



NEWS RELEASE

A.M. BEST EUROPE – RATING SERVICES LIMITED, LONDON

FOR IMMEDIATE RELEASE

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A.M. Best Affirms Ratings of Sirius International Insurance Corporation (publ)

LONDON, 7 October 2011—A.M. Best Europe – Rating Services Limited has affirmed the financial strength rating (FSR) of A (Excellent) and the issuer credit rating (ICR) of “a” of **Sirius International Insurance Corporation (publ)** (Sirius) (Stockholm, Sweden). The outlook for both ratings is stable.

Despite large catastrophe losses in 2010 and during the first half of 2011, Sirius is expected to maintain an excellent stand-alone risk-adjusted capitalisation in 2011. Sirius’ claims paying ability continues to be enhanced by a safety reserve, which in accordance with Swedish insurance regulations, can only be released to cover insurance losses and is funded from the company’s cumulative retained pre-tax earnings. Sirius’ safety reserve at year-end 2010 amounted to SEK 9.6 billion.

In 2010, Sirius reported a reduced, but nevertheless good, pre-tax profit of SEK 1.1 billion (2009: SEK 1.6 billion). Technical performance was impacted by a number of natural and man-made catastrophes during 2010, such as the Chilean earthquake, Xynthia and the Deepwater Horizon disaster. For the first six months of 2011, the company’s underwriting results deteriorated due to large losses resulting from the Japanese earthquake and tsunami and the New Zealand earthquake (current net losses of USD 87 million and USD 40 million, respectively). The company anticipates underwriting results will breakeven at year-end 2011, and overall results are likely to be supported by stable investment returns.

In September 2011, **White Mountains Insurance Group Ltd.** (Sirius’ ultimate parent) announced the

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reorganisation of the reinsurance arm of its business. Regulatory approvals have been received and all reinsurance operating entities will be consolidated under Sirius. Sirius will be the lead operating entity of the newly formed reinsurance group, **Sirius International Group, Ltd.** with **Sirius America Insurance Company** (Sirius America) (formerly White Mountains Reinsurance Company of America), as a wholly owned subsidiary. The reorganisation is expected to improve capital and tax efficiency across the group, as well as enhance the diversification of Sirius’ overall portfolio. Sirius’ regulatory capital is expected to increase as a result of the reorganisation.

Sirius maintains a good business profile in the reinsurance market, writing business through an international network of branch offices. On a stand-alone basis (excluding the impact of the reorganisation), A.M. Best expects Sirius’ gross written premiums to decrease by approximately 25% in 2011. This is primarily due to the cancellation of quota share treaties with Sirius America and **Esurance Insurance Company** (a subsidiary of White Mountains Insurance Group Ltd.) following the sale of the company to **Allstate Corporation** at 1 January, 2011. Sirius continues to focus on shorter tail lines, with property reinsurance currently generating approximately 50% of net written premiums.

As a result of the previously mentioned reorganisation, Sirius America is now a wholly owned subsidiary of Sirius, and as such, has the same FSR of A (Excellent) and ICR of “a” as its parent.

The principal methodology used in determining these ratings is [Best’s Credit Rating Methodology -- Global Life and Non-Life Insurance Edition](#), which provides a comprehensive explanation of A.M. Best’s rating process and highlights the different rating criteria employed. Additional key criteria utilised include: “Risk Management and the Rating Process for Insurance Companies”; “Assessing Country Risk”, “Natural Catastrophe Stress Methodology”, “Understanding Universal BCAR”; and “Rating Members of Groups”. Methodologies can be found at www.ambest.com/ratings/methodology.

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[A.M. Best Europe - Rating Services Limited Supplementary Disclosure.](#)

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