SIRIUS INTERNATIONAL GROUP, LTD.

(a company organised and existing under the laws of Bermuda)

SEK 2,750,000,000
Floating Rate Callable Subordinated Notes Due 2047
Issue price: 100 percent

Sirius International Group, Ltd. (the "**Issuer**") is hereby issuing SEK 2,750,000,000 aggregate principal amount of Floating Rate Callable Subordinated Notes (the "**Subordinated Notes**"). The Subordinated Notes offered hereby are scheduled to mature on 22 September 2047. The maturity of the Subordinated Notes shall be deferred in certain circumstances, as described in "*Description of the Floating Rate Subordinated Notes — Redemption; Conditions to Redemption — Final Redemption*".

The Subordinated Notes will bear interest on their principal amount at a floating rate equal to the Applicable STIBOR Rate for the relevant Interest Period, plus the applicable Margin, as described under "*Description of the Floating Rate Subordinated Notes — Maturity and Interest*". Interest on the Subordinated Notes will be payable quarterly in arrears on 22 March, 22 June, 22 September and 22 December in each year commencing on 22 December 2017.

Subject to certain conditions, the Issuer may optionally defer interest payments on the Subordinated Notes at any time and is required to defer interest payments in certain circumstances, as described in "*Description of the Floating Rate Subordinated Notes – Deferral of Interest Payments; Arrears of Interest*". Any interest which is deferred will bear no interest.

The Issuer may redeem some or all of the Subordinated Notes prior to their scheduled maturity date, subject to the satisfaction of the applicable conditions and at the redemption prices described further under "*Description of the Floating Rate Subordinated Notes — Redemption; Conditions to Redemption*".

The Subordinated Notes will be unsecured and subordinated and will rank in right of payment junior to all of the Issuer's Senior Creditors, which includes any creditors of the Issuer who are unsubordinated and preferred claimants of the Regulatory Group (including all Policyholder Claims), and *pari passu* with all of the Issuer's future debt that by its terms ranks equally in right of payment with the Subordinated Notes upon the winding-up of the Issuer. See "*Description of the Floating Rate Subordinated Notes — Subordination — Additional Subordination under Applicable Supervisory Regulations*".

An investment in the Subordinated Notes involves certain risks. For a discussion of certain of these risks, see "*Risk Factors*" on pages 9 to 32.

The Subordinated Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and are subject to United States tax law requirements. The Subordinated Notes are being offered outside the United States by the Joint Lead Managers (as defined in "*Subscription and Sale*") in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

This prospectus (the "**Prospectus**") comprises a Prospectus for the purpose of Directive 2003/71/EC as subsequently amended (which includes, for the purposes of this Prospectus only, the amendments made by Directive 2010/73/EU to the extent implemented by a relevant Member State of the European Economic Area) (the "**Prospectus Directive**"). The Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under the Prospectus Directive. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange"**) for the Subordinated Notes to be admitted to the Official List (the "**Official List**") and to trading on the main securities market of the Irish Stock Exchange ("**Main Securities Market**"). References in this Prospectus to Subordinated Notes being listed (and all related references) shall mean that such Subordinated Notes have been admitted to the Official List and to trading on the Main Securities Market.

The Joint Lead Managers expect to deliver securities entitlements with respect to the Subordinated Notes to investors in book-entry form only through a common depositary of Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream**"), on or about 22 September 2017 (the "**Issue Date**").

Sole Structuring Advisor and Joint Bookrunner	**Joint Lead Manager**	**Joint Lead Manager**
HSBC	**Nordea**	**DNB Markets**

Co-Managers

The date of this Prospectus is 22 September 2017

CERTAIN TERMS USED IN THIS PROSPECTUS

Unless otherwise indicated or the context otherwise requires, the following terms used in this Prospectus will have the meanings below:

- the term "**Issuer**" refers to Sirius International Group, Ltd., a company organised and existing under the laws of Bermuda, on a stand-alone basis;

- the terms "**we**", "**our**", "**us**" and the "**Sirius Group**" refer to Sirius International Group, Ltd., together with its consolidated subsidiaries;

- the term "**Sirius, Ltd.**" refers to Sirius International Insurance Group, Ltd., our parent holding company;

- the term "**Regulatory Group**" refers to all subsidiaries of the Issuer from time to time that are regulated insurance or reinsurance companies (or part of such regulatory group) pursuant to the Applicable Supervisory Regulations, and such other entities (including, if applicable, the Issuer and any direct or indirect parent company of the Issuer) that may be construed as part of such regulatory group by the Applicable Supervisor under the Applicable Supervisory Regulations, taken as a whole (and, for the avoidance of doubt, shall be construed as including the Issuer and Sirius, Ltd. as of the date of this Prospectus);

- the term "**Applicable Supervisor**" refers to the BMA or, should the BMA no longer have primary supervisory authority with respect to prudential matters in relation to the Regulatory Group, the regulatory authority that has such primary supervisory authority;

- the term "**BMA**" refers to the Bermuda Monetary Authority (or any successor regulatory authority);

- the term "**Sirius Bermuda**" refers to Sirius Bermuda Insurance Company Ltd., our wholly owned Class-4 licensed Bermuda reinsurance company;

