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

As a part of the continued restructuring work within the Group, Sirius International has, on 4 February, 2010, in an intra-Group transfer within the White Mountains Group, acquired all of the shares in White Mountains Re Bermuda Ltd for a purchase price equivalent to USD 100 million. Since September 2009, the company has been in run-off, as operations were transferred to the then newly-opened branch in Bermuda. After approval from the authorities in Bermuda, a reduction, and subsequent repayment, of the company's shareholders' equity was carried out during the fourth quarter. Following this reduction the company's shareholders' equity amounts to MUSD 5. Sirius aims at liquidating White Mountains Re Bermuda Ltd and its subsidiaries in 2011.

During the year, the subsidiary, Sirius International Holdings (NL) BV, has changed its functional currency from EUR to USD. Upon the change of functional currency, the opening balances in the previous currency have been recalculated in the new functional currency in accordance with IAS 21. This change to the new functional currency has no impact on total shareholders' equity. 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.

The significant flooding in the state of Queensland in north-east Australia, which began at the end of December 2010, has continued through the first weeks of January 2011. The damages from these floods will likely be defined as several events, which will affect several underwriting years to varying degrees. Sirius International has exposures in the area, regarding underwriting years 2010 and earlier, as well as underwriting year 2011. The assessment is that the claims for 2010 will have a negligible effect on the company. However, it is too early to say what the claims costs attributable to the flooding will be for the company during 2011.

On 22 February, 2011, another earthquake occurred in New Zealand. The earthquake's magnitude was 6.3 on the Richter scale and had its epicentre near the city of Christchurch. Sirius International is currently assessing the impact on the company's results. The current estimate is that the costs attributable to the earthquake will represent less than 2% of the solvency capital.

#### **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 32 "Average number of employees, salaries and other remuneration".

#### **Insurance contracts with no significant insurance risk**

The Company has only a few contracts deemed to transfer insufficient insurance risk and consequently do not qualify as insurance contracts. These contracts are classified as investment contracts. Please refer to Note 1 "Accounting principles".

#### **Expectations concerning future developments**

The underlying profitability of the insurance operations is positive in spite of increasing competition and the diversified investment portfolio is expected to contribute to a stable return on investments. However, the continued increased competition requires discipline in pricing and underwriting, continued efficiency improvements and a well-balanced risk relationship between insurance operations and investments in order to secure long-term profitability. For 2011, Sirius International's objective is to achieve a combined ratio lower than 90% and an underwriting return on capital (UROK) of 11%.

# Canis Major

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# Five-year Summary

<b>Group MSEK</b>	<b>2010</b>	<b>2009<sup>4)</sup></b>	<b>2008</b>	<b>2007</b>	<b>2006<sup>1)</sup></b>
Net premium income	5,608	6,957	5,602	5,810	7,257
Net premiums earned	5,742	6,867	5,822	6,019	5,898
Other technical income	0	0	0	10	5
Allocated interest	214	369	168	259	149
Net claims incurred	-3,428	-4,164	-3,659	-3,471	-3,046
Net operating expenses	-1,690	-1,755	-1,403	-1,845	-1,927
Insurance operating result	838	1,317	928	972	1,079
Investment operating result	235	289	-74	-51	84
Other expenses	0	0	-27	-27	-35
Net income for the year	879	1,302	695	577	669
Net technical provisions	7,221	7,883	7,992	7,001	8,774
Market value on investment assets <sup>5)</sup>	18,480	18,449	16,743	15,508	17,881
Insurance operating result					
Claims ratio	60%	61%	63%	58%	51%
Cost ratio	29%	25%	24%	30%	33%
Combined ratio	89%	86%	87%	88%	84%
Investment result					
Investment yield	3%	2%	3%	6%	3%
Total yield	1%	3%	2%	2%	1%
Solvency capital					
Shareholders' equity	9,950	9,945	8,017	7,833	7,468
Deferred tax on untaxed reserves	2,548	2,548	2,420	2,581	2,430
Deferred tax on reserve for unrealized capital gains	18	53	18	-15	-5
Other adjustment items	0	-2	0	0	0
Total solvency capital	12,516	12,544	10,455	10,399	9,893
Solvency ratio	223%	180%	187%	179%	136%
Capital base <sup>2)</sup>	11,735	12,149	10,013	9,764	9,628
Required solvency capital	958	1,030	956	956	1,154
Group based values <sup>3)</sup>					
Capital base	16,315	17,544	17,236	18,482	
Solvency requirement	2,255	2,373	2,566	2,369	
<b>Parent Company MSEK</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006 <sup>1)</sup></b>
Net premium income	5,608	6,957	5,602	5,810	7,245
Net premiums earned	5,742	6,867	5,822	6,019	5,886
Allocated interest	214	369	168	258	149
Net claims incurred	-3,421	-4,164	-3,659	-3,418	-2,807
Net operating expenses	-1,687	-1,761	-1,408	-1,861	-1,916
Insurance operating result	839	1,311	923	998	1,312
Investment operating result	-128	-139	106	153	329
Other expenses	-4	-17	-17	-17	-25
Net income for the year	522	490	738	430	227
Net technical provisions	7,233	7,886	7,992	7,001	7,340
Market value on investment assets <sup>5)</sup>	18,155	18,379	16,882	15,508	15,314
Insurance operating result					
Claims ratio	60%	61%	63%	57%	48%
Cost ratio	29%	25%	24%	31%	32%
Combined ratio	89%	86%	87%	88%	80%
Investment Result					
Investment yield	3%	2%	3%	5%	3%
Total yield	0%	3%	2%	3%	3%
Solvency Capital					
Shareholders' equity	2,564	2,654	1,295	1,136	1,093
Untaxed reserves	9,687	9,691	9,197	9,217	8,680
Deferred tax on Reserve on reserve for unrealized capital gains	18	53	18	-15	-14
Other adjustment items	0	0	0	0	0
Total solvency capital	12,269	12,398	10,510	10,338	9,759
Solvency ratio	219%	178%	188%	178%	135%
Capital base	11,603	12,021	9,968	9,776	9,560
Required solvency capital	958	1,030	956	956	1,105

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

2) Includes Sirius International with subsidiaries.

3) Includes WM Re Ltd. with subsidiaries.

4) For the comparison year 2009 IFRS has been applied. Solvency capital and required solvency capital have not been converted.

5) Includes investment assets and cash and bank with deduction for deposits received from reinsurers.

**Proposed appropriation of earnings**

For 2010, the Parent Company recorded a result before appropriations and taxes of MSEK 707 (MSEK 1,155). Net income for the year amounted to a profit of MSEK 522 (MSEK 490). As of December 31, 2010 retained earnings in the Group amounted to MSEK 2,011.

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

	SEK in thousands
Retained earnings	1,854,160
Unrestricted reserves	-98,350
Dividend paid, as resolved by the meeting of the shareholders	-160,000
Group contribution	-354,190
Net income for the year	522,367
Total	1,763,987

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

- Dividends to owners	435,695
- Retained earnings	1,328,292
	1,763,987

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	2010	2009
<b>TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS</b>			
<b>Earned premiums, for own account</b>			
Gross premium income	3	7,395	8,630
Ceded reinsurance premiums	3	-1,787	-1,673
Change in the gross provision for unearned premiums		46	-237
Change in the provision for unearned premiums reinsurers' share		88	147
<b>Total earned premiums, for own account</b>		<b>5,742</b>	<b>6,867</b>
<b>Allocated investment return transferred from the non-technical account</b>		<b>214</b>	<b>369</b>
<b>Claims incurred, for own account</b>			
Claims paid	4		
- Gross amount		-4,428	-4,243
- Reinsurers' share		937	431
Claims paid, for own account		-3,491	-3,812
<b>Change in the provision for claims, for own account</b>			
- Gross amount	4	-1,595	-206
- Reinsurers' share		1,658	-146
<b>Total claims incurred, for own account</b>		<b>-3,428</b>	<b>-4,164</b>
<b>Operating costs</b>	5	<b>1,690</b>	<b>-1,755</b>
<b>Operating profit/loss of technical account</b>		<b>838</b>	<b>1,317</b>
<b>NON - TECHNICAL ACCOUNT</b>			
<b>Balance of technical account</b>		<b>838</b>	<b>1,317</b>
Investment income/expenses	10		
- Investment income	6	623	421
- Unrealised gains	7	397	635
- Investment expenses and charges	8	-466	-370
- Unrealised losses	9	-105	-28
Investment income allocated to the technical account		-214	-369
<b>Total investment income/expenses</b>		<b>235</b>	<b>289</b>
<b>Result before taxes</b>		<b>1,073</b>	<b>1,606</b>
Taxes	11	-194	-304
<b>Net income for the year</b>		<b>879</b>	<b>1,302</b>

## Statement of Comprehensive Income - Group

January 1 - December 31 MSEK	Note	2010	2009
<b>Net income for the year</b>		<b>879</b>	1,302
Other comprehensive income			
- Change of fair value on bonds		-133	133
- Currency translation differences		-295	-219
- Other		0	2
Tax on components of other comprehensive income		35	-35
<b>Other comprehensive income for the year, net of tax</b>		<b>-393</b>	-119
<b>Total comprehensive income for the year</b>		<b>486</b>	1,183

## Balance Sheet - Group

December 31 MSEK	Note	2010	2009	1 January, 2009
<b>ASSETS</b>				
<b>Intangible assets</b>	12			
Goodwill		291	291	291
Capitalised software		22	5	1
<b>Total intangible assets</b>		<b>313</b>	296	292
<b>Investment assets</b>				
Land and buildings	13	2	2	4
Shares and participations in associated companies	15	2,178	2,185	2,101
Other financial investments				
- Shares and participations	16, 20	1,808	1,797	1,745
- Bonds and other interest bearing securities	17, 20	12,067	8,662	8,782
- Derivative financial instruments	18, 20	273	0	0
Total other financial investments		14,148	10,459	10,527
Deposits with cedents		1,221	1,544	1,716
<b>Total investment assets</b>		<b>17,549</b>	14,190	14,348
<b>Reinsurers' share of technical provisions</b>				
Provisions for unearned premiums	24	496	482	385
Claims outstanding	25	5,556	3,948	4,588
<b>Total reinsurers' share of technical provisions</b>		<b>6,052</b>	4,430	4,973
<b>Debtors</b>				
Debtors arising out of direct insurance operations		5	10	37
Debtors arising out of reinsurance operations		1,385	1,480	1,252
Current tax receivables		72	108	766
Deferred tax receivables	11	34	26	21
Pension assets	28	0	9	8
Other debtors	19	63	755	55
<b>Total debtors</b>		<b>1,559</b>	2,388	2,139
<b>Other assets</b>				
Tangible assets	21	32	21	16
Cash and bank balance		1,082	4,384	2,454
<b>Total other assets</b>		<b>1,114</b>	4,405	2,470
<b>Prepayments and accrued income</b>				
Accrued interest		195	152	170
Deferred acquisition costs	22	386	419	441
Other prepayments and accrued income		26	23	18
<b>Total prepayments and accrued income</b>		<b>607</b>	594	629
<b>TOTAL ASSETS</b>		<b>27,194</b>	26,303	24,851



December 31	Note	2010	2009	1 January, 2009
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>				
Share capital (8 million shares of nom. value SEK 100)		800	800	800
Additional paid in capital		1,424	1,424	0
Reserves		-354	2	124
Retained earnings – restricted		7,139	7,142	6,778
Retained earnings – non-restricted, including net income for the year		941	610	321
<b>Total shareholders' equity</b>		<b>9,950</b>	<b>9,978</b>	<b>8,023</b>
<b>Liabilities</b>				
<b>Technical provisions</b>				
Provisions for unearned premiums	24	2,062	2,330	2,343
Claims outstanding	25, 27	11,211	9,983	10,620
Equalization provision	26	0	0	3
<b>Total technical provisions</b>		<b>13,273</b>	<b>12,313</b>	<b>12,966</b>
<b>Other liabilities</b>				
Employee benefits	28	5	0	15
Current tax liabilities		0	2	429
Deferred tax liabilities	11	2,553	2,575	2,421
Deposits received from reinsurers		151	125	59
Creditors arising out of direct insurance operations		2	14	25
Creditors arising out of reinsurance operations		474	513	245
Other liabilities	20, 29	593	626	546
Accrued expenses and deferred income	20	193	157	122
<b>Total other liabilities</b>		<b>3,971</b>	<b>4,012</b>	<b>3,862</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>27,194</b>	<b>26,303</b>	<b>24,851</b>
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities	30	7,668	6,647	8,527
Other pledged assets and comparable collaterals	30	-	-	-
Contingent liabilities	30	60	67	79
Commitments	30	-	-	-

## Change in shareholders' equity - Group

MSEK	Share Capital	Additional paid in capital <sup>4)</sup>	Reserves <sup>4)</sup>	Retained earnings - restricted	Retained earnings – non-res- tricted <sup>4)</sup>	Total Share- holders' equity
<b>Amount 1 January, 2010</b>	<b>800</b>	<b>1,424</b>	<b>2</b>	<b>7,142</b>	<b>610</b>	<b>9,978</b>
<b>Comprehensive income</b>						
Net profit/loss for the year	0	0	0	0	879	879
<b>Other comprehensive income</b>						
Change of fair value on bonds	0	0	-98	0	0	-98
Reclassification within shareholders' equity	0	0	37	-3	-34	0
Currency translation differences	0	0	-295	0	0	-295
Total other comprehensive income	0	0	-356	-3	-34	-393
Total comprehensive income	0	0	-356	-3	845	486
<b>Transactions with owners</b>						
Group contribution provided <sup>3)</sup>	0	0	0	0	-354	-354
Dividend paid <sup>2)</sup>	0	0	0	0	-160	-160
Total transactions with owners	0	0	0	0	-514	-514
<b>Amount 31 December, 2010</b>	<b>800</b>	<b>1,424</b>	<b>-354</b>	<b>7,139</b>	<b>941</b>	<b>9,950</b>
<b>Amount 1 January, 2009</b>	<b>800</b>	<b>0</b>	<b>124</b>	<b>6,778</b>	<b>321</b>	<b>8,023</b>
<b>Comprehensive income</b>						
Net profit/loss for the year	0	0	0	0	1,302	1,302
<b>Other comprehensive income</b>						
Equalization provision 73.7%	0	0	0	0	2	2
Change of fair value on bonds	0	0	98	0	0	98
Reclassification within shareholders' equity	0	0	0	364	-364	0
Currency translation differences	0	0	-220	0	0	-220
Total other comprehensive income	0	0	-122	364	-361	-119
Total comprehensive income	0	0	-122	364	941	1,183
<b>Transactions with owners</b>						
Shareholders' contribution <sup>1)</sup>	0	1,424	0	0	0	1,424
Group contribution provided <sup>3)</sup>	0	0	0	0	-357	-357
Dividend paid <sup>2)</sup>	0	0	0	0	-295	-295
Total transactions with owners	0	1,424	0	0	-652	772
<b>Amount 31 December, 2009</b>	<b>800</b>	<b>1,424</b>	<b>2</b>	<b>7,142</b>	<b>610</b>	<b>9,978</b>

1) Received shareholders' contribution from White Mountains Re Financial Services Ltd.

2) Dividend paid to the parent company Fund American Holdings AB.

3) Group contribution provided to Fund American Holdings AB and Sirius Insurance Holding Sweden AB.

4) The non-restricted shareholders' equity for the group amounts of the non-restricted shareholders' equity in the group companies.

In the table above it is represented by the columns Additional paid in capital, Reserves and Retained earnings – non-restricted.

	2010	2009
<b>SHARE CAPITAL</b>		
<b>Specified in number of shares</b>	<b>8,000,000</b>	8,000,000
Issued per 1 January	8,000,000	8,000,000
Issued per 31 December		

Per 31 December, 2010 the share capital comprised 8,000,000 (8,000,000) ordinary shares.  
The shares have a nominal value of 100 (100) SEK.

