

### Summary:

## Sirius International Insurance Corp.

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# Sirius International Insurance Corp.

### Local Currency

**Credit Rating:** A-/Stable/--

## Rationale

The ratings on Stockholm-based reinsurer Sirius International Insurance Corp. (Sirius) reflect its core status as a member of the Bermuda-based White Mountains Re Group Ltd. (WMRe, core operating entities rated A-/Stable/--). As a core entity of WMRe, the ratings and outlook on Sirius would be affected by any change in the ratings or outlook on WMRe. Standard & Poor's Ratings Services considers the company's operations as a significant strength for the ratings on WMRe.

On a stand-alone basis, the key rating factors include Sirius' very strong capitalization, historically strong operating performance, and its improved competitive position as a member of the Bermuda-based White Mountains Insurance Group Ltd. (WTM; BBB/Stable/--). Partly offsetting these factors are the continuing increase in the company's overall risk appetite and the risk of potential increase in volatility of underwriting results.

We consider Sirius to be core to WMRe, reflecting the breadth of the company's financial and operational integration within the group and ultimately within WTM, as illustrated by the demonstrable fungibility of risk within the group. As a member of WTM and WMRe, the company benefits from intragroup business accounting for about 35% in 2009. This adds further diversification to premium income (both by geography and lines of business) and earnings. Furthermore, during September 2009 the group reorganized White Mountains Re Bermuda Ltd. (WMRe Bermuda) into a branch office of Sirius. In our opinion this will further strengthen Sirius' competitive position in the medium term. We forecast that the gross premium income is likely to increase by about 15% to Swedish krone (SEK) 7.7 billion at year-end 2009 compared with the 2008 level largely reflecting the growth in its intragroup, property, accident, and health accounts.

Sirius' capitalization is very strong, underpinned by its very strong risk-based capital adequacy according to Standard & Poor's proprietary model. We forecast that the company's capitalization is likely to remain very strong despite the increase in catastrophe related exposures stemming from the recent integration of the Bermudian branch. This is partly due to the increase in capital by \$100 million in 2009 and we anticipate a further \$100 million during January 2010, providing an additional cushion for large event losses.

Sirius' historical operating performance is strong; the company has outperformed its European peers over an extended period. For the period ended Sept. 30, 2009, Sirius posted a strong combined ratio of 89%, partly reflecting the favorable claims environment. This, coupled with the recovery of investments led to a post tax profit of SEK741 million (SEK354 million at September 2008). Assuming a normal loss experience for the remainder of 2009 we forecast that the company is likely to post a net combined ratio of about 90% leading to a pretax profit of about SEK1 billion.

As a member of WMRe, Sirius' risk appetite has increased more than Standard & Poor's had expected, although not yet to an extent that would threaten the company's very strong capitalization. This is evident by the

above-mentioned increases in property catastrophe related exposures. Consequently, we believe that the potential volatility in the company's financial profile has increased and this to some extent acts as a drag on the ratings.

## Outlook

The stable outlook on Sirius reflects the stable outlook on core entities of WMRe. As a core subsidiary of WMRe, the ratings on the company will move in tandem with those on the parent.

Subject to normal loss experience, we expect Sirius' net combined ratio to remain in line with the historical trends, below 95%, over the rating horizon. We forecast that Sirius is likely to maintain its very strong capitalization.

Sirius is viewed as a rating strength to the group and we expect this to continue over the rating horizon. Negative rating action would be driven by a sustained downturn in operating performance or competitive position or a significant deterioration in risk-based capital adequacy.

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