

White Mountains, our owners

White Mountains Insurance Group, Ltd.

A financial services holding company with primary business interests in property and casualty insurance and reinsurance.

White Mountains' corporate headquarters and its registered office are located in Hamilton, Bermuda, and its principal executive office is located in Hanover, New Hampshire.

White Mountains conducts its principal businesses through:

Sirius International Insurance Group Ltd.

Global reinsurance.

OneBeacon

Specialty insurance. OneBeacon's common shares are listed on the New York Stock Exchange under the symbol "OB". White Mountains owns 75% of OneBeacon.

White Mountains Advisors

Investment management with \$34 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, 2011 was \$3.4 billion. As of December 31, 2011, White Mountains reported total assets of \$14.1 billion, adjusted shareholders' equity^{NGM} of \$4.1 billion, and adjusted book value per share^{NGM} of \$542.

Sirius International Insurance Group Ltd.

A Bermuda-domiciled holding company whose operating companies offer capacity for property, accident & health, trade credit, aviation, marine and other exposures. Our principal operating companies are:

Sirius International Insurance Corporation

A Swedish-based international reinsurer that focuses mainly on property and other short-tailed lines. Sirius International is the largest reinsurance company in Scandinavia and a leading reinsurer in Europe. Sirius International's home office is in Stockholm, and it has branch offices in Australia, Bermuda, Copenhagen, Hamburg, Liège, London, Singapore and Zürich.

Sirius America Insurance Company

A U.S.-based, international, (re)insurance company that focuses on the property and accident & health lines in North and Latin America. Sirius America's home office is in New York with branch offices in Miami and Toronto.

Sirius Syndicate 1945

A Lloyd's syndicate that began writing business at July 1, 2011 with initial stamp capacity of £67 million and focus on accident & health and contingency lines.

White Mountains Solutions Inc.

A Connecticut-based professional team specializing in opportunistic structured acquisitions of run-off property and casualty insurance liabilities. The team further enhances transaction returns via effective post-acquisition management of the run-off process.



Comments from the President and CEO

2011 was an extraordinarily challenging year for our industry. Insured losses worldwide topped \$100 billion, making it the second most expensive in history after 2005, with the reinsurance sector shouldering around 50% of the total. All this came at a time when soft rates had already eroded margins.

Sirius International inevitably felt the impact of this tough environment. Nonetheless, I am pleased to report that we were able to maintain an underwriting profit, returning a combined ratio of 97%. A small increase in premium income, when measured on a like-for-like basis, was offset by a rise in claims. Although our relatively modest surplus in 2011 was eight points off our previous result and below our long-term average, it represents a highly commendable achievement in such difficult times.

We have now achieved an unbroken run of

underwriting surpluses for every year of the past decade, with an average combined ratio of just 91%. As I have said in annual report after report, this ability to ride the peaks and troughs and maintain long-term profitability underpins the stability we offer our clients and brokers.

2011 saw some important new corporate developments for Sirius International – more of which later. First, however, a brief outline of the main claims events of the year.

As readers will be aware, it got off to a terrible start in terms of both the human and financial consequences of a series of natural disasters. The flooding in Queensland, Australia was quickly followed by the earthquake in Christchurch, New Zealand. The worst was still to come, however, when Japan was hit by the largest recorded earthquake in its history followed by a devastating tsunami, which cost tens of thousands of lives. Although there was then something

of a temporary respite, there were several other sizeable natural catastrophes to come. The flooding in Thailand was the most notable, causing extensive disruption to supply chains.

For the record, the Japanese earthquake and tsunami represented Sirius' second biggest-ever net loss at \$79 million, whilst the Christchurch earthquake was our fifth biggest at \$44 million. The Thai flooding came in at \$34 million. The fact that we can report a healthy financial outcome despite these events owes much to our long-term policy of diversification of risk, both in terms of geography and class of business. In 2010, the benign environment in the Asia-Pacific region balanced out some big natural catastrophes in Chile and Europe. In 2011, it was the other way around, with the western hemisphere proving to be relatively uneventful.

Internal reorganisations, although exciting to those involved, can be of little interest to the outside world. It is important to place on record, however, two major developments that should further strengthen Sirius International and help us reach out to new customers.

In the third quarter of 2011 our sister company White Mountains Re America became part of the Sirius group, and now trades as Sirius America. This move increases our size by about a third in terms of premium income. Based in New York, it writes a book of North American Property book. At the same time we received a capital infusion of \$300 million from our parent company. Together with some organic growth, this brought our regulatory capital up to slightly more than \$2 billion. (Please note: the performance of Sirius America will be reflected in next year's annual report. The statistics and commen-

tary set out above relate solely to Sirius International's operations as constituted at the start of 2011.)

In July, meanwhile, Sirius entered the Lloyd's market for the first time. Syndicate 1945, the number chosen because it was the year our company was founded, writes an international book of Accident and Health and Contingency business. Its Active Underwriter Mike Dashfield continues to be the manager of our London branch based nearby. The diversification into Lloyd's has proved highly positive, enabling us to write profitable business that we would otherwise not have seen.

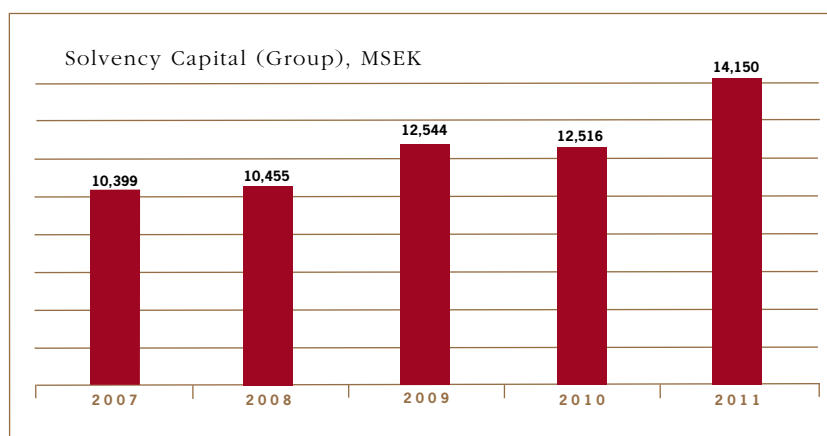
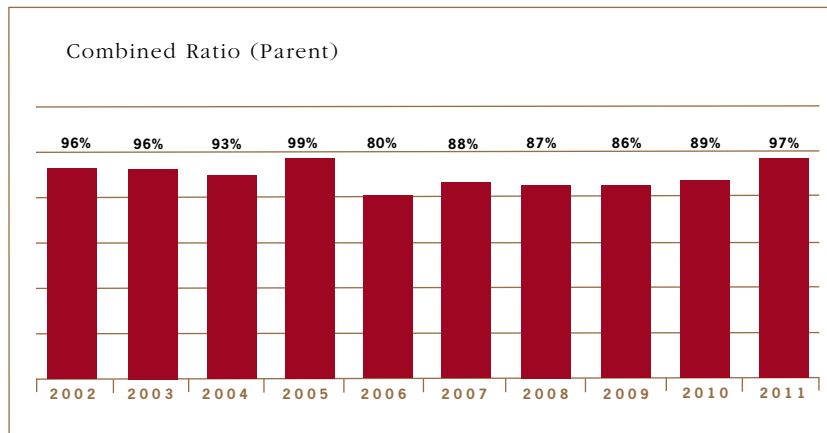
Looking ahead to the rest of 2012 and beyond, a top priority is to ensure that the arrival of Sirius America benefits customers, brokers and shareholders alike – that it enables us to provide an enhanced, seamless service. We also continue to work hard towards the implementation of Solvency II, now put back to January 2014, where our preparations have made good progress.

The start of 2012 saw some long overdue hardening of the market and, although the movement was only modest, our book is better rated than it has been for years. As ever, we look ahead confident that we can meet whatever challenges may await us. I would like to thank all our staff for their loyalty and professionalism and, above all, our brokers and customers for enabling us to build strong long-term relationships.



GÖRAN THORSTENSSON
PRESIDENT & CEO

At a glance	2011	2010
Net premium income	\$583 million*	\$778 million
Claims net of reinsurance	\$419 million*	\$474 million
Underwriting profit	\$14 million	\$88 million
Combined Ratio	97%	89%
Income before tax	\$68 million	\$99 million



*The fall in premium income and claims was a result of lower business volumes from other parts of the White Mountains Group, which were reduced after the sale of Esurance to Allstate Corporation. Net premium income generated by the Sirius Group itself, rather than other White Mountains companies, increased by 7% to \$630 million. Claims generated by Sirius rose by 41% to \$437 million.

Board of Directors' Report

The Board of Directors and Managing Director of Sirius International Försäkringsaktiebolag (publ), (Sirius International), Corporate Identity Number 516401-8136, hereby present their annual financial statements for 2011.

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.

Development of the Company's operations, income and financial position, results and position of the company

2011 was a year characterized by extensive natural disasters and other major claims events. The year will be remembered, expressed in terms of total financial damage, as the worst year ever. For the insurance industry, the year was the second worst year in history as regards claims, with only 2005 seeing a greater level of insurance claims. The larger claims events during the year can be summarized as: on February 22, and on June 13, New Zealand was hit by two earthquakes in the vicinity of Christchurch. The impacted area was being rebuilt as it was hit by a previous earthquake, as late as autumn 2010. On March 11, a very strong earthquake hit off Japan's northeast coast. This earthquake measured a magnitude of 9.0 on the Richter scale

and resulted in extensive material damages and thousands of fatal casualties. In the USA, two tornadoes in April caused major destruction and, in August, the hurricane Irene hit along the East Coast. Extremely heavy rains hit Copenhagen during the month of July, which was followed by flooding and major material damages. During the autumn, Thailand suffered huge flooding in the area around Bangkok after a long period of non-stop rain. A number of medium-sized aviation losses also took place during the year.

Against the background of these extraordinary losses, it is satisfying that, in spite of everything, the Company can report positive results from the insurance operations with a combined ratio under 100%. The contributing factors were stable price levels in the majority of markets and classes of business and positive run-off results from previous accident years. Sirius International has, as of 2011, had a combined ratio under 100% for ten consecutive years.

Gross premium income for the Group amounted to MSEK 5,955 (7,395), respective MSEK 5,347 (7,395) for the Parent Company. The Group's premium income for own account amounted to MSEK 4,363 (5,608), respective MSEK 3,768 (5,608) for the Parent Company. The decline in premium volume compared with previous years is due, primarily, to lower business volumes from companies within the White Mountains Group, which is a result of the sale of Esurance to Allstate Corporation.

The Group's operating profit from the insurance operations amounted to MSEK 223 (838), respective MSEK 266 (839) for

the Parent Company. The combined ratio amounted to 99% (89%) for the Group and 97% (89%) for the Parent Company.

2011 also turned out to be particularly eventful for Sirius International in other respects. Our syndicate with Lloyds, Syndicate 1945, was established and started operations on 1 July. The syndicate will provide, for the time being, primarily Accident & Health insurance. In October, the remaining shares in White Mountains Phoenix (Luxembourg) S.à.r.l. were contributed and acquired. The company is, thereby, consolidated as a wholly-owned subsidiary.

The financial markets were characterized by major uncertainty and large fluctuations during the year. The accelerated debt crisis in Europe, the instable political situation in the Middle East and North Africa, and the consequences of the substantial natural disasters noted above have contributed notably to this uncertainty. The stock markets in Sweden, Europe and the USA noted stable rises during the final quarter of the year. On an annual basis, S&P 500 in the USA ended at an unchanged level compared with the previous year. In Sweden, OMX 30 noted a decline of 14.5%. The major continental, European exchanges showed declines between 8-17%, whilst the decline in England landed at 5.6%. The bond portfolios in the USA, Sweden, Germany and the UK are the most important. Interest rate levels on government bonds fell to record levels in these markets. The Company has, in practice, no direct exposure to any so-called PIIGS countries in its bond portfolio.

Overall, the bond portfolio's yield was 3.2%, adjusted for exchange rate effects. As regards the share portfolio, including investments in associated companies, risk capital companies and derivatives with

securities in shares, the yield amounted to -1.3%, adjusted for exchange rate effects. Realized and unrealized exchange rate gains, net, amounted to MSEK 126, primarily due to a strengthening of the US Dollar against the Swedish krona. During the year, further exchange rate hedging against the USD has been undertaken, whereby the total, nominal hedged sum now amounts to USD 500 million. This was done to counteract the effects of the increased exchange rate exposure which has arisen due to the acquisition of White Mountains Phoenix. The portion of the solvency capital which is exposed to foreign currency after exchange rate hedging is, largely, unchanged compared to the previous year.

The investment result, as presented in the Group's income statement, amounted to a gain of MSEK 444 (449), including exchange rate gains, net, but before allocation of interest to the insurance operations. The direct yield amounts to 2.2% (2.6%) and the total yield amounts to 2.2% (0.9%). Calculation of the direct yield and total yield takes place according to the Swedish Financial Supervisory Authority's recommendations. The focus and composition of the investment portfolio is, largely, unchanged compared with the previous year. However, the proportion of associated companies has been reduced, as the company, White Mountains Phoenix, is now consolidated as a wholly-owned subsidiary. At the end of the year, the consolidated investment portfolio had the following composition: shares and participations, 13%, investments in associated companies, 0%, and interest-bearing investments and bank funds, 87%.

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

Ownership

Sirius International Försäkringsaktiebolag (publ) is a wholly-owned subsidiary of Fund American Holdings AB (Corporate Identity Number 556651-1084), Stockholm, Sweden, which is ultimately owned by White Mountains Insurance Group Ltd, Bermuda.

In May, 75 % of the shares in Passage2Health Ltd, London, Great Britain were acquired. The company operates an insurance agency for a special type of health care insurance, primarily focused on the UK market.

During the month of May, the company, White Mountains Re Capital Ltd, London, UK was established. The company is the so-called Corporate Member for the newly started Syndicate 1945 at Lloyd's of London. The syndicate started its operations on July 1, and has, thus far, provided primarily Accident & Health insurance/reinsurance.

In October 2011, Sirius International received and acquired the remainder of the outstanding shares in White Mountains Phoenix (Luxembourg) S.à.r.l. The company owns, amongst other entities, Sirius America Insurance Company, which implies that the entire reinsurance operations within White Mountains are now undertaken within the Sirius International Group.

At the end of the year 2011, the Group comprises the Parent Company Sirius International Försäkringsaktiebolag (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, Holland, White Mountains Re Bermuda Ltd, Hamilton, Bermuda, Passage2Health Ltd, London, UK, White Mountains Re Capital

Ltd, London, UK and White Mountains Phoenix (Luxembourg) S.à.r.l., Luxembourg.

In addition, Sirius International has eight branch offices outside Sweden. These are Sirius International Insurance Corporation (publ) UK branch, London, UK, Sirius International Insurance Corporation (publ) Stockholm Zürich branch, Zürich, Switzerland, Sirius International Insurance Corporation (publ) Asia branch, Singapore, Sirius International Insurance Corporation (publ) Labuan branch, Labuan, Malaysia, Sirius International Insurance Corporation (publ) Belgian branch, Liège, Belgium, Sirius International Danish Branch, filial af Sirius International Försäkringsaktiebolag (publ), Copenhagen, Denmark, Sirius International Insurance Corporation (publ) Bermuda Branch, Hamilton, Bermuda, Sirius International Insurance Corporation (publ) Australian Branch, Australia and in Hamburg, Germany, where the operations are conducted through the agency, Sirius Rückversicherungs Service GmbH, which provides insurance on behalf of Sirius International.

During 2011, Sirius Belgium Réassurances S.A. (in liquidation), Liège, Belgium commenced voluntary liquidation proceedings, as the company had ceased to conduct operations. The liquidation remains incomplete, as the result of a tax dispute. The outcome of the dispute will not impact the company's financial position.

The ongoing liquidation of White Mountains Re Bermuda Ltd, Hamilton, Bermuda, was completed during January 2012.

Significant events during and after the financial year

As part of the continuing restructuring work within the Group, on October 7, 2011, Sirius International has received and purchased the remaining shares in White

Mountains Phoenix (Luxembourg) S.à.r.l. The total transaction amounted to MSEK 4,100, whereof MSEK 2,935 was contributed by means of an intra-Group transfer. In conjunction with the acquisition, Sirius International received a shareholders' contribution of USD 436 million. Sirius International had previously owned 22% of the outstanding shares in White Mountains Phoenix. The accounting effects of the acquisition are reported in Note 1, Accounting Principles.

Information regarding risks and factors of uncertainty

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

Financial instruments and risk management

See Note 1, Accounting Principles, and Note 2, Information on Risks.

Remuneration and benefits to senior executives

See Note 32, Average number of employees, salaries and other remuneration.

Insurance contracts with insufficient insurance risk

The Company retains only a few contracts for which insufficient insurance risk is assessed to exist, and which, thereby, do not qualify as insurance contract. These contracts are classified as investment contracts. For further details, refer to Note 1, Accounting Principles.

Expected future developments

The underlying profitability in the insurance operations is good, despite increased competition on the market, and the diversified investment portfolio is expected to provide a stable yield. However, the stiff competition implies that stringent requirements are in place as regards the pricing and signing of insurance agreements, continued efficiency improvements and weighted risks between the insurance and investment operations in order to ensure long-term profitability. Sirius International's targets for 2012 are to achieve a combined ratio under 90% and an underwriting return on capital (UROC) of 11%.