	2010	2009
<b>ADDITIONAL PAID IN CAPITAL</b>		
Opening additional paid in capital	1,424	0
Shareholders' contribution	0	1,424
<b>Closing additional paid in capital</b>	<b>1,424</b>	1,424
<b>RESERVES</b>		
<b>Fair value reserve</b>		
Opening fair value reserve	200	67
Change for the year	-133	133
<b>Closing fair value reserve</b>	<b>67</b>	200
<b>Tax on fair value reserves</b>		
Opening tax on fair value reserves	-53	-18
Change for the year	35	-35
<b>Closing tax on fair value reserve</b>	<b>-18</b>	-53
<b>Fair value reserve after tax</b>		
Opening fair value reserve after tax	147	49
Change for the year	-98	98
<b>Closing fair value reserve after tax</b>	<b>49</b>	147
<b>Translation difference</b>		
Opening translation difference	-145	75
Reclassification within shareholders' equity	37	0
Change for the year	-295	-220
<b>Closing translation difference</b>	<b>-403</b>	-145
<b>RETAINED EARNINGS RESTRICTED</b>		
Opening equity portion of untaxed reserves and other restricted reserves	7,142	6,778
Change for the year	-3	364
<b>Closing equity portion of untaxed reserves and other restricted reserves</b>	<b>7,139</b>	7,142
<b>RETAINED EARNINGS NON-RESTRICTED</b>		
Opening retained earnings – non-restricted	610	321
Net profit/loss for the year	879	1,302
Equalization provision 73.7%	0	2
Reclassification within shareholders' equity	-34	-364
Dividend paid	-160	-295
Group contribution provided 73.7%	-354	-357
<b>Closing retained earnings – non-restricted</b>	<b>941</b>	610

## Cash flow statement - Group

MSEK	2010	2009
<b>OPERATING ACTIVITIES</b>		
Profit/loss before tax <sup>1)</sup>	1,073	1,606
Adjustment for non-cash items	-295	-220
Income tax paid	-32	204
<b>Cash flow from current operations before changes in assets and liabilities</b>	<b>746</b>	<b>1,590</b>
Change in land and buildings	0	2
Change in financial investments	-3,109	117
Change in other operating receivables	-505	-202
Change in other operating liabilities	929	-228
<b>Cash flow from operating activities</b>	<b>-1,939</b>	<b>1,279</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of subsidiary	-706	0
Net investment in tangible assets	-25	-13
<b>Cash flow from investing activities</b>	<b>-731</b>	<b>-13</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	-160	-295
Shareholders' contribution received	0	1,424
Group contributions paid	-472	-465
<b>Cash flow from financing activities</b>	<b>-632</b>	<b>664</b>
<b>Cash flow for the year</b>	<b>-3,302</b>	<b>1,930</b>
Cash and cash equivalents at beginning of year	4,384	2,454
Cash flow for the year	-3,302	1,930
<b>Cash and cash equivalents at end of year <sup>2)</sup></b>	<b>1,082</b>	<b>4,384</b>
<sup>1)</sup> Of which		
Interest received	475	482
Dividends received	153	45
<b>Total</b>	<b>628</b>	<b>527</b>
<sup>2)</sup> Of which		
Cash and bank balances	300	320
Current investments, equivalent to cash and cash equivalents	782	4,064
<b>Total</b>	<b>1,082</b>	<b>4,384</b>



*"Our combined ratio of 89% was virtually unchanged on 2009,  
maintaining our record of stability"*

## Income Statement – Parent Company

January 1 - December 31

MSEK

Note

2010

2009

### TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS

#### Earned premiums, for own account

Gross premium income	3	7,395	8,630
Ceded reinsurance premiums	3	-1,787	-1,673
Change in the gross provision for unearned premiums		46	-237
Change in provision for unearned premiums, reinsurers' share		88	147
<b>Total earned premium, for own account</b>		<b>5,742</b>	<b>6,867</b>

#### Allocated investment return transferred from the non-technical account

		214	369
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#### Claims incurred, for own account

Claims paid	4		
- Gross amount		-4,415	-4,243
- Reinsurers' share		937	431
Claims paid, for own account		-3,478	-3,812

#### Change in the provision for claims, for own account

- Gross amount	4	-1,601	-206
- Reinsurers' share		1,658	-146
<b>Total claims incurred, for own account</b>		<b>-3,421</b>	<b>-4,164</b>

#### Change in other technical provisions, for own account

- Gross amount	26	-9	0
<b>Total change in other technical provisions, for own account</b>		<b>-9</b>	<b>0</b>

#### Operating costs

	5	-1,687	-1,761
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#### Operating profit/loss of technical account

		839	1,311
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### NON-TECHNICAL ACCOUNT

#### Balance of technical account

		839	1,311
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#### Investment income/expenses

- Investment income	6	649	385
- Unrealised gains	7	184	228
- Investment expenses and charges	8	-642	-355
- Unrealised losses	9	-105	-28
Investment income allocated to the technical account		-214	-369
<b>Total investment income/expenses</b>		<b>-128</b>	<b>-139</b>

#### Goodwill depreciation

	12	-4	-17
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#### Result before appropriations and taxes

		707	1,155
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#### Appropriation to safety reserve

		0	511
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#### Changes in excess depreciation on intangible assets

		4	17
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#### Result before taxes

		711	661
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#### Taxes

	11	-189	-171
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#### Net income for the year

		522	490
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## Statement of Comprehensive Income – Parent Company

January 1 - December 31 MSEK	Note	2010	2009
<b>Net income for the year</b>		<b>522</b>	490
Other comprehensive income			
- Change of fair value on bonds		-133	133
Tax on components of other comprehensive income		35	-35
<b>Other comprehensive income for the year, net of tax</b>		<b>-98</b>	98
<b>Total comprehensive income for the year</b>		<b>424</b>	588

## Balance Sheet - Parent Company

December 31 MSEK	Note	2010	2009
<b>ASSETS</b>			
<b>Intangible assets</b>	12		
Goodwill		207	212
Other intangible assets		22	5
<b>Total intangible assets</b>		<b>229</b>	<b>217</b>
<b>Investment assets</b>			
Land and buildings	13	2	2
Investments in group companies and associated companies			
- Shares and participations in group companies	14	1,081	656
- Shares and participations in associated companies	15	2,058	2,058
Total investments in group companies and associated companies		<b>3,139</b>	<b>2,714</b>
Other financial investments			
- Shares and participations	16, 20	874	1,251
- Bonds and other interest-bearing securities	17, 20	12,067	8,662
- Derivative financial instruments	18	24	0
Total financial investments		<b>12,965</b>	<b>9,913</b>
Deposits with cedents		1,221	1,544
<b>Total investment assets</b>		<b>17,327</b>	<b>14,173</b>
<b>Reinsurers' share of technical provisions</b>			
Provisions for unearned premiums	24	496	482
Claims outstanding	25	5,556	3,948
<b>Total reinsurers' share of technical provisions</b>		<b>6,052</b>	<b>4,430</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations		5	10
Debtors arising out of reinsurance operations		1,384	1,480
Current tax receivables		61	95
Deferred tax receivables	11	35	25
Other debtors	19	262	756
<b>Total debtors</b>		<b>1,747</b>	<b>2,366</b>
<b>Other assets</b>			
Tangible assets	21	31	20
Cash and bank balance		979	4,331
<b>Total other assets</b>		<b>1,010</b>	<b>4,351</b>
<b>Prepayments and accrued income</b>			
Accrued interest		194	152
Deferred acquisition costs	22	386	419
Other prepayments and accrued income		26	21
<b>Total prepayments and accrued income</b>		<b>606</b>	<b>592</b>
<b>TOTAL ASSETS</b>		<b>26,971</b>	<b>26,129</b>



December 31	Note	2010	2009
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital (8 million shares of nom. value SEK 100)		800	800
Other reserves		49	147
Retained earnings		1,193	1,217
Net income for the year		522	490
<b>Total shareholders' equity</b>		<b>2,564</b>	<b>2,654</b>
<b>Untaxed reserves</b>			
	23		
Excess depreciations on intangible assets		40	44
Safety reserve		9,647	9,647
<b>Total untaxed reserves</b>		<b>9,687</b>	<b>9,691</b>
<b>Technical provisions</b>			
Provisions for unearned premiums	24	2,062	2,330
Claims outstanding	25, 27	11,211	9,983
Equalisation provision	26	12	3
<b>Total technical provisions</b>		<b>13,285</b>	<b>12,316</b>
<b>Provisions for other risks and expenses</b>			
Current tax liability	28	9	0
Deferred tax liability	11	0	21
<b>Total provisions for other risks and expenses</b>		<b>9</b>	<b>21</b>
<b>Deposits received from reinsurers</b>		<b>151</b>	<b>125</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations		2	14
Creditors arising out of reinsurance operations		473	513
Other creditors	20, 29	608	638
<b>Total creditors</b>		<b>1,083</b>	<b>1,165</b>
<b>Accrued expenses and deferred income</b>			
Accrued expenses and deferred income	20	192	157
<b>Total accrued expenses and deferred income</b>		<b>192</b>	<b>157</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>26,971</b>	<b>26,129</b>
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities			
	30	7,668	6,647
Other pledged assets and comparable collaterals	30	-	-
Contingent liabilities	30	60	67
Commitments	30	-	-

## Change in shareholders' equity - Parent Company

MSEK	Share Capital	Other reserves <sup>4)</sup>	Retained earnings <sup>4)</sup>	Net profit/ loss for the year <sup>4)</sup>	Total Share- holders' equity
<b>Amount 1 January, 2010</b>	<b>800</b>	<b>147</b>	<b>1,217</b>	<b>490</b>	<b>2,654</b>
Transfer of net result from previous year	0	0	490	-490	0
<b>Comprehensive income</b>					
Net profit/loss for the year	0	0	0	522	522
<b>Other comprehensive income</b>					
Change of fair value on bonds	0	-98	0	0	-98
Total other comprehensive income	0	-98	0	0	-98
Total comprehensive income	0	-98	490	522	424
Transactions with owners					
Group contribution provided <sup>2)</sup>	0	0	-354	0	-354
Dividend paid <sup>3)</sup>	0	0	-160	0	-160
Total transactions with owners	0	0	-514	0	-514
<b>Amount 31 December, 2010</b>	<b>800</b>	<b>49</b>	<b>1,193</b>	<b>522</b>	<b>2,564</b>
<b>Amount 1 January, 2009</b>	<b>800</b>	<b>49</b>	<b>-292</b>	<b>738</b>	<b>1,295</b>
Transfer of net result from previous year	0	0	738	-738	0
<b>Comprehensive income</b>					
Net profit/loss for the year	0	0	0	490	490
<b>Other comprehensive income</b>					
Change of fair value on bonds	0	98	0	0	98
Total other comprehensive income	0	0	0	490	98
Total comprehensive income	0	98	0	490	588
<b>Transactions with owners</b>					
Shareholders' contribution <sup>1)</sup>	0	0	1,424	0	1,424
Group contribution provided <sup>2)</sup>	0	0	-358	0	-358
Dividend paid <sup>3)</sup>	0	0	-295	0	-295
Total transactions with owners	0	0	771	0	771
<b>Amount 31 December, 2009</b>	<b>800</b>	<b>147</b>	<b>1,217</b>	<b>490</b>	<b>2,654</b>

1) Received shareholders' contribution from White Mountains Re Financial Services Ltd.

2) Group contribution provided to Fund American Holdings AB and Sirius Insurance Holding Sweden AB.

3) Dividend paid to the parent company Fund American Holdings AB.

4) The columns Other reserves, retained earnings and Net profit/loss for the year together represents the non-restricted shareholders' equity for the parent company.

	2010	2009
<b>SHARE CAPITAL</b>		
<b>Specified in number of shares, SEK</b>		
Issued per 1 January	8,000,000	8,000,000
Issued per 31 December	8,000,000	8,000,000

Per 31 December, 2010 the share capital comprised 8,000,000 (8,000,000) ordinary shares.  
The shares have a nominal value of 100 (100) SEK.

	2010	2009
<b>OTHER RESERVES</b>		
<b>Fair value reserve</b>		
Opening fair value reserve	200	67
Change for the year	-133	133
<b>Closing Fair value reserve</b>	<b>67</b>	<b>200</b>
<b>Tax on Fair value reserve</b>		
Opening tax on Fair value reserve	-53	-18
Change for the year	35	-35
<b>Closing tax on Fair value reserve</b>	<b>-18</b>	<b>-53</b>
<b>Fair value reserve after tax</b>		
Opening Fair value reserve	147	49
Change for the year	-98	98
<b>Closing Fair value reserve after tax</b>	<b>49</b>	<b>147</b>
<b>RETAINED EARNINGS</b>		
Opening retained earnings	1,217	-292
Transfer of net result from previous year	490	738
Shareholders' contribution	0	1,424
Dividend paid	-160	-295
Group contribution provided 73.7%	-354	-358
<b>Closing retained earnings</b>	<b>1,193</b>	<b>1,217</b>
<b>NET PROFIT/LOSS FOR THE YEAR</b>		
<b>Net profit/loss for the year</b>	<b>522</b>	<b>490</b>

## Cash flow statement - Parent Company

	2010	2009
<b>OPERATING ACTIVITIES</b>		
Profit/loss before tax <sup>1)</sup>	711	661
Adjustment for non-cash items	-4	515
Income tax paid	-25	204
Cash flow from current operations before changes in assets and liabilities	682	1,380
Change in land and buildings	0	2
Change in financial investments	-3,611	296
Change in other operating receivables	-718	-202
Change in other operating liabilities	949	-228
<b>Cash flow from operating activities</b>	<b>-2,698</b>	<b>1,248</b>
<b>INVESTING ACTIVITIES</b>		
Net investment in tangible assets	-22	-12
<b>Cash flow from investing activities</b>	<b>-22</b>	<b>-12</b>
<b>FINANCING ACTIVITIES</b>		
Dividends paid	-160	-295
Shareholders' contribution received	0	1,424
Group contributions paid	-472	-465
<b>Cash flow from financing activities</b>	<b>-632</b>	<b>664</b>
<b>Cash flow for the year</b>	<b>-3,352</b>	<b>1,900</b>
Cash and cash equivalents at beginning of year	4,331	2,431
Cash flow for the year	-3,352	1,900
<b>Cash and cash equivalents at end of year <sup>2)</sup></b>	<b>979</b>	<b>4,331</b>
<sup>1)</sup> Of which		
Interests received	599	481
Dividends received	9	9
<b>Total</b>	<b>608</b>	<b>490</b>
<sup>2)</sup> Of which		
Cash and bank balances	421	316
Current investments, equivalent to cash and cash equivalents	558	4,015
<b>Total</b>	<b>979</b>	<b>4,331</b>

## Performance analysis - Parent Company

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

Analysis of Insurance Result MSEK	Direct Swedish risks - aviation	Direct Swedish risks - financial	Direct foreign risks	Assumed reinsurance	Total
<b>Technical result insurance operations</b>					
Premiums earned, for own account	6	1	648	5,087	5,742
Allocated investment return transferred from the non-technical account	0	0	14	200	214
Claims incurred, for own account	-3	0	-323	-3,095	-3,421
Operating costs	-1	0	-292	-1,394	-1,687
Change of equalisation provision	0	0	3	-12	-9
<b>Technical result of insurance operations</b>	<b>2</b>	<b>1</b>	<b>50</b>	<b>786</b>	<b>839</b>
<b>Of which results from prior years, gross amounts <sup>1)</sup></b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>906</b>	<b>938</b>
<b>Technical provisions</b>					
Unearned premiums and remaining risks	-1	0	-353	-1,708	-2,062
Outstanding claims	-2	0	-277	-10,803	-11,082
Claims adjustment provision	0	0	-8	-121	-129
Equalisation provision	0	0	0	-12	-12
<b>Technical provisions</b>	<b>-3</b>	<b>0</b>	<b>-638</b>	<b>-12,644</b>	<b>-13,285</b>
<b>Reinsurers' share of technical provisions</b>					
Unearned premiums and remaining risks	0	0	88	408	496
Outstanding claims	0	0	70	5,486	5,556
<b>Reinsurers' share of technical provisions</b>	<b>0</b>	<b>0</b>	<b>158</b>	<b>5,894</b>	<b>6,052</b>
<b>Premiums earned, for own account</b>					
Gross premium income	7	1	871	6,516	7,395
Ceded reinsurance premium	-1	0	-206	-1,580	-1,787
Change in gross provision for unearned premiums	0	0	-29	75	46
Reinsurers' share of change in unearned premiums	0	0	12	76	88
<b>Premiums earned, for own account</b>	<b>6</b>	<b>1</b>	<b>648</b>	<b>5,087</b>	<b>5,742</b>
<b>Claims incurred, for own account</b>					
Claims paid	-2	0	-382	-3,857	-4,241
Reinsurers' share	0	0	85	852	937
Claims handling expenses	0	0	-8	-166	-174
Change in provision for outstanding claims	-1	0	-27	-1,573	-1,601
Reinsurers' share	0	0	9	1,649	1,658
<b>Claims incurred, for own account</b>	<b>-3</b>	<b>0</b>	<b>-323</b>	<b>-3,095</b>	<b>-3,421</b>

1) Defined as result from 2009 and earlier.