- the term "**Sirius International**" refers to Sirius International Insurance Corporation, our wholly owned insurance and reinsurance company subsidiary domiciled in Sweden with its home office in Stockholm, Sweden; and branch offices or subsidiaries in London, United Kingdom; Zurich, Switzerland; Singapore; Labuan, Malaysia; Liege, Belgium; Hamburg, Germany; and Hamilton, Bermuda;

- the term "**Sirius America**" refers to Sirius America Insurance Company, our wholly owned insurance and reinsurance company subsidiary domiciled in the state of New York with offices in New York, New York; Norwalk, Connecticut; Miami, Florida; and Toronto, Ontario;

- the term "**Syndicate 1945**" refers to Lloyd's Syndicate 1945, the Lloyd's of London ("**Lloyd's**") syndicate that we sponsor and that is managed through Sirius International Managing Agent;

- the term "**Sirius Global Solutions**" refers to Sirius Global Solutions, Inc., our wholly owned subsidiary that specialises in the acquisition and management of runoff insurance and reinsurance companies both in the United States and internationally;

- the term "**Armada**" refers to ArmadaCorp Capital, LLC, the Issuer's wholly owned subsidiary that is a leading provider of supplemental healthcare insurance products and administration services in the United States, which was acquired by the Issuer on 3 April 2017;

- the term "**IMG**" refers to International Medical Group Inc., Sirius, Ltd.'s wholly owned subsidiary which is a leading provider of global medical insurance products and assistance services, which Sirius, Ltd. acquired on 26 May 2017;

- the term "**CMIG International**" refers to CM International Holding Pte. Ltd., the Singapore-based investment arm of China Minsheng Investment Group Corp., Ltd. ("**CMIG**"), that acquired Sirius, Ltd. and its subsidiaries, including the Issuer, in April 2016 through its Bermuda holding company CM Bermuda Ltd. ("**CM Bermuda**"); and

- references to "**EUR**", "**euro**" and ***"€***" are to the currency of the eurozone, references to "**GBP**" and "**£**" are to the currency of Great Britain, references to "**SEK**" and "**krona**" are to the currency of Sweden, and references to "**USD**", "**dollar**" and "**$**" are to United States currency, and the terms "**United States**" and "**U.S.**" mean the United States of America, its states, territories, possessions and all areas subject to its jurisdiction.

Unless otherwise indicated, the financial information contained in this Prospectus is presented in accordance with accounting principles generally accepted in the United States ("**GAAP**").

IMPORTANT NOTICES

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive and, for the purposes of this Prospectus only, as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**").

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

The Issuer, having made all reasonable enquiries, confirms that this Prospectus contains all material information with respect to the Issuer and the Subordinated Notes (including all information which, according to the particular nature of the Issuer and of the Subordinated Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Subordinated Notes), that the information contained or incorporated in this Prospectus is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Prospectus are honestly held and that there are no other facts the omission of which would make this Prospectus or any of such information or the expression of any such opinions or intentions misleading. The Issuer accepts responsibility accordingly.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Subordinated Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers. Neither the delivery of this document nor the offering, sale or delivery of any Subordinated Note made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the affairs of the Sirius Group and the Regulatory Group since the date hereof. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, The Bank of New York Mellon, as indenture trustee for the Subordinated Notes (in such capacity, the "**Indenture Trustee**"), or the Joint Lead Managers to subscribe for, or purchase, any of the Subordinated Notes. This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

The Joint Lead Managers and the Indenture Trustee have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or duty (whether fiduciary, in tort or otherwise) or liability is accepted by the Joint Lead Managers, the Indenture Trustee or any of them as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer in connection with the Subordinated Notes or their distribution.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Joint Lead Managers or the Indenture Trustee that any recipient of this Prospectus should purchase any of the Subordinated Notes. Each investor contemplating purchasing Subordinated Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

The distribution of this Prospectus and the offering, sale and delivery of Subordinated Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Subordinated Notes and on distribution of this Prospectus and other offering material relating to the Subordinated Notes, see "*Subscription and Sale*".

In particular, the Subordinated Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Subordinated Notes may not be offered, sold or delivered within the United States or to U.S. persons.

No offer of Subordinated Notes will be made to the public in Bermuda. The Minister of Finance, the BMA and any other relevant Bermuda authority or government body accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed herein.

The Prospectus, as approved by the Central Bank, will be filed with the Irish Companies Registration Office in accordance with the Prospectus Regulations.

The Subordinated Notes are expected to be rated BB+ by Standard & Poor's Credit Market Services Europe Limited ("**S&P EU**") and BB+ by Fitch Ratings, Inc. ("**Fitch**"). S&P EU is established in the European Economic Area ("**EEA**") and registered under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**"). S&P EU appears on the latest update of the list of registered credit rating agencies (as of 30 June 2017) on the ESMA website http://www.esma.europa.eu. Fitch is not established in the EEA and has not applied for registration under the CRA Regulation. However, Fitch Ratings Limited, which is an affiliate of Fitch, is established in the EEA and registered under the CRA Regulation and has endorsed the credit ratings of Fitch used in third countries, including the United States and Canada, for use in the EEA by relevant market participants. In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration process is pending. Such general restriction will also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA rating agency is certified in accordance with the CRA Regulation (and such endorsement or certification, as the case may be, has not been withdrawn or suspended. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Copies of this Prospectus are available, free of charge, at the Issuer's principal executive office at: 14 Wesley Street, Hamilton HM 11, Bermuda. The Issuer's registered office is at: Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The telephone number of the Issuer is: +1 441 278 3100.