Five-year Summary

GROUP (MSEK)	2011	2010	2009³⁾	2008	2007
Net premium income	4,363	5,608	6,957	5,602	5,810
Net premiums earned	4,584	5,742	6,867	5,822	6,019
Other technical income	0	0	0	0	10
Allocated interest	225	214	369	168	259
Net claims incurred	-3,125	-3,428	-4,164	-3,659	-3,471
Net operating expenses	-1,461	-1,690	-1,755	-1,403	-1,845
Insurance operating result	223	838	1,317	928	972
Investment operating result	219	235	289	-74	-51
Other expenses	0	0	0	-27	-27
Net income for the year	320	879	1,302	695	577
Net technical provisions	14,743	7,221	7,883	7,992	7,001
Market value on investment assets ⁴⁾	26,094	18,480	18,449	16,743	15,508
Insurance operating result, for own account					
Claims ratio	68%	60%	61%	63%	58%
Cost ratio	31%	29%	25%	24%	30%
Combined ratio	99%	89%	86%	87%	88%
Investment result					
Investment yield	2%	3%	2%	3%	6%
Total yield	2%	1%	3%	2%	2%
Solvency capital					
Shareholders' equity	11,560	9,950	9,945	8,017	7,833
Deferred tax on untaxed reserves	2,547	2,548	2,548	2,420	2,581
Deferred tax on Reserve for unrealized capital gains	43	18	53	18	-15
Other adjustment items	0	0	-2	0	0
Total solvency capital	14,150	12,516	12,544	10,455	10,399
Solvency ratio	324%	223%	180%	187%	179%
Capital base ¹⁾	13,644	11,735	12,149	10,013	9,764
Required solvency capital	1,755	958	1,030	956	956
Group based values²⁾					
Capital base	13,792	16,315	17,544	17,236	18,482
Solvency requirement	1,872	2,255	2,373	2,566	2,369
PARENT COMPANY					
(MSEK)	2011	2010	2009	2008	2007
Net premium income	3,768	5,608	6,957	5,602	5,810
Net premiums earned	4,037	5,742	6,867	5,822	6,019
Allocated interest	225	214	369	168	258
Net claims incurred	-2,708	-3,421	-4,164	-3,659	-3,418
Net operating expenses	-1,239	-1,687	-1,761	-1,408	-1,861
Insurance operating result	266	839	1,311	923	998
Investment operating result	175	-128	-139	106	153
Other expenses	-4	-4	-17	-17	-17
Net income for the year	321	522	490	738	430
Net technical provisions	6,922	7,233	7,886	7,992	7,001
Market value on investment assets ⁵⁾	19,678	18,155	18,379	16,882	15,508
Insurance operating result, for own account					
Claims ratio	67%	60%	61%	63%	57%
Cost ratio	30%	29%	25%	24%	31%
Combined ratio	97%	89%	86%	87%	88%
Investment result					
Investment yield	3%	3%	2%	3%	5%
Total yield	3%	0%	3%	2%	3%
Solvency capital					
Shareholders' equity	4,335	2,564	2,654	1,295	1,136
Untaxed reserves	9,682	9,687	9,691	9,197	9,217
Deferred tax on Reserve for unrealized capital gains	43	18	53	18	-15
Total solvency capital	14,060	12,269	12,398	10,510	10,338
Solvency ratio	373%	219%	178%	188%	178%
Capital base	13,648	11,603	12,021	9,968	9,776
Required solvency capital	765	958	1,030	956	956

¹⁾ Includes Sirius International with subsidiaries.

²⁾ Includes Sirius International Insurance Group Ltd.

³⁾ For the comparison year 2009 IFRS has been applied. Solvency capital and required solvency capital have not been converted.

⁴⁾ Includes investment assets and cash and bank.

⁵⁾ Includes investment assets and cash and bank.

Proposed Appropriation of Earnings

For 2011, the Parent Company recorded a result before appropriations and taxes of MSEK 437 (MSEK 707). Net income for the year amounted to a profit of MSEK 321 (MSEK 522). As of December 31, 2011 retained earnings in the Group amounted to MSEK 3,625.

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

	SEK in thousands
- Retained earnings	1,763,987
- Unrestricted reserves	72,186
- Dividend paid, as resolved by the meeting of the shareholders	-1,143,700
- Received shareholders' contribution	2,935,207
- Group contribution	-413,761
- Net income for the year	320,593
- Total	3,534,512

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

- Dividends to owners	162,700
- Retained earnings	3,371,812
- Total	3,534,512

The company's financial position does not reflect any other view than that the company can be expected to fulfill 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.



"We were able to maintain an underwriting profit, returning a combined ratio of 97%, in an extraordinarily challenging year for our industry."

Income Statement – Group

January 1 - December 31 (MSEK)	Note	2011	2010
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	5,955	7,395
Ceded reinsurance premiums	3	-1,592	-1,787
Change in the gross provision for unearned premiums		194	46
Change in the provision for unearned premiums, Reinsurers' share		27	88
Total earned premiums, for own account		4,584	5,742
Allocated investment return transferred from the non-technical account		225	214
Claims incurred, for own account			
Claims paid	4		
- Gross amount		-4,190	-4,428
- Reinsurers' share		736	937
Claims paid, for own account		-3,454	-3,491
Change in the provision for claims, for own account			
- Gross amount		-330	-1,595
- Reinsurers' share		659	1,658
Total claims incurred, for own account		-3,125	-3,428
Operating costs	5	-1,461	-1,690
Operating profit/loss of technical account		223	838
Balance of technical account			
Investment income/expenses	10		
- Investment income	6	764	623
- Unrealised gains	7	196	272
- Investment expenses and charges	8	-132	-466
- Unrealised losses	9	-465	-105
- Share of associated company's profit/loss	15	81	125
Investment income allocated to the technical account		-225	-214
Total investment income/expenses		219	235
Result before taxes		442	1,073
Taxes	11	-123	-194
Result after taxes		319	879
Minority interest		1	-
Net income for the year		320	879

Statement of Comprehensive Income - Group

January 1 - December 31

(MSEK)

	2011	2010
Net income for the year	320	879
Other comprehensive income		
Items to be reclassified to income statement:		
- Change of fair value on bonds	98	-133
- Currency translation differences	84	-295
- Tax on items to be reclassified to income statement	-26	35
Other comprehensive income for the year, net of tax	156	-393
Total comprehensive income for the year	476	486

Balance Sheet - Group

December 31 (MSEK)	Note	2011	2010
ASSETS			
Intangible assets	12		
Goodwill		296	291
Capitalized software		47	22
Total intangible assets		343	313
Investment assets			
Land and buildings	13	11	2
Investments in group companies and participating interests			
Shares and participations in associated companies	15	-	2,178
Interest bearing investments emitted by, and loans to, group companies		1,021	-
Total investments in group companies and participating interests		1,021	2,178
Other financial investments			
Shares and participations	16, 20	3,300	1,808
Bonds and other interest bearing investments	17, 20	18,819	12,067
Derivative financial instruments	18, 20	30	273
Total other financial investments		22,149	14,148
Deposits with cedents		624	1,221
Total investment assets		23,805	17,549
Reinsurers' share of technical provisions			
Provisions for unearned premiums	24	526	496
Claims outstanding	25	7,585	5,556
Total reinsurers' share of technical provisions		8,111	6,052
Debtors			
Debtors arising out of direct insurance operations		2	5
Debtors arising out of reinsurance operations		2,423	1,385
Current tax receivables		274	72
Deferred tax receivables	11	1,233	34
Other debtors	19	189	63
Total debtors		4,121	1,559
Other assets			
Tangible assets	21	47	32
Cash and bank balance		2,289	1,082
Total other assets		2,336	1,114
Prepayments and accrued income			
Accrued interest		203	195
Deferred acquisition costs	22	471	386
Other prepayments and accrued income		21	26
Total prepayments and accrued income		695	607
TOTAL ASSETS		39,411	27,194

December 31	Note	2011	2010
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital (8 million shares of nom. value SEK 100)		800	800
Additional paid in capital		4,359	1,424
Reserves		-266	-354
Retained earnings – restricted		7,135	7,139
Retained earnings – non-restricted, including net income for the year		-468	941
Total shareholders' equity		11,560	9,950
Minority interest		4	-
Liabilities			
Technical provisions			
Provisions for unearned premiums	24	2,300	2,062
Claims outstanding	25, 27	20,554	11,211
Total technical provisions		22,854	13,273
Other liabilities			
Employee benefits	28	2	5
Deferred tax liabilities	11	2,820	2,553
Deposits received from reinsurers		201	151
Creditors arising out of direct insurance operations		1	2
Creditors arising out of reinsurance operations		805	474
Other liabilities	20, 29	814	593
Accrued expenses and deferred income	20	350	193
Total other liabilities		4,993	3,971
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		39,411	27,194
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities	30	9,751	7,668
Other pledged assets and comparable collaterals	30	-	-
Contingent liabilities	30	1,458	-
Commitments	30	174	60

Change in shareholders' equity - Group

(MSEK)	Share Capital ⁴⁾	Additional paid in capital	Reserves	Retained earnings – restricted ⁴⁾	Retained earnings – non- restricted	Total Share- holders' equity
Amount January 1, 2011	800	1,424	-354	7,139	941	9,950
<i>Comprehensive income</i>						
Net profit/loss for the year	-	-	-	-	320	320
<i>Other comprehensive income, net after tax</i>						
Change of fair value on bonds	-	-	72	-	-	72
Reclassification within shareholders' equity	-	-	-1	-4	5	-
Currency translation differences	-	-	84	-	-	84
Total other comprehensive income	-	-	155	-4	5	-
Total comprehensive income	-	-	155	-4	325	476
<i>Transactions with owners</i>						
Capital contribution received ¹⁾	-	2,935	-	-	-	2,935
Group contribution provided ³⁾	-	-	-	-	-414	-414
Dividend paid ²⁾	-	-	-	-	-1,143	-1,143
Effects from internal restructuring ⁵⁾	-	-	-67	-	-177	-244
Total transactions with owners	-	2,935	-67	-	-1,734	1,134
Amount December 31, 2011	800	4,359	-266	7,135	-468	11,560
Amount January 1, 2010	800	1,424	2	7,142	610	9,978
<i>Comprehensive income</i>						
Net profit/loss for the year	-	-	-	-	879	879
<i>Other comprehensive income, net after tax</i>						
Change of fair value on bonds	-	-	-98	-	-	-98
Reclassification within shareholders' equity	-	-	37	-3	-34	-
Currency translation differences	-	-	-295	-	-	-295
Total other comprehensive income	-	-	-356	-3	-34	-393
Total comprehensive income	-	-	-356	-3	845	486
<i>Transactions with owners</i>						
Group contribution provided ³⁾	-	-	-	-	-354	-354
Dividend paid ²⁾	-	-	-	-	-160	-160
Total transactions with owners	-	-	-	-	-514	-514
Amount December 31, 2010	800	1,424	-354	7,139	941	9,950

¹⁾ Capital contribution received from Fund American Holdings AB in form of shares in White Mountains Phoenix (Luxembourg) S.à.r.l

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⁾ Share capital and Retained earnings – restricted represents the restricted shareholders' equity.

⁵⁾ During the fourth quarter 2011 Sirius International received and purchased the remaining shares in White Mountains Phoenix (Luxembourg) S.à.r.l. The shares have therefore been reclassified from associated company to a group company and were consolidated at December 31, 2011 for the first time. The -244 MSEK is the effect from this restructuring.

	2011	2010
SHARE CAPITAL		
Specified in number of shares, SEK	8,000,000	8,000,000
Issued per 1 January	8,000,000	8,000,000
Issued per 31 December		

Per 31 December, 2011 the share capital comprised 8,000,000 (8,000,000) ordinary shares.
The shares have a nominal value of 100 (100) SEK.

	2011	2010
ADDITIONAL PAID IN CAPITAL		
Opening additional paid in capital	1,424	1,424
Capital contribution	2,935	-
Closing additional paid in capital	4,359	1,424
RESERVES		
Fair value reserve		
Opening fair value reserve	67	200
Change for the year	98	-133
Closing fair value reserve	165	67
Tax on fair value reserves		
Opening tax on fair value reserves	-18	-53
Change for the year	-26	35
Closing tax on fair value reserve	-44	-18
Fair value reserve after tax		
Opening fair value reserve after tax	49	147
Change for the year	72	-98
Closing fair value reserve after tax	121	49
Translation difference		
Opening translation difference	-403	-145
Reclassification within shareholders' equity	-2	37
Effects from internal restructuring	-67	-
Change for the year	84	-295
Closing translation difference	-387	-403
RETAINED EARNINGS - RESTRICTED		
Opening retained earnings - restricted	7,139	-7,142
Change in excess depreciation	-4	-3
Closing retained earnings - restricted	7,135	7,139
RETAINED EARNINGS – NON-RESTRICTED		
Opening retained earnings – non-restricted	941	610
Net profit/loss for the year	320	879
Effects from internal restructuring	-177	0
Reclassification within shareholders' equity	5	-34
Dividend paid	-1,143	-160
Group contribution provided 73.7%	-414	-354
Closing retained earnings – non-restricted	-468	941

Cash flow statement - Group

(MSEK)	2011	2010
OPERATING ACTIVITIES		
Profit/loss before tax	442	1,073
Interest income	390	338
Interest expenses	-43	-3
Dividends received	113	153
Adjustment for non-cash items ¹⁾	-796	-1,045
Income tax paid	-65	-32
Cash flow from current operations before changes in assets and liabilities	41	484
Change in land and buildings	-9	-
Change in financial investments	2,153	-3,214
Change in other operating receivables	-770	-505
Change in other operating liabilities	1,428	1,315
Cash flow from operating activities	2,843	-1,920
INVESTING ACTIVITIES		
Acquisition of subsidiary	-	-706
Acquisition of subsidiary, acquired Cash and cash equivalents	76	-
Net investment of intangible assets	-45	-14
Net investments of tangible assets	-28	-30
Cash flow from investing activities	3	-751
FINANCIAL ACTIVITIES		
Dividends received	-1,144	-160
Shareholders contributions ¹ received	-	-
Group contributions paid	-495	-472
Cash flow from financing activities	-1,639	-632
Cash flow for the year	1,207	-3,302
Cash and cash equivalents at beginning of year	1,082	4,384
Cash flow for the year	1,207	-3,302
Cash and cash equivalents at end of year ²⁾	2,289	1,082
¹⁾ Depreciations Notes 12, 13, 21	29	20
Capital gains on foreign exchange Note 6	-126	-
Capital losses on foreign exchange Note 8	-	394
Capital gains Note 6	-135	-132
Capital losses Note 8	20	10
Unrealized gains Note 7	-196	-272
Unrealized losses Note 9	465	105
Interest income Note 6	-390	-338
Interest expenses Note 8	43	3
Dividends received Note 6	-113	-153
Change in provisions for outstanding claims Note 25	-237	-387
Effects from internal restructuring	-244	-
Translation difference	84	-295
Total	-796	-1,045
²⁾ The following components are included in cash and cash equivalents:		
Cash and bank balances	955	300
Short term investments, equivalent to cash and cash equivalents	1,334	782
Total	2,289	1,082

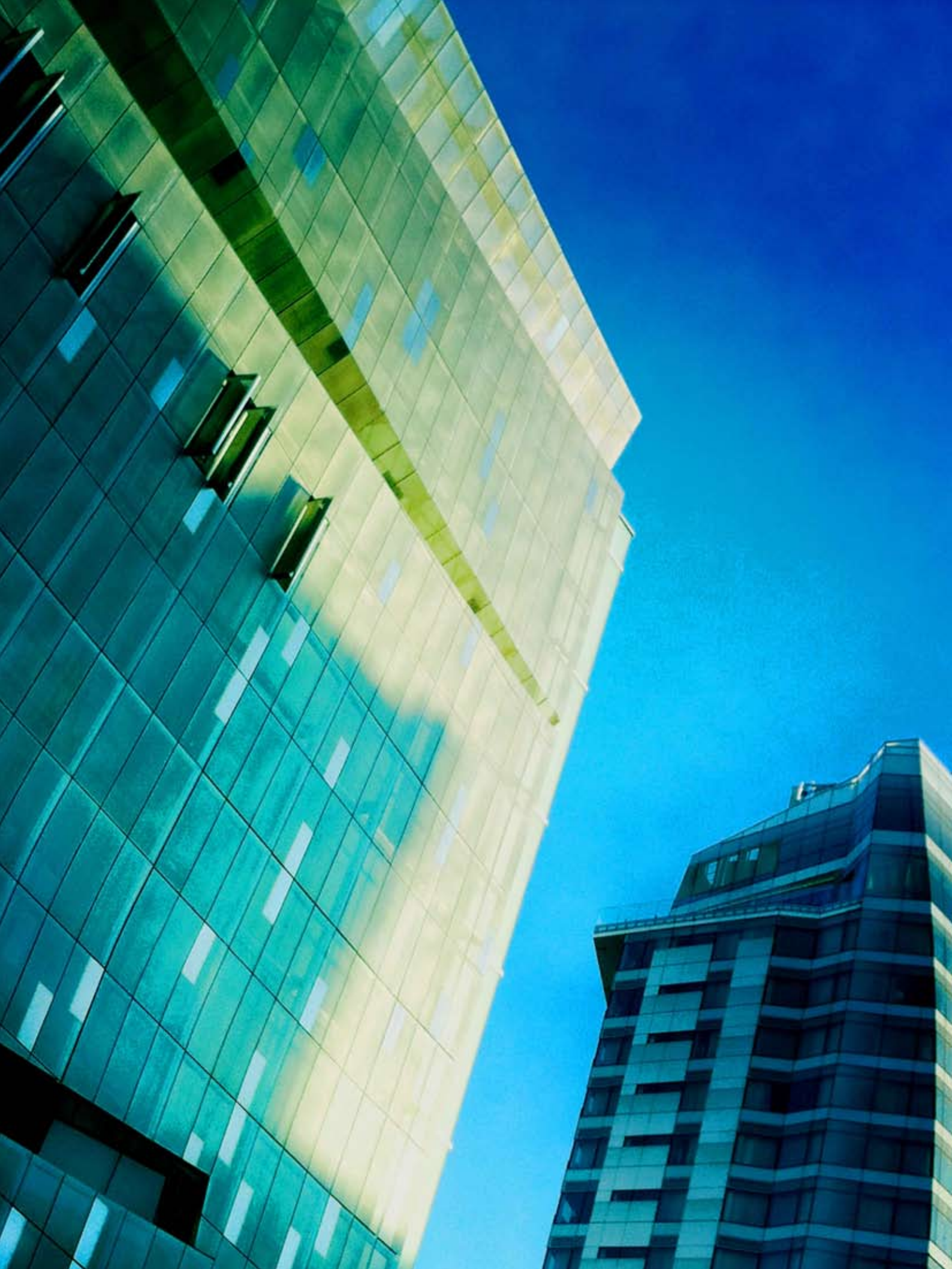
Comments to Cash flow statement

Sirius International have per October 7, 2011, through an internal restructuring within the White Mountains-group received and purchased the remaining shares in White Mountains Phoenix (Luxembourg) S.à.r.l. The total transaction amounted to MSEK 4,100, whereof MSEK 2,935 was received as a group contribution. Of the purchase amount MSEK 1,165, MSEK 44 was paid in cash and MSEK 1,121 was paid in form of other financial assets. The acquired company had Cash and cash equivalents of MSEK 141. The acquired companies' assets split into: Investment assets MSEK 12,619, Cash and cash equivalents MSEK 141, other operating receivables MSEK 2,819, tax receivables MSEK 1,071 and other operating liabilities of MSEK 10,468.