## Note 1 • Accounting Principles

### General information

This annual report was issued per 31 December, 2010 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 Jarlgatan 57B, Stockholm and the Corporate Identity Number is 516401-8136.

### Compliance with standards and law

The Company's annual report has 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) with the amendments in FFFS 2009:12 and the Swedish Financial Reporting Board RFR 2.2.

The Sirius International Group's annual report has 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) with the amendments in FFFS 2009:12 and the Swedish Financial Reporting Board RFR 1 Supplementary Accounting Rules for Groups, as well as International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU.

### 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, other than those resulting from the adaptations to International Financial Reporting Standards as described below.

The Swedish Financial Supervisory Authority's revised regulations and general advice, FFFS 2009:12, came into force on 1 January, 2010 and are applied in the annual financial statements, annual report and consolidated financial statements prepared for the financial year commencing after 31 December, 2009. The revision entails that the application of limited IFRS in the consolidated financial statements is no longer possible and, instead, International Financial Reporting Standards according to IAS are to be applied in full for 2010. As the Company follows these revised regulations and general advice, all standards, statements and interpretations in accordance with the regulations of IAS are applicable as of 1 January, 2009, which is the date of the Group's transition to IFRS. The effects of the transition to International Financial Reporting Standards according to the regulations of IAS are described under Note 36 "Transition to International Financial Reporting Standards".

### 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, 2010 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 2010. 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 9, "Financial instruments", published November 2009. This standard is the first step in the process of replacing IAS 39, "Financial instruments: Recognition and Measurement". IFRS 9 introduces two new requirements for the valuation and classification of financial assets and is likely to have a negligible effect on the Group's reporting of financial assets. The Group is yet to evaluate the future effects of these requirements on the financial statements. The standard is not applicable for financial years beginning before 1 January 2013 but is available for early adoption. However, the standard is yet to be adopted by the EU.

- IAS 24 (revised), "Related Party Disclosures", published November 2009. This standard replaces IAS 24, "Related Party Disclosures", published 2003. IAS 24 (revised) is to be applied for financial years beginning 1 January, 2011 or later. Early application of the standard is permitted both in part and as a whole. The revised standard clarifies and simplifies the definition of Related Party and provides an exemption from the disclosure requirements for transactions between a government-controlled reporting entity and that government or other entities controlled by that government. The Group will apply the revised standard from 1 January, 2011. The current assessment is that this change will have no material effect on the Group's financial statements

### Assessments and estimates in the financial statements

The preparation of financial statements in conformity with International Financial Reporting Standards 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 or 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.

Effects of the above-named classifications entail that changes in fair value of equity securities are reported in the income statement and changes in fair value on bonds and other interest-bearing securities are reported in Other comprehensive income.

### 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 4 March, 2011. The income statement and balance sheet will be adopted at the General Meeting held in May 2011.

### 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. The Group's participations in the associate's net profit after taxes and minority interests, adjusted for any amortisation, impairment or dissolution of acquired surplus or deficit value, are reported in the consolidated income statement under the item "Share of associated companies' income". Dividends received from associated companies decrease the book 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 Parent Company's, including the branch offices, and the Group'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.

#### 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 in other comprehensive income.

#### 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 in other comprehensive income. 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.

**Rates for the most important currencies**

Currency	Closing	Average
USD	6.70	7.21
EUR	8.98	9.54
GBP	10.44	11.12

**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-determined 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*

Gross premiums written relate to insurance contracts inception during the financial year, together with any differences between booked premiums for prior financial years and those premiums previously accrued, and include estimates of premiums due but not yet receivable or notified, less an allowance for cancellations. The gross premium income also includes the net of entered and withdrawn premium portfolios. Gross premiums written are stated before deduction of brokerage, taxes, duties levied on premiums and other deductions. Premiums are earned on a pro rata temporis basis over the term of the related contract, except for those contracts where the period of risk differs significantly from the contract period, or where the exposure vary during the contract period. In these circumstances, premiums are recognized as earned over the period of risk in proportion to the amount of insurance protection provided. Reinstatement premiums receivable are recognized and fully earned as they fall due. Premium revenue corresponds to the portion of premium income that has been earned. Unearned premiums are allocated to Provision for unearned premiums.

**Acquisition costs**

By acquisition costs are meant such operating expenses that directly or indirectly vary with the acquisition or renewal of insurance contracts. The deferred acquisition costs are expensed in correspondence with the periodisation for earned premiums for the related insurance contracts.

**Technical provisions**

Technical provisions consist of the Provisions for unearned premiums and unexpired risks, Provisions for outstanding claims, claims handling provision and equalization provision (in the Parent Company).

*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 considers 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 and expected premium revenue after the close of the financial year.

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 or over the contract period in relation to the insurance coverage for the period. If the premium level for policies in force is considered insufficient the deferred acquisition costs are first written down, then a provision is made for unexpired risks. The periods change in provisions for unearned premium and unexpired risks is recorded in the income statement.

*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.

*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 and not yet fully reported claims. The claims handling reserve for catastrophe insurance is calculated in the same way, but with the difference that they are calculated on a five year average for those provisions. The period's change in the claims adjustment provision is recorded in the income statement within the items Claims handling expenses and Operating costs.

*Provision adequacy testing*

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

*Deferred acquisition costs for insurance contracts*

Deferred acquisition costs are only recorded for insurance contracts deemed to generate a margin at least covering the acquisition costs. Sirius only records external deferred acquisition costs. The asset is tested for impairment each quarter to ensure that the contracts are deemed to generate a margin that, as a minimum, covers the value of the asset. Other costs for insurance contracts are recorded as costs when they arise.

*Operating costs*

All operating costs are allocated in the income statement according to their functional nature, 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 also premium portfolios. These premiums are periodised so that costs are allocated to the corresponding period of the insurance cover. All items relating to ceded reinsurance are shown on separate lines



in the income statement. Deductions are made for amounts credited due to portfolio transfers or a change in the reinsurer's share of proportional reinsurance contracts.

The reinsurers' share of technical provisions are recorded as an asset in the balance sheet and corresponds to the reinsurers' liability for technical provisions in accordance with entered agreements. The Company assesses any required impairment for assets referring to reinsurance agreements bi-annually. 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 2010 amounted to 3.69%.

#### Applied interest rates

	2010	2009
EUR	2.90%	2.68%
GBP	1.80%	8.19%
SEK	0.50%	2.06%
USD	4.20%	8.40%

#### 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 recognised as adjustment entries in Other comprehensive income. 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 in Other comprehensive income, whereupon the pertaining tax effect is recorded in Other comprehensive income.

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 comprises the amount by which the acquisition cost exceeds the fair value of the Group's participation in the acquired subsidiary's or associate's identifiable net assets at the point in time of the acquisition. Goodwill on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually for impairment and is recognised at acquisition cost less accumulated impairment losses. Impairment losses of goodwill are not reversed. Profit or loss on the sale of a unit includes the remaining carrying value of goodwill referring to the unit sold. Goodwill is distributed to cash-generating units upon testing of any write-down requirement.

#### Other intangible assets

Other intangible assets which have been acquired separately are reported at acquisition cost. Other intangible assets acquired through a business acquisition are reported at fair value as per the acquisition date. Acquired Other intangible assets are capitalised on the basis of the costs arising at the point in time in which the asset in question was acquired and put into operation. These capitalised costs are amortised during the assessed useful life of three years.

#### Self-developed software

Costs for maintenance of software are charged at the time at which they arise. Development costs directly attributable to the development and testing of identifiable and unique software products controlled by the Company are reported as intangible assets when the following criteria are fulfilled:

- it is technically possible to prepare the software for use,
- the Company's intention is to complete the software and to put it into use,
- the conditions for the use of the software are in place,
- the manner in which the software can generate probable future economic benefits can be demonstrated,
- adequate technical, financial and other resources for the completion of development and for the use of the software are accessible, and
- expenditure attributable to the software during its development period can be calculated in a reliable manner.

Other development costs, which do not fulfil these criteria, are charged at the time at which they arise. Development costs which have previously been charged are not reported as an asset in the following period. Development costs for software reported as an asset are amortised during their assessed useful life, which does not exceed three years.

**Land and buildings**

All properties owned by the Company are operational properties and are valued using the acquisition cost method, in accordance with IAS 16. The Company owns three properties located in Sweden and Belgium. Sirius reports its properties in accordance with the acquisition cost method and the capitalised costs are depreciated over 50 years. No depreciation is carried out on land.

**Financial instruments**

Financial instruments recorded in the balance sheet include, on the asset side, shares and participations, loan receivables, bond and other interest-bearing securities as well as derivatives. Where appropriate, derivatives with negative market value are included among liabilities, other 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. The second sub-group consists of financial investments in shares and participations, 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 and Bonds and other interest-bearing securities. 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 observa-

ble current market transactions in the same instrument.

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 a profit of MSEK 5, while the recorded value per balance sheet date of 31 December, 2010 amounted to MSEK 802.

**Accounts receivable**

Account receivables are non-derivative financial assets which are not listed on an active market and with fixed or determinable payments. Accounts receivables are reported in the amounts which are expected to be received, that is, after deductions for bad debt provisions.

**Available-for-sale financial assets**

The category available-for-sale financial assets include 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 other comprehensive income, 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 other comprehensive income, until that point in time the instruments in question mature or are disposed. At disposal of the assets, the accumulated profit/loss 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 fair value including transaction costs.

**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.

**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 account receivables, 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 via Other comprehensive income 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 for equipment such as cars, furniture and computer equipment amounts to 3 - 10 years.

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

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

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

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

#### **Reversal of impairment**

An impairment is reversed if an indication exists both that the impairment requirement no longer exists and that a change has taken place in the assumptions forming the basis of the estimation of the recoverable amount. However, the impairment of goodwill is never reversed. Reversals are 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 Group companies' pension plans differ. The pension plans are usually financed through payments to insurance companies or managed funds.

These payments are determined based on periodic actuarial calculations.

The Group has both defined benefit and defined contribution pension plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. A characteristic of defined benefit plans is that they indicate an amount for the pension benefit an employee receives after retirement, usually based on one or several factors, such as age, duration of employment and salary.

The liability reported in the balance sheet regarding defined benefit pension plans is the current value of the defined benefit obligation at the end of the period, less the fair value of the managed assets, with adjustments for unreported gains and losses, as well as for unreported costs for service during earlier periods. The defined benefit pension plan obligation is calculated annually by independent actuaries applying the so-called projected unit credit method. The current value of the defined benefit obligation is determined through discounting of expected future cash flows, with the application of the interest rate for first-class mortgage bonds issued in the same currency as that in which the remuneration will be paid, with durations comparable with that of the current pension obligation.

Costs referring to service during earlier periods are reported directly in the income statement, unless the changes in the pension plan are conditional on the employee remaining employed during a given period (earning period). In this case, the cost referring to service during earlier periods is distributed on a straight-line basis over the earning period.

For defined contribution pension plans, the Group pays fees to publicly or privately administered pension insurance plans on an obligatory, contractual or voluntary basis. The Group has no further payment obligations when all fees are paid. The fees are reported as personnel costs at the point in time at which they fall due for payment. Prepaid fees are reported as an asset to the extent that cash repayment or reduction of future payments may benefit the Group.

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.

##### **Remuneration upon termination of employment**

Remuneration upon employment of contract is payable when an employee's employment is terminated by the Group before the normal retirement age or when an employee voluntarily accepts the termination of employment in exchange for such remuneration. The Group reports severance payments when it is demonstrably obliged to terminate employees' employment in accordance with a detailed formal plan, without possibility of revocation. In the case that the Company has submitted an offer to encourage voluntary termination of employment, the calculation of severance payment is based on the number of employees which it is estimated will accept this offer. No remuneration upon termination of employment has been paid during 2009 and 2010.

##### **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 a 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, as well as its financial statements in general, has been prepared using the same accounting principles and calculation methods used in the most recent annual report.

### 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.

#### Goodwill

Goodwill represents the difference between acquisition cost for business acquisitions and the fair value of acquired assets, assumed liabilities and contingent liabilities. In the Parent Company, goodwill is amortised in accordance with the Swedish Annual Account Act and is reported in the balance sheet on a straight-line basis over the estimated useful life of the asset. The estimated useful life is reviewed annually. The estimated useful life for goodwill, and goodwill arising from the purchase of the net assets of a business, amounts to 20 years. Amortisation which deviates from plan is handled as an appropriation and is reported under the heading Difference between reported depreciation/amortisation and depreciation/amortisation according to plan.

#### 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.

#### Pensions

The Parent Company applies a different form of reporting of defined benefit pension plans than stipulated in IAS 19. The Parent Company's reporting of defined benefit pension plans follows the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, as it is stated in RFR 2 that it is not necessary to apply the regulations in IAS 19 regarding defined benefit pension plans in legal entities. Pension costs are reported as Operational expenses in the Parent Company's income statement and a provision referring to individuals with the option of retiring at the ages of 62 and 64 exists under Other provisions in the Parent Company's income statement.

#### Appropriations and untaxed reserves

Appropriations and untaxed reserves are only recorded in the Parent Company.

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 are 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. The amount of the provision is calculated as the equivalent of 150% of the highest net premium income for Class 14, credit insurance, with equivalent reinsurance, for the five most recent financial years. The provisions for each financial year are equivalent to 75% of the technical surplus in the credit insurance operations. 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 governance

The risk management processes within Sirius 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.

Sirius' Board of Directors is ultimately responsible for the company's risk management strategy, risk tolerance and policies.

Sirius' Management has day-to-day responsibility for all ERM activities and it deploys this responsibility through different risk committees carrying out certain duties.

A Risk Management Committee has been established in 2010 on White Mountains Re Group level. The Committee meets monthly with the objective of formalizing the oversight of critical risks, including the following risk management processes of:

- Establishment of risk tolerances
- Identification and management of emerging risks

- Quantification and subsequent monitoring of exposures
- Implementation of risk reduction/reward expansion strategies
- Risk reporting

Sirius' Group Risk Management function is responsible for the coordination, monitoring, risk control and compliance of all risk areas. This function submits quarterly compliance and risk reports to the CEO, the Executive Group and to the Board of Directors. A summarizing yearly risk and governance report is submitted to the Board of Directors. Additionally, ad hoc reporting is done when deemed necessary.