FORWARD-LOOKING STATEMENTS

This Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “will”, “would” or similar words. These statements are based on the Issuer’s current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer’s strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward-looking statements. These factors include those set forth in the section of this Prospectus captioned “*Risk Factors*” beginning on page 9. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements.

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE SUBORDINATED NOTES, HSBC BANK PLC AS STABILISING MANAGER (THE “STABILISING MANAGER”) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER) MAY OVER-ALLOT SUBORDINATED NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE SUBORDINATED NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE SUBORDINATED NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE SUBORDINATED NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE SUBORDINATED NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

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RISK FACTORS

Any investment in the Subordinated Notes is subject to a number of risks. Prior to investing in the Subordinated Notes, prospective investors should carefully consider risk factors associated with any investment in the Subordinated Notes, the business of the Issuer and the industry in which it operates together with all other information contained in this Prospectus, including, in particular, the risk factors described below. Words and expressions defined in the "Description of the Floating Rate Subordinated Notes" or elsewhere in this Prospectus have the same meanings in this section.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Subordinated Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the Subordinated Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Subordinated Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

Risks Related to the Sirius Group

The Sirius Group is exposed to unpredictable catastrophic events that could adversely affect its results of operations and financial condition.

The Sirius Group writes reinsurance contracts and insurance policies that cover unpredictable catastrophic events. Covered unpredictable catastrophic events include natural and other disasters, such as hurricanes, windstorms, earthquakes, floods, wildfires and severe winter weather. Catastrophes can also include terrorist attacks, explosions and infrastructure failures. The Sirius Group has significant exposure to a major earthquake or series of earthquakes in California, the Midwestern United States, Japan, and Latin America and to windstorm damage in Northern Europe, the Northeast United States, the United States Atlantic Coast (i.e., Massachusetts to Florida) and the United States Gulf Coast (i.e., Florida to Texas) regions. In addition, the Sirius Group is exposed to losses from terrorist attacks, such as the attacks on the United States on 11 September 2001. Similar exposures to losses caused by the same types of catastrophic events occur in other lines of business such as marine, aviation, trade credit and accident and health, including pandemic risk. Pandemic risk is the increase in mortality or morbidity over an annual period associated with a rapidly spreading virus (either within a highly populated geographic area or on a global basis) with a high mortality or morbidity rate. The Sirius Group's catastrophe losses were \$9 million for the six months ended 30 June 2017 and \$109 million for the year ended 31 December 2016.

The extent of catastrophe losses is a function of both the severity of the event and total amount of insured exposure affected by the event. Increases in the value and concentration of insured property or insured employees, the effects of inflation, changes in weather patterns, such as climate change, and increased terrorism could increase the future frequency and/or severity of claims from catastrophic events. Claims from catastrophic events could materially adversely affect the Sirius Group's results of operations and financial condition. The Sirius Group's ability to write new reinsurance contracts and insurance policies could also be impacted as a result of corresponding reductions in the Sirius Group's capital levels.

Although the Sirius Group attempts to manage its exposure to such events through a multitude of approaches, including geographic diversification, geographic limits, individual policy limits, exclusions or limitations from coverage, purchase of reinsurance and expansion of supportive collateralised capacity, the availability of these management tools may be dependent on market factors and, to the extent available, may not respond in the way that is expected. For instance, the Sirius Group seeks to manage its exposure to catastrophe losses by limiting the aggregate insured value of policies in geographic areas with exposure to catastrophic events by estimating a probable maximum loss ("**PML**") for many different catastrophe scenarios and by buying reinsurance, including retrocession coverage. To manage and analyse aggregate insured values and PML, the Sirius Group uses a variety of tools, including external and internal catastrophe modelling software packages. Estimates of PMLs are dependent on many variables, including assumptions about demand surge and storm surge, loss adjustment expenses, insurance-to-value for the underlying properties, the relationship of the actual event parameters to the modelled event and the quality of portfolio data provided to the Sirius Group by ceding companies (in the case of the Sirius Group's reinsurance operations). Accordingly, if these assumptions about the variables are incorrect, the losses the Sirius Group might incur from an actual catastrophe could be materially higher than its expectation of losses generated from modelled catastrophe scenarios which could materially adversely affect the Sirius Group's financial condition, liquidity or results of operations.

See "*Description of the Issuer, the Sirius Group and the Regulatory Group — Recent Updates — 2017 Atlantic Hurricane Season*" for a description of Sirius Group's potential exposure to Hurricane Harvey and Hurricane Irma, which made landfall in the United States on 25 August 2017 and 7 September 2017, respectively. It is too early as of the date hereof for the Sirius Group to quantify, with a sufficient degree of reliability, the ultimate net loss that it will incur as a result of these hurricanes. Sirius Group's exposure to Hurricane Harvey and Hurricane Irma is also subject to a high level of uncertainty arising out of complex and unique causation and coverage issues associated with the attribution of losses to wind or flood damage or other perils such as fire or business interruption.

