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A.M. Best Revises Outlook to Stable from Negative for Sirius International Insurance Corporation (publ); Affirms Ratings

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LONDON September 29 (BestWire) — A.M. Best Europe – Rating Services Limited has revised the outlook to stable from negative and affirmed the financial strength rating (FSR) of A (Excellent) and the issuer credit rating (ICR) of “a” of Sirius International Insurance Corporation (publ) (Sirius) (Sweden).

The revised outlook reflects Sirius’ improved risk-adjusted capitalisation and consistent operating performance after absorbing the property catastrophe business from its affiliate, White Mountains Re Bermuda, Ltd. (WMRe Bermuda) in 2009.

A.M. Best anticipates that improvement in Sirius’ risk-adjusted capitalisation in 2009 will be maintained, effectively absorbing additional volatility arising from the transfer of US property catastrophe business previously written by WMRe Bermuda. The improvement in risk-adjusted capitalisation in 2009 resulted from Sirius’ solid operating performance and prudent earnings retention policy. 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 2009 amounted to SEK 9.6 billion, up SEK 510 million compared to the previous year.

A.M. Best expects a deterioration in Sirius’ technical ratios in 2010 as a consequence of natural and man-made catastrophe losses (Chile earthquake, windstorm Xynthia, Deepwater Horizon oil rig) but expects the company’s combined ratio for the year to remain below 100% (85.9% in 2009). Further ahead, Sirius is expected to continue its strong underwriting performance reflected in a five-year combined ratio of 88% for 2005-2009. Results are also likely to continue to be supported by stable investment returns.

Sirius maintains a good business profile in the reinsurance market, writing business through an international network of branch offices. In 2010, A.M. Best expects Sirius’ gross written premiums to decrease approximately 10% from SEK 8.6 billion in 2009, largely as a result of a planned reduction of intra-group business, which now accounts for around 30% of the company’s total premium income (45% in 2009). Sirius continues to focus on shorter tail lines, with property reinsurance currently generating nearly 40% of gross written premiums.

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”; “Understanding Universal BCAR”; “Natural Catastrophe Stress Test Methodology”; and “Assessing Country Risk”. Methodologies can be found at <http://www.ambest.com/ratings/methodology>.

In accordance with Regulation (EC) No. 1060/2009, the following is a link to required disclosures: <http://www.ambest.co.uk/AMBERSDisclosure.pdf>

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