Performance Analysis – Group

Analysis of Insurance Result (MSEK)	Direct Swedish risks - Aviation	Direct Swedish risks - Financial	Direct foreign risks	Assumed reinsurance	Total
Technical result insurance operations					
Premiums earned, for own account	6	1	611	3,966	4,584
Allocated investment return transferred from the non-technical account	-	-	18	207	225
Claims incurred, for own account	-1	-	-386	-2,738	-3,125
Operating costs	-1	-	-290	-1,170	-1,416
Technical result of insurance operation	4	1	-47	265	223
Of which results from prior years, gross amounts ¹⁾	-1	-	-271	-1,919	-2,191
Technical provisions					
Unearned premiums and remaining risks	-1	-	-435	-1,864	-2,300
Outstanding claims	-3	-	-335	-19,692	-20,300
Claims adjustment provision	-	-	-9	-245	-254
Technical provisions	-4	-	-779	-22,071	-22,854
Reinsurers' share of technical provisions					
Unearned premiums and remaining risks	-	-	132	394	526
Outstanding claims	-	-	81	7,504	7,585
Reinsurers' share of technical provisions	-	-	213	7,898	8,111
Premiums earned, for own account					
Gross premium income	7	1	892	5,055	5,955
Ceded reinsurance premium	-1	-	-254	-1,337	-1,592
Change in gross provision for unearned premiums	-	-	-70	264	194
Reinsurers' share of change in unearned premiums	-	-	43	-16	27
Premiums earned, for own account	6	1	611	3,966	4,584
Claims incurred, for own account					
Claims paid	-2	-	-459	-3,559	-4,020
Reinsurers' share	-	-	116	620	736
Claims handling expenses	-	-	-7	-163	-170
Change in provision for outstanding claims	-	-	-47	-283	-330
Reinsurers' share	1	-	11	647	659
Claims incurred, for own account	-1	-	-386	-2,738	-3,125

¹⁾ Defined as result from 2010 and earlier.



Income Statement – Parent Company

January 1 - December 31 (MSEK)	Note	2011	2010
TECHNICAL ACCOUNT FOR INSURANCE OPERATIONS			
Earned premiums, for own account			
Gross premium income	3	5,347	7,395
Ceded reinsurance premiums	3	-1,579	-1,787
Change in the gross provision for unearned premiums		249	46
Change in provision for unearned premiums, reinsurers' share		20	88
Total earned premium, for own account		4,037	5,742
Allocated investment return transferred from the non-technical account		225	214
Claims incurred, for own account			
Claims paid			
Gross amount		-3,603	-4,415
Reinsurers' share		650	937
Claims paid, for own account		-2,953	-3,478
Change in the provision for claims, for own account			
Gross amount		-420	-1,601
Reinsurers' share		665	1,658
Total claims incurred, for own account		-2,708	-3,421
Change in other technical provisions, for own account			
Change in equalization provision	26	-49	-9
Total change in other technical provisions, for own account		-49	-9
Operating costs	5	-1,239	-1,687
Operating profit/loss of technical account		266	839
NON-TECHNICAL ACCOUNT			
Balance of technical account			
Investment income/expenses	10	266	839
Investment income	6	515	649
Unrealized gains	7	34	184
Investment expenses and charges	8	-56	-642
Unrealized losses	9	-93	-105
Investment income allocated to the technical account		-225	-214
Total investment income/expenses		175	-128
Goodwill depreciation	12	-4	-4
Result before appropriations and taxes		437	707
Appropriations			
Changes in excess depreciation on intangible assets		5	4
Result before taxes		442	711
Taxes	11	-121	-189
Net income for the year		321	522

Statement of Comprehensive Income – Parent Company

January 1 - December 31 (MSEK)	Note	2011	2010
Net income for the year		321	522
Other comprehensive income			
Items to be reclassified to income statement:			
- Change of fair value on bonds		98	-133
- Tax on items to be reclassified to income statement		-26	35
Other comprehensive income for the year, net of tax		72	-98
Total comprehensive income for the year		393	424

Balance Sheet - Parent Company

December 31

(MSEK)

	Note	2011	2010
ASSETS			
Intangible assets	12		
Goodwill		203	207
Other intangible assets		45	22
Total intangible assets		248	229
Investment assets			
Land and buildings	13	11	2
Investments in group companies and associated companies			
Shares and participations in group companies	14	7,317	1,081
Shares and participations in associated companies	15	-	2,058
Total investments in group companies and associated companies		7,317	3,139
Other financial investments			
Shares and participations	16, 20	667	874
Bonds and other interest-bearing securities	17, 20	9,472	12,067
Derivative financial instruments	18	30	24
Total other financial investments		10,169	12,965
Deposits with cedents		770	1,221
Total investment assets		18,267	17,327
Reinsurers' share of technical provisions			
Provisions for unearned premiums	24	529	496
Claims outstanding	25	6,545	5,556
Total reinsurers' share of technical provisions		7,074	6,052
Debtors			
Debtors arising out of direct insurance operations		2	5
Debtors arising out of reinsurance operations		1,880	1,384
Current tax receivables		125	61
Deferred tax receivables	11	41	35
Other debtors	19	293	262
Total debtors		2,341	1,747
Other assets			
Tangible assets	21	40	31
Cash and bank balance		1,411	979
Total other assets		1,451	1,010
Prepayments and accrued income			
Accrued interest		131	194
Deferred acquisition costs	22	341	386
Other prepayments and accrued income		20	26
Total prepayments and accrued income		492	606
TOTAL ASSETS		29,873	26,971

December 31	Note	2011	2010
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Share capital (8 million shares of nom. value SEK 100)		800	800
Other reserves		121	49
Retained earnings		3,093	1,193
Net income for the year		321	522
Total shareholders' equity		4,335	2,564
Untaxed reserves			
	23		
Excess depreciations on intangible assets		35	40
Safety reserve		9,647	9,647
Total untaxed reserves		9,682	9,687
Technical provisions			
Provisions for unearned premiums	24	1,848	2,062
Claims outstanding	25, 27	12,087	11,211
Equalization provision	26	61	12
Total technical provisions		13,996	13,285
Provisions for other risks and expenses			
Pension provisions	28	7	9
Deferred tax liabilities	11	6	-
Total provisions for other risks and expenses		13	9
Deposits received from reinsurers			
		173	151
Creditors			
Creditors arising out of direct insurance operations		1	2
Creditors arising out of reinsurance operations		784	473
Other creditors	20, 29	690	608
Total creditors		1,475	1,083
Accrued expenses and deferred income			
Accrued expenses and deferred income	20	199	192
Total accrued expenses and deferred income		199	192
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
		29,873	26,971
Pledged assets and other comparable collaterals for own debts and provisions recorded as insurance liabilities			
	30	8,623	7,668
Other pledged assets and comparable collaterals			
	30	-	-
Contingent liabilities			
	30	1,458	-
Commitments			
	30	56	60

Change in Shareholders' Equity – Parent Company

(MSEK)	Share Capital	Other reserves ⁴⁾	Retained earnings ⁴⁾	Net profit/ loss for the year ⁴⁾	Total Shareholders' equity
Amount January 1, 2011	800	49	1,193	522	2,564
Transfer of net result from previous year	-	-	522	-522	-
<i>Comprehensive income</i>					
Net profit/loss for the year	-	-	-	321	321
<i>Other comprehensive income, net after tax</i>					
Change of fair value on bonds	-	72	-	-	72
Total other comprehensive income	-	72	-	-	72
Total comprehensive income	-	72	522	321	393
<i>Transactions with owners</i>					
Capital contribution received ¹⁾	-	-	2,935	-	2,935
Group contribution provided ²⁾	-	-	-414	-	-414
Dividend paid ³⁾	-	-	-1,144	-	-1,144
Total transactions with owners	-	-	1,377	-	1,377
Amount December 31, 2011	800	121	3,093	321	4,335
Amount January 1, 2010	800	147	1,217	490	2,654
Transfer of net result from previous year	-	-	490	-490	-
<i>Comprehensive income</i>					
Net profit/loss for the year	-	-	-	522	522
<i>Other comprehensive income, net after tax</i>					
Change of fair value on bonds	-	-98	-	-	-98
Total other comprehensive income	-	-98	-	-	-98
Total comprehensive income	-	-98	490	522	424
<i>Transactions with owners</i>					
Group contribution provided ²⁾	-	-	-354	-	-354
Dividend paid ³⁾	-	-	-160	-	-160
Total transactions with owners	-	-	-514	-	-514
Amount December 31, 2010	800	49	1,193	522	2,564

¹⁾ Capital contribution received from Fund American Holdings AB in form of shares in White Mountains Phoenix (Luxembourg) S.à.r.l

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.

	2011	2010
SHARE CAPITAL		
Specified in number of shares, SEK	8,000,000	8,000,000
Issued per 1 January	8,000,000	8,000,000
Issued per 31 December		

Per December 31, 2011 the share capital comprised 8,000,000 (8,000,000) ordinary shares.
The shares have a nominal value of 100 (100) SEK.

	2011	2010
OTHER RESERVES		
Fair value reserve		
Opening fair value reserve	67	200
Change for the year	98	-133
Closing fair value reserve	165	67
Tax on fair value reserves		
Opening tax on fair value reserves	-18	-53
Change for the year	-26	35
Closing tax on fair value reserve	44	-18
Fair value reserve after tax		
Opening fair value reserve after tax	49	147
Change for the year	72	-98
Closing fair value reserve after tax	121	49
RETAINED EARNINGS		
Opening retained earnings	1,193	-1,217
Transfer of net result from previous year	522	490
Capital contribution	2,935	-
Dividend paid	-1,144	-160
Group contribution provided 73.7%	-414	-354
Closing retained earnings	3,093	1,193
NET PROFIT/LOSS FOR THE YEAR		
Net profit/loss for the year	321	522

Cash flow Statement – Parent Company

(MSEK)	2011	2010
OPERATING ACTIVITIES		
Profit/loss before tax	442	711
Interest income	314	337
Interest expenses	-2	-3
Dividends received	1	206
Adjustment for non-cash items ¹⁾	-547	-533
Income tax paid	-63	-25
Cash flow from current operations before changes in assets and liabilities	145	693
Change in land and buildings	-9	-
Change in financial investments	1,406	-4,009
Change in other operating receivables	-855	-331
Change in other operating liabilities	1,568	949
Cash flow from operating activities	2,255	-2,698
INVESTING ACTIVITIES		
Acquisition of subsidiary, effect on liquidity	-64	-
Net investment of intangible assets	-39	-
Net investments of tangible assets	-22	-22
Cash flow from investing activities	-125	-22
FINANCING ACTIVITIES		
Shareholders contributions' paid	-92	-
Capital repayment	34	-
Dividend paid	- 1,144	-160
Group contributions paid	-495	-472
Cash flow from financing activities	-1,697	-632
Cash flow for the year	432	-3,352
Cash and cash equivalents at beginning of year	979	4,331
Cash flow for the year	432	-3,352
Cash and cash equivalents at end of year ²⁾	1,411	979
¹⁾ Depreciations Notes 12, 13, 21	33	-4
Capital gains on foreign exchange Note 6	-130	-
Capital losses on foreign exchange Note 8	-	398
Capital gains Note 6	-70	-106
Capital losses Note 8	-	185
Unrealized gains Note 7	-34	-184
Unrealized losses Note 9	93	105
Interest income Note 6	-314	-337
Interest paid Note 8	2	3
Dividends received Note 6	-1	-206
Change in provisions for outstanding claims Note 25	-126	-387
Total	-547	-533
²⁾ The following components are included in Cash and cash equivalents:		
Cash and bank balances	498	421
Short term investments, equivalent to cash and cash equivalents	913	558
Total	1 411	979

Performance analysis - Parent Company

Analysis of Insurance Result (MSEK)	Direct Swedish risks - Aviation	Direct Swedish risks - Financial	Direct foreign risks	Assumed reinsurance	Total
Technical result insurance operations					
Premiums earned, for own account	6	1	605	3,425	4,037
Allocated investment return transferred from the non-technical account	-	-	18	207	225
Claims incurred, for own account	-1	-	-383	-2,324	-2,708
Operating costs	-1	-	-278	-960	-1,239
Change of equalisation provision	-	-	-	-49	-49
Technical result of insurance operations	4	1	-38	299	266
Of which results from prior years ¹⁾	-1	-	-271	-1,896	-2,168
Technical provisions					
Unearned premiums and remaining risks	-1	-	-416	-1,431	-1,848
Outstanding claims	-3	-	-332	-11,611	-11,946
Claims adjustment provision	-	-	-10	-132	-141
Equalization provision	-	-	-	-61	-61
Technical provisions	-4	-	-757	-13,235	-13,996
Reinsurers' share of technical provisions					
Unearned premiums and remaining risks	-	-	132	397	529
Outstanding claims	-	-	81	6,464	6,545
Reinsurers' share of technical provisions	-	-	213	6,861	7,074
Premiums earned, for own account					
Gross premium income	7	1	868	4,471	5,347
Ceded reinsurance premium	-1	-	-254	-1,324	-1,579
Change in gross provision for unearned premiums	-	-	-52	301	249
Reinsurers' share of change in unearned premiums	-	-	43	-23	20
Premiums earned, for own account	6	1	605	3,425	4,037
Claims incurred, for own account					
Claims paid	-2	-	-459	-2,983	-3,444
Reinsurers' share	-	-	116	534	650
Claims handling expenses	-	-	-7	-152	-159
Change in provision for outstanding claims	-	-	-44	-376	-420
Reinsurers' share	1	-	11	653	665
Claims incurred, for own account	-1	-	-383	-2,324	-2,708

¹⁾ Defined as result from 2010 and earlier.

Note 1 • Accounting Principles

General information

This annual report was issued per December 31, 2011 and refers to Sirius International Försäkringsaktiebolag (publ), both the Group and the Parent Company, which is an insurance company with its registered offices in Stockholm. The address of the head office is Birger Jarlsgatan 57B, Stockholm and the Corporate Identity Number is 516401-8136.

Compliance with standards and law

The Company's annual report 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.

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 FFFS 2011:28, 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.

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 December 31, 2011 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 2011. 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.

New and amended standards applied by the Group

None of the IFRS or IFRIC interpretations which are mandatory for the first time for the financial year beginning January 1, 2011 have had any significant impact on the Group.

New standards, amendments and interpretations of existing standards which have not yet entered into force and which have not been early adopted by the Group.

- IAS 19 "Employee Benefits", was amended in June 2011. The amendment implies that the Group will stop applying the "corridor method" and instead recognize all actuarial gains and losses in Other comprehensive income as incurred. Expenses for past employment will be reported immediately. Interest expenses and expected return on plan assets will be replaced by a net interest calculated using the discount rate, based on the net surplus or net deficit in the defined benefit plan. The Group intends to apply the amended standard for the financial year beginning January 1, 2013 and assesses that it will have an adverse effect on shareholders equity of approximately MSEK 4. The standard has not yet been adopted by the EU.

- IFRS 9 "Financial instruments" addresses the classification, valuation and accounting of financial assets and liabilities. IFRS 9 was published in November 2009 regarding financial assets and in October 2010 regarding financial liabilities and replaces the parts of IAS 39 which are related to the classification and measurement of financial instruments. IFRS 9 stipulates that financial assets are to be classified in two different categories; valued at fair value or valued at amortized cost. The classification is established the first time that the liability or asset is reported in accordance with the standard, on the basis of the company's business model and the characteristic features in the cash flows according to the agreement. In terms of financial liabilities, there are no major changes compared with IAS 39.

The largest change addresses changes in liabilities which are valued at fair value. To such liabilities, the following is applied: the portion of the change in fair value which is attributable to the company's own credit risk is to be reported in the statement of Other comprehensive income instead of the income statement, so long as this does not result in an accounting mismatch. The Group intends to apply the new standard no later than the financial year beginning on January 1, 2015 and has not yet assessed the effects. The standard has not yet been adopted by the EU.

- IFRS 10 "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group intends to apply IFRS 10 for the financial year beginning on January 1, 2013 and has not yet assessed the full effects on the financial statements. The standard has not yet been adopted by the EU.

- IFRS 12 "Disclosures of Interests in Other entities" includes disclosure requirements for subsidiaries, joint arrangements, associated companies and "structured entities" which have not been consolidated. The Group intends to apply IFRS 12 in the financial year starting on January 1, 2013 and is yet to assess the full effect on the financial statements. The standard has not yet been adopted by the EU.

- IFRS 13 "Fair value measurement" aims at more consequent and less complex valuations at fair value by providing an exact definition and a common source in IFRS for valuations at fair value and associated disclosures. The requirements do not extend to the area of application for when the fair value should be applied but provides guidance regarding the manner in which it should be applied in areas where other IFRS already require or allow valuation at fair value. The Group has not yet assessed the full effect of IFRS 13 on the financial statements. The Group intends to apply the new standard in the financial year starting on January 1, 2013. The standard has not yet been adopted by the EU.