An unexpected accumulation of attritional losses may adversely affect the Sirius Group's operating results.

In addition to the Sirius Group's exposures to natural catastrophe and other large losses as discussed above, the Sirius Group's operating results may be adversely affected by unexpectedly large accumulations of smaller losses. The Sirius Group seeks to manage this risk by using appropriate underwriting processes to guide the pricing, terms and acceptance of risks. These processes, which may include pricing models, are intended to ensure that premiums received are sufficient to cover the expected levels of attritional losses and a contribution to the cost of natural catastrophes and large losses where necessary. However, it is possible that these underwriting approaches and/or pricing models may not work as intended and that actual losses from a class of risks may be greater than expected. The Sirius Group's pricing models are also subject to the same limitations as the models used to assess exposures to natural catastrophe losses noted above. Accordingly, these factors could adversely impact the Sirius Group's financial condition and/or operating results.

The property and casualty insurance and reinsurance industries are highly competitive and cyclical and the Sirius Group may not be able to compete effectively in the future.

The property and casualty insurance and reinsurance industries are highly competitive and have historically been cyclical, experiencing periods of severe price competition and less selective underwriting standards ("**soft markets**") followed by periods of relatively high prices and more selective underwriting standards ("**hard markets**"). The Sirius Group competes with numerous reinsurance companies throughout the world and Syndicate 1945 also competes with other Lloyd's syndicates and London market companies. Many of these competitors have greater financial, marketing and management resources available to them, including greater revenue and shareholders' equity, have established long-term and continuing business relationships throughout the insurance and reinsurance industries and may have higher financial strength ratings, which can be a significant competitive advantage for them.

Soft primary insurance market conditions could lead to a significant reduction in reinsurance premium rates, less favourable contract terms and fewer submissions for the Sirius Group's reinsurance underwriting capacity. The supply of reinsurance is also related to the level of reinsured losses and the level of industry capital which, in turn, may fluctuate in response to changes in rates of return earned in the reinsurance industry. As a result, the reinsurance business historically has been a cyclical industry characterised by periods of intense price competition due to excess underwriting capacity as well as periods when shortages of capacity permitted improvements in reinsurance rate levels and terms and conditions.

In recent years, the persistent low interest rate environment and ease of entry into the reinsurance sector has led to increased competition from non-traditional sources of capital, such as insurance-linked funds or collateralised special purpose insurers, predominately in the property catastrophe excess reinsurance market. This alternative capital provides collateralised property catastrophe protection in the form of catastrophe bonds, industry loss warranties and other risk-linked products that facilitate the ability of non-reinsurance entities, such as hedge funds and pension funds, to compete for property catastrophe excess reinsurance business outside of the traditional treaty market. This alternative capacity is also expanding into lines of business other than property catastrophe reinsurance.

Consequently, the market is currently in a prolonged phase of the soft market cycle in many lines of business, particularly in certain property catastrophe excess reinsurance markets, and, as a result, many of the Sirius Group's products are experiencing varying degrees of rate pressure. To the extent these trends continue or accelerate, the Sirius Group's financial condition or operating results could be adversely affected.

Consolidation in the reinsurance and insurance industries could adversely impact the Sirius Group.

The reinsurance and insurance industries have been consolidating over the past several years and the consolidation trend may continue and even accelerate in the near future. These consolidated client and competitor enterprises may try to use their enhanced market power to negotiate price reductions for the Sirius Group's products and services and/or obtain a larger market share through increased line sizes. If competitive pressures reduce prices, the Sirius Group would generally expect to reduce its future underwriting activities thus resulting in reduced premiums and a reduction in expected earnings. As the insurance industry consolidates, competition for customers will become more intense and the importance of sourcing and properly servicing each customer will become greater. The Sirius Group could incur greater expenses relating to customer acquisition and retention, further reducing the Sirius Group's operating margins. In addition, insurance companies that merge may be able to spread their risks across a consolidated, larger capital base so that they require less reinsurance. The number of companies offering retrocessional reinsurance may decline. Reinsurance intermediaries could also continue to consolidate, potentially adversely impacting the Sirius Group's ability to access business and distribute its products. The Sirius Group could also experience more robust competition from larger, better capitalised competitors. Any of the foregoing could adversely affect the Sirius Group's business or its results of operations.

The Sirius Group's loss and LAE reserves may be inadequate to cover its ultimate liability for losses and as a result its financial results could be adversely affected.

The Sirius Group must maintain reserves adequate to cover its estimated ultimate liabilities for loss and loss adjustment expenses ("**LAE**"). Loss and LAE reserves are typically comprised of (1) case reserves for claims reported ("**case reserves**") and (2) incurred but not reported ("**IBNR**") reserves for losses that have occurred but for which claims have not yet been reported and for expected future development on case reserves. These reserves are estimates of what the settlement and administration of claims will cost based on facts and circumstances then known to the Sirius Group. These estimates involve actuarial and claims assessments, and requires the Sirius Group to make a number of assumptions about future events that are subject to unexpected changes and are beyond its control, such as future trends in claim severity, frequency, inflation, legislative and judicial changes and other factors.