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

Sirius' ultimate owner is listed on the New York Stock Exchange 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) that 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 under-priced business, or through declining to accept such business.

If a larger, catastrophic event occurs, simultaneously impacting 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.

#### 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 modelling single events, aggregate claims are also modelled. Different levels of claims can also be modelled with 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 company analyses catastrophe risks each quarter during the financial year. The figures show the situation at the end of Q4, 2010.

#### Sensitivity analysis – losses divided by geographical area and return periods

	2010		2009	
	Once per 100 years	Once per 250 years	Once per 100 years	Once per 250 years
Global - Gross	3,331	4,424	3,584	5,136
Global - Net	2,313	2,654	2,635	3,050
Europe - Gross	3,251	4,424	3,507	5,136
Europe - Net	1,320	1,729	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, with a modelled return period of 250 years, is an estimated net loss of MSEK 1,729 (gross claims MSEK 4,424). In order to estimate how claims of this size affect solvency capital, the company makes an estimate 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 within the company's established risk tolerance.

Within the area Aviation reinsurance, the company applies another licen-

sed 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 in-house.

#### 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.

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 fulfil 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 25 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 2010. 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, gross underwriting year	2004 and prior years	2005	2006	2007	2008	2009	2010	Total
Estimated claims: at the close of the calendar year		3,222	2,487	3,490	3,545	3,448	2,922	
1 year later		3,748	3,154	4,041	4,392	5,001		
2 years later		3,647	6,574	4,038	4,391			
3 years later		3,621	6,005	3,960				
4 years later		3,608	7,191					
5 years later		3,603						
Current estimate of total claims		3,603	7,191	3,960	4,391	5,001	2,922	
Total paid		3,449	2,870	3,650	3,454	3,027	864	
<b>Claims outstanding<sup>1)</sup></b>	<b>1,327</b>	<b>154</b>	<b>4,322</b>	<b>310</b>	<b>937</b>	<b>1,974</b>	<b>2,058</b>	<b>11,082</b>
Claims, net of reinsurance underwriting year	2004 and prior years	2005	2006	2007	2008	2009	2010	Total
Estimated claims: at the close of the calendar year		2,694	2,206	3,067	3,231	2,962	2,381	
1 year later		3,151	2,822	3,568	3,866	3,887		
2 years later		3,063	2,877	3,543	3,833			
3 years later		3,052	2,858	3,465				
4 years later		3,040	2,834					
5 years later		3,036						
Current estimate of total claims		3,036	2,834	3,465	3,833	3,887	2,381	
Total paid		2,886	2,640	3,199	3,079	2,353	739	
<b>Claims outstanding<sup>1)</sup></b>	<b>987</b>	<b>150</b>	<b>194</b>	<b>266</b>	<b>754</b>	<b>1,533</b>	<b>1,642</b>	<b>5,526</b>

<sup>1)</sup> For reconciliation against Balance Sheet, see Note 25.

### Financial risk management

#### Goals, principles and methods

In the company's operation various types of financial risks arise, such as market risks, credit risks and liquidity risks. In order to limit and control the risk taking in the operations, Sirius' Board of Directors, being ultimately responsible for the internal control in the company, has 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 (FSA), Finansinspektionen.

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 Market Risk Committee is responsible for the continuous management of market risks. The development of the market risks is reported within the Market Risk Committee on a monthly basis. The Committee consists of the Group Chief Financial Officer, the Company Chief Financial Officer and the Manager of Investment Accounting and Control.

The company's investment operations during 2010 yielded a return of 1 percent, expressed in SEK. During the year, the percentage of equities in the investment portfolio increased to approximately 14 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	
	2010	2009
Bonds and other interest-bearing securities	79.23	58.29
Shares and participations	11.87	12.11
- whereof venture capital companies	1.97	1.47
Derivatives	1.79	-
Cash and bank balances	7.11	29.60
<b>Total</b>	<b>100</b>	<b>100</b>

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, 2010 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 decrease. The level of interest rate 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, 2010.

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

	Exposure	Scenario, stress test	Corresponding basis points	Capital requirements	Reduced capital requirements
Assets in SEK	4,823	30%	98	130	82
Assets in EUR	2,784	25%	74	66	42
Assets in USD and other currencies	4,368	30%	99	112	71
<b>Total</b>	<b>11,975</b>	-	-	<b>308</b>	<b>195</b>

#### 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 equity portfolio. The table below shows the equity risk in accordance with the Traffic Light model as per 31 December, 2010.

#### Investment assets, equity risk according to the Traffic Light model

	Exposure	Scenario, stress test	Capital requirements	Reduced capital requirements
Swedish shares and participations	-	-	-	-
Foreign shares and participations	1,804	35%	632	400
Foreign stock warrants	249	75%	186	118
Foreign associated companies	2,191	35%	767	486
<b>Total</b>	<b>4,244</b>	-	<b>1,585</b>	<b>1,004</b>

#### Currency risk

Currency risk arises if assets and liabilities in the same foreign currency vary in amounts.

A Currency Committee is established and meets at least monthly in order to monitor the currency exposure and to limit the currency risk. Besides that, it is the responsibility of the Currency Committee to review and update the Currency Risk Policy and ensure it is approved by the Board of Directors on a yearly basis. The Currency Committee consists of the same members as the Market Risk Committee.

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 liabilities in foreign currency with corresponding assets within very tight time 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	2010				2009			
	USD	EUR	GBP	Other	USD	EUR	GBP	Other
Shares and participations	4,182	100	-	-	3,514	114	0	0
Bonds and other interest-bearing securities	3,539	2,866	706	233	4,338	971	143	0
Other financial investment assets	715	185	30	93	1,395	2,176	39	38
Other assets and liabilities, net	1,749	130	-29	46	1,971	289	-41	38
<b>Total assets</b>	<b>10,185</b>	<b>3,281</b>	<b>707</b>	<b>372</b>	<b>11,218</b>	<b>3,550</b>	<b>141</b>	<b>76</b>
Technical provisions, net	-4,644	-1,578	-139	-301	5,323	1,763	141	66
<b>Total liabilities and provisions</b>	<b>-4,644</b>	<b>-1,578</b>	<b>-139</b>	<b>-301</b>	<b>5,323</b>	<b>1,763</b>	<b>141</b>	<b>66</b>
Net exposure before financial hedging with derivatives	5,541	1,703	568	71	5,895	1,787	0	10
Nominal value currency forwards	-1,676	-	-	-	-	-	-	-
<b>Net exposure after financial hedging with derivatives</b>	<b>3,865</b>	<b>1,703</b>	<b>568</b>	<b>71</b>	<b>5,895</b>	<b>1,787</b>	<b>0</b>	<b>10</b>

In below table, the effect on the company's shareholders' equity and income statement of two stress tests are shown: An unfavourable foreign exchange rate move of 25 basis points, in the respective foreign currencies towards SEK and an unfavourable change to foreign exchange rates by 10 percent in the respective foreign currencies towards SEK.

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

		USD	EUR	GBP	Other	Total
<b>2010</b>	Change 25 basis points	203	47	14	-	264
	Change 10%	387	170	57	7	621
<b>2009</b>	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 fulfil 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 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.

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

Exposure - Group	2010	2009
Bonds & other interest-bearing assets	12,067	8,662
- Governments	7,608	5,305
- Swedish mortgage institutions	-	103
- Other Swedish issuers	102	104
- Other issuers	4,357	3,150
Shares & participations	1,808	1,797
Derivatives	273	-
<b>Total</b>	<b>14,148</b>	<b>10,459</b>

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
Symetra	Share/Warrant	618	4.4
OneBeacon Insurance Group Ltd	Share	561	4.0
Prospector Offshore Fund	Share	330	2.3
Pentelia Ltd	Share	161	1.1
Ironshore Inc	Share	106	0.7
Atlas Copco AB	Bond	102	0.7
JP Morgan Chase	Bond	83	0.6
BAA Funding Ltd	Bond	71	0.5
Casino Guichard Perrach	Bond	60	0.4
SES Global Americas Holding	Bond	60	0.4
<b>Total</b>		<b>2,152</b>	<b>15.2</b>

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 investment assets, %

2010

2009

	AAA	AA	A	BBB	BB	Total	AAA	AA	A	BBB	BB	Total
<b>Bonds and other interest-bearing securities</b>	<b>70</b>	<b>2</b>	<b>14</b>	<b>14</b>	<b>0</b>	<b>100</b>	<b>74</b>	<b>3</b>	<b>10</b>	<b>13</b>	<b>0</b>	<b>100</b>
- Swedish government	100	0	0	0	0	100	100	0	0	0	0	100
- Swedish mortgage institutions	-	-	-	-	-	-	100	0	0	0	0	100
- Other Swedish institutions	0	0	100	0	0	100	0	0	100	0	0	100
- Foreign governments	95	0	5	0	0	100	99	1	0	0	0	100
- Other foreign issuers	22	7	33	37	1	100	33	7	25	34	1	100

#### Equity investments,

##### divided by geographical area %

	2010	2009
Western Europe	17.12	25.85
North America	59.84	72.28
Other	23.04	1.87
<b>Total</b>	<b>100</b>	<b>100</b>

#### Interest-bearing investments,

##### divided by geographical areas %

	2010	2009
Western Europe	29.02	11.65
North America	28.40	48.75
Scandinavia	40.01	38.69
Other	2.57	0.91
<b>Total</b>	<b>100</b>	<b>100</b>

#### Interest-bearing investments,

##### divided by sector %

	2010	2009
Governments	63.05	61.26
Swedish mortgage institutions	-	1.18
Other Swedish issuers	0.85	1.20
Other foreign issuers	36.10	36.36
<b>Total</b>	<b>100</b>	<b>100</b>

### 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 honour 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, 2010, to MSEK 56 (2009 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: Less than 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 10.

	Due for	<1 Month	1-3 Months	3-6 Months	6-9 Months	9-12 Months	>1 Year	Total
2010	Net receivables	106	59	23	-8	-6	24	198
2009	Net receivables	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, 2010 was MSEK 6,052. The credit rating distribution for this exposure is shown in the table below.

Rating – Standard & Poor's	2010				2009			
	Gross	Collateral	Percentage Net	split	Gross	Collateral	Percentage Net	split
AAA	124	0	124	2	137	0	137	3
AA+	0	0	0	0	0	0	0	0
AA	64	0	64	1	43	0	43	1
AA-	56	0	56	1	34	0	34	1
A+	413	0	413	7	387	0	387	9
A	152	0	152	2	70	0	70	2
A-	94	63	31	1	148	33	115	3
BBB+	10	0	10	0	5	0	5	0
BBB or lower	639	10	629	11	756	107	649	17
Special approval	344	101	243	6	130	0	130	3
Internal reinsurance	4,156	4,156	0	69	2,720	2,702	0	61
<b>Total</b>	<b>6,052</b>	<b>4,330</b>	<b>1,722</b>	<b>100</b>	<b>4,430</b>	<b>2,860</b>	<b>157</b>	<b>100</b>

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' 2010 Retrocession Program.

Rating – Standard & Poor's	2010		2009	
		Percentage split		Percentage split
AA+	23	1	80	3
AA	649	17	484	16
AA-	539	14	268	9
A+	946	24	993	33
A	123	3	125	4
A-	1,336	34	739	24
BBB+	60	1	56	2
BBB or lower	2	0	55	2
Fully collateralized	164	4	115	4
Special approval	68	2	106	3
<b>Sum</b>	<b>3,910</b>	<b>100</b>	<b>3,021</b>	<b>100</b>

#### 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 fulfil 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 2010, the duration of interest-bearing investment assets was 2.72 years and the duration of insurance liabilities was 1.96 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 2010 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 outflows

2010	On demand	<3 months	3 months –1 year	1-5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities (discounted amounts)	0	1,268	898	7,008	2,893	0	12,067
Shares & participations in associated companies	0	0	0	0	0	2,178	2,178
Shares & participations	0	0	0	0	0	2,057	2,057
Cash & bank balances	1,082	0	0	0	0	0	1,082
Receivables, direct insurance	0	0	0	0	0	5	5
Receivables, reinsurance	0	0	1,491	0	0	-106	1,385
Other debts	0	31	0	0	0	32	63
Prepaid expenses and accrued income	0	26	195	0	0	0	221
<b>Total</b>	<b>1,082</b>	<b>1,325</b>	<b>2,584</b>	<b>7,008</b>	<b>2,893</b>	<b>4,166</b>	<b>19,058</b>

2009	On demand	<3 months	3 months–1 year	1-5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities (discounted amounts)	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
<b>Total</b>	<b>4,398</b>	<b>1,759</b>	<b>2,017</b>	<b>5,162</b>	<b>2,079</b>	<b>4,047</b>	<b>19,462</b>

### Liquidity profile - financial debts

Contractual outflows

2010	On demand	<3 months	3 months–1 year	1-5 year	>5 years	No duration	Total
Payables, direct insurance	0	0	0	0	0	2	2
Payables, reinsurance	0	0	590	0	0	-116	474
Other debts	0	74	481	38	0	0	593
Accrued expenses and deferred income	0	69	81	42	1	0	193
<b>Total</b>	<b>0</b>	<b>143</b>	<b>1,152</b>	<b>80</b>	<b>1</b>	<b>-114</b>	<b>1,262</b>

2009	On demand	<3 months	3 months–1 year	1-5 year	>5 years	No duration	Total
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
<b>Total</b>	<b>0</b>	<b>180</b>	<b>1,091</b>	<b>68</b>	<b>0</b>	<b>-29</b>	<b>1,310</b>

### Liquidity profile – technical provisions

Estimated claim payments, net, excluding ULAE

Technical provisions	<3 months	3 months–1 year	1-5 year	>5 year	Total
2010	647	1,966	2,842	939	6,394
2009	717	2,183	3,062	964	6,926

**Operational risk management**

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 2010 the framework for Operational Risk Management and Incident Reporting was approved by Sirius' Board of Directors and implemented within the organization. The implementation will continue during 2011 with information and training for all Sirius employees.

Operational risks within Sirius are e.g. identified through regularly conducted Risk Control & Compliance Reviews. 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.

Sirius' operational risks shall be reduced to acceptable levels based on the pre-defined risk appetite, taking into account the cost-benefit considerations of risk mitigation.

**Compliance risk management**

Compliance risk is "the risk of legal or regulatory sanctions, material financial loss or loss to reputation that Sirius may suffer as a result of not complying with laws, internal or external regulations and administrative provisions as applicable to Sirius activities." The responsibility for Sirius' compliance with internal and external regulation lies with all employees. Compliance risks are identified by all employees on an ad hoc basis and more formally through the Risk Control & Compliance Reviews. The Compliance function supports the organization and processes by informing and advising but also by monitoring compliance issues throughout the group.

Sirius has a very conservative approach towards compliance risks and risk mitigation is encouraged. A well functioning and structured process for managing and monitoring these risks is therefore essential for Sirius.

During 2010 a Compliance Risk Management Framework was

approved by the Board of Directors and the implementation process, covering head office and all branches, is underway and will continue during 2011.

**Solvency and capital requirements**

Sirius is preparing for compliance with the Solvency II regulation. As part of this, and as a test of the standard solvency capital requirement formula, the company has participated in the Quantitative Impact Study (QIS) 5.

Sirius has been working extensively with the implementation of an Economic Risk Capital (ERC) Model.