- IAS 32 "Financial instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures", amendments regarding the offsetting of financial assets and financial liabilities. The amendments provide more detailed clarification of when financial assets and financial liabilities may be offset and introduce new disclosure requirements for offset assets and liabilities. The Group has not yet assessed the full effect of the amendments. The Group intends to apply the disclosure requirements in the financial year starting on January 1, 2013 and the more detailed clarification regarding offsetting no later than the financial year beginning January 1, 2014. The amendments have not yet been adopted by the EU.

No other of the IFRS or IFRIC interpretations which have not yet entered into force are expected to have any significant impact on the Group.

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.

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 March 6, 2012. The income statement and balance sheet will be adopted at the General Meeting held in May 2012.

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. Acquisitions of subsidiaries are reported according to the purchase method, as described in IFRS 3, with the exception of intra-group acquisitions of subsidiaries under common control. The application of the purchase method implies requirements for the identification of the purchaser and the establishment of the acquisition date.

The purchase method further implies that the acquisition of subsidiaries is considered to be a transaction through which the Group indirectly acquires the subsidiary's assets and assumes its provisions, liabilities and contingent liabilities. The Group acquisition value is determined through an acquisition analysis of the identifiable acquired assets and the assumed provisions and liabilities, as well as any contingent liabilities 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. The subsidiary's financial reports are included in the consolidated financial statements as of the acquisition date, until such date as the controlling influence is transferred from the Parent Company.

As IFRS 3 is not directly applicable on intra-group acquisitions of subsidiaries under common control, such acquisitions are reported according to the "predecessor accounting method". This method implies that the acquirer assumes the acquired company's reported book values as presented in the divested entity's accounts. Adjustment of the acquired values is to be carried out in the case that these accounts are not prepared in accordance with IFRS. Furthermore, the method implies that goodwill is not reported; any possible difference between the consideration paid and the acquired values is reported directly against shareholders equity. 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 amortization, 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 unrealized gains and losses arising on internal transactions between Group companies are eliminated in their entirety when the consolidated financial statements are prepared. Unrealized 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. Unrealized losses are eliminated in the same manner as unrealized 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 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 realized in the Group's income statement.

Rates for the most important currencies

	Closing	Average
USD	6.86	6.46
EUR	8.91	9.02
GBP	10.67	10.36

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 incepted 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 latest when fallen due. Premium revenue corresponds to the portion of premium income that has been earned.

Acquisition costs

By acquisition costs are meant such external operating expenses that directly vary with the acquisition or renewal of insurance contracts. The deferred acquisition costs are amortized in the same way as corresponding premiums are earned.

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.

These future costs are tested quarterly against the unexposed portion of the premium for the contracts in force and if the latter exceeds the costs, the unexposed portion of the written premium will form an unearned premium reserve. If the future costs exceed the unexposed portion of the written premium, the deferred acquisition costs are written down, but if that is insufficient, an unexpired risk provision will also be set up. The unexposed premium is also in this case recorded as a provision for unearned premium.

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 costs for incurred but, to date, unknown claims and not yet fully reported claims. This amount is an estimate based on historic experience and 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 a percentage of reported unpaid claims and a percentage 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 an average of four to five years 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.

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. Other costs for insurance contracts are recorded as costs when they arise.

Provision adequacy testing

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

Operating costs

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

Ceded reinsurance

As premiums for ceded reinsurance are recorded amounts paid during the financial year and amounts recorded as liabilities to the company that have assumed the reinsurance, in accordance with entered reinsurance agreements. Deductions are made for amounts credited due to portfolio transfers. Adjustments are also made for change in the reinsurer's share of proportional reinsurance contracts. The premiums are periodized 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.

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 2011 amounted to 3.85%.

Applied interest rates

%	2011	2010
EUR	4.99%	2.90%
GBP	0.61%	1.80%
SEK	3.87%	0.50%
USD	3.75%	4.20%

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, 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 realized and unrealized 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 amortized cost value and, for other investment assets, it is the historical acquisition value. At the sale of investment assets, previously unrealized changes in value are recognized as adjustment entries under the item Unrealized profits from investment items or Unrealized losses from investment items, as appropriate. As regards interest-bearing securities classified as available-for-sale financial assets, previously unrealized changes in value are recognized as adjustment entries in Other comprehensive income. Capital gains from assets other than investment assets are recorded as Other income.

Unrealized 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.

Share of associated company's profit or loss

Share of associated company's profit or loss represents Sirius' share of the associated company's result, accounted for according to the equity accounting method. Currency translation effects are recorded in Other comprehensive income.

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 realized 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 utilized. The value of deferred tax assets is reduced when it is no longer considered likely that they can be utilized.

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 recognized as an intangible asset. Goodwill is tested annually for impairment and is recognized 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 capitalized 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 capitalized costs are amortized 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 fulfill 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 amortized 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 capitalized 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 an asset and thus gains or loses control of the asset.

Classification and valuation

Financial instruments 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.

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 observable 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 loss of MSEK 182, while the recorded value per balance sheet date of December 31, 2011 amounted to MSEK 1,111.

Loans receivables and Account receivables

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. The major posts are Interest bearing investments emitted by, and loans to, group companies and Other debtors.

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 loans receivable and account receivables, recorded at amortized 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 amortization 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 recognized when the reported value of an asset or cash-generating unit exceeds its recoverable amount. An impairment loss is recognized 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 amortization 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 recognized 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 a level 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, reduced with 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.

The group has defined benefit plans in Sweden (collective agreement) 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 of retirement earlier than at the age of 65. Employees born 1955 and earlier have the possibility to retire between the ages of 62 and 65 according to local agreement.

Staff employed before January 1, 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.

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.

Contingent liabilities

A contingent liability is recognized 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 amortized 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. Amortization which deviates from plan is handled as an appropriation and is reported under the heading Difference between reported depreciation/amortization and depreciation/amortization 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 recognized 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 is found on the line Pension provisions in the Parent Company's balance sheet.

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 authorization.

Equalization provision

The Parent Company's balance sheet includes an Equalization 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 Equalization 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 Swedish Financial Reporting Board (RFR2).

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 minimizing 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 Enterprise Risk Management, ERM, is at the heart of Sirius' thinking. Sirius defines ERM as the discipline by which the company identifies, assesses, controls, monitors, and discloses risks from all sources for the purpose of increasing Sirius' short- and long-term value to Sirius stakeholders.

ERM is an ongoing process with the objective of creating a risk management culture that emanates from top management and which permeates throughout the entire organization. Sirius strives to maintain a risk culture where employees are aware of and measure, assess and communicate risk as part of their responsibilities. Management's role includes communicating, implementing, monitoring and nurturing this culture.

The objectives of Sirius' work with ERM are:

- Define Sirius' risk tolerance and develop appropriate operating guidelines consistent with that framework
- Optimize profitability within the established risk tolerance framework
- Provide clear information for strategic management decisions
- Demonstrate strong risk management through a well defined process including identification, quantification, monitoring, and appropriate management response
- Provide stakeholders with transparent risk management information
- Comply with Solvency II and other regulatory requirements

Risk strategy and the company's risk appetite

Risk strategy and risk appetite comprise the foundation of the risk management processes. Sirius' risk strategy and risk appetite have been established by Sirius' Board of Directors, 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 (e.g., an aggregate risk limit for windstorms in Europe) or in qualitative terms (e.g., in relation to operational risk). From these overall risk appetite statements, operational limits are applied at a 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 risk taking and appropriate capitalization
- Insurance transactions are expected to yield positive technical results
- Active use of retrocessional protections as part of business and capital planning
- Reduce risk by proper risk selection and active portfolio 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 Directors, an experienced management team, various risk committees, 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 tolerances and policies.

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

The Risk Management Committee has the objective of formalizing the oversight of critical risks, including the following risk management processes:

- 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' independent functions for risk control and compliance are responsible for the monitoring of Sirius' risks. The functions submit quarterly risk control and compliance reports to the CEO, the Management Group and to the Board of Directors. A summary risk and governance report is submitted annually 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 compliance with laws and regulations. The Internal Audit department reports to the Board of Directors.

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 retrocessional protections) that Sirius is willing to assume. 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 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 underwriting guiding principles include diversification, strong accumulation controls and an active use of reinsurance in order to adjust risks to acceptable risk tolerance levels.

At Sirius America the ultimate responsibility for managing these risks is assigned by underwriting unit. For property it is the Property Chief Underwriting Officer, and for A&H it is the Global A&H Head in conjunction with the America Underwriting Manager. They are 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 employed 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 restructuring of under-performing 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 offset the expected annual profit, or, even consume a portion of the solvency capital. This catastrophic risk is managed with the assistance of underwriting methods and tools which monitor and control the company's total aggregate

risks, both gross and net. Catastrophe risk is also managed by the effective use of retrocessional protections.

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 reviewed at least annually and updated when appropriate.

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. At Sirius International, there is an underwriting control group reporting to the Chief Underwriting Officer. This group focuses in detail on how the business is underwritten and that the underwriters follow issued policies and procedures. Another group controls the underwriting system and ensures it is used correctly and that input data is accurate. Finally, Risk Control, Compliance and Internal Audit also monitor these control groups, carrying out random inspections/tests, in detail ensuring they use sufficient control.

Retrocession

Sirius International uses retrocession as a tool to manage risk and has a centralized unit responsible for the purchasing and administration of its outwards reinsurance. The implementation of reinsurance purchases is based on the strategic direction of the inwards portfolio, overall risk tolerances and the search for an optimal portfolio mix. Catastrophe models and capital modeling 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. Sirius has developed a proprietary tool to price and manage accumulations of global property catastrophe risk. The underlying model assumptions are taken from third party catastrophe models and internally developed loss curves. There is a process in place to evaluate and select a model of choice per territory and peril. Based on the new tool, reports and analyses can be produced on an as required 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 stochastically estimated using these models. Aside from the possibility of modeling single events, aggregate claims are also modeled.

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.

In addition, Sirius International 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.

Sirius International and Sirius America also register and monitor total exposed limits to wind and Earthquake losses per country and/or zone.

Concentrations and sensitivity analysis

The table below shows a summary of the manner in which Sirius analyzes catastrophe risks, divided by geographical area and return periods. Sirius analyzes catastrophe risks each quarter during the financial year. The figures show the situation at the end of Q4 2011.

Through the use of these simulation models, the company can obtain an esti-

Sensitivity analysis – losses divided by geographical area and return periods for the Group¹⁾

	2011		2010	
	Once per 100 years	Once per 250 years	Once per 100 years	Once per 250 years
Global – Gross	3,667	4,509	3,331	4,424
Global – Net	2,793	3,247	2,313	2,654
Europe – Gross	3,204	4,429	3,251	4,424
Europe – Net	1,348	1,854	1,320	1,729
US – Gross	2,964	3,476	2,370	2,792
US – Net	2,737	3,221	2,299	2,652

mation of catastrophe risk, both prior to and after retrocession.

In addition, to better manage its aggregate exposure to very large catastrophic events, Sirius monitors the maximum net financial impact ("NFI") it would suffer in the worst aggregate loss year modeled in third-party software, i.e., the 10,000-year global annual aggregate probable maximum loss (PML). The calculation of the NFI begins with the modeled 10,000-year global annual aggregate PML and takes account of estimated reinstatement premiums, reinsurance recoverables net of estimated uncollectible balances, and tax benefits. This amount is deducted from Sirius' planned legal entity comprehensive net income for the year (before any planned losses for catastrophe events) to arrive at the NFI. The NFI does not include the potential impact of the loss events on Sirius' investment portfolio.

Within Aviation reinsurance, the company applies another licensed third-party model, ALPS, in which the exposure per Airline Company can be modeled and monitored. Within the insurance classes Accident & Health, Property and Trade Credit, the company has models which it has developed internally.

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 fulfill all expected obligations and reflect the best knowledge available to Sirius. Acknowledged and appropriate methods are used in these estimations.

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

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.

The acquisition of Sirius America has entailed an increase of asbestos and environmental claims. These claims are actively managed and have been subject to recurrent in depth analyses, the latest in the third quarter 2010. Reserves for these claims are included at MSEK 1,117 net in the consolidated balance sheet.

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 2011. 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. These operations were accounted for in a way that does not make amounts fully available, thus we show the annual development starting with underwriting year 2005. For the Group, the last diagonal includes claims from the new subsidiaries acquired in 2011. This implies that the table only shows the loss development from the date of acquisition, which is the point of time when controlling influence was obtained.

¹⁾ The increase from year 2010 to 2011 can partially be explained by the acquisition of a subsidiary, during the fourth quarter 2011.

Group / Claims, gross Underwriting year	2004 and prior years	2005	2006	2007	2008	2009	2010	2011	Total
.....									
Estimated claims:									
at the close of the calendar year		3,265	2,520	3,536	3,594	3,495	2,946	4,271	
1 year later		3,809	3,215	4,112	4,462	5,061	7,470		
2 years later		3,706	6,902	4,107	4,459	7,948			
3 years later		3,680	6,290	4,027	7,733				
4 years later		3,667	7,570	7,591					
5 years later		3,662	10,718						
6 years later		15,848							
Current estimate of total claims		15,848	10,718	7,591	7,733	7,948	7,470	4,271	
Total paid		15,148	4,920	7,048	6,961	6,914	4,870	1,793	
Claims outstanding¹⁾	6,372	700	5,799	543	772	1,035	2,601	2,478	20,299
.....									
Claims net of reinsurance Underwriting year	2004 and prior years	2005	2006	2007	2008	2009	2010	2011	Total
.....									
Estimated claims:									
at the close of the calendar year		2,729	2,238	3,114	3,281	3,009	2,399	3,790	
1 year later		3,199	2,871	3,637	3,930	3,933	6,716		
2 years later		3,110	2,929	3,610	3,894	6,634			
3 years later		3,100	2,911	3,530	7,207				
4 years later		3,087	2,886	6,979					
5 years later		3,083	5,113						
6 years later		8,407							
Current estimate of total claims		8,407	5,113	6,979	7,207	6,634	6,716	3,790	
Total paid		7,899	4,601	6,480	6,547	5,777	4,408	1,720	
Claims outstanding¹⁾	5,302	508	511	499	660	857	2,307	2,071	12,715
.....									
Parent Company / Claims, gross Underwriting year	2004 and prior years	2005	2006	2007	2008	2009	2010	2011	Total
.....									
Estimated claims:									
at the close of the calendar year		3,265	2,520	3,536	3,594	3,495	2,946	2,145	
1 year later		3,809	3,215	4,112	4,462	5,061	4,588		
2 years later		3,706	6,902	4,107	4,459	4,842			
3 years later		3,680	6,290	4,027	4,386				
4 years later		3,667	7,570	4,007					
5 years later		3,662	8,428						
6 years later		3,651							
Current estimate of total claims		3,651	8,428	4,007	4,386	4,842	4,588	2,145	
Total paid		3,536	3,035	3,828	3,884	4,047	2,489	244	
Claims outstanding¹⁾	962	115	5,393	179	502	795	2,099	1,901	11,946
.....									
Claims net of reinsurance Underwriting year	2004 and prior years	2005	2006	2007	2008	2009	2010	2011	Total
.....									
Estimated claims:									
at the close of the calendar year		2,729	2,238	3,114	3,281	3,009	2,399	1,665	
1 year later		3,199	2,871	3,637	3,930	3,933	3,818		
2 years later		3,110	2,929	3,610	3,894	3,749			
3 years later		3,100	2,911	3,530	3,818				
4 years later		3,087	2,886	3,506					
5 years later		3,083	2,878						
6 years later		3,072							
Current estimate of total claims		3,072	2,878	3,506	3,818	3,749	3,818	1,665	
Total paid		2,960	2,771	3,365	3,471	3,175	2,028	171	
Claims outstanding¹⁾	834	112	107	141	347	575	1,790	1,495	5,400

¹⁾ 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 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 guidelines also include restrictions on exposures due to size, industry and financial strength rating.

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 Currency and Market Risk Committee is responsible for the continuous management of market risks. The development of the market risks is reported within the Currency and 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 2011 yielded a return of 2 percent, expressed in SEK. The duration in the portfolio with interest-bearing investments at the end of 2011 was 2.15 years which was lower compared to 2010 (2.72 years). During the year, the percentage of equities in the investment portfolio increased to approximately 13 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

	Group		Parent Company	
	2011	2010	2011	2010
Bonds and other interest-bearing securities	77.93	69.31	50.12	70.64
Shares in Associated companies	-	12.51	38.72	18.37
Shares and participations	12.96	10.39	3.53	5.12
- whereof venture capital companies	2.09	1.73	1.24	1.76
Derivatives	0.12	1.57	0.16	0.14
Cash and bank balances	8.99	6.22	7.47	5.73
Total	100.00	100.00	100.00	100.00

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 FSA as per December 31, 2011 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 tables below illustrate, in absolute figures, the exposure to interest rate risk in accordance with the risk scenarios per the Traffic Light model as per 31 December.