Because of uncertainties associated with estimating ultimate loss and LAE reserves, it is uncertain that the Sirius Group's reserves are adequate. In the event that the Sirius Group's reserves become insufficient to cover its actual losses and LAE, the Sirius Group may need to add to its reserves, which could have a material adverse effect on the Sirius Group's results of operations and financial condition.

In addition, the Sirius Group reserves for losses and LAE include an estimate of the Sirius Group's ultimate liability for asbestos and environmental claims for which the Sirius Group cannot estimate the ultimate value using traditional reserving techniques, and for which there are significant uncertainties in estimating the amount of the Sirius Group's potential losses. See Note 3 "*Reserves for Unpaid Losses and Loss Adjustment Expenses*" in the Issuer's 2016 Audited Financial Statements.

The Sirius Group is reliant on financial strength and creditworthiness ratings, and any downgrade may have a material adverse effect on Sirius Group's business, prospects, financial condition, and results from operations.

Third-party rating agencies assess and rate the financial strength, including claims-paying ability, of insurers and reinsurers. These ratings are based upon criteria established by the rating agencies and are subject to revision at any time at the sole discretion of the agencies. Some of the criteria relate to general economic conditions and other circumstances outside of the rated company's control. These financial strength ratings are used by policyholders, agents and brokers to assess the suitability of insurers and reinsurers as business counterparties and are an important factor in establishing the competitive position of insurance and reinsurance companies.

The maintenance of an "A-" or better financial strength rating from A.M. Best Company Inc. ("**A.M. Best**") and/or S&P Global Ratings ("**Standard & Poor's**") is particularly important to the ability of Sirius Group's operating (re)insurance subsidiaries to bind property and casualty insurance and reinsurance business in most markets. General creditworthiness ratings are used by existing or potential investors to assess the likelihood of repayment on a particular debt issue. The maintenance of an investment grade creditworthiness rating (e.g., "BBB-" or better from Standard & Poor's or Fitch) is important to Sirius Group's ability to raise new debt with acceptable terms. Strong creditworthiness ratings are important factors that provide better financial flexibility when issuing new debt or restructuring existing debt.

Rating agencies periodically evaluate Sirius Group to confirm that it continues to meet the criteria of the ratings previously assigned to Sirius Group. Recently, on 21 July 2017, A.M. Best affirmed the Issuer's and its main subsidiaries' financial strength rating at "A" (Excellent) with a negative outlook.

A downgrade, withdrawal or negative watch/outlook of the financial strength rating of Sirius Group's operating (re)insurance companies could severely limit or prevent Sirius Group from writing new policies or renewing existing policies, which could have a material adverse effect on Sirius Group's results of operations and financial condition. A downgrade, withdrawal or negative watch/outlook of Sirius Group's creditworthiness ratings could limit its ability to raise new debt or could make new debt more costly and/or have more restrictive conditions.

Additionally, some of Sirius Group's assumed reinsurance contracts contain optional cancellation, commutation and/or funding provisions that would be triggered if A.M. Best and/or Standard & Poor's were to downgrade the financial strength ratings of Sirius Group's principal (re)insurance operating subsidiaries below "A-". A client may choose to exercise these rights depending on, among other things, the reasons for such a downgrade, the extent of the downgrade, the prevailing market conditions, the degree of unexpired coverage, and the pricing and availability of replacement reinsurance coverage. Sirius Group cannot predict in advance how many of its clients would actually exercise such rights in the event of such a downgrade but widespread exercise of these options could be materially adverse.

The Sirius Group's reinsurance operations are largely dependent upon ceding companies' evaluation of risk.

The Sirius Group, like other reinsurance companies that write treaty reinsurance, generally does not evaluate separately each of the assumed individual insurance risks under the Sirius Group's reinsurance contracts. As such, the Sirius Group largely dependent upon the cedents' original underwriting decisions. The Sirius Group is subject to the risk that the cedents may not have adequately or accurately evaluated the risks that they have insured, and the Sirius Group has reinsured, and that the premiums ceded may not adequately compensate the Sirius Group for the risks it assumes. If the Sirius Group's reserves are insufficient to cover the actual loss and LAE arising from the Sirius Group's treaty reinsurance business, the Sirius Group would have to strengthen its reserves and incur charges to its earnings. These charges could be significant and could have a material adverse effect on the Sirius Group's results of operations and financial condition.

The Sirius Group, or agents appointed by the Sirius Group, may act based on inaccurate or incomplete information regarding the accounts the Sirius Group underwrites, or such agents may exceed their authority or commit fraud when binding policies on the Sirius Group's behalf.

The Sirius Group, and its Managing General Underwriters ("**MGUs**") and other agents who have the ability to bind policies on the Sirius Group's behalf, rely on information provided by insureds or their representatives when underwriting insurance policies. While the Sirius Group may make inquiries to validate or supplement the information provided, the Sirius Group may make underwriting decisions based on incorrect or incomplete information. It is possible that the Sirius Group will misunderstand the nature or extent of the activities or facilities and the corresponding extent of the risks that the Sirius Group insures because of its reliance on inadequate or inaccurate information. If any such agents exceed their authority or engage in fraudulent activities, the Sirius Group's financial condition and results of operations could be materially adversely affected.