Objectives for the ERC model are:

- Consolidating quantifiable risks into one model
- Producing a realistic distribution of financial outcomes various return periods
- Allocating capital to key risks, business units and lines of business units more consistently
- Addressing Solvency II Pillar I and II issues
- Streamlined and inclusive view of interdependencies of these risks
- Stochastically calculate economic capital

Practical applications of the ERC model include:

- Enhancing capital management and allocation
- More efficient retrocession purchases
- Streamlining catastrophe accumulation reporting for planning and actual PML reporting
- Group-wide risk adjusted performance measurement

The company has furthermore decided to enter into the Internal Model Approval Process with the company's regulator, the Swedish FSA. The goal is to gain approval to replace the standard model with the company's internal Economic Risk Capital Model solvency capital calculations under Solvency II.

As a predecessor to Solvency II, the Swedish FSA has established a local solvency regulation, the Traffic Light system. It 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 2010.

**Total capital requirement according to the Traffic Light model**

	2010	2009
Total capital net requirement	3,626	3,919
Capital buffer	12,534	12,567
Surplus	8,908	8,648

**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**

	2010			2009		
	S&P's	A M Best	Moody's	S&P's	A M Best	Moody's
Financial strength rating	A-	A	A3	A-	A	A3
Outlook	Stable	Stable	Stable	Stable	Negative	Stable

**Note 3 • Premium income**

Premium income, geographical allocation	Group		Parent Company	
	2010	2009	2010	2009
Direct insurance, Sweden	8	8	8	8
Direct insurance, other EES	197	128	197	128
Direct insurance, other countries	674	684	674	684
Premiums for accepted reinsurance	6,516	7,810	6,516	7,810
<b>Premium income before ceded reinsurance</b>	<b>7,395</b>	<b>8,630</b>	<b>7,395</b>	<b>8,630</b>
Premium for ceded reinsurance	-1,787	-1,673	-1,787	-1,673
<b>Premium income after ceded reinsurance</b>	<b>5,608</b>	<b>6,957</b>	<b>5,608</b>	<b>6,957</b>

**Note 4 • Claims incurred, for own account****Claims incurred for the year's operations**

	Group					
	2010			2009		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-952	137	-815	-1,401	90	-1,311
Loss portfolios	39	0	39	59	0	59
Change in provision for incurred and reported claims	-1,254	331	-923	-1,563	298	-1,265
Change in provision for incurred but not reported claims (IBNR)	-942	114	-828	-981	175	-806
Claims handling expenses	-175	0	-175	-168	0	-168
<b>Total claims incurred for the year's operations</b>	<b>-3,284</b>	<b>582</b>	<b>-2,702</b>	<b>-4,054</b>	<b>563</b>	<b>-3,491</b>

**Claims incurred for previous year's operations**

	Group					
	2010			2009		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-3,277	800	-2,477	-3,001	337	-2,664
Loss portfolios	-63	0	-63	268	4	272
Change in provision for incurred and reported claims	1,033	83	1,116	1,124	-84	1,040
Change in provision for incurred but not reported claims (IBNR)	-432	1,130	698	1,214	-535	679
<b>Total claims incurred for previous year's operations</b>	<b>-2,739</b>	<b>2,013</b>	<b>-726</b>	<b>-395</b>	<b>-278</b>	<b>-673</b>

**Total claims incurred**

<b>Total claims incurred</b>	<b>-6,023</b>	<b>2,595</b>	<b>-3 428</b>	<b>-4,449</b>	<b>285</b>	<b>-4,164</b>
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**Total claims paid**

	Group					
	2010			2009		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-4,229	937	-3,292	-4,402	427	-3,975
Loss portfolios	-24	0	-24	327	4	331
Claims handling expenses	-175	0	-175	-168	0	-168
<b>Total claims paid</b>	<b>-4,428</b>	<b>937</b>	<b>-3,491</b>	<b>-4,243</b>	<b>431</b>	<b>-3,812</b>

**Change in Provision for outstanding claims**

	Group					
	2010			2009		
	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	-221	414	193	-439	214	-225
Change in provision for incurred but not reported claims (IBNR)	-1,374	1,244	-130	233	-360	-127
<b>Total change in provisions for outstanding claims</b>	<b>-1,595</b>	<b>1,658</b>	<b>63</b>	<b>-206</b>	<b>-146</b>	<b>-352</b>

Claims incurred for the year's operations	Parent Company					
	Gross	2010 Ceded	Net	Gross	2009 Ceded	Net
Claims paid	-952	137	-815	-1,401	90	-1,311
Loss portfolios	39	0	39	59	0	59
Change in provision for incurred and reported claims	-1,254	331	-923	-1,563	298	-1,265
Change in provision for incurred but not reported claims (IBNR)	-942	114	-828	-981	175	-806
Claims handling expenses	-175	0	-175	-168	0	-168
<b>Total claims incurred for the year's operations</b>	<b>-3,284</b>	<b>582</b>	<b>-2,702</b>	<b>-4,054</b>	<b>563</b>	<b>-3,491</b>

Claims incurred for previous year's operations	Parent Company					
	Gross	2010 Ceded	Net	Gross	2009 Ceded	Net
Claims paid	-3,264	800	-2,464	-3,001	337	-2,664
Loss portfolios	-63	0	-63	268	4	272
Change in provision for incurred and reported claims	1,027	83	1,110	1,124	-84	1,040
Change in provision for incurred but not reported claims (IBNR)	-432	1,130	698	1,214	-535	679
<b>Total claims incurred for previous year's operations</b>	<b>-2,732</b>	<b>2,013</b>	<b>-719</b>	<b>-395</b>	<b>-278</b>	<b>-673</b>
<b>Total claims incurred</b>	<b>-6,016</b>	<b>2,595</b>	<b>-3,421</b>	<b>-4,449</b>	<b>285</b>	<b>-4,164</b>

Total claims paid	Parent Company					
	Gross	2010 Ceded	Net	Gross	2009 Ceded	Net
Claims paid	-4,216	937	-3,279	-4,402	427	-3,975
Loss portfolios	-24	0	-24	327	4	331
Claims handling expenses	-175	0	-175	-168	0	-168
<b>Total claims paid</b>	<b>-4,415</b>	<b>937</b>	<b>-3,478</b>	<b>-4,243</b>	<b>431</b>	<b>-3,812</b>

Change in provision for outstanding claims	Parent Company					
	Gross	2010 Ceded	Net	Gross	2009 Ceded	Net
Change in provision for incurred and reported claims	-227	414	187	-439	214	-225
Change in provision for incurred but not reported claims (IBNR)	-1,374	1,244	-130	233	-360	-127
<b>Total change in provision for outstanding claims</b>	<b>-1,601</b>	<b>1,658</b>	<b>57</b>	<b>-206</b>	<b>-146</b>	<b>-352</b>



**Note 5 • Operating costs**

Specification of income statement item operating costs	Group		Parent Company	
	2010	2009	2010	2009
Acquisition costs	-1,494	-1,673	-1,493	-1,673
Change in prepaid acquisition costs (+/-)	-5	86	-5	86
Administrative expenses	-475	-451	-473	-457
Provisions and profit shares in ceded reinsurance (-)	284	283	284	283
<b>Total operating costs</b>	<b>-1,690</b>	<b>-1,755</b>	<b>-1,687</b>	<b>-1,761</b>

Other operating costs	Group		Parent Company	
	2010	2009	2010	2009
Operating costs	-1,690	-1,755	-1,687	-1,761
Claims handling expenses included in claims paid	-175	-168	-175	-168
Costs for treasury mgmt. incl. in Return on capital, costs	-53	-41	-51	-41
Costs for property mgmt. incl. in Return on capital, net	-5	-3	-5	-3
<b>Total other operating costs</b>	<b>-1,923</b>	<b>-1,967</b>	<b>-1,918</b>	<b>-1,973</b>

Total operating costs per type	Group		Parent Company	
	2010	2009	2010	2009
Direct and indirect personnel costs	-429	-368	-418	-354
Premises costs	-50	-47	-48	-46
Depreciation/amortisation	-17	-8	-16	-8
Other expenses related to operations	-1,427	-1,544	-1,436	-1,565
<b>Total other operating costs</b>	<b>-1,923</b>	<b>-1,967</b>	<b>-1,918</b>	<b>-1,973</b>

**Note 6 • Investment income**

	Group		Parent Company	
	2010	2009	2010	2009
<b>Dividend income from:</b>				
Foreign shares and participations	153	45	206	9
<b>Interest income</b>				
Bonds and other interest-bearing securities	313	329	312	329
Other interest income	25	46	25	46
- of which from financial assets not valued at fair value with changes in value reported in the income statement	0	46	0	46
<b>Capital gains and reversed write-downs (net)</b>				
Swedish shares	0	1	0	1
Foreign shares	25	0	6	0
Interest-bearing securities	107	0	100	0
<b>Total return on capital, income</b>	<b>623</b>	<b>421</b>	<b>649</b>	<b>385</b>

**Note 7 • Unrealised gains on investments**

Total operating costs per type	Group		Parent Company	
	2010	2009	2010	2009
Foreign shares and participations	243	365	155	228
Share of income in associated company <sup>1)</sup>	125	270	0	0
Derivative financial instruments	29	0	29	0
<b>Total unrealised gains on investments</b>	<b>397</b>	<b>635</b>	<b>184</b>	<b>228</b>

1) Refers to the Group's share of income in associated company, WM Phoenix. The currency translation differences arising in the conversion to Swedish krona is reported in other comprehensive income (-133).

**Note 8 • Investment expenses and charges**

	Group		Parent Company	
	2010	2009	2010	2009
<b>Operating expenses for land and buildings</b>	-5	-3	-5	-3
<b>Asset management costs</b>	-54	-43	-51	-43
<b>Interest expenses</b>				
Other interest expenses	-3	-1	-3	-1
- of which from financial assets not valued at fair value with changes in value reported in the income statement	0	-1	0	-1
<b>Capital losses on foreign exchange, net</b>	-394	-258	-398	-244
<b>Capital losses</b>				
Foreign shares and participations	0	-35	0	-34
Subsidiaries and associated companies	0	0	-185	0
Bonds and other interest-bearing securities	0	-30	0	-30
Derivative financial instruments	-10	0	0	0
<b>Total</b>	<b>-466</b>	<b>-370</b>	<b>-642</b>	<b>-355</b>

**Note 9 • Unrealised losses on investments**

	Group		Parent Company	
	2010	2009	2010	2009
Foreign shares and participations	-92	-28	-92	-28
Derivatives, forward exchange agreements	-13	0	-13	0
<b>Total unrealised losses on investments</b>	<b>-105</b>	<b>-28</b>	<b>-105</b>	<b>-28</b>

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

<b>Group 2010</b>	<b>Financial assets identified as items valued at fair value in the income statement</b>	<b>Available-for- sale financial instruments</b>	<b>Loan receivables and accounts receivables</b>	<b>Total</b>
Shares and participations	328	0	0	328
Derivative financial instruments	7	0	0	7
Bonds and other interest-bearing securities	0	287	0	287
Deposits with cedants	0	0	19	19
Other debtors	0	0	6	6
<b>Total</b>	<b>335</b>	<b>287</b>	<b>25</b>	<b>647</b>
<b>Parent Company 2010</b>				
	<b>Financial assets identified as items valued at fair value in the income statement</b>	<b>Available-for- sale financial instruments</b>	<b>Loan receivables and accounts receivables</b>	<b>Total</b>
Shares and participations	276	0	0	276
Derivative financial instruments	17	0	0	17
Bonds and other interest-bearing securities	0	279	0	279
Deposits with cedants	0	0	19	19
Other debtors	0	0	6	6
<b>Total</b>	<b>293</b>	<b>279</b>	<b>25</b>	<b>597</b>
<b>Group 2009</b>				
	<b>Financial assets identified as items valued at fair value in the income statement</b>	<b>Available-for- sale financial instruments</b>	<b>Loan receivables and accounts receivables</b>	<b>Total</b>
Shares and participations	575	0	0	575
Bonds and other interest-bearing securities	0	478	0	478
Deposits with cedants	0	0	22	22
Other debtors	0	0	7	7
<b>Total</b>	<b>575</b>	<b>478</b>	<b>29</b>	<b>1,082</b>
<b>Parent Company 2009</b>				
	<b>Financial assets identified as items valued at fair value in the income statement</b>	<b>Available-for- sale financial instruments</b>	<b>Loan receivables and accounts receivables</b>	<b>Total</b>
Shares and participations	166	0	0	166
Bonds and other interest-bearing securities	0	478	0	478
Deposits with cedants	0	0	22	22
Other debtors	0	0	7	7
<b>Total</b>	<b>166</b>	<b>478</b>	<b>29</b>	<b>673</b>

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.

Currency exchange losses amount to 394 (258) for the Group, of which 658 (639) refer to exchange rate losses on financial assets.

Exchange rate gains on liabilities and other assets amount to 264 (381).

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

## Note 11 • Taxes

	Group		Parent Company	
	2010	2009	2010	2009
Current tax expense (-)/tax revenue (+)]				
Current tax expenses	-189	-187	-185	-185
Tax adjustment attributable to previous years	0	-4	0	-4
Deferred tax expense (-)/tax revenue (+)]				
Deferred tax regarding temporary differences	-5	-113	-4	18
<b>Total reported tax expense</b>	<b>-194</b>	<b>-304</b>	<b>-189</b>	<b>-171</b>

### 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	
	2010	2009	2010	2009
Tax according to applicable tax rate for the Parent Company	-26.3%	-26.3%	-26.3%	-26.3%
Non-deductible expenses	-5.3%	-0.3%	-7.7%	-0.3%
Non-taxable income	13.5%	8.4%	7.5%	3.2%
Tax regarding previous years	0%	-1.0%	0%	-2.4%
<b>Reported effective tax</b>	<b>-18.1%</b>	<b>-19.2%</b>	<b>-26.5%</b>	<b>-25.8%</b>

Result before tax for the Parent Company refers to profit after transfer to safety reserve. The total provision for 2010 amounts to 0 (511).