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

	Exposure (MSEK)	Scenario, stress test			Corresponding basis points		Capital requirements (MSEK)		
		2011	2010	2011	2010	2011	2010	2011	2010
Assets in SEK	3,540	4,823	30%	30%	49	98	29	130	
Assets in EUR	1,406	2,784	25%	25%	46	74	26	66	
Assets in USD and other currencies	13,873	4,368	30%	30%	56	99	234	112	
Total	18,819	11,975	-	-	-	-	289	308	

Investment assets, interest rate risk according to the Traffic Light model risk scenarios / Parent Company

	Exposure (MSEK)	Scenario, stress test			Corresponding basis points		Capital requirements (MSEK)		
		2011	2010	2011	2010	2011	2010	2011	2010
Assets in SEK	3,540	4,823	30%	30%	49	98	29	130	
Assets in EUR	1,409	2,784	25%	25%	46	74	26	66	
Assets in USD and other currencies	4,550	4,368	30%	30%	56	99	82	112	
Total	9,499	11,975	-	-	-	-	137	308	

Equity risk

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

Investment assets, equity risk according to the Traffic Light model risk scenarios / Group

	Exposure (MSEK)		Scenario, stress test		Capital requirements (MSEK)	
	2011	2010	2011	2010	2011	2010
Foreign shares and participations	3,300	1,804	35%	35%	1,155	632
Foreign stock warrants	-	249	-	75%	-	186
Foreign subsidiaries and associated companies	-	2,191	-	35%	-	767
Total	3,300	4,244	-	-	1,155	1,585

Investment assets, equity risk according to the Traffic Light model risk scenarios / Parent Company

	Exposure (MSEK)		Scenario, stress test		Capital requirements (MSEK)	
	2011	2010	2011	2010	2011	2010
Foreign shares and participations	1,702	1,804	35%	35%	596	632
Foreign stock warrants	-	249	-	75%	-	186
Foreign subsidiaries and associated companies	6,324	2,191	35%	35%	2,213	767
Total	8,026	4,244	-	-	2,809	1,585

Currency risk

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

The Currency and Market Risk Committee meets at least monthly in order to monitor currency exposure and limit 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. 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 – Investment assets / Group

	2011				2010			
	USD	EUR	GBP	Other	USD	EUR	GBP	Other
Shares and participations	3,244	71	20	-	4,182	100	-	-
Bonds and other interest-bearing securities	14,308	1,471	629	61	3,539	2,866	706	233
Other financial investment assets	1,739	81	58	312	715	185	30	93
Other assets and liabilities, net	2,550	325	23	71	1,749	130	-29	46
Total assets	21,841	1,948	730	444	10 185	3 281	707	372
Technical provisions, net	-11,926	-1,400	-189	-437	-4,644	-1,578	-139	-301
Total liabilities and provisions	-11,926	-1,400	-189	-437	-4,644	-1,578	-139	-301
Net exposure before financial hedging with derivatives	9,915	548	541	7	5 541	1,703	568	71
Nominal value currency forwards	-3,432	-	-	-	-1,676	-	-	-
Net exposure after financial hedging with derivatives	6,483	548	541	7	3,865	1,703	568	71

In the table below, the effect on the company's shareholders' equity and income statement of two stress tests are shown: An unfavorable foreign exchange rate move of 25 basis points, in the respective foreign currencies towards SEK and an unfavorable change to fx 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
2011	Change 25 basis points	236	15	12	-	263
	Change 10%	648	55	54	1	758
2010	Change 25 basis points	203	47	14	-	264
	Change 10%	387	170	57	7	621

Credit risk

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

Credit risk in investment assets

The credit risk in investment assets can be split into credit spread risk and counterparty risk.

Credit spread risk in investment assets

Credit spread risk results from the sensitivity of the value of fixed interest assets to changes in the level or in the volatility of credits spreads over the risk-free term structure. Assets sensitive to changes in credit spreads may also give rise to others risks, e.g. counterparty default risk, which is not covered below. The tables below show the credit spread risk in accordance with the risk scenarios per the Traffic Light model as per 31 December.

Investment assets, credit spread risk according to the Traffic Light model risk scenarios / Group

	Exposure (MSEK)		Average credit spread		Scenario impact		Capital requirements (MSEK)	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets in SEK	852	102	1.37	1.13	-3.4%	-1.5%	29	2
Assets in EUR	1,262	1,824	2.74	1.53	-10.3%	-6.7%	130	121
Assets in USD and other currencies	9,050	2,543	1.82	1.09	-5.5%	-3.7%	496	93
Total	11,164	4,469	1.93	1.30	-5.9%	-4.8%	655	216

Investment assets, credit spread risk according to the Traffic Light model risk scenarios / Parent Company

	Exposure (MSEK)		Average credit spread		Scenario impact		Capital requirements (MSEK)	
	2011	2010	2011	2010	2011	2010	2011	2010
Assets in SEK	852	102	1.37	1.13	-3.4%	-1.5%	29	2
Assets in EUR	1,264	1,824	2.74	1.53	-10.3%	-6.7%	130	121
Assets in USD and other currencies	3,223	2,543	1.77	1.09	-5.7%	-3.7%	183	93
Total	5,339	4,469	2.01	1.30	-6.4%	-4.8%	342	216

Counterparty risk in investment assets

The company's policy is to allow only investments in securities with high credit quality and therefore the counterparty risk in investment assets is assessed to be relatively limited.

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

Exposure Group	Group		Parent Company	
	2011	2010	2011	2010
Bonds & other interest-bearing assets	19,840	12,067	9,472	12,067
- Governments	9,151	7,608	4,840	7,608
- Swedish mortgage institutions	156	-	156	-
- Other Swedish issuers	697	102	697	102
- Other issuers	9,836	4,357	3,779	4,357
Shares in Associated Companies	-	2,178	7,317	3,139
Shares & participations	3,300	1,808	667	874
Derivatives	30	273	30	24
Total	23,170	16,326	17,486	16,104

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.

Group / 2011

Name of security	Type of security	Market value (MSEK)	% of financial assets
Sirius International Financial Services	Loan note to Group Company	1,021	4.3
One Beacon Insurance Group	Share	785	3.3
Symetra	Share	501	2.1
Prospector Offshore Fund	Share	336	1.4
Total Capital Canada Ltd	Bond	263	1.1
Ironshore Inc.	Share	188	0.8
Volkswagen Fin Serv NV	Bond	177	0.7
Swedbank Hypotek AB	Bond	156	0.7
BMW Finance NV	Bond	156	0.7
Shering Plough	Bond	143	0.6
Total		3,726	15.7

Parent Company / 2011

Name of security	Type of security	Market value (MSEK)	% of financial assets
WM Phoenix (Luxembourg) S.à.r.l	Shares in Subsidiary	6,338	34.7
Sirius International Holdings (NL) BV	Shares in Subsidiary	1,005	5.5
Prospector Offshore Fund	Share	336	1.8
Total Capital Canada Ltd	Bond	263	1.4
Volkswagen Fin Serv NV	Bond	177	1.0
Swedbank Hypotek AB	Bond	156	0.9
BMW Finance NV	Share	156	0.9
Pentelia Ltd	Share	116	0.6
Permanent Master Issuer PLC	Bond	112	0.6
Atlas Copco AB	Bond	100	0.6
Total		8,759	48.0

Group and Parent Company / 2010

Name of security	Type of security	Market value (MSEK)	% 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 Ltrd	Bond	71	0.5
Casino Guichard Perrach	Bond	60	0.4
SES Global Americas Holding	Bond	60	0.4
Total		2 152	15.2

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.

Credit quality on classes of investment assets, %	2011							2010					
	AAA	AA	A	BBB	CCC	Not Rated	Total	AAA	AA	A	BBB	BB	Total
Bonds and other interest-bearing securities	25	34	15	20	1	5	100	70	2	14	14	0	100
- Swedish government	18	31	51	-	-	-	100	100	0	0	0	0	100
- Swedish mortgage institutions	100	-	-	-	-	-	100	-	-	-	-	-	-
- Other Swedish institutions	100	-	-	-	-	-	100	0	0	100	0	0	100
- Foreign governments	15	84	1	-	-	-	100	95	0	5	0	0	100
- Other foreign issuers	12	10	25	41	2	10	100	22	7	33	37	1	100

Equity investments, divided by geographical area %

	Group		Parent company	
	2011	2010	2011	2010
Western Europe	2.60	7.62	1.04	7.77
North America	79.13	81.99	91.78	81.77
Other	18.27	10.39	7.19	10.46
Total	100	100	100	100

Interest-bearing investments, divided by geographical areas %

	Group		Parent company	
	2011	2010	2011	2010
Western Europe	10.84	29.02	21.44	29.02
North America	70.36	28.40	39.70	28.40
Scandinavia	17.84	40.01	37.37	40.01
Other	0.96	2.57	1.49	2.57
Total	100	100	100	100

Interest-bearing investments, divided by sector %

	Group		Parent company	
	2011	2010	2011	2010
Governments	46.12	63.05	51.10	63.05
Swedish mortgage institutions	0.79	-	1.65	-
Other Swedish issuers	3.51	0.85	7.35	0.85
Other foreign issuers	49.58	36.10	39.90	36.10
Total	100	100	100	100

Credit risk on receivables with reinsurers

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

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. Monetary limits are set per counterparty based on the established ratings. If the credit worthiness of a retrocessionaire deteriorates into unacceptable status (in bankruptcy, liquidation, insolvent run-off, scheme of arrangement, or is, by other reasons, deemed to be unable or unwilling to honor its obligations), the counterparty is classified as an Insolvent or Doubtful Company (IDC 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 December 31, 2011, to MSEK 62 for the group, whereof MSEK 44 at Sirius International (2010 MSEK 56).

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.

Group		Due for	<1 Month	1-3 Months	4-6 Months	7-9 Months	10-12 Months	>1 Year	Total
2011	Net receivables		580	185	60	-6	8	210	1,037
2010	Net receivables		106	59	23	-8	-6	24	198

Parent Company		Due for	<1 Month	1-3 Months	4-6 Months	7-9 Months	10-12 Months	>1 Year	Total
2011	Net receivables		114	58	40	-6	-2	235	442
2010	Net receivables		106	59	23	-8	-6	24	198

In accordance with Sirius International's policy for write-downs of receivables outstanding for more than 1 year, there is a specific reserve for counterparties which are not classified as IDC companies which totals MSEK 7.

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 credit rating distribution for this exposure is shown in the table below.

Group Rating – Standard & Poor's	2011				2010			
	Gross	Collateral	Net Percentage split		Gross	Collateral	Net Percentage split	
AAA	210	0	210	3	124	0	124	2
AA+	0	0	0	0	0	0	0	0
AA	241	2	239	3	64	0	64	1
AA-	45	0	45	1	56	0	56	1
A+	307	0	307	4	413	0	413	7
A	470	4	466	6	152	0	152	2
A-	253	67	187	3	94	63	31	1
BBB+	62	0	62	1	10	0	10	0
BBB or lower	849	96	754	10	639	10	629	11
Special approval	420	119	301	5	344	101	243	6
Internal reinsurance	5,253	4,831	421	65	4,156	4,156	0	69
Total	8,111	5,119	2,992	100	6,052	4,330	1,722	100

**Parent Company
Rating –
Standard & Poor's**

	2011				2010			
	Gross	Collateral	Net	Percentage split	Gross	Collateral	Net	Percentage split
AAA	118	0	118	2	124	0	124	2
AA+	0	0	0	0	0	0	0	0
AA	173	0	173	2	64	0	64	1
AA-	45	0	45	1	56	0	56	1
A+	307	0	307	4	413	0	413	7
A	109	0	109	2	152	0	152	2
A-	222	66	155	3	94	63	31	1
BBB+	59	0	59	1	10	0	10	0
BBB or lower	369	11	358	5	639	10	629	11
Special approval	420	119	301	6	344	101	243	6
Internal reinsurance	5,253	4,831	421	74	4,156	4,156	0	69
Total	7,074	5,027	2,047	100	6,052	4,330	1,722	100

The item Internal reinsurance above refers to ceded reinsurance to White Mountains Life Re. This receivable is collateralized with securities pertaining to the underlying liability to the original ceding company.

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' 2011 Retrocession Program.

**Financial Strength Rating
– Standard & Poor's**

	2011		2010	
	MSEK	Percentage split	MSEK	Percentage split
AA+	0	0	23	1
AA	374	11	649	17
AA-	489	15	539	14
A+	953	29	946	24
A	152	5	123	3
A-	930	28	1,336	34
BBB+	127	4	60	1
BBB or lower	0	0	2	0
Fully collateralized	185	6	164	4
Special approval	122	4	68	2
Total	3,331	100	3,910	100

Liquidity risk

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

The company's strategy for dealing with liquidity risk aims to 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 2011 the duration of interest-bearing investment assets was 2.15 years and the duration of insurance liabilities was 2.18 years. The liquidity is monitored continuously and stress tests are performed for different scenarios. The company's claims payment capabilities are further strengthened with its high portion of cash and bank deposits of the total investment assets. The cash flow analysis also provides an illustration of the company's liquidity situation.

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

Liquidity profile – financial assets (Contractual inflows) / 2011

Group	On demand	<3 months	3 months –1 year	1-5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities (discounted amounts)	-	291	2,957	6,985	8,585	1,021	19,839
Shares & participations in associated companies	-	-	-	-	-	-	-
Shares & participations	-	-	-	-	-	3,300	3,300
Cash & bank balances	2,289	-	-	-	-	-	2,289
Receivables, direct insurance	-	-	-	-	-	2	2
Receivables, reinsurance	-	762	1,052	211	-	398	2,423
Other debtors	-	117	2	-	-	70	189
Prepayments and accrued income	-	9	215	-	-	-	224
Total	2,289	1,179	4,226	7,196	8,585	5,791	28,266

Liquidity profile – financial assets (Contractual inflows) / 2010

Group	On demand	<3 months	3 months –1 year	1-5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities (discounted amounts)	-	1,268	898	7,008	2,893	-	12,067
Shares & participations in associated companies	-	-	-	-	-	2,178	2,178
Shares & participations	-	-	-	-	-	2,057	2,057
Cash & bank balances	1,082	-	-	-	-	-	1,082
Receivables, direct insurance	-	-	-	-	-	5	5
Receivables, reinsurance	-	165	1,302	24	-	-106	1,385
Other debtors	-	31	-	-	-	32	63
Prepayments and accrued income	-	26	195	-	-	-	221
Total	1,082	1,325	2,584	7,008	2,893	4,166	19,058

Liquidity profile – financial assets (Contractual inflows) / 2011

Parent Company	On demand	<3 months	3 months –1 year	1-5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities (discounted amounts)	-	94	2,377	4,088	2,913	-	9,472
Shares & participations in associated companies and subsidiaries	-	-	-	-	-	7,317	7,317
Shares & participations	-	-	-	-	-	667	667
Cash & bank balances	1,411	-	-	-	-	-	1,411
Receivables, direct insurance	-	-	-	-	-	2	2
Receivables, reinsurance	-	172	1,026	235	-	447	1,880
Other debtors	39	17	206	-	-	31	293
Prepayments and accrued income	-	9	142	-	-	-	151
Total	1,450	292	3,751	4,323	2,913	8,464	21,193

Liquidity profile – financial assets (Contractual inflows) / 2010

Parent Company	On demand	<3 months	3 months –1 year	1-5 years	>5 years	No duration	Total
Bonds and other interest-bearing securities (discounted amounts)	-	1,268	898	7,008	2,893	-	12,067
Shares & participations in associated companies	-	-	-	-	-	2,058	2,058
Shares & participations	-	-	-	-	-	874	874
Cash & bank balances	979	-	-	-	-	-	979
Receivables, direct insurance	-	-	-	-	-	5	5
Receivables, reinsurance	-	165	1,301	24	-	-106	1,384
Other debtors	-	257	-	-	-	5	262
Prepayments and accrued income	-	26	-	-	-	-	26
Total	979	1,716	2,199	7,032	2,893	2,836	17,655

Liquidity profile – financial debts (Contractual outflows) / 2011

Group	On demand	<3 months	3 months –1 year	1-5 years	>5 years	No duration	Total
Payables, direct insurance	-	-	-	-	-	1	1
Payables, reinsurance	-	-	437	-	-	368	805
Other creditors	-	57	701	36	-	20	814
Accrued expenses and deferred income	-	132	111	88	19	-	350
Total	-	189	1,249	124	19	389	1,970

Liquidity profile – financial debts (Contractual outflows) / 2010

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

Liquidity profile – financial debts (Contractual outflows) / 2011

Parent Company	On demand	<3 months	3 months –1 year	1-5 years	>5 years	No duration	Total
Payables, direct insurance	-	-	-	-	-	1	1
Payables, reinsurance	-	-	453	-	-	331	784
Other creditors	-	53	591	23	-	23	690
Accrued expenses and deferred income	-	51	112	36	-	-	199
Total	-	104	1,156	59	-	355	1,674

Liquidity profile – financial debts (Contractual outflows) / 2010

Parent Company	On demand	<3 months	3 months –1 year	1-5 years	>5 years	No duration	Total
Payables, direct insurance	-	-	-	-	-	2	2
Payables, reinsurance	-	-	590	-	-	-117	473
Other creditors	-	69	81	42	-	-	192
Accrued expenses and deferred income	-	70	500	38	-	-	608
Total	-	139	1,171	80	-	-115	1,275

Liquidity profile – Technical provisions

Estimated claim payments, net, excluding ULAE

Group

	<3 months	3 months–1 year	1-5 year	>5 year	Total
2011	1,172	3,565	5,433	3,715	13,885
2010	647	1,966	2,842	939	6,394

Parent Company

	<3 months	3 months–1 year	1-5 year	>5 year	Total
2011	628	1,935	2,599	1,113	6,275
2010	647	1,966	2,842	939	6,394

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 function for Risk Control is a 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.

Operational risks within Sirius are identified through regularly conducted risk control and compliance reviews. 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 are always reduced to acceptable levels based on the pre-defined risk appetite.

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 and compliance reviews. The Compliance function supports the organization and processes by informing, advising, and monitoring compliance issues throughout the group.

Solvency II

Sirius is preparing for compliance with the Solvency II regulation. The company has a project in place with several defined subprojects. The subprojects are covering all three Pillars. The project has a dedicated Project Manager and the company's group CFO is the chairman of the Steering Group and the sponsor of the project.

Solvency II is discussed regularly at Board of Directors (Board) meetings. The group CFO reports to the Board on Solvency II matters, thus ensuring the Board's involvement and oversight over the Solvency II project. The company's CRO reports about Solvency II at all Risk Management Committee meetings. During 2011 the Board requested and received an in depth training in Solvency II covering all Pillars.