Given the inherent uncertainty of models, the usefulness of such models as a tool to evaluate risk is subject to a high degree of uncertainty that could result in actual losses that are materially different than the Sirius Group's estimates including PMLs, and the Sirius Group's financial results may be adversely impacted, perhaps significantly.

The Sirius Group uses third-party vendor analytic and modelling capabilities, including global property catastrophe models from AIR Worldwide Company ("**AIR**") and Risk Management Solutions Inc. ("**RMS**"), and the Sirius Group's own proprietary models, including its property underwriting and pricing tool ("**GPI**"), which consolidates and reports on all its worldwide property exposures, to calculate expected PML from various property natural catastrophe scenarios. The Sirius Group uses these models and software to help it control risk accumulation, inform management and other stakeholders of capital requirements and to improve the risk/return profile or minimise the amount of capital required to cover the risks in each reinsurance contract in the Sirius

Group's overall portfolio of reinsurance contracts. However, given the inherent uncertainty of modelling techniques and the application of such techniques, these models and databases may not accurately address a variety of matters that might be deemed to impact certain of the Sirius Group's coverages.

For example, catastrophe modelling is dependent upon several broad economic and scientific assumptions, such as storm surge (the water that is pushed toward the shore by the force of a windstorm), demand surge (the localised increase in prices of goods and services that often follows a catastrophe) and zone density (the percentage of insured perils that would be affected in a region by a catastrophe). Third-party modelling software also does not provide information for all territories or perils (e.g., tsunami) for which the Sirius Group writes business. Catastrophe modelling is inherently uncertain due to process risk (i.e., the probability and magnitude of the underlying event) and parameter risk (i.e., the probability of making inaccurate model assumptions).

The inherent uncertainties underlying, or the incorrect usage or misunderstanding of, these tools may lead to unanticipated exposure to risks relating to certain perils or geographic regions which could have a material adverse effect on the Sirius Group's business, prospectus, financial condition or results of operations.

Global climate change may have a material adverse effect on the Sirius Group's operating results and financial condition if the Sirius Group does not adequately assess and price for any increased frequency and severity of catastrophes resulting from these environmental factors.

There are concerns that the higher level of weather-related catastrophes and other losses incurred by the industry in prior years is indicative of changing weather patterns, whether as a result of global climate change or otherwise, which could cause such events to persist. This would lead to higher overall losses that the Sirius Group may not be able to recoup, particularly in the current economic and competitive environment, and higher reinsurance costs. In addition, rising sea levels are expected to add to the risks associated with coastal flooding in many geographical areas. Large scale climate change could increase both the frequency and severity of the Sirius Group's loss costs associated with property damage and business interruption due to storms, floods and other weather-related events. Over the long-term, global climate change could impair the Sirius Group's ability to predict the costs associated with future weather events and could also give rise to new environmental liability claims in the energy, manufacturing and other industries the Sirius Group serves.

Given the scientific uncertainty of predicting the effect of climate cycles and global climate change on the frequency and severity of natural catastrophes and the lack of adequate predictive tools, the Sirius Group may be unable to adequately model the associated exposures and potential losses in connection with such catastrophes that could have a material adverse effect on the Sirius Group's business, financial condition or results of operations.

The Sirius Group's investment portfolio may suffer reduced returns or losses, which could adversely affect the Sirius Group's results of operations and financial condition. Adverse changes in interest rates, foreign currency exchange rates, equity markets, debt markets or market volatility could result in significant losses to the fair value of the Sirius Group's investment portfolio.

The Sirius Group's investment portfolio is overseen in accordance with the Investment Policy and Guidelines approved by the Finance Committee of the Board of Directors of Sirius, Ltd. At 30 June 2017, the Sirius Group's investment portfolio consisted of fixed-maturity investments (including U.S. government bonds, corporate debt, mortgage-backed, asset-backed and other fixed-maturity securities) short-term investments, common equity securities, convertibles and other long-term investments, including hedge funds and private equity funds.

The Sirius Group invests to maximise long-term total returns (after-tax) while taking prudent levels of risk and maintaining a diversified portfolio subject to its investment guidelines and various regulatory restrictions. However, investing entails substantial risks. The Sirius Group may not achieve its investment objectives, and investment performance may vary substantially over time. Investment returns are an important part of the Sirius Group's strategy to grow adjusted book value per share, and fluctuations in the fixed-income or equity markets could impair the Sirius Group's results of operations and financial condition.

Both the Sirius Group's investment income and the fair market value of its investment portfolio are affected by general economic and market conditions, including fluctuations in interest rates, foreign currency exchange rates, debt market levels, equity market levels and market volatility.

Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond the Sirius Group's control. In particular, a significant increase in interest rates could result in significant losses in the fair value of the Sirius Group's investment portfolio. In addition, certain fixed-income securities, such as mortgage-backed and asset-backed securities, carry prepayment risk or, in a rising interest rate environment, may not pre-pay as quickly as expected. Conversely, in a low interest rate environment, the Sirius Group may be forced to reinvest proceeds from investments that have matured or have been prepaid or sold at lower yields, which will reduce the Sirius Group's investment returns. Additionally, a change in interest rates could adversely affect the Sirius Group's results of operations and financial condition.

The table below summarises the estimated effects of hypothetical increases and decreases in market interest rates on Sirius Group's fixed-maturity investments. The size of interest rate decreases presented may be limited in order to floor interest rates at a de minimis level.

($ in millions)	**Fair Value at 30 June 2017**	**Assumed Change in Relevant Interest Rate**	**Estimated Fair Value After Change in Interest Rate**	**Pre-Tax Increase (Decrease) in Carrying Value**
Fixed-maturity investments	$ 2,394.9	300 bp decrease	$ 2,510.9	$ 116.0
		200 bp decrease	2,492.3	97.4
		100 bp decrease	2,448.2	53.3
		50 bp decrease	2,422.9	28.0
		50 bp increase	2,365.2	(29.7)
		100 bp increase	2,335.5	(59.4)
		200 bp increase	2,276.1	(118.8)
		300 bp increase	2,216.6	(178.3)

The Sirius Group's investment portfolio is also exposed to investment credit risk, which is the risk that the value of certain investments may decrease due to a deterioration in the financial condition, operating performance or business prospects of, or the liquidity available to, one or more issuers of those securities or, in the case of mortgaged-back and other asset-backed securities, due to the deterioration of the loans or other assets that underlie the securities. Mortgage-backed securities are particularly sensitive to changes in U.S. economic conditions, including deterioration of the U.S. housing market and unemployment, among other factors.

The Sirius Group is also exposed to changes in equity markets. A significant decline in the equity markets, such as that experienced from September 2008 to March 2009, could have a material adverse effect on the Sirius Group's results of operations and financial condition. Assuming a hypothetical 10% and 30% increase or decrease in the value of Sirius Group's common equity securities and other long-term investments as of 30 June 2017, the carrying value of Sirius Group's common equity securities and other long-term investments would have increased or decreased by approximately $60.0 million and $179.9 million pre-tax.

Since a portion of the Sirius Group's investment portfolio is invested in securities denominated in currencies other than the U.S. dollar, the value of the Sirius Group's portfolio is sensitive to changes in foreign currency rates. The Sirius Group is also exposed to changes in the volatility levels of various investment markets. The underlying conditions prompting such changes are outside of the Sirius Group's control and could adversely affect the value of the Sirius Group's investments and results of operations and financial condition.

The current state of the global economy and capital markets increases the possibility of adverse effects on the Sirius Group's financial position and results of operations. Economic downturns could impair the Sirius Group's investment portfolio and affect the primary insurance market, which could, in turn, harm the Sirius Group's results of operations and reduce the volume of new business.

Global capital markets in the U.S. and Europe, as well as other leading markets, continue to experience volatility and certain economies remain in recession. Although conditions may be improving, the longer this economic situation persists, the greater the probability that these risks could have an adverse effect on the Sirius Group's financial results. This may be evidenced in several ways including, but not limited to, a potential reduction in the Sirius Group's premium income, financial losses in the Sirius Group's investment portfolio and decreases in revenue and net income.

Unfavourable economic conditions also could increase the Sirius Group's funding costs, limit its access to the capital markets or result in a decision by lenders not to extend credit to the Sirius Group. These events could prevent the Sirius Group from increasing its underwriting activities and negatively impact the Sirius Group's results of operations. In addition, the Sirius Group's cedents and other counterparties may be affected by such developments in the financial markets, which could adversely affect their ability to meet their obligations to the Sirius Group.

The Sirius Group has significant foreign operations that expose it to certain additional risks, including foreign currency risks and political risk.

Through the Sirius Group's multinational reinsurance operations, the Sirius Group conducts business in a variety of foreign (non-U.S.) currencies, the principal exposures being the Swedish krona, British pound sterling, euro and Canadian dollar. As a result, a significant portion of the Sirius Group's assets, liabilities, revenues and expenses are denominated in currencies other than the U.S. dollar and are therefore subject to foreign currency risk. Significant changes in foreign exchange rates may adversely affect the Sirius Group's results of operations and financial condition.

The Sirius Group's foreign operations are also subject to legal, political and operational risks that may be greater than those present in the United States. As a result, the Sirius Group's operations at these foreign locations could be temporarily or permanently disrupted.

Unexpected volatility or illiquidity associated with some of the Sirius Group's investments could significantly and negatively affect the Sirius Group's financial results, liquidity and ability to conduct business.

The Sirius Group holds, or may in the future purchase, certain investments that include, but are not limited to, publicly traded equities, hedge funds, private equity funds, bonds, bank loans, emerging market debt, non-agency residential mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, derivatives and other investment products. During the height of the financial crisis, both fixed-income and equity markets were more illiquid and volatile than expected. If the Sirius Group requires significant amounts of cash on short notice in excess of normal cash requirements, the Sirius Group may have difficulty selling these investments in a timely manner and/or be forced to sell them for less than the Sirius Group otherwise would have been able to realise. If the Sirius Group is forced to sell its assets in unfavourable market conditions, there can be no assurance that it will be able to sell them for the prices at which the Sirius Group has recorded them and the Sirius Group may be forced to sell them at significantly lower prices. As a result, the Sirius Group's business, financial condition, liquidity or results of operations could be adversely affected.