### 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	
	2010	2009	2010	2009	2010	2009
Personnel-related provisions	19	10	0	-3	2	7
Other provisions	12	16	-4	-1	25	15
Surplus value of securities	3	0	0	-22	3	-22
Safety reserve and accelerated depreciation	0	0	-2,549	-2,549	-2,549	-2,549
<b>Net tax receivables/net tax liabilities</b>	<b>34</b>	<b>26</b>	<b>-2,553</b>	<b>-2,575</b>	<b>-2,519</b>	<b>-2,549</b>

### Parent Company

	Parent Company					
	Deferred tax assets		Deferred tax liabilities		Net	
	2010	2009	2010	2009	2010	2009
Personnel-related provisions	20	10	0	0	3	10
Other provisions	12	15	0	0	29	15
Surplus value of securities	3	0	0	-21	3	-21
<b>Net tax receivables/net tax liabilities</b>	<b>35</b>	<b>25</b>	<b>0</b>	<b>-21</b>	<b>35</b>	<b>4</b>

### 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.

Changes in deferred tax	Group		Parent Company	
	2010	2009	2010	2009
Opening balance	-2,549	-2,400	4	21
Recognised in income statement	-5	-113	-4	18
Recognised in shareholders' equity	35	-36	35	-35
<b>Closing balance</b>	<b>-2,519</b>	<b>-2,549</b>	<b>35</b>	<b>4</b>

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

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

## Note 12 • Intangible assets

	Group			Parent Company		
	Intangible assets –IT Capitalised expenditure for development work	Acquired intangible assets Goodwill <sup>1)</sup>	Total	Intangible assets –IT Capitalised expenditure for development work	Acquired intangible assets Goodwill <sup>1)</sup>	Total
<b>Accumulated acquisition value</b>						
Opening balance 1 January, 2009	66	615	681	66	460	526
Acquisitions for the year	5	0	5	5	0	5
<b>Closing balance 31 December, 2009</b>	<b>71</b>	<b>615</b>	<b>686</b>	<b>71</b>	<b>460</b>	<b>531</b>
Opening balance 1 January, 2010	71	615	686	71	460	531
Acquisitions for the year	22	0	22	22	0	22
<b>Closing balance 31 December, 2010</b>	<b>93</b>	<b>615</b>	<b>708</b>	<b>93</b>	<b>460</b>	<b>553</b>
<b>Accumulated amortisation</b>						
Opening balance 1 January, 2009	-65	-324	-389	-65	-231	-296
Depreciation for the year	-1	0	-1	-1	-17	-18
<b>Closing balance 31 December, 2009</b>	<b>-66</b>	<b>-324</b>	<b>-390</b>	<b>-66</b>	<b>-248</b>	<b>-314</b>
Opening balance 1 January, 2010	-66	-324	-390	-66	-248	-314
Depreciation for the year	-5	0	-5	-5	-4	-9
<b>Closing balance 31 December, 2010</b>	<b>-71</b>	<b>-324</b>	<b>-395</b>	<b>-71</b>	<b>-252</b>	<b>-323</b>
<b>Carrying amount</b>						
Per 1 January, 2009	1	291	292	1	229	230
<b>Per 31 December, 2009</b>	<b>5</b>	<b>291</b>	<b>269</b>	<b>5</b>	<b>212</b>	<b>217</b>
Per 1 January, 2010	5	291	296	5	212	217
<b>Per 31 December, 2010</b>	<b>22</b>	<b>291</b>	<b>313</b>	<b>22</b>	<b>207</b>	<b>229</b>
<b>Amortisation for the year is included in the following rows of the income statement for 2009:</b>						
Operating costs	-1	0	-1	-1	0	-1
Other costs	0	0	0	0	-17	-17
<b>Total</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>-1</b>	<b>-17</b>	<b>-18</b>
<b>Amortisation for the year is included in the following rows of the income statement for 2010:</b>						
Operating costs	-5	0	-5	-5	0	-5
Other costs	0	0	0	0	-4	-4
<b>Total</b>	<b>-5</b>	<b>0</b>	<b>-5</b>	<b>-5</b>	<b>-4</b>	<b>-9</b>

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"

<sup>1)</sup> The Group and Parent Company goodwill derive from the acquired operation in Belgium, which is an identifiable cash generating unit. The amounts refer both to acquisition- and asset deal goodwill and are annually tested for impairment. The projected future cash flows are based on a conservative assessment of the unit's earnings, based on historical and future earning patterns. The forecasted profit margin is currently equal to a combined ratio of approximately 95%.

**Note 13 • Land and buildings**

	Group	Parent Company
<b>Acquisition cost</b>		
Opening balance 1 January, 2009	18	18
<b>Closing balance 31 December, 2009</b>	<b>18</b>	<b>18</b>
Opening balance 1 January, 2010	18	18
<b>Closing balance 31 December, 2010</b>	<b>18</b>	<b>18</b>
<b>Depreciation</b>		
Opening balance 1 January, 2009	-14	-14
Depreciation for the year	-2	-2
<b>Closing balance 31 December, 2009</b>	<b>-16</b>	<b>-16</b>
Opening balance 1 January, 2010	-16	-16
Depreciation for the year	0	0
<b>Closing balance 31 December, 2010</b>	<b>-16</b>	<b>-16</b>
<b>Carrying amount</b>		
Per 1 January, 2009	4	4
<b>Per 31 December, 2009</b>	<b>2</b>	<b>2</b>
Per 1 January, 2010	2	2
<b>Per 31 December, 2010</b>	<b>2</b>	<b>2</b>

The Parent Company holds three properties, located in Sweden and Belgium. Sirius International accounts for the properties, including building supplies, according to the acquisition value method and the capitalised expenses are depreciated over 50 and 10 years, respectively. No depreciation is performed on land.

Assessed value	Group		Parent Company	
	2010	2009	2010	2009
Assessed value, buildings (in Sweden)	2	2	2	2
Assessed value, land (in Sweden)	1	1	1	1
<b>Total</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>

**Note 14 • Shares and participations in group companies**

Name of subsidiary	Registered offices, country	Participating interest %	
		2010	2009
Sirius Rückversicherungs Service GmbH	Hamburg, Germany	100	100
Sirius Belgium Réassurances S.A. (in liquidation)	Liège, Belgium	100	100
Sirius International Holdings (NL) B.V.	Amsterdam, The Netherlands	100	100
White Mountains Re Bermuda Ltd	Hamilton, Bermuda	100	0
		<b>2010</b>	<b>2009</b>
<b>Accumulated acquisition cost</b>			
Beginning of year		1,252	1,252
Acquisition		728	0
Disposals		0	0
Capital contribution		388	0
Repayment of paid-up capital		-506	0
<b>Closing balance 31 December</b>		<b>1,862</b>	<b>1,252</b>
<b>Accumulated write-downs</b>			
Beginning of year		-596	-596
Acquisition		0	0
Disposals		0	0
Write-downs for the year		-185	0
<b>Closing balance 31 December</b>		<b>-781</b>	<b>-596</b>
<b>Carrying amount 31 December</b>		<b>1,081</b>	<b>656</b>

**Subsidiaries' shareholders' equity****2010**

<b>Name of subsidiary</b>	<b>Shareholders' equity</b>	<b>Shares %</b>	<b>Number of shares</b>	<b>Book value</b>	<b>Profit/loss</b>
Sirius Rückversicherungs Service GmbH, Hamburg, Germany	12	100	1 share nom. value EUR 51,129	0	-2
Sirius Belgium Réassurances S.A. (in liquidation), Liège, Belgium	12	100	Share capital total EUR 1,245,681 consisting of 700,000 shares without nom. value	13	0
Sirius International Holdings (NL) B.V. Amsterdam, The Netherlands	1,045	100	Share capital total EUR 18,000 consisting of 180 shares with nom. value EUR 100 per share	1,032	381
White Mountains Re Bermuda Ltd, Hamilton, Bermuda	36	100	Share capital total 120,000 USD consists of 120,000 shares nom. value USD 1 per share	36	-143
<b>Total</b>	<b>1,105</b>	<b>100</b>		<b>1,081</b>	<b>236</b>

**2009**

<b>Name of subsidiary</b>	<b>Shareholders' equity</b>	<b>Shares %</b>	<b>Number of shares</b>	<b>Book value</b>	<b>Profit/loss</b>
Sirius Rückversicherungs Service GmbH, Hamburg, Germany	18	100	1 share nom. value EUR 51,129	0	5
Sirius Belgium Réassurances S.A. (in liquidation), Liège, Belgium	14	100	Share capital total EUR 1,245,681 consisting of 700,000 shares without nom. value	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
<b>Total</b>	<b>624</b>	<b>100</b>		<b>656</b>	<b>162</b>

**Note 15 • Shares and participations in associated companies**

	Group	
	2010	2009
Carrying amount at beginning of the year	2,185	2,101
Share of associated company's profit/loss <sup>1)</sup>	125	270
Foreign exchange effect	-132	-186
<b>Carrying amount at end of year</b>	<b>2,178</b>	<b>2,185</b>

	Parent Company	
	2010	2009
Carrying amount at beginning of the year	2,058	2,058
Acquisition of associated company	0	0
<b>Carrying amount at end of year</b>	<b>2,058</b>	<b>2,058</b>

Name of associated companies	Assets	Liabilities	Shareholders' equity	Net income	Share of capital % <sup>2)</sup>	Number of shares
White Mountains Phoenix S.a.r.l., Luxemburg	20,166	11,355	8,811	533	24.7	2,461,000
<b>Total</b>	<b>20,166</b>	<b>11,335</b>	<b>8,811</b>	<b>533</b>	<b>24.7</b>	<b>2,461,000</b>

1) Refers to the Group's share of income in the associated company, White Mountains Phoenix. The translation of the exchange rate difference arising in the conversion to Swedish krona is reported directly against shareholders' equity.

2) The participating interest in the Company's total shareholders' equity is equivalent to 24.7% (23.6%). 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	
	2010	2009	2010	2009
Group	1,808	1,797	1,946	2,053

	Fair value		Acquisition cost	
	2010	2009	2010	2009
Parent Company	874	1,251	940	1,352

Further information on financial instruments can be found in Note 20.



**Note 17 • Bonds and other interest-bearing securities**

Group	Fair value		Acquisition cost	
	2010	2009	2010	2009
Swedish government	4,725	3,144	4,735	3,038
Swedish mortgage institutions	0	466	0	456
Other Swedish issuers	102	0	98	0
Foreign governments	2,883	2,161	2,886	2,152
Other foreign issuers	4,357	2,890	4,292	2,815
<b>Total</b>	<b>12,067</b>	<b>8,662</b>	<b>12,011</b>	<b>8,462</b>
Of which listed	12,067	8,662	12,011	8,462
<b>Average difference compared to nominal value</b>				
Total excess amount	622	461	549	263
Total shortfall	40	33	24	35

Parent Company	Fair value		Acquisition cost	
	2010	2009	2010	2009
Swedish government	4,725	3,144	4,735	3,038
Swedish mortgage institutions	0	466	0	456
Other Swedish issuers	102	0	98	0
Foreign governments	2,883	2,161	2,886	2,152
Other foreign issuers	4,357	2,890	4,292	2,815
<b>Total</b>	<b>12,067</b>	<b>8,662</b>	<b>12,011</b>	<b>8,462</b>
Of which listed	12,067	8,662	12,011	8,462
<b>Average difference compared to nominal value</b>				
Total excess amount	622	461	549	263
Total shortfall	40	33	24	35

**Note 18 • Derivatives**

Derivatives	Group		Parent Company	
	2010	2009	2010	2009
Derivatives with underlying security shares	249	0	0	0
Derivatives with underlying security currency	24	0	24	0
<b>Total</b>	<b>273</b>	<b>0</b>	<b>24</b>	<b>0</b>

Derivatives with underlying security in currency refer to a currency hedge of MUS\$ 250 against SEK. 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 MUS\$ 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. The currency hedge agreement is valued monthly. Derivatives with securities in shares are exclusively warrants in Symetra.

**Note 19 • Other debtors**

	Group		Parent Company	
	2010	2009	2010	2009
Other debtors, group companies	0	713	201	713
Other debtors	63	42	61	43
<b>Total other debtors</b>	<b>63</b>	<b>755</b>	<b>262</b>	<b>756</b>

**Note 20 • Categories of financial assets and liabilities and their fair value****Group 2010**

Financial assets	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	1,808	0	1,808	1,808	1,946
Derivatives	0	273	0	273	273	266
Bonds and other interest-bearing securities	0	0	12,067	12,067	12,067	12,599
Accrued income	607	0	0	607	607	607
Other debtors	63	0	0	63	63	63
<b>Total</b>	<b>670</b>	<b>2,081</b>	<b>12,067</b>	<b>14,818</b>	<b>14,818</b>	<b>15,481</b>

**Parent Company 2010**

Financial assets	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	874	0	874	874	940
Derivatives	0	24	0	24	24	7
Bonds and other interest-bearing securities	0	0	12,067	12,067	12,067	12,599
Accrued income	606	0	0	606	606	606
Other debtors	262	0	0	262	262	262
<b>Total</b>	<b>868</b>	<b>898</b>	<b>12,067</b>	<b>13,833</b>	<b>13,833</b>	<b>14,414</b>

**Group 2010**

Financial liabilities	Other financial liabilities	Carrying amount	Fair value
Other liabilities	593	593	593
Accrued expenses	193	193	193
<b>Total</b>	<b>786</b>	<b>786</b>	<b>786</b>

**Parent Company 2010**

Financial liabilities	Other financial liabilities	Carrying amount	Fair value
Other liabilities	608	608	608
Accrued expenses	192	192	192
<b>Total</b>	<b>800</b>	<b>800</b>	<b>800</b>

## Group 2009

Financial assets	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
<b>Total</b>	<b>770</b>	<b>2,391</b>	<b>8,662</b>	<b>11,823</b>	<b>11,823</b>	<b>12,007</b>

## Parent Company 2009

Financial assets	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
<b>Total</b>	<b>756</b>	<b>1,843</b>	<b>8,662</b>	<b>11,261</b>	<b>11,261</b>	<b>11,322</b>

## Group 2009

Financial liabilities	Other financial liabilities	Carrying amount	Fair value
Other liabilities	626	626	626
Accrued expenses	157	157	157
<b>Total</b>	<b>783</b>	<b>783</b>	<b>783</b>

## Parent Company 2009

Financial liabilities	Other financial liabilities	Carrying amount	Fair value
Other liabilities	638	638	638
Accrued expenses	157	157	157
<b>Total</b>	<b>795</b>	<b>795</b>	<b>795</b>

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

<b>Group 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Shares and participations	935	344	529	1,808
Derivatives	0	0	273	273
Bonds and other interest-bearing securities	6,234	5,833	0	12,067
<b>Total</b>	<b>7,169</b>	<b>6,177</b>	<b>802</b>	<b>14,148</b>

<b>Parent Company 2010</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Shares and participations	0	345	529	874
Derivatives	0	0	24	24
Bonds and other interest-bearing securities	6,234	5,833	0	12,067
<b>Total</b>	<b>6,234</b>	<b>6,178</b>	<b>553</b>	<b>12,965</b>

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).

<b>Group 2010</b>	<b>Shares and Participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>Total</b>
Opening balance 1 January, 2010	323	0	0	323
Total reported profit/loss:				
- reported in profit/loss for the year <sup>1)</sup>	-12	7	0	-5
- reported in shareholders' equity	0	0	0	0
Acquisition cost, purchase	251	266	0	517
Proceeds of sale, sales	-33	0	0	-33
Transfer from Level 3	0	0	0	0
Transfer into Level 3	0	0	0	0
<b>Closing balance 31 December, 2010</b>	<b>529</b>	<b>273</b>	<b>0</b>	<b>802</b>

**Profit/loss reported in profit/loss for the year for assets included in the closing balance 31 December, 2010 <sup>1)</sup>**

<b>-12</b>	<b>7</b>	<b>0</b>	<b>-5</b>
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<b>Parent Company 2010</b>	<b>Shares and Participations</b>	<b>Derivatives</b>	<b>Bonds</b>	<b>Total</b>
Opening balance 1 January, 2010	323	0	0	323
Total reported profit/loss:				
- reported in profit/loss for the year <sup>1)</sup>	-12	17	0	5
- reported in shareholders' equity	0	0	0	0
Acquisition cost, purchase	251	7	0	258
Proceeds of sale, sales	-33	0	0	-33
Transfer from Level 3	0	0	0	0
Transfer into Level 3	0	0	0	0
<b>Closing balance 31 December, 2010</b>	<b>529</b>	<b>24</b>	<b>0</b>	<b>553</b>
<b>Profit/loss reported in profit/loss for the year for assets included in the closing balance 31 December, 2010 <sup>1)</sup></b>	<b>-12</b>	<b>17</b>	<b>0</b>	<b>5</b>
<b>Group and Parent Company 2009</b>	<b>Shares and Participations</b>	<b>Bonds</b>	<b>Total</b>	
Opening balance 1 January, 2009		376	0	376
Total reported profit/loss:				
- reported in profit/loss for the year <sup>1)</sup>		-8	0	-8
- reported in shareholders' equity		0	0	0
Acquisition cost, purchase		36	0	36
Proceeds of sale, sales		-81	0	-81
Transfer from Level 3		0	0	0
Transfer into Level 3		0	0	0
<b>Closing balance 31 December, 2009</b>		<b>323</b>	<b>0</b>	<b>323</b>
<b>Profit/loss reported in profit/loss for the year for assets included in the closing balance 31 December, 2009 <sup>1)</sup></b>		<b>-23</b>	<b>0</b>	<b>-23</b>