Solvency and Capital requirements

Sirius has continued to develop its internal Economic Risk Capital (ERC) model.

The objectives for the internal ERC model are:

- Stochastically calculate capital needed at the legal entity (operating company) level to be economically solvent over a one year period within some specified probability level
- Consolidate quantifiable risks into one model
- Produce a realistic distribution of financial outcomes at various return periods
- Allocate capital to key risks, business units and lines of business more consistently

- Address Solvency II requirements
- Produce a streamlined and inclusive view of interdependencies of these risks

The practical applications of the internal ERC model include the following:

- Assess the amount of capital necessary to support the underwriting and investment operations over the course of a one-year period
- Allocate deployed capital in the organization to key underwriting risk areas in order to establish appropriate risk-adjusted pricing targets
- Monitor the risk appetite established by the Risk Management Committee
- Measurement of key risks and their interaction
- Evaluate reinsurance purchases

Furthermore, the company uses the internal ERC model for stress testing and scenario analysis and it compares results from the internal ERC model with the Solvency II Standard Formula SCR.

Sirius has entered into the Internal Model pre-application review process with the company's regulator, the Swedish FSA, Finansinspektionen. By participating in this pre-application review process, the company will be well prepared before the final application shall be submitted. The ultimate goal is to gain approval to use the company's Internal Economic Risk Capital Model for the calculations of the solvency capital requirements under Solvency II.

Sirius updated its QIS 5 SCR calculations for year-end 2010 as it was required by the Swedish FSA to participate in the EIOPA stress test, a European Union test of the insurance industry's resilience to stresses in macroeconomic variables. The results show that Sirius' current solvency capital is sufficient and prudent, even under stressed market conditions.

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 solvency capital (the so called "capital buffer") in order to assess the company's capital strength. The model is presented on a solo company basis with holdings in subsidiaries modeled with an equity risk charge of 35%. The table below shows the result in accordance with the Traffic Light model as per December 31, 2011 and 2010.

Total capital requirement according to the Traffic Light model

	2011	2010
Total capital net requirement	4,691	3,626
Capital buffer	14,096	12,534
Surplus	9,405	8,908

Financial Strength Rating

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

Group and Parent Company

	2011			2010		
	S&P ¹⁾	A.M. Best ²⁾	Moody's ³⁾	S&P ¹⁾	A.M. Best ²⁾	Moody's ³⁾
Financial Strength Rating	A-	A	A3	A-	A	A3
Outlook	Stable	Stable	Stable	Stable	Stable	Stable

¹⁾ "A-" is the seventh highest of twenty-one financial strength ratings assigned by Standard & Poor's.

²⁾ "A" is the third highest of fifteen financial strength ratings assigned by A.M. Best.

³⁾ "A3" is the seventh highest of twenty-one financial strength ratings assigned by Moody's.

Note 3 • Premium income

Premium income, geographical allocation	Group		Parent Company	
	2011	2010	2011	2010
Direct insurance, Sweden	8	8	8	8
Direct insurance, other EES	213	197	213	197
Direct insurance, other countries	655	674	655	674
Premiums for accepted reinsurance	5,079	6,516	4,471	6,516
Premium income before ceded reinsurance	5,955	7,395	5,347	7,395
Premium for ceded reinsurance	-1,592	-1,787	-1,579	-1,787
Premium income after ceded reinsurance	4,363	5,608	3,768	5,608

Note 4 • Claims incurred for own account

Claims incurred for the year's operations / Group	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-447	73	-374	-952	137	-815
Loss portfolios	35	0	35	39	0	39
Change in provision for incurred and reported claims	-832	194	-638	-1,254	331	-923
Change in provision for incurred but not reported claims (IBNR)	-1,211	210	-1,001	-942	114	-828
Claims handling expenses	-170	0	-170	-175	0	-175
Total claims incurred for the year's operations	-2,625	477	-2,148	-3,284	582	-2,702

Claims incurred for previous years' operations / Group	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-3,105	667	-2,438	-3,277	800	-2,477
Loss portfolios	-503	-4	-507	-63	0	-63
Change in provision for incurred and reported claims	1,554	-433	1,121	1,033	83	1,116
Change in provision for incurred but not reported claims (IBNR)	159	688	847	-432	1,130	698
Total claims incurred for previous years' operations	-1,895	918	-977	-2,739	2,013	-726
Total claims incurred	-4,520	1,395	-3,125	-6,023	2,595	-3 428

Total claims paid / Group	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-3,552	740	-2,812	-4,229	937	-3,292
Loss portfolios	-468	-4	-472	-24	0	-24
Claims handling expenses	-170	0	-170	-175	0	-175
Total claims paid	-4,190	736	-3,454	-4,428	937	-3,491

Change in provision for outstanding claims / Group	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	722	-239	483	-221	414	193
Change in provision for incurred but not reported claims (IBNR)	-1,052	898	-154	-1,374	1,244	-130
Total change in provisions for outstanding claims	-330	659	329	-1,595	1,658	63

Claims incurred for the year's operations / Parent Company	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-273	72	-201	-952	137	-815
Loss portfolios	35	0	35	39	0	39
Change in provision for incurred and reported claims	-767	194	-573	-1,254	331	-923
Change in provision for incurred but not reported claims (IBNR)	-1,074	210	-864	-942	114	-828
Claims handling expenses	-159	0	-159	-175	0	-175
Total claims for the year's operations	-2,238	476	-1,762	-3,284	582	-2,702
Claims incurred for previous years' operations / Parent Company	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-2,703	582	-2,121	-3,264	800	-2,464
Loss portfolios	-503	-4	-507	-63	0	-63
Change in provision for incurred and reported claims	1,355	-400	955	1,027	83	1,110
Change in provision for incurred but not reported claims (IBNR)	66	661	727	-432	1,130	698
Total claims incurred for previous years' operations	-1,785	839	-946	-2,732	2,013	-719
Total claims incurred	-4,023	1,315	-2,708	-6,016	2,595	-3,421
Total claims paid / Parent Company	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Claims paid	-2,976	654	-2,322	-4,216	937	-3,279
Loss portfolios	-468	-4	-472	-24	0	-24
Claims handling expenses	-159	0	-159	-175	0	-175
Total claims paid	-3,603	650	-2,953	-4,415	937	-3,478
Change in provision for outstanding claims / Parent Company	2011			2010		
	Gross	Ceded	Net	Gross	Ceded	Net
Change in provision for incurred and reported claims	588	-205	383	-227	414	187
Change in provision for incurred but not reported claims (IBNR)	-1,008	870	-138	-1,374	1,244	-130
Total change in provision for outstanding claims	-420	665	245	-1,601	1,658	57

Note 5 • Operating costs

Specification of income statement item operating costs	Group		Parent Company	
	2011	2010	2011	2010
Acquisition costs	-1,136	-1,494	-1,015	-1,493
Change in prepaid acquisition costs (+/-)	-42	-5	-30	-5
Administrative expenses	-573	-475	-509	-473
Provisions and profit shares in ceded reinsurance	290	284	315	284
Total operating costs	-1,461	-1,690	-1,239	-1,687

Other operating costs	Group		Parent Company	
	2011	2010	2011	2010
Operating costs	-1,461	-1,690	-1,239	-1,687
Claims handling expenses included in claims paid	-170	-175	-159	-175
Asset management costs included in Investment expenses	-64	-53	-53	-51
Expenses for land and buildings included in Investment expenses, net	-1	-5	-1	-5
Total other operating costs	-1,696	-1,923	-1,452	-1,918

Total operating costs per type	Group		Parent Company	
	2011	2010	2011	2010
Direct and indirect personnel costs	-469	-429	-414	-418
Premises costs	-48	-50	-41	-48
Depreciation/amortization	-31	-17	-29	-16
Other expenses related to operations	-1,148	-1,427	-968	-1,436
Total other operating costs	-1,696	-1,923	-1,452	-1,918

Note 6 • Investment income

	Group		Parent Company	
	2011	2010	2011	2010
Dividend income				
Foreign shares and participations	113	153	1	206
Interest income				
Bonds and other interest-bearing securities	360	313	293	312
Other interest income	30	25	21	25
- of which from financial assets not valued at fair value with changes in value reported in the income statement	-	-	-	-
Capital gains on foreign exchange, net	126	-	130	-
Capital gains and reversed write-downs (net)				
Swedish shares	-	-	-	-
Foreign shares	89	25	27	6
Interest-bearing securities	46	107	43	100
Total	764	623	515	649

Note 7 • Unrealised gains on investments

	Group		Parent Company	
	2011	2010	2011	2010
Foreign shares and participations	185	243	23	155
Derivative financial instruments	11	29	11	29
Total	196	272	34	184

Note 8 • Investment expenses and charges

	Group		Parent Company	
	2011	2010	2011	2010
Operating expenses for land and buildings	-1	-5	-1	-5
Asset management costs	-64	-54	-53	-51
Interest expenses				
Other interest expenses	-43	-3	-2	-3
- of which from financial assets not valued at fair value with changes in value reported in the income statement	-37	-	-	-
Capital losses on foreign exchange, net	-	-394	-	-398
Capital losses				
Foreign shares and participations	-	-	-	-
Subsidiaries and associated companies	-	-	-	-185
Bonds and other interest-bearing securities	-	-	-	-
Derivative financial instruments	-24	-10	-	-
Total	-132	-466	-56	-642

Note 9 • Unrealised losses on investments

	Group		Parent Company	
	2011	2010	2011	2010
Foreign shares and participations	-302	-92	-82	-92
Bonds and other interest-bearing securities	-18	-	-	-
Derivatives	-145	-13	-11	-13
Total	-465	-105	-93	-105

Note 10 • Net profit or net loss per category of financial instrument**Financial assets / Group 2011**

	Financial assets valued at fair value in the income statement	Financial assets held for trading	Available-for -sale financial instruments	Loan receivables and other receivables accounts	Total
Shares and participations	84	-	-	-	84
Derivative financial instruments	-	-157	-	-	-157
Bonds and other interest-bearing securities	-18	-	488	-	470
Deposits with cedants	-	-	-	17	17
Cash and bank balance	-	-	-	6	6
Other debts	-	-	-	-36	-36
Total	66	-157	488	-13	384

Financial assets / Group 2010

	Financial assets valued at fair value in the income statement	Financial assets held for trading	Available-for -sale financial instruments	Loan receivables and other receivables accounts	Total
Shares and participations	328	-	-	-	328
Derivative financial instruments	-	7	-	-	7
Bonds and other interest-bearing securities	-	-	287	-	287
Deposits with cedants	-	-	-	19	19
Other debtors	-	-	-	6	6
Total	328	7	287	25	647

Financial assets / Parent Company 2011

	Financial assets identified valued at fair value in the income statement	Financial assets held for trading	Available-for -sale financial instruments	Loan receivables and other receivables accounts	Total
Shares and participations	-32	-	-	-	-32
Derivative financial instruments	-	1	-	-	1
Bonds and other interest-bearing securities	-	-	456	-	456
Deposits with cedants	-	-	-	16	16
Cash and bank balance	-	-	-	5	5
Total	-32	1	456	21	446

Financial assets / Parent Company 2010

	Financial assets identified valued at fair value in the income statement	Financial assets held for trading	Available-for -sale financial instruments	Loan receivables and other receivables accounts	Total
Shares and participations	276	-	-	-	276
Derivative financial instruments	17	-	-	-	17
Bonds and other interest-bearing securities	-	-	279	-	279
Deposits with cedants	-	-	-	19	19
Other debtors	-	-	-	6	6
Total	293	-	279	25	597

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) unrealized gains, (iii) return on capital, expenses, (iv) unrealized losses, with exception for (a) potential amortization and write-downs, (b) asset management costs and (c) exchange rate gains/losses.

Currency exchange gains amount to 126 (-394) for the Group, of which 256 (-658) refer to exchange rate losses on financial assets. Exchange rate losses on liabilities and other assets amount to -130 (264).

Note 11 • Taxes

	Group		Parent Company	
	2011	2010	2011	2010
Current tax expense (-)/[tax revenue (+)]				
Current tax expenses	-147	-189	-147	-185
Tax adjustment attributable to previous years	41	-	-	-
Deferred tax expense (-)/[tax revenue (+)]				
Deferred tax regarding temporary differences	-17	-5	26	-4
Total reported tax expense	-123	-194	-121	-189

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	
	2011	2010	2011	2010
Tax according to applicable tax rate for the Parent Company	-26.3 %	-26.3 %	-26.3 %	-26.3 %
Effects of foreign tax rates	-0.2 %	-	-	-
Tax effect from non-deductible expenses	-12.9 %	-5.3 %	-1.6 %	-7.7 %
Tax effect from non-taxable income	8.6 %	13.5 %	0.5 %	7.5 %
Current tax regarding previous years	9.3 %	0 %	0 %	0 %
Recognition/remeasurement of deductible temporary differences related to prior years	-6.3 %	0 %	0 %	0 %
Reported effective tax	-27.8 %	-18.1 %	-27.4 %	-26.5 %

Reported deferred tax receivables and deferred tax liabilities / Group

	Deferred tax assets		Deferred tax liabilities		Net	
	2011	2010	2011	2010	2011	2010
Personnel-related provisions	45	19	-	-	45	19
Timing difference on recognition of underwriting result	361	-	-38	-	323	-
Other provisions	56	12	-52	-4	4	8
Surplus value of securities	118	3	-180	-	-62	3
Safety reserve and accelerated depreciation	-	-	-2,550	-2,549	-2,550	-2,549
Tax loss carry forwards	653	-	-	-	653	-
Net tax receivables/net tax liabilities	1,233	34	-2,820	-2,553	-1,587	-2,519

Reported deferred tax receivables and deferred tax liabilities / Parent Company

	Deferred tax assets		Deferred tax liabilities		Net	
	2011	2010	2011	2010	2011	2010
Personnel-related provisions	14	20	-	-	14	20
Other provisions	12	12	-	-	12	12
Surplus value of securities	-	3	-6	-	-6	3
Tax loss carry forwards	15	-	-	-	15	-
Net tax receivables/net tax liabilities	41	35	-6	-	35	35

Unreported deferred tax receivables

Unreported deferred tax receivables for deductible temporary differences and tax loss carry forwards amount to 1 (0)

	Group		Parent Company	
	2011	2010	2011	2010
Opening balance	-2,519	-2,549	35	4
Acquisition of subsidiaries	982	-	-	-
Recognized in income statement	-17	-5	26	-4
Recognized in other comprehensive income	-29	35	-26	35
Tax loss carry forwards	-4	-	-	-
Closing balance	-1,587	-2,519	35	35

Taxes recognized in shareholders' equity mainly refer to available-for-sale financial assets -26 (35).

Note 12 • Intangible assets

	Group			Parent Company		
	Intangible assets -IT Capitalized expenditure for development work	Acquired intangible assets Goodwill ¹⁾	Total	Intangible assets -IT Capitalized expenditure for development work	Acquired intangible assets Goodwill ¹⁾	Total
<i>Accumulated acquisition value</i>						
Opening balance January 1, 2010	71	615	686	71	460	531
Acquisitions for the year	22	-	22	22	-	22
Closing balance December 31, 2010	93	615	708	93	460	553
Opening balance January 1, 2011	93	615	708	93	460	553
Acquisitions for the year	40	5	46	38	-	38
Closing balance December 31, 2011	133	620	754	131	460	591
<i>Accumulated amortization</i>						
Opening balance January 1, 2010	-66	-324	-390	-66	-248	-314
Depreciation for the year	-5	-	-5	-5	-4	-9
Closing balance December 31, 2010	-71	-324	-395	-71	-252	-323
Opening balance January 1, 2011	-71	-324	-395	-71	-252	-323
Depreciation for the year	-15	-	-15	-15	-4	-20
Closing balance December 31, 2011	-86	-324	-410	-86	-257	-343
<i>Carrying amount</i>						
Per January 1, 2010	5	291	296	5	212	217
Per December 31, 2010	22	291	313	22	207	229
Per January 1, 2011	22	291	313	22	207	229
Per December 31, 2011	47	296	343	45	203	248
<i>Amortization for the year is included in the following rows of the income statement for 2010:</i>						
Operating costs	-5	-	-5	-5	-	-5
Other costs	-	-	-	-	-4	-4
Total	-5	-	-5	-5	-4	-9
<i>Amortization for the year is included in the following rows of the income statement for 2011:</i>						
Operating costs	-15	-	-15	-15	-	-15
Other costs	-	-	-	-	-4	-4
Total	-15	-	-15	-15	-4	-19

In the item IT-related intangible assets, acquired licenses and expenses brought forward are included for the development of business-critical systems. For the group, no depreciation is made on goodwill, the -324 is accumulated depreciations per January 1, 2009 when IFRS was adopted. For further information regarding the depreciations, see Note 1, Accounting principles.

¹⁾ 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 without any growth of the unit's earnings, based on historical and future earning patterns. Cash flows are discounted using a discount rate of 1.2 %. The forecasted profit margin is currently equal to a combined ratio of approximately 95 %.

Note 13 • Land and Buildings**Group and Parent Company**

<i>Acquisition cost</i>	
Opening balance January 1, 2010	18
Closing balance December 31, 2010	18
Opening balance January 1, 2011	18
Disposals	-1
Acquisitions	10
Closing balance December 31, 2011	27
<i>Depreciation</i>	
Opening balance January 1, 2010	-16
Depreciation for the year	0
Closing balance December 31, 2010	-16
Opening balance January 1, 2011	-16
Disposals	1
Depreciation for the year	-1
Closing balance December 31, 2011	-16
<i>Carrying amount</i>	
Per January 1, 2010	2
Per December 31, 2010	2
Per January 1, 2011	2
Per December 31, 2011	11

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 capitalized expenses are depreciated over 50 and 10 years, respectively. No depreciation is performed on land.

