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**Summary:**  
**Sirius International Insurance Corp.**

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## Summary:

# 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; BBB-/Stable/--). Consequently, the ratings on Sirius are equalized at the level of those on its affiliate--Folksamerica Reinsurance Co. (A-/Stable/--). On a stand-alone basis the key rating factors include Sirius' very strong capitalization, strong operating performance, and its improved competitive position as a member of the Bermuda-based White Mountains Insurance Group Ltd. (WTM; BBB-/Stable/--). The ratings are constrained, however, by the increase in Sirius' risk appetite as a member of White Mountains Re.

Standard & Poor's Ratings Services considers Sirius to be core to WMRe reflecting the breadth of Sirius' financial and operational integration within WMRe and ultimately within WTM, as illustrated by the demonstrable fungibility of risk within the group. As a member of WTM, Sirius benefits from intragroup business, which adds further diversification to premium income (both by geography and lines of business) and earnings. In addition, Sirius benefits from groupwide initiatives such as dynamic financial analysis for capital allocation purposes.

Sirius' capitalization is very strong, underpinned by its very strong risk-based capital adequacy measured using Standard & Poor's proprietary model. The capital position of the company is expected to remain very strong partly reflecting the capital protection afforded by the regulatory environment in Sweden.

Sirius' operating performance is strong as evidenced by the company's outperformance of its European peers over an extended period. Standard & Poor's expects Sirius to post a combined ratio below 95% in 2007 and 2008 (84.1% in 2006) reflecting the company's focus on cycle management. The group reported a strong combined ratio of 90% (84% in 2006) for the first half of 2007. At year-end 2006, Sirius' profit before appropriation and taxes increased by 65%, from the 2005 level, to Swedish krona 1.1 billion. This was mainly due to both the low combined ratio and the significant increase (43% from the 2005 level) in gross premium income.

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 group's very strong capitalization. This was most evident in Sirius' decision to cease purchasing nonproportional retrocession for its peak exposures in 2004, albeit this stance has been substantially reversed. Nevertheless, residual uncertainty about the extent to which WMRe might seek to gear up Sirius further acts as a drag on the ratings.

## Outlook

The stable outlook on the ratings of Sirius and its affiliate, Folksamerica, reflects Standard & Poor's expectation that WMRe's competitive position will remain strong, it will continue to manage its gross aggregate, property catastrophe exposures prudently, and that earnings will remain strong throughout the next underwriting cycle. In

addition, capital adequacy is expected to remain very strong. Failure to meet one, or more, of these expectations within the next 12 months to 24 months could cause its outlook to be revised to negative.

However, if WMRe demonstrates strong earnings momentum throughout the next cycle owing to improvements to its strategic risk management process while maintaining a very strong capital base, the outlook could potentially be revised to positive.

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