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

**Note 21 • Tangible assets**

	Group	Parent Company
	Equipment	Equipment
<b>Acquisition cost</b>		
Opening balance 1 January, 2009	72	71
Acquisition	13	13
Disposals	-5	-5
Closing balance 31 December, 2009	80	79
Opening balance 1 January, 2010	80	79
Acquisition	24	24
Disposals	-18	-18
<b>Closing balance 31 December, 2010</b>	<b>86</b>	<b>85</b>
<b>Depreciations</b>		
Opening balance 1 January, 2009	-56	-56
Depreciation for the year	-7	-7
Disposals	4	4
<b>Closing balance 31 December, 2009</b>	<b>-59</b>	<b>-59</b>
Opening balance 1 January, 2010	-59	-59
Depreciation for the year	-12	-12
Disposals	17	17
<b>Closing balance 31 December, 2010</b>	<b>-54</b>	<b>-54</b>
<b>Reported values</b>		
1 January, 2009	16	15
<b>31 December, 2009</b>	<b>21</b>	<b>20</b>
1 January, 2010	21	20
<b>31 December, 2010</b>	<b>32</b>	<b>31</b>

**Note 22 • Deferred acquisition costs**

	Group		Parent Company	
	2010	2009	2010	2009
Opening balance	419	441	419	441
Capitalisation for the year	406	460	406	460
Depreciation/amortisation for the year	-411	-443	-411	-443
Exchange rate gains/losses	-28	-39	-28	-39
<b>Closing balance</b>	<b>386</b>	<b>419</b>	<b>386</b>	<b>419</b>

**Note 23 • Untaxed reserves**

Parent Company	2010	2009
<b>Accumulated accelerated depreciation regarding goodwill and equipment</b>		
Opening balance 1 January	44	61
Change for the year	-4	-17
Exchange rate gains/losses	0	0
Closing balance 31 December	40	44
<b>Safety reserve</b>		
Opening balance 1 January	9,647	9,136
Change for the year	0	511
Closing balance 31 December	9,647	9,647
<b>Total</b>	<b>9,687</b>	<b>9,691</b>

**Note 24 • Provisions for unearned premiums and unexpired risks**

Provisions for unearned premiums	Group					
	2010			2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	2,190	-379	1,811	2,183	-274	1,909
Insurance policies signed during period	2,072	-419	1,653	2,423	-381	2,042
Earned premiums for the period	-2,111	327	-1,784	-2,179	235	-1,944
Currency effect	-215	68	-147	-237	41	-196
<b>Closing balance</b>	<b>1,936</b>	<b>-403</b>	<b>1,533</b>	<b>2,190</b>	<b>-379</b>	<b>1,811</b>

Provisions for unexpired risks	Group					
	2010			2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	140	-103	37	160	-111	49
Current year's provisions included in profit/loss	0	0	0	0	0	0
Previous year's provisions included in profit/loss	-6	4	-2	-7	-1	-8
Currency effect	-8	6	-2	-13	9	-4
<b>Closing balance</b>	<b>126</b>	<b>-93</b>	<b>33</b>	<b>140</b>	<b>-103</b>	<b>37</b>

Provisions for unearned premiums	Parent Company					
	2010			2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	2,190	-379	1,811	2,183	-274	1,909
Insurance policies signed during period	2,071	-419	1,652	2,423	-381	2,042
Earned premiums for the period	-2,111	327	-1,784	-2,179	235	-1,944
Currency effect	-214	68	-146	-237	41	-196
<b>Closing balance</b>	<b>1,936</b>	<b>-403</b>	<b>1,533</b>	<b>2,190</b>	<b>-379</b>	<b>1,811</b>

Provisions for unexpired risks	Parent Company					
	2010			2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	140	-103	37	160	-111	49
Current year's provisions included in profit/loss	0	0	0	0	0	0
Previous year's provisions included in profit/loss	-6	4	-2	-7	-1	-8
Currency effect	-8	6	-2	-13	9	-4
<b>Closing balance</b>	<b>126</b>	<b>-93</b>	<b>33</b>	<b>140</b>	<b>-103</b>	<b>37</b>

**Note 25 • Claims outstanding**

Provisions for outstanding claims	Group					
	2010			2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance, reported claims	4,982	-852	4,130	4,861	-698	4,163
Opening balance, incurred but not reported claims (IBNR)	4,879	-3,096	1,783	5,646	-3,890	1,756
<b>Opening balance</b>	<b>9,861</b>	<b>-3,948</b>	<b>5,913</b>	<b>10,507</b>	<b>-4,588</b>	<b>5,919</b>
Portfolio transfer WTM Re Bermuda	6	0	6	0	0	0
Cost for claims incurred during the current year	3,284	-582	2,702	4,054	-563	3,491
Change in estimated cost for claims incurred in previous years (close down profit/loss)	2,739	-2,013	726	395	278	673
Claims handling expense	175	0	175	168	0	168
Paid/transferred to insurance liabilities or other current liabilities	4,253	-937	3,316	4,075	-431	3,644
Currency affect	-380	50	-330	-852	494	-358
<b>Closing balance</b>	<b>11,082</b>	<b>-5,556</b>	<b>5,526</b>	<b>9,861</b>	<b>-3,948</b>	<b>5,913</b>
Closing balance, reported claims	4,831	-1,124	3,707	4,982	-852	4,130
Closing balance, incurred but not reported claims (IBNR)	6,251	-4,432	1,819	4,879	-3,096	1,783

Provisions for outstanding claims	Parent Company					
	2010			2009		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance, reported claims	4,982	-852	4,130	4,861	-698	4,163
Opening balance, incurred but not reported claims (IBNR)	4,879	-3,096	1,783	5,646	-3,890	1,756
<b>Opening balance</b>	<b>9,861</b>	<b>-3,948</b>	<b>5,913</b>	<b>10,507</b>	<b>-4,588</b>	<b>5,919</b>
Cost for claims incurred during the current year	3,284	-582	2,702	4,054	-563	3,491
Change in estimated cost for claims incurred in previous years (close down profit/loss)	2,732	-2,013	719	395	278	673
Claims handling expense	175	0	175	168	0	168
Paid/transferred to insurance liabilities or other current liabilities	4,240	-937	3,303	4,075	-431	3,644
Currency affect	-380	50	-330	-852	494	-358
<b>Closing balance</b>	<b>11,082</b>	<b>-5,556</b>	<b>5,526</b>	<b>9,861</b>	<b>-3,948</b>	<b>5,913</b>
Closing balance, reported claims	4,831	-1,124	3,707	4,982	-852	4,130
Closing balance, incurred but not reported claims (IBNR)	6,251	-4,432	1,819	4,879	-3,096	1,783

**Note 26 • Equalisation provision**

	Group		Parent Company	
	2010	2009	2010	2009
Opening balance	0	3	3	3
Change in accounting principles	0	-3	0	0
Release of provision made in prior years	0	0	-3	0
Provision for the year	0	0	12	0
<b>Closing balance</b>	<b>0</b>	<b>0</b>	<b>12</b>	<b>3</b>



**Note 27 • Claims handling provision**

	Group		Parent Company	
	2010	2009	2010	2009
Opening balance	122	113	122	113
Release of provisions made in prior years	-20	-30	-20	-30
Provisions for the year	41	39	41	39
Currency effect	-14	0	-14	0
<b>Closing balance</b>	<b>129</b>	<b>122</b>	<b>129</b>	<b>122</b>

**Note 28 • Employee benefits**

Employee benefits	Group		Parent Company	
	2010	2009	2010	2009
Pension provision – defined benefit plans	5	-9	9	0
<b>Total employee benefits</b>	<b>5</b>	<b>-9</b>	<b>9</b>	<b>0</b>

**Specification of provisions for employee benefits**

A defined benefit plan is a plan which does not comprise a defined contribution plan. In a defined benefit plan, the employer guarantees that the employee will receive a defined amount of benefit upon retirement, usually based on one or more factors, such as age, length of service and salary. The group calculates its provisions and expenses based on the conditions of the guaranteed pension obligations, as well as on its own assumptions regarding future development.

The provision reported in the balance sheet for defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets, adjusted for unrecognised actuarial gains and losses, and unrecognised service costs related to prior periods. Actuarial gains and losses arise if actual outcome deviates from calculated, defined assumptions, or if there is a change in assumptions. The defined pension obligation is calculated annually by independent actuaries, applying the projected unit credit method. The net present value of the obligation is defined by discounting of estimated future cash flows, using the interest rate of high quality mortgage bonds that are emitted in the same currency in which the obligations are to be paid, with durations comparable to the duration of the current pension obligation.

The group applies the corridor method, implying that actuarial net losses are recorded when the opening balance of actuarial

losses exceeds 10% of either the projected benefit obligation or of investment assets. As actuarial net loss amount does not exceed the corridor amount, there is no surplus to report in income or charge against results during the employees' remaining period of service.

The group has defined benefit plans in Sweden and Germany which are based on the employees' pension entitlements and length of employment. In Germany all employees are included in the plan. In Sweden only employees born 1971 or earlier are covered by defined benefit plans and, thus, form part of the FTP2. Furthermore, there are two variations regarding early retirement. Employees born 1955 and earlier have the possibility to retire between the ages of 62 and 65 according to local agreement. Staff employed before 1 January, 2004 have the right to retire from the age of 64. These plans are also defined benefit plans and are reflected in financial statements of both the Group and the Parent Company.

Employees in Sweden born 1972 or later, are covered by a defined contribution plan, FTP1.

Employees outside Sweden and Germany are mainly covered by defined contribution plans in which the employer has a responsibility for the employees' pension.

Amounts in balance sheet for defined benefit plans	Group	
	2010	2009
Defined benefit obligations	59	41
Fair value of plan assets	-53	-50
<b>Sub-total</b>	<b>6</b>	<b>-9</b>
Net cumulative unrecognised actuarial losses	-1	0
<b>Provisions for defined benefit plans</b>	<b>5</b>	<b>-9</b>

Plans with a net surplus, i.e. where the plan assets' fair value exceeds pension obligation, are reported as debtors in the balance sheet. The net surplus for 2009 was 9 MSEK.

	Group	
Pension cost recognised in the income statement	2010	2009
Current service cost	11	3
Interest cost	3	2
Expected return on plan assets	-2	-1
Amortisation of actuarial net loss	0	0
Amortisation of service cost prior year	6	0
<b>Pension cost for defined benefit plans</b>	<b>18</b>	<b>4</b>
Paid premiums, defined contribution plans	44	39
<b>Total pension cost <sup>1)</sup></b>	<b>62</b>	<b>43</b>

1) Tax on pensions, 12 MSEK, is recorded as "Remuneration to employees" and is included in Note 32.

	Group	
Changes in defined benefit obligations	2010	2009
Opening balance pension obligation	41	36
Current service cost	11	3
Interest cost, pension obligation	3	2
Actuarial gains and losses, net	1	0
Release of obligation by payment	-1	1
Service cost, prior year	6	0
Exchange differences on foreign plans	-1	-1
<b>Closing balance pension obligation</b>	<b>59</b>	<b>41</b>

	Group	
Changes in plan assets	2010	2009
Opening balance plan assets at fair value	50	46
Expected return on plan assets	1	1
Actuarial gains and losses, net	0	0
Contributions	5	5
Release of obligation by payment	-1	-1
Exchange differences on foreign plans	-2	-1
<b>Closing balance plan assets at fair value</b>	<b>53</b>	<b>50</b>

Plan assets at fair value per 31 December, 2010 exceed the group's defined benefit obligations. Therefore, no extra funding is required to secure the defined benefit pension obligations.

	Group	
Unrecognised actuarial net loss	2010	2009
Opening balance actuarial net losses	0	0
<b>Defined benefit obligations</b>		
The period's experience effect on actuarial net gains (-)/net losses (+) on pension obligations	1	0
Amortisation of actuarial net gains/losses	0	0
<b>Plan assets</b>		
The period's experience effect on actuarial net gains (-)/net losses (+) on plan assets	0	0
Amortisation of actuarial net gains/losses	0	0
<b>Closing balance actuarial net losses</b>	<b>1</b>	<b>0</b>

Corridor method	Group		
	2011	2010	2009
Opening balance actuarial net losses	1	0	0
Corridor amount	5	5	5
Gains/losses subject to amortisation	0	0	0
Expected remaining service time (years)	14.9	15.7	15.0
Amortised actuarial net gains/losses	0	0	0

Actuarial assumptions, percentage	Group	
	2010	2009
Discount rate, 1 January	5%	5%
Discount rate, 31 December	5%	5%
Expected return on plan assets	3%	0%
Expected salary increases, 1 January	3.5%	3.5%
Expected salary increases, 31 December	3.5%	3.5%
Indexation of benefits	2%	2%
Indexation of income base amount, 1 January	3%	3%
Indexation of income base amount, 31 December	3%	3%
Staff turnover	3%	3%

When calculating the expense for defined benefit obligations, assumptions are made regarding the future development of factors which may influence the size of expected payments. The discount rate is the interest rate applied to discount the value of expected payments. This rate is fixed applying a market rate with a remaining duration equivalent to the pension obligations. The group's applied discount rate, for the Swedish defined obligations, is based on Swedish mortgage bonds.

Assets to secure these pension obligations are invested in a variety of financial instruments by Skandia Liv. The expected return on plan assets mirrors the expected average yearly return on those financial instruments for the remaining duration.

Future annual salary increases reflect expected future salary increases resulting from collective agreements and salary expectations. Final benefits according to FTP are governed by Swedish base income amount (inkomstbasbeloppet). Consequently, there is a requirement to assess future base income amounts. Annual pension increases also need to be considered, as these have historically always taken place.

Assumptions about the beneficiaries' life expectancy comply with FFFS 2007:31 (DUS06) and are updated annually.

**Note 29 • Other creditors**

	Group		Parent Company	
	2010	2009	2010	2009
Amounts due to group companies	519	543	539	560
Other debtors	74	83	69	78
<b>Total other creditors <sup>1)</sup></b>	<b>593</b>	<b>626</b>	<b>608</b>	<b>638</b>

1) The majority of the liabilities have a duration less than one year.

**Note 30 • Contingent liabilities and commitments**

In the form of pledged assets for own liabilities and provisions	Group		Parent Company	
	2010	2009	2010	2009
Bonds and other interest-bearing securities	7,553	6,482	7,553	6,482
Cash and bank	115	165	115	165
<b>Assets for which policy holders have preferential rights</b>	<b>7,668</b>	<b>6,647</b>	<b>7,668</b>	<b>6,647</b>

On the basis of the stipulations in Chapter 7, Section 11 of the Insurance Business Act, registered assets amount to MSEK 6,573. 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 insurance commitments are covered by technical provisions in accordance with the Insurance Business Act.