Note 14 • Shares and participations in Group companies

Name of subsidiary	Registered offices, country	Participating interest, %	
		2011	2010
Passage2Health Ltd	London, Great Britain	75	-
Sirius Rückversicherungs Service GmbH	Hamburg, Germany	100	100
Sirius Belgium Réassurances S.A.	Liège, Belgium	100	100
Sirius International Holdings (NL) B.V.	Amsterdam, The Netherlands	100	100
White Mountains Re Bermuda Ltd	Hamilton, Bermuda	100	100
White Mountains Phoenix (Luxembourg) S.à.r.l	Luxembourg	100	-
White Mountains Re Sirius Capital Ltd	London, Great Britain	100	-

Parent Company

	2011	2010
Accumulated acquisition cost		
Beginning of year	1,862	1,252
Acquisition	1,185	728
Disposals	-	-
Capital contribution	3,028	388
Repayment of paid-up capital	-35	-506
Reclassification from associated companies	2,058	-
Closing balance December 31	8,098	1,862
Accumulated write-downs		
Beginning of year	-781	-596
Acquisition	-	-
Disposals	-	-
Write-downs for the year	-	-185
Closing balance December 31	-781	-781
Carrying amount December 31	7,317	1,081

Subsidiaries' shareholders' equity**2011**

Name of subsidiary	Shareholders' equity	Shares %	Number of shares	Book value	Profit/loss
Passage2Health Ltd, London, Great Britain	16	75	Share capital total GBP 6,800 consisting of 6,800 shares with nom. GBP 1 per share	20	-4
Sirius Rückversicherungs Service GmbH Hamburg, Germany	15	100	1 share nom. value EUR 51,129	1	4
Sirius Belgium Réassurances S.A., (in liquidation) Liège, Belgium	11	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	1,005	100	Share capital total EUR 18,000 consisting of 180 shares with nom. EUR 100 per share	1,124	-159
White Mountains Re Bermuda Ltd, Hamilton, Bermuda	2	100	Share capital total 120,000 USD consists of 120,000 shares nom. USD 1 per share	1	-1
White Mountains Re Sirius Capital Ltd, London, Great Britain	1	100	Share capital total GBP 1 consisting of 1 share with nom. GBP 1 per share	0	-1
White Mountains Phoenix (Luxembourg) S.à.r.l., Luxembourg	6,338	100	Share capital total USD 42,266,200 consisting of 1,690,648 shares with nom. USD 25 per share	6,158	10
Total	7,388			7,317	-151

2010

Name of subsidiary	Shareholders' equity	Shares %	Number of shares	Book value	Profit/loss
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. EUR 100 per share	1,032	381
White Mountains Re Bermuda Ltd, Hamilton, Bermuda	36	100	Share capital total USD 120,000 consists of 120,000 shares with nom. USD 1 per share	36	-143
Total	1,105			1,081	236

Note 15 • Shares and participations in associated companies

	Group	
	2011	2010
Carrying amount January 1	2,178	2,185
Share of associated company's profit/loss ¹⁾	81	125
Foreign exchange effect	67	-132
Reclassification of associated company ²⁾	-2,236	-
Carrying amount December 31	-	2,178

	Parent Company	
	2011	2010
Carrying amount January 1	2,058	2,058
Reclassification of associated company ²⁾	-2,058	-
Carrying amount December 31	-	2,058

Name of associated companies / 2011

	Assets	Liabilities	Shareholders' equity	Net income	Share of capital %	Number of shares
White Mountains Phoenix (Luxembourg) S.à.r.l., Luxembourg	-	-	-	-	-	-
Total	-	-	-	-	-	-

Name of associated companies / 2010

	Assets	Liabilities	Shareholders' equity	Net income	Share of capital %	Number of shares
White Mountains Phoenix (Luxembourg) S.à.r.l., Luxembourg	20,166	11,355	8,811	533	24.7	2,461,000
Total	20,166	11,335	8,811	533	24.7	2,461,000

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

²⁾ During 2011 Sirius International received and purchased the remaining shares in White Mountains Phoenix (Luxembourg) S.à.r.l. and owns 100 % per December 31, 2011. Consequently, the holding is reclassified to Shares in group companies.

Note 16 • Investments in shares and participations

	Fair value		Acquisition cost	
	2011	2010	2011	2010
Group	3,300	1,808	3,575	1,946

	Fair value		Acquisition cost	
	2011	2010	2011	2010
Parent Company	667	874	783	940

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

Note 17 • Bonds and other interest-bearing securities

Group	Fair value		Acquisition cost	
	2011	2010	2011	2010
Swedish government	2,688	4,725	2,632	4,735
Swedish mortgage institutions	156	0	152	0
Other Swedish issuers	696	102	675	98
Foreign governments	6,463	2,883	6,381	2,886
Other foreign issuers	8,816	4,357	8,640	4,292
Total	18,819	12,067	18,480	12,011
Of which listed	18,731	12,067	18,391	12,011
Difference compared to nominal value				
Total excess amount	1,111	622	753	549
Total shortfall	95	40	75	24

Parent Company	Fair value		Acquisition cost	
	2011	2010	2011	2010
Swedish government	2,687	4,725	2,632	4,735
Swedish mortgage institutions	156	0	152	0
Other Swedish issuers	696	102	675	98
Foreign governments	2,128	2,883	2,102	2,886
Other foreign issuers	3,805	4,357	3,746	4,292
Total	9,472	12,067	9,307	12,011
Of which listed	9,472	12,067	9,307	12,011
Difference compared to nominal value				
Total excess amount	503	622	323	549
Total shortfall	33	40	17	24

Note 18 • Derivatives

Derivatives	Group		Parent Company	
	2011	2010	2011	2010
Derivatives with underlying security shares	-	249	-	-
Derivatives with underlying security currency	30	24	30	24
Total	30	273	30	24

Derivatives with underlying security in currency refer to currency hedging of MUS\$ 500 against SEK. The company has entered into two internal currency hedging agreements with Sirius International Financial Services Ltd (formerly White Mountains Re Financial Services Ltd).

The first agreement implies that Sirius International per January 1, 2010 has sold MUS\$ 250 on the basis of a currency futures transaction with a duration of five years at the exchange rate 7.18. 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.

The second agreement, as per September 30, 2011, implies that Sirius International has sold another MUS\$ 250 on the basis of a currency futures transaction with a duration of two years at the exchange rate 7.00. With the help of foreign exchange options, the currency futures transactions are settled on the basis of an exchange rate cap of SEK 11.39 per USD, and an exchange rate floor of SEK 4.86 per USD.

Outside these ranges, the company takes no hedging measures. The currency hedge agreements are valued monthly.

Derivatives with underlying security in shares are exclusively Symetra warrants. These warrants have been sold during 2011 to a company within the White Mountains Group

Note 19 • Other debtors

	Group		Parent Company	
	2011	2010	2011	2010
Other debtors, group companies ¹⁾	2	-	244	201
Other debtors	187	63	49	61
Total other debtors ²⁾	189	63	293	262

¹⁾ Group companies are defined as companies within the White Mountains-group.

²⁾ The majority of the receivables have a duration less than three months.

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

Group 2011	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	-	3,300	-	3,300	3,300	3,575
Derivatives	-	30	-	30	30	12
Bonds and other interest-bearing securities	-	9,347	9,472	18,819	18,819	18,523
Accrued income	494	71	130	695	695	695
Other debtors	189	-	-	189	189	189
Total	683	12,748	9,602	23,033	23,033	22,994

Parent Company 2011	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	-	667	-	667	667	783
Derivatives	-	30	-	30	30	12
Bonds and other interest-bearing securities	-	-	9,472	9,472	9,472	9,333
Accrued income	362	-	130	492	492	492
Other debtors	293	-	-	293	293	293
Total	655	697	9,602	10,954	10,954	10,913

**Financial liabilities
Group 2011**

	Other financial liabilities	Carrying amount	Fair value
Other liabilities	814	814	814
Accrued expenses	350	350	350
Total	1,164	1,164	1,164

**Financial liabilities
Parent Company 2011**

	Other financial liabilities	Carrying amount	Fair value
Other liabilities	690	690	690
Accrued expenses	199	199	199
Total	889	889	889

Financial assets Group 2010	Loan receivables and accounts receivables	Financial assets valued	Available-for-sale financial assets	Total carrying amount	Fair value	Acquisition value
		at fair value via the income statement				
Shares and participations	-	1,808	-	1,808	1,808	1,946
Derivatives	-	273	-	273	273	266
Bonds and other interest-bearing securities	-	-	12,067	12,067	12,067	12,599
Accrued income	607	-	-	607	607	607
Other debtors	63	-	-	63	63	63
Total	670	2,081	12,067	14,818	14,818	15,481

Financial assets Parent Company 2010	Loan receivables and accounts receivables	Financial assets valued	Available-for-sale financial assets	Total carrying amount	Fair value	Acquisition value
		at fair value via the income statement				
Shares and participations	-	874	-	874	874	940
Derivatives	-	24	-	24	24	7
Bonds and other interest-bearing securities	-	-	12,067	12,067	12,067	12,599
Accrued income	606	-	-	606	606	606
Other debtors	262	-	-	262	262	262
Total	868	898	12,067	13,833	13,833	14,414

**Financial liabilities
Group 2010**

	Other financial liabilities	Carrying amount	Fair value
Other liabilities	593	593	593
Accrued expenses	193	193	193
Total	786	786	786

**Financial liabilities
Parent Company 2010**

	Other financial liabilities	Carrying amount	Fair value
Other liabilities	608	608	608
Accrued expenses	192	192	192
Total	800	800	800

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

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

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

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

Group / 2011	Level 1	Level 2	Level 3	Total
Shares and participations	1,693	614	993	3,300
Derivatives	-	-	30	30
Bonds and other interest-bearing securities	4,044	14,687	88	18,819
Total	5,737	15,301	1,111	22,149

Group / 2010	Level 1	Level 2	Level 3	Total
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
Total	7,169	6,177	802	14,148

Parent Company / 2011	Level 1	Level 2	Level 3	Total
Shares and participations	-	348	319	667
Derivatives	-	-	30	30
Bonds and other interest-bearing securities	3,228	6,244	0	9,472
Total	3,228	6,592	349	10,169

Parent Company / 2010	Level 1	Level 2	Level 3	Total
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
Total	6,234	6,178	553	12,965

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 values 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 or 3.

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).

Group / 2011	Shares and participations	Derivatives	Bonds	Total
Opening balance January 1, 2011	529	273	-	802
Total reported profit/loss:				
-reported in profit/loss for the year ¹⁾	-24	-158	-	-182
Acquired balances	985		246	1,231
Acquisition cost, purchase	-	6	-	6
Proceeds of sale, sales	-497	-87	-	-584
Transfer from Level 3	-	-	-245	-245
Transfer into Level 3	3	-	88	91
FX difference	-3	-4	-1	-8
Closing balance December 31, 2011	993	30	88	1,111
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2011 ¹⁾	-24	-158	-	-182

Parent Company / 2011	Shares and participations	Derivatives	Bonds	Total
Opening balance January 1, 2011	529	24	-	553
Total reported profit/loss:				
-reported in profit/loss for the year ¹⁾	-33	-	-	-33
Acquisition cost, purchase	-	6	-	6
Proceeds of sale, sales	-180	-	-	-180
Transfer from Level 3	-	-	-	-
Transfer into Level 3	3	-	-	3
Closing balance December 31, 2011	319	30	-	349
Profit/loss reported in profit/loss for the year for assets included in the closing balance December 31, 2011 ¹⁾	-33	-	-	-33

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

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

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

Financial instruments classified in Level 3 are to some extent funds valued at NAV-rate. In one of these holdings the board of the fund, in early 2012, informed the investors that the future cash flows may be affected negatively under certain unfavorable scenarios. Such a development would affect the value of the fund negatively. To date, enough information to evaluate the possible negative impact of the scenarios is not available. Sirius will monitor the development carefully and regularly conduct impairment tests of the holding.

Note 21 • Tangible assets

	Group	Parent Company
	Equipment	Equipment
<i>Acquisition cost</i>		
Opening balance January 1, 2010	80	79
Acquisition	24	24
Disposals	-18	-18
Closing balance December 31, 2010	86	85
<i>Depreciations</i>		
Opening balance January 1, 2010	-59	-59
Depreciation for the year	-12	-12
Disposals	17	17
Closing balance December 31, 2010	-54	-54
Opening balance January 1, 2011	-54	-54
Acquired balances	-52	-
Depreciation for the year	-13	-13
Disposals	14	7
Currency reevaluation effect	0	-
Closing balance December 31, 2011	-105	-60
Carrying amount		
January 1, 2010	21	20
December 31, 2010	32	31
January 1, 2011	32	31
December 31, 2011	47	40

Note 22 • Deferred acquisition costs

	Group		Parent Company	
	2011	2010	2011	2010
Opening balance	386	419	386	419
Acquired portfolio	118	-	-	-
Capitalization for the year	323	406	296	406
Depreciation/amortization for the year	-359	-411	-344	-411
Exchange rate gains/losses	3	-28	3	-28
Closing balance	471	386	341	386

Note 23 • Untaxed reserves

Parent Company	2011	2010
<i>Accumulated accelerated depreciation, goodwill and equipment</i>		
Opening balance January 1	40	44
Change for the year	-5	-4
Closing balance December 31	35	40
<i>Appropriation to safety reserve</i>		
Opening balance January 1	9,647	9,647
Change for the year	-	-
Closing balance December 31	9,647	9,647
Total	9,682	9,687

Note 24 • Provisions for unearned premiums and unexpired risks

Provisions for unearned premiums / Group	2011			2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	1,936	-403	1,533	2,190	-379	1,811
Acquired portfolio	395	11	406	-	-	-
Insurance policies signed during period	1,479	-289	1,190	2,072	-419	1,653
Earned premiums for the period	-1,663	254	-1,409	-2,111	327	-1,784
Currency effect	35	-12	23	-215	68	-147
Closing balance	2,182	-439	1,743	1,936	-403	1,533

Provisions for unexpired risks / Group	2011			2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	126	-93	33	140	-103	37
Current year's provisions included in profit/loss	-	-	-	-	-	-
Previous years' provisions included in profit/loss	-10	8	-2	-6	4	-2
Currency effect	2	-2	0	-8	6	-2
Closing balance	118	-87	31	126	-93	33

Provisions for unearned premiums / Parent Company	2011			2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	1,936	-403	1,533	2,190	-379	1,811
Insurance policies signed during period	1,487	-369	1,118	2,071	-419	1,652
Earned premiums for the period	-1,726	341	-1,385	-2,111	327	-1,784
Currency effect	33	-11	22	-214	68	-146
Closing balance	1,730	-442	1,288	1,936	-403	1,533

Provisions for unexpired risks / Group	2011			2010		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Opening balance	126	-93	33	140	-103	37
Current year's provisions included in profit/loss	-	-	-	-	-	-
Previous years' provisions included in profit/loss	-10	8	-2	-6	4	-2
Currency effect	2	-2	-	-8	6	-2
Closing balance	118	-87	31	126	-93	33

Note 25 • Claims outstanding

Provisions for outstanding claims	2011			2010		
	Group	Reinsurers'		Gross	Reinsurers'	
		Gross	share		Net	share
Opening balance, reported claims	4,831	-1,124	3,707	4,982	-852	4,130
Opening balance, incurred but not reported claims (IBNR)	6,251	-4,432	1,819	4,879	-3,096	1,783
Opening balance	11,082	-5,556	5,526	9,861	-3,948	5,913
Acquired portfolio	8,475	-1,049	7,426	-	-	-
Portfolio transfer WTM Re Bermuda	-	-	-	6	0	6
Cost for claims incurred during the current year	2,625	-477	2,148	3,284	-582	2,702
Change in estimated cost for claims incurred in previous years						
(close down profit/loss)	1,895	-918	977	2,739	-2,013	726
Claims handling expense	170	0	170	175	0	175
Paid/transferred to insurance liabilities or other current liabilities	4,020	-736	3,284	4,253	-937	3,316
Currency effect	413	-321	92	-380	50	-330
Closing balance	20,300	-7,585	12,715	11,082	-5,556	5,526
Closing balance, reported claims	7,882	-1,454	6,428	4,831	-1,124	3,707
Closing balance, incurred but not reported claims (IBNR)	12,418	-6,131	6,287	6,251	-4,432	1,819

Provisions for outstanding claims	2011			2010		
	Parent Company	Reinsurers'		Gross	Reinsurers'	
		Gross	share		Net	share
Opening balance, reported claims	4,831	-1,124	3,707	4,982	-852	4,130
Opening balance, incurred but not reported claims (IBNR)	6,251	-4,432	1,819	4,879	-3,096	1,783
Opening balance	11,082	-5,556	5,526	9,861	-3,948	5,913
Cost for claims incurred during the current year	2,238	-476	1,762	3,284	-582	2,702
Change in estimated cost for claims incurred in previous years						
(close down profit/loss)	1,785	-839	946	2,732	-2,013	719
Claims handling expense	159	0	159	175	0	175
Paid/transferred to insurance liabilities or other current liabilities	3,444	-650	2,794	4,240	-937	3,303
Currency effect	443	-324	119	-380	50	-330
Closing balance	11,945	-6,545	5,400	11,082	-5,556	5,526
Closing balance, reported claims	4,272	-908	3,364	4,831	-1,124	3,707
Closing balance, incurred but not reported claims (IBNR)	7,673	-5,637	2,036	6,251	-4,432	1,819

Note 26 • Equalisation provision

	Group		Parent Company	
	2011	2010	2011	2010
Opening balance	-	-	12	3
Release of provision made in prior years	-	-	-	-3
Provision for the year	-	-	49	12
Closing balance	-	-	61	12

Note 27 • Claims handling provision

	Group		Parent Company	
	2011	2010	2011	2010
Opening balance	129	122	129	122
Acquired portfolio	115	-	-	-
Release of provision made in prior years	-34	-20	-28	-20
Provision for the year	44	41	41	41
Currency effect	0	-14	0	-14
Closing balance	254	129	142	129

Note 28 • Employee benefits

Pension provisions	Group		Parent Company	
	2011	2010	2011	2010
Pension provision – defined benefit plans Sweden	-4	-2	7	9
Pension provision – other defined benefit plans	6	7	-	-
Total	2	5	7	9

Specification of provisions for employee benefits

In a defined benefit plan, the employer guarantees that the employee will receive a defined level of benefit upon retirement, 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 unrecognized actuarial gains and losses, and unrecognized 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 the actuarial net loss amount does not exceed the corridor amount, there is no surplus to amortize through the income statement during the employees' remaining period of service.

The group has defined benefit plans in Sweden (collective agreement) 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 of retirement earlier than at the age of 65. 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 the balance sheet for defined benefit plans / Group	2011	2010
Defined benefit obligations	67	59
Fair value of plan assets	-61	-53
Sub-total	6	6
Net cumulative unrecognized actuarial losses	-4	-1
Provisions for defined benefit plans	2	5

Pension cost recognized in the income statement / Group	2011	2010
Current service cost	1	11
Interest cost	2	3
Expected return on plan assets	-2	-2
Amortization of actuarial net loss	-	0
Amortization of service cost prior year	-	6
Pension cost for defined benefit plans	1	18
Paid premiums, defined contribution plans	70	44
Total pension cost ¹⁾	71	62

¹⁾ The pension cost for the year does not include special salary tax, which is disclosed in note 32 in the table "Remuneration to employees".

Changes in defined benefit obligations / Group	2011	2010
Opening balance pension obligation	59	41
Current service cost	1	11
Interest cost, pension obligation	3	3
Actuarial gains and losses, net	3	1
Release of obligation by payment	-2	-1
Service cost, prior year	-	6
Transition	3	-
Exchange differences on foreign plans	0	-1
Closing balance pension obligation	67	59

Changes in plan assets / Group	2011	2010
Opening balance plan assets at fair value	53	50
Expected return on plan assets	2	1
Actuarial gains and losses, net	-1	0
Contributions	8	5
Release of obligation by payment	-2	-1
Exchange differences on foreign plans	1	-2
Closing balance plan assets at fair value	61	53

The investment assets' fair value, as per December 31, 2011, is lower than the value of the Group's defined benefit pension commitments. This is due to the Group having a non-funded commitment, for the portion of the Group's benefit-based pension plans which facilitate retirement between 62 and 65 years of

age. Actual retirements are settled when the decision regarding retirement is made. In conjunction with such a decision, the total pension premium is paid to the company's pension administrator for the period up to 65 years of age. During the year, three individuals have exercised the opportunity to take early retirement.

Unrecognized actuarial net loss / Group	2011	2010
Opening balance actuarial net losses	1	-
Defined benefit obligations		
The period's experience effect on actuarial net gains (-)/net losses (+) on pension obligations	3	1
Amortization of actuarial net gains/losses	-	-
Plan assets		
The period's experience effect on actuarial net gains (-)/net losses (+) on plan assets	0	-
Amortization of actuarial net gains/losses	-	-
Closing balance actuarial net losses	4	1

Corridor method / Group	2012	2011	2010
Opening balance actuarial net losses	4	1	0
Corridor amount	6	5	5
Expected remaining service time (years)	14.7	14.9	15.7
Gains/losses subject to amortization	-	-	-

Actuarial assumptions, percentages / Group	2011	2010
Discount rate, January 1	5 %	5 %
Discount rate, December 31	3.7 %	5 %
Expected return on plan assets	3 %	3 %
Expected salary increases, January 1	2.9 %	3.5 %
Expected salary increases, December 31	2.9 %	3.5 %
Indexation of benefits	1.4 %	2 %
Indexation of income base amount, January 1	2.4 %	3 %
Indexation of income base amount, December 31	2.4 %	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 Sirius pension investment manager. The expected return on plan assets mirrors the expected

average yearly return on those financial instruments for the remaining duration.

Expected future annual salary increases is mirrored by composition of effects from collective agreements and salary drift.

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.

Three-year summary / Group	2011	2010	2009
Defined benefit obligations	-67	-59	-41
Fair value of plan assets	61	53	50
Total	-6	-6	9
Actuarial gains (-) losses (+) for the year			
Pension obligations	3	1	-
Plan assets	0	-	-

Note 29 • Other creditors

Creditors arising out of direct insurance	Group		Parent Company	
	2011	2010	2011	2010
Amounts due to group companies ¹⁾	595	519	609	539
Other debtors	219	74	81	69
Total other creditors ²⁾	814	593	690	608

¹⁾ Group companies are defined as companies within the White Mountains-group.

²⁾ The majority of the liabilities have a duration less than one year.

Note 30 • Contingent liabilities and commitments

	Group		Parent Company	
	2011	2010	2011	2010
Pledged assets for own liabilities and provisions				
Bonds and other interest-bearing securities	9,528	7,553	8,453	7,553
Cash and bank	223	115	170	115
Assets for which policy holders have preferential rights	9,751	7,668	8,623	7,668

On the basis of the stipulations in Chapter 7, Section 11 of the Insurance Business Act, registered assets amount to MSEK 7,029. 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.

	Group		Parent Company	
	2011	2010	2011	2010
Contingent liabilities and other commitments				
<i>Nominal amount</i>				
Guarantees on behalf of subsidiary	1,458	-	1,458	-
Future commitments for investments in private equity companies	174	60	56	60
Total	1,632	60	1,514	60

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

Group / 2011			Services	Receivables	Liabilities
	Premium income, net	Indemni- fication	purchased from associated parties	associated parties per December 31	associated parties per December 31
Sirius America Insurance – assumed reinsurance ²⁾	122	21	-	-	-
Sirius America Insurance – ceded reinsurance ²⁾	-22	19	-	-	-
Sirius America Insurance – administrative services ²⁾	-	-	2	-	-
Esurance – assumed reinsurance	- 42	44	-	-	-
WM Life Re – ceded reinsurance	-209	857	-	5,253 ¹⁾	16
Sirius Global Services – administrative services ²⁾	-	-	5	-	-
Sirius International Holding - administrative services	-	-	5	-	1
Sirius International Financial Services LLC – financial services	-	-	-1	1,021	13
Sirius Insurance Holding Sweden AB – group contributions -	-	-	-	-	374
Fund American Holdings AB – group contributions	-	-	-	-	190
White Mountains Advisors LLC – financial services	-	-	25	-	11
White Mountains Capital Inc – administrative services	-	-	-	-	1
Sirius International Insurance Group Ltd –administrative services	-	-	-5	2	-
Sirius International Group Ltd. – administrative services	-	-	-	-	3
White Mountains International S.à.r.l. – administrative services	-	-	-	-	1
OneBeacon Insurance Group Ltd. – dividends	-	-	71	-	-
Symetra Financial Services Ltd. – dividends	-	-	12	-	-
Total	-151	941	114	6,276	610

Parent Company / 2011	Premium income, net	Indemni- fication	Services purchased from associated parties	Receivables associated parties per December 31	Liabilities associated parties per December 31
Sirius America Insurance – assumed reinsurance	147	26	-	499	-
Sirius America Insurance – ceded reinsurance	-25	22	-	1	-
Sirius America Insurance – administrative services	-	-	3	-	-
Esurance – assumed reinsurance	- 42	44	-	-	-
WM Life Re – ceded reinsurance	-209	857	-	5,253 ¹⁾	16
Sirius Global Services – administrative services	-	-	7	-	2
Sirius International Holding - administrative services	-	-	5	-	1
Sirius International Financial Services LLC – financial services	-	-	-1	-	13
Sirius Insurance Holding Sweden AB – group contributions-	-	-	-	-	374
Fund American Holdings AB – group contributions	-	-	-	-	190
White Mountains Advisors LLC – financial services	-	-	19	-	5
Sirius International Holding NL (BV) – anticipated dividend	-	-	-	205	-
Syndicate 1945 – intra group receivables	-	-	-	32	-
White Mountains Re Sirius Capital Ltd. – intra group receivables	-	-	-	7	-
Sirius Rückversicherungs Service GmbH - intra group payables	-	-	-	-	22
Sirius Belgium Réassurances S.A - intra group payables	-	-	-	-	1
Total	-129	949	33	5,997	624

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

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

²⁾ Refers to reinsurance and services purchased during 9 months 2011. As of October 1, 2011, all companies within the White Mountains Phoenix (Luxembourg) S.à.r.l. Group are consolidated and the reinsurance and services are eliminated.

Note 32 • Average number of employees, salaries and other remuneration

Average number of employees / Group	2011			2010		
	Men	Women	Total	Men	Women	Total
Parent Company	132	140	272	131	136	267
Employees in Subsidiaries						
Germany	4	8	12	5	7	12
UK	1	1	2	-	-	-
USA ¹⁾	20	18	38	-	-	-
Canada ¹⁾	1	1	2	-	-	-
Total	158	168	326	136	143	279

Average number of employees / Parent Company	2011			2010		
	Men	Women	Total	Men	Women	Total
Sweden	68	70	138	63	70	133
UK	22	19	41	23	19	42
Belgium	22	23	45	24	20	44
Switzerland	4	5	9	4	5	9
Singapore	5	10	15	5	10	15
Denmark	4	2	6	4	1	5
Bermuda	7	11	18	8	11	19
Total	132	140	272	131	136	267

Senior management / Group and Parent Company	2011			2010		
	Men	Women	Total	Men	Women	Total
Board and CEO	4	-	4	3	1	4
Other senior members of management	2	-	2	3	-	3
Total	6	-	6	6	1	7

¹⁾ Average number of employees in USA and Canada for 2011 only refers to the period October 1 – December 31, 2011.

Remuneration to employees	Group		Parent Company	
	2011	2010	2011	2010
Salaries including bonuses	299	273	248	261
Of which expenses bonus and other similar remunerations	52	80	44	77
Pension expenses	71	62	68	56
• Defined contribution plans	70	43	69	43
• Defined benefit plans (Note 28)	1	19	-1	13
Social security contributions, special employer's contributions on pensions	78	76	76	76
Total	448	411	392	393
Of which paid remuneration for the year to:				
CEO				
Salaries including bonuses	12	12	12	12
Of which paid out bonuses	8	8	8	8
Pension expenses	3	3	3	3
• Defined contribution plans	3	3	3	3
• Defined benefit plans	-	-	-	-
Total	15	15	15	15
Board and other senior members of management				
Salaries including bonuses	11	12	11	12
Of which expenses bonus and other similar remunerations	6	7	6	7
Pension expenses	2	3	2	3
• Defined contribution plans	2	3	2	3
• Defined benefit plans	-	-	-	-
Total	13	15	13	15

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 2010 and 2011.

Remuneration policy

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

Note 33 • Fees and reimbursements to auditors

PriceWaterhouseCoopers (PWC)	Group		Parent Company	
	2011	2010	2011	2010
Audit services	7	4	4	4
Tax counseling	1	1	1	1
Total	8	5	5	5

Audit assignment refers to the examination of the annual report and accounting records, as well as the administration of the Board of Directors and CEO, other duties which are the responsibility of the Company's auditors to execute and the provision of advisory services or other assistance resulting from observations made during such an examination or the implementation of such other duties. Other services than those included in the audit agreement are classified as audit services in addition to audit agreement, tax counseling and other services.

Note 34 • Operational leasing

Non-cancellable leases	Group		Parent Company	
	2011	2010	2011	2010
Due for payment within one year	56	32	31	31
Due for payment later than one year but within five years	146	40	101	35
Due for payment after five years	25	7	5	7
Total	227	79	137	73

Note 35 • Class analysis**Profit/loss per insurance class****Group / 2011**

	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Credit insurance	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	651	75	83	0	91	900	5,055	5,955
Premium earned, gross	599	58	87	0	86	830	5,319	6,149
Incurring claims, gross	-337	-38	-98	-2	-40	-515	-4,005	-4,520
Operating expenses, gross	-272	-29	-40	0	-33	-374	-1,385	-1,759
Result, ceded reinsurance	-5	4	0	0	0	-1	129	128
Technical result	-15	-5	-51	-2	13	-60	58	-2

Parent Company / 2011

	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Credit insurance	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	635	75	83	0	82	876	4,471	5,347
Premium earned, gross	596	58	87	0	83	824	4,772	5,596
Incurring claims, gross	-335	-38	-97	-3	-39	-512	-3,511	-4,023
Operating expenses, gross	-264	-30	-40	0	-29	-363	-1,173	-1,536
Result, ceded reinsurance	-4	4	0	0	0	0	53	53
Equalization provision	0	0	0	0	0	0	-49	-49
Technical result	-7	-6	-50	-3	15	-51	92	41

Parent Company / 2010

	Personal accident and health	Marine, aviation and transport	Fire and other property damage	Credit insurance	Miscellaneous	Total direct insurance	Assumed reinsurance	Total
Premium income, gross	637	57	89	0	96	879	6,516	7,395
Premium earned, gross	630	55	79	0	86	850	6,591	7,441
Incurring 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
Equalization provision	0	0	0	0	3	3	-12	-9
Technical result	-1	9	7	-2	26	39	586	625

The class analysis is substantially the same for the Group and Parent Company for 2010.

Stockholm, March 6, 2012

Allan Waters
Chairman of the Board of Directors

Brian Kensil

Lars Ek

Göran Thorstensson
President & CEO

Our Auditors' Report was submitted on March 6, 2012

Anna Hesselman
Authorized Public Accountant

Morgan Sandström
Authorized Public Accountant

Audit Report

To the annual meeting of the shareholders of Sirius International Insurance Corporation (publ) corporate identity number 516401-8136

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Sirius International Insurance Corporation (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts

and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the

Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Sirius International Insurance Corporation (publ) for the year 2011.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and the Insurance Business Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act and the Insurance Business Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 6 March, 2012

Anna Hesselman
Authorized Public Accountant

Morgan Sandström
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.

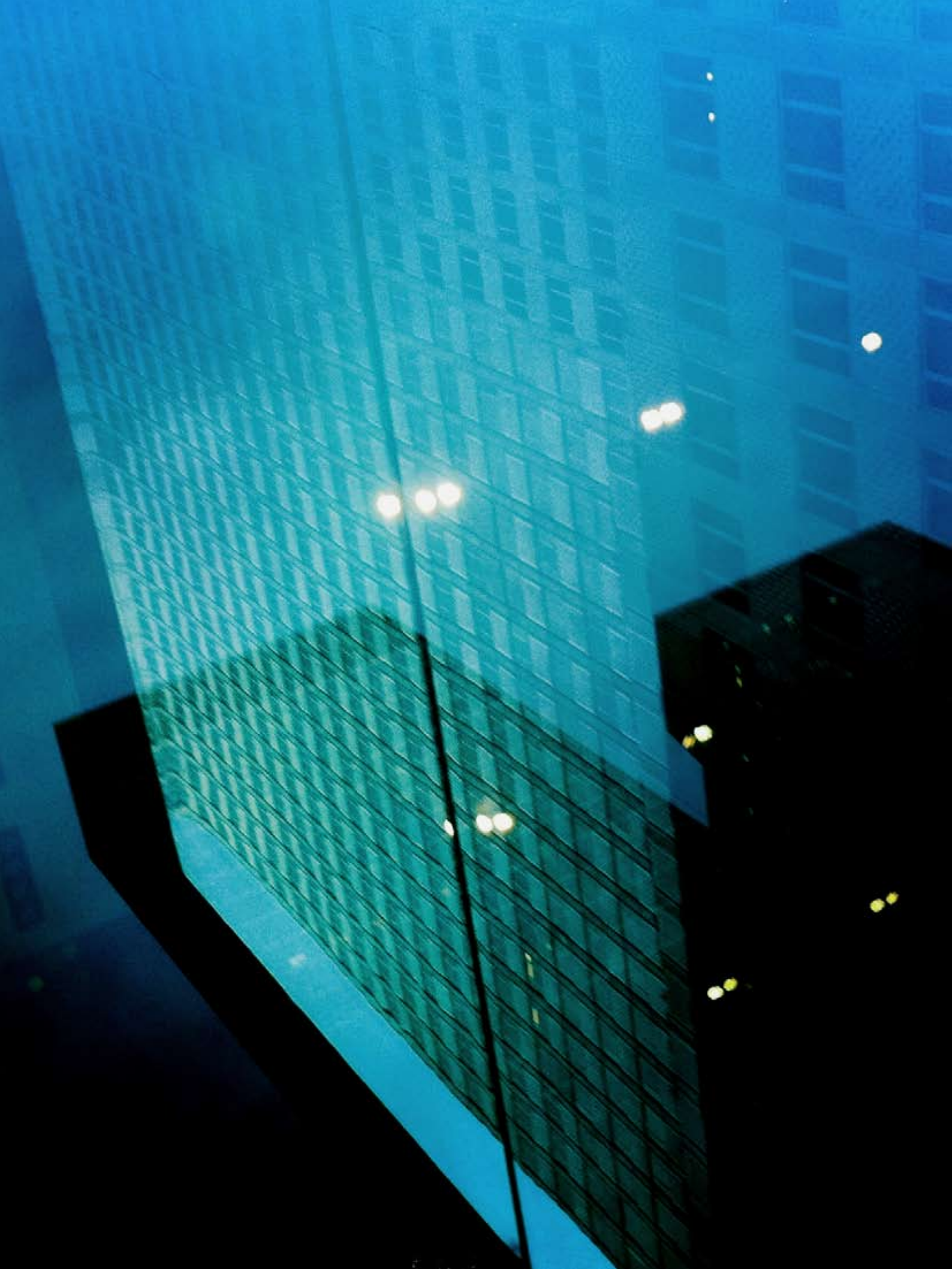
Solvency Capital

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 2011. 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.

In 2011 on July 1 the wholly owned Syndicate 1945 started to underwrite. In the autumn Sirius America (former White Mountains Re America) became part of the Sirius Group.

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 86% and cumulative underwriting profits in excess of \$500 million. This long-term track record is perhaps unparalleled.

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