Nominal amount	Group		Parent Company	
	2010	2009	2010	2009
Future commitments for investments in private equity companies	60	67	60	67
<b>Total</b>	<b>60</b>	<b>67</b>	<b>60</b>	<b>67</b>

**Note 31 • Associated parties****Summary of transactions with associated parties****Associated parties within the White Mountains Group**

Group and Parent Company 2010	Premium income, net	Indemni- fication	Services purchased from associated parties	Receivables, associated parties per 31 Dec.	Liabilities, associated parties per 31 Dec.
White Mountains Re America – assumed reinsurance	512	- 465	0	819	0
White Mountains Re America – ceded reinsurance	- 56	56	0	0	7
White Mountains Re America – administrative services	0	0	-1	0	0
Esurance – assumed reinsurance	727	- 713	0	181	0
WM Life Re – ceded reinsurance	-216	1,306	0	4,093 <sup>1)</sup>	13
White Mountains Re Services – administrative services	0	0	-11	0	14
White Mountains Holding - administrative services	0	0	-2	0	0
White Mountains Re Underwriting Services Ltd. – assumed reinsurance	0	0	0	0	2
White Mountains Financial Services LLC – financial services	0	0	-17	0	7
Sirius Insurance Holding Sweden AB – group contributions	0	0	0	0	323
Fund American Holdings AB – group contributions	0	0	0	0	170
White Mountains Advisors LLC – financial services	0	0	-20	0	5
<b>Total</b>	<b>967</b>	<b>184</b>	<b>-51</b>	<b>5,093</b>	<b>541</b>

**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.
<b>Other associated parties</b>					
White Mountains Re America – assumed reinsurance	376	-166	-1	841	3
Esurance – ceded reinsurance	1,956	-1,844	0	498	0
WM Life Re – ceded reinsurance	-216	-491	0	2,715 <sup>1)</sup>	16
White Mountains Re Services – administrative services	0	0	-35	0	16
White Mountains Re Bermuda Ltd – ceded 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 contributions	0	0	0	0	302
Fund American Holdings AB – group contributions	0	0	0	0	183
White Mountains Advisors LLC – financial services	0	0	-23	0	6
<b>Total</b>	<b>2,211</b>	<b>-2,501</b>	<b>-59</b>	<b>4,767</b>	<b>567</b>

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

**Note 32 • Average number of employees, salaries and other remunerations**
**Average number of employees - Group**

	2010			2009		
	Men	Women	Total	Men	Women	Total
Parent Company	132	142	274	123	127	250
Germany	5	7	12	4	7	11
<b>Total</b>	<b>137</b>	<b>149</b>	<b>286</b>	<b>127</b>	<b>134</b>	<b>261</b>

**Average number of employees**
**– Parent Company**

	2010			2009		
	Men	Women	Total	Men	Women	Total
Sweden	63	70	133	59	70	129
UK	23	19	42	23	18	41
Belgium	24	20	44	24	20	44
Switzerland	4	5	9	4	4	8
Singapore	5	10	15	5	9	14
Denmark	5	7	12	3	1	4
Bermuda <sup>1)</sup>	8	11	19	5	5	10
<b>Total</b>	<b>132</b>	<b>142</b>	<b>274</b>	<b>123</b>	<b>127</b>	<b>250</b>

**Senior management in the Group  
and Parent Company**

	2010			2009		
	Men	Women	Total	Men	Women	Total
Board and CEO	3	1	4	4	0	4
Other senior members of management	3	0	3	3	0	3
<b>Total</b>	<b>6</b>	<b>1</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>7</b>

<sup>1)</sup> Average number of employees in Bermuda for 2009 only refers to the period 1 September, 2009 – 31 December, 2009.

**Remunerations to employees**

	Group		Parent Company	
	2010	2009	2010	2009
Salaries including bonuses	273	244	261	232
Of which expenses bonus and other similar remunerations	80	34	77	32
Pension expenses	62	43	56	43
- Defined contribution plans	43	39	43	39
- Defined benefit plans (Note 28)	19	4	13	4
Social security contributions, special employer's contributions on pensions	76	65	76	65
<b>Total</b>	<b>411</b>	<b>352</b>	<b>393</b>	<b>340</b>

**Of which paid remunerations for the year to:**

CEO	Group		Parent Company	
	2010	2009	2010	2009
Salaries including bonuses	12	8	12	8
Of which paid out bonuses	8	4	8	4
Pension expenses	3	3	3	3
- Defined contribution plans	3	3	3	3
- Defined benefit plans	0	0	0	0
<b>Total</b>	<b>15</b>	<b>11</b>	<b>15</b>	<b>11</b>

**Board and other senior members of management**

Salaries including bonuses	12	10	12	10
Of which expenses bonus and other similar remunerations	7	5	7	5
Pension expenses	3	2	3	2
- Defined contribution plans	3	2	3	2
- Defined benefit plans	0	0	0	0
<b>Total</b>	<b>15</b>	<b>12</b>	<b>15</b>	<b>12</b>

**Salaries and other remunerations, divided by country - Group**

	2010			2009		
	Salaries and remuneration	Of which expensed bonuses and other remunerations	Of which bonuses paid for the year	Salaries and remuneration	Of which expensed bonuses and other remunerations	Of which bonuses paid for the year
Parent company	261	77	85	232	60	32
Germany	12	3	3	12	4	2
<b>Total</b>	<b>273</b>	<b>80</b>	<b>88</b>	<b>244</b>	<b>64</b>	<b>34</b>

**Salaries and other remunerations, divided by country - Group**

	2010			2009		
	Salaries and remuneration	Of which expensed bonuses and other remunerations	Of which bonuses paid for the year	Salaries and remuneration	Of which expensed bonuses and other remunerations	Of which bonuses paid for the year
Sweden	120	37	33	113	34	17
UK	32	3	2	34	3	1
Belgium	42	15	16	45	16	10
Switzerland	16	7	5	15	5	3
Singapore	9	1	2	9	2	1
Denmark	4	0	0	3	0	0
Bermuda (1 Sep – 31 Dec, 2009)	38	14	27	13	0	0
<b>Total</b>	<b>261</b>	<b>77</b>	<b>85</b>	<b>232</b>	<b>60</b>	<b>32</b>

### 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 and 2010. 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.

### Remuneration policy

Sirius International's remuneration policy is available on the Company's homepage, which follows FFFS 2009:7.

### Pensions

Sweden: Sirius applies the pension agreement signed with FAO/FTF/Saco. The agreement came 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.

Employees born 1955 and earlier has the benefit of entering into retirement between 62 and 65 years of age according to collective agreements. Employees starting at Sirius International prior to 1 January, 2004 have a retirement age of 64.

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 Company's CEO has the right of receiving a lifelong pension as of 65 years of age.

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.

<b>Absence due to illness in the Parent Company</b>	<b>2010</b>	<b>2009</b>
Total absence due to illness as a percentage of ordinary working hours	2.56%	2.49%
Share of total absence due to illness regarding continuous absence due to illness of 60 days or more	43.26%	40.00%
<b>Absence due to illness as a proportion of each group's standard working hours</b>		
<b>Absence due to illness divided by gender:</b>		
Men	2.04%	2.66%
Women	3.03%	2.35%
<b>Absence due to illness divided by age category:</b>		
Younger than 30 years	1.17%	1.55%
30-49 years	2.60%	3.09%
50 years and older	2.57%	1.83%

**Note 33 • Fees and reimbursement to auditors**

Öhrlings PriceWaterhouseCoopers (PWC)	Group		Parent Company	
	2010	2009	2010	2009
Audit services	4	4	4	4
Tax counselling	1	0	1	0
<b>Total</b>	<b>5</b>	<b>4</b>	<b>5</b>	<b>4</b>

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. Other services than those included in the audit agreement are classified as audit services in addition to audit agreement, tax counselling and other services.

**Note 34 • Operational leasing**

Leasing contracts in which the Company is the lessee	Group		Parent Company	
	2009	2008	2009	2008
Non-cancellable leases amount to:				
Due for payment within one year	32	33	31	31
Due for payment later than one year but within five years	40	54	35	48
Due for payment after five years	7	9	7	8
<b>Total</b>	<b>79</b>	<b>96</b>	<b>73</b>	<b>87</b>

**Note 35 • Class analysis****Profit/loss per insurance class**

2010 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 earned, gross	630	55	79	0	86	850	6,591	7,441
Incurred claims, gross	-337	-17	-33	-2	-31	-420	-5,596	-6,016
Operating expenses, gross	-277	-24	-39	0	-31	-371	-1,589	-1,960
Result, ceded reinsurance	-17	-5	0	0	-1	-23	1,192	1,169
Equalisation provision	0	0	0	0	3	3	-12	-9
<b>Technical result</b>	<b>-1</b>	<b>9</b>	<b>7</b>	<b>-2</b>	<b>26</b>	<b>39</b>	<b>586</b>	<b>625</b>

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 earned, gross	645	20	59	1	89	814	7,579	8,393
Incurred 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
<b>Technical result</b>	<b>22</b>	<b>-67</b>	<b>-5</b>	<b>1</b>	<b>4</b>	<b>-45</b>	<b>987</b>	<b>942</b>



## Note 36 • Transition to IFRS

Listed companies within the EU were required to adopt International Financial Reporting Standards (IFRS) for consolidated accounts as of 2005. Finansinspektionen (the Swedish Financial Supervisory Authority) requested, instead, that companies under the supervision of Finansinspektionen adopt legally restricted IFRS (IFRS as restricted by Swedish legislation) in both the parent company- and group accounts as of 1 January, 2007. Furthermore, as of 1 January, 2010 all companies under the supervision of Finansinspektionen are obliged to adopt IFRS in their consolidated accounts. Sirius International's consolidated accounts have therefore been prepared according to IFRS as of 1 January, 2010.

A company adopting IFRS for the first time shall comply with IFRS 1 "First time adoption of International Financial Reporting Standards". Sirius adopts IFRS in its group accounts retroactively and has prepared opening balances per 1 January, 2009. This also implies that all comparative figures have been reported according to the new accounting principles. Sirius' consolidated accounts are, therefore, adapted to IFRS as of 1 January, 2010.

As the Sirius Group has, in prior years, prepared its consolidated accounts according to legally restricted IFRS, the differences with IFRS are limited. The differences are described in the text below and in the following tables.

### IAS1 Presentation of financial statements

The Sirius Group implements limited changes in its presentation of financial statements in the transition to IFRS. One change is that Sirius Group presents, as of 2010, an income statement in two sections; one income statement and one statement of comprehensive income. The later shows changes in shareholders' equity which do not refer to owner-related transactions. The change in presentation is also adopted in the accounts of the parent company as this type of presentation of financial statements is also required according to legally restricted IFRS.

#### Effect on net income for the year of transition to IFRS

		Jan-Dec 2009
<hr/>		
Net income for the year according to legally restricted IFRS		1,275
Effect on net income for the year of transition to IFRS	A, B	27
<b>Net income for the year according to IFRS</b>		<b>1,302</b>

#### Effect on income statement of transition to IFRS

		Jan-Dec 2009
<hr/>		
Operating costs	A	0
Depreciation, goodwill	B	27
<b>Effect on income statement of transition to IFRS</b>		<b>27</b>

### IAS19 Employee benefits

Employee benefits are to be accounted for according to IAS 19, which stipulates that the value of defined benefit plans should usually be measured, and subsequently accounted for in the balance sheet. The reported expense does not necessarily need to correspond with the payments made in the period. The obligation in the balance sheet regarding defined benefit plans refer to the net present value of the defined benefit obligation at the end of the reporting period, less the fair value of the plan assets, with adjustment for unrecognised actuarial gains and losses and unrecognised service costs related to prior periods.

Within Sirius Group the defined benefit obligation is annually calculated by independent actuaries who apply the so called projected unit credit method. The net present value of the obligation is defined by discounting the estimated future cash flows, applying the interest rate of high quality mortgage bonds are issued in the same currency in which the obligations are to be settled, with durations comparable to the duration of the current pension obligation.

### IAS27 Consolidated and separate financial statements

Sirius International applies IFRS 1, which states that IAS 27 must be adopted prospectively as of the comparative year, i.e. 1 January, 2009.

### IFRS3 Business combinations

Goodwill arising from a business acquisition must be accounted for in accordance with IFRS 3, which implies that depreciation according to plan on goodwill is not to be recorded. Impairment test, shall, instead, be performed.

The tables below illustrate the transition's impact on the balance sheet and the income statement. The effects on the balance sheet are recorded as accumulative figures.

**Effect on balance sheet of transition to IFRS**

		<b>1 January, 2009</b>	<b>31 December, 2009</b>
<hr/>			
Assets according to legally restricted IFRS		24,843	26,282
Intangible assets	B	0	27
Debtors	A	8	-6
<b>Assets according to IFRS</b>		<b>24,851</b>	<b>26,303</b>
Shareholders' equity and liabilities according to legally restricted IFRS		24,843	26 282
Shareholders' equity		6	33
Other creditors		2	-14
<b>Shareholders' equity and liabilities according to IFRS</b>		<b>24,851</b>	<b>26,303</b>

**Effect on shareholders' equity of transition to IFRS**

		<b>1 January, 2009</b>	<b>31 December, 2009</b>
<hr/>			
Shareholders' equity and liabilities according to legally restricted IFRS		8,017	9,945
Retained earnings, including net income for the year – non-restricted	A, B	6	33
<b>Shareholders' equity according to IFRS</b>		<b>8,023</b>	<b>9,978</b>

A: Pensions have a transition effect of MSEK 6 on shareholders' equity per 1 January, 2009 which is accounted for as an increase in pension assets on the line item, Debtors. In addition, a deferred tax liability is recorded in the pension obligation. The transition to IFRS for the period 1 January, 2009 to 31 December, 2009 results in an income of MSEK 1. The accumulative impact on shareholders' equity sums up to MSEK 9.

Furthermore, assets and obligations referring to defined benefit plans in Sirius International's subsidiary, Sirius Rück, are presented net in the balance sheet. Previously, these pension plans have been presented gross in the balance sheet. This change reduces the group's total assets by MSEK 15.

B: As IFRS stipulates that the group can no longer depreciate goodwill but, instead, should perform impairment tests, the group's intangible assets have been adjusted. This had a positive impact on net income for the year, MSEK 27, for the period 1 January, 2009 to 31 December, 2009.

Stockholm, 4 March, 2011

Allan Waters

*Chairman of the Board of Directors*

Brian Kensil

Göran Thorstensson

*President & CEO*

Jan Silverudd

*Employee Representative*

Our Auditors' Report was submitted on 4 March, 2011

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 2010. These accounts and the administration of the company and the application of the Annual Accounts Act for Insurance Companies when preparing the annual accounts as well as the application of the International Financial Reporting Standards (IFRS) as adopted by EU and the Annual Accounts Act for Insurance Companies when preparing 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 consolidated 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 if 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 consolidated accounts have been prepared in accordance with IFRS as adopted by the EU and in accordance with the Annual Accounts Act for Insurance Companies and provide a true and fair view of the Group's financial position and results of the operations. 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, 4 March, 2011

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 2010. The audited Swedish version is the binding version.



Sirius was founded in 1945 as a captive by the Swedish industrial group Axel Johnson. Initially the company insured only Johnson fleet vessels and reinsured at Lloyd's. Over time, Sirius moved into third party business and during the 1970s a global assumed reinsurance account was developed. By 1978 Sirius had become one of the largest reinsurance companies in Sweden with premiums of about \$40 million.

In 1985, the Johnson group ran into financial difficulties and reluctantly sold Sirius to the Swedish industrial group ASEA, later to become ABB. Premium volume was now around \$180 million, nearly all written on a proportional basis.

In 1990 Göran Thorstensson became CEO of Sirius. The company added non-proportional business and improved profitability. Sirius gradually emerged as a leading excess of loss reinsurer.

By 2000, Sirius was the only major Nordic reinsurer. Merely 15 years earlier, some 35-40 Nordic companies were writing assumed reinsurance accounts; alas, without sustainable results.

In 2004, history then repeated itself as Sirius' second owner also ran into financial difficulties, enabling White Mountains to acquire Sirius for \$428 million and record a gain of \$111 million.

A combination of strong underwriting controls and uniquely experienced management – most of the team has been with the company for more than 20 years – has allowed Sirius to outperform the reinsurance industry over an extended period. Nearly all of Sirius' customers have been business partners for a long time, many for more than 40 years. The company's philosophy has always been to write for profit only – every company says so but few walk the walk. Management has no volume targets, avoids legacy problems by maintaining a strong balance sheet, and always sticks to what it knows.

Since the acquisition by White Mountains, Sirius has an average combined ratio of 88% and cumulative underwriting profits in excess of \$500 million. This long-term track record is perhaps unparalleled.

Art and production: Studio Ringvall