A portion of the Sirius Group's investment portfolio consists of hedge fund and private equity fund investments. The underlying investments in these funds are typically publicly traded and private common equity securities and investments, and, as such, are subject to market risks that are similar to the Sirius Group's common equity securities. However, these investments entail substantial risks and are generally illiquid. Redemption of investments in certain of these funds is subject to restrictions including lock-up periods where no redemptions or withdrawals are allowed, restrictions on redemption frequency and advance notice periods for redemptions. Amounts requested for redemptions remain subject to market fluctuations until the redemption effective date, which generally falls at the end of the defined redemption period.

The Sirius Group may not successfully alleviate risk through reinsurance arrangements. Additionally, the Sirius Group may not collect all amounts due from its reinsurers under its existing reinsurance arrangements.

The Sirius Group attempts to limit its risk of loss through the purchase of reinsurance, including retrocession coverage (*i.e.*, the reinsurance of reinsurance). The availability and cost of reinsurance protection is subject to market conditions, which are outside of the Sirius Group's control. In addition, the coverage provided by these reinsurance arrangements may be inadequate to cover the Sirius Group's future liabilities. As a result, the Sirius Group may not be able to successfully alleviate risk through these arrangements, which could have a material adverse effect on the Sirius Group's results of operations and financial condition.

Purchasing reinsurance does not relieve the Sirius Group of the underlying obligations to policyholders or ceding companies, so any inability to collect amounts due from reinsurers could adversely affect the Sirius Group's financial condition and results of operations. Inability to collect amounts due from reinsurers can result from a number of scenarios, including: (1) reinsurers choosing to withhold payment due to a dispute or other factors beyond the Sirius Group's control; and (2) reinsurers becoming unable to pay amounts owed to the Sirius Group as a result of a deterioration in their financial condition. While the Sirius Group regularly reviews the financial condition of its reinsurers and currently believes their condition is strong, it is possible that one or more of these reinsurers will be adversely affected by future significant losses or economic events, causing them to be unable or unwilling to pay amounts owed to the Sirius Group.

In addition, due to factors such as the price or availability of reinsurance coverage, the Sirius Group sometimes decides to increase the amount of risk retained by purchasing less reinsurance. Such determinations have the effect of increasing the Sirius Group's financial exposure to losses associated with such risks and, in the event of significant losses associated with a given risk, could have a material adverse effect on the Sirius Group's financial condition and results of operations.

The Sirius Group may suffer losses from unfavourable outcomes from litigation and other legal proceedings.

In the ordinary course of business, the Sirius Group is subject to litigation and other legal proceedings as part of the claims process, the outcomes of which are uncertain. The Sirius Group maintains reserves for claims-related legal proceedings as part of its loss and LAE reserves. Adverse outcomes are possible and could negatively impact the Sirius Group's financial condition.

Furthermore, as industry practices and legal, judicial, social and other conditions change, unexpected issues related to claims and coverage may emerge. These issues may adversely affect the Sirius Group's results of operations and financial condition by either extending coverage beyond the Sirius Group's underwriting intent or by increasing the number and size of claims. In some instances, these changes may not become apparent until sometime after the Sirius Group has issued the affected insurance contracts. Examples of emerging claims and coverage issues include, but are not limited to:

- new theories of liability and disputes regarding medical causation with respect to certain diseases;
- claims related to data security breaches, information system failures or cyber-attacks; and
- claims related to blackouts caused by space weather.

In addition, from time to time the Sirius Group is subject to legal proceedings that are not related to the claims process. In the event of an unfavourable outcome in one or more non-claims legal matters, the Sirius Group's ultimate liability may be in excess of amounts reserved and such additional amounts may be material to the Sirius Group's results of operations and financial condition. Furthermore, it is possible that these non-claims legal proceedings could result in equitable remedies or other unexpected outcomes that may materially impact the Sirius Group's business or operations.

Since the Sirius Group depends on a small number of brokers and MGUs for a large portion of its revenues, loss of business provided by any one of them could adversely affect the Sirius Group.

The Sirius Group markets its reinsurance worldwide primarily through reinsurance brokers. The reinsurance brokerage industry generally, and the Sirius Group's sources of business specifically, are concentrated. During

2015 and 2016, the Sirius Group received 51% and 48%, respectively, of its reinsurance business from three major reinsurance brokers as follows: Aon Benfield—24% and 22%, respectively; Guy Carpenter—18% and 18%, respectively; and Willis Re—9% and 8%, respectively. A decision of one or more of these brokers to reduce substantially or eliminate its business with the Sirius Group could adversely affect its business, results of operations or financial condition. In addition, numerous brokers and their affiliates have equity interests in reinsurance companies that compete with the Sirius Group. These brokers may favour these reinsurers over other companies, including members of the Sirius Group.

The Sirius Group's reliance on intermediaries subjects it to their credit risk.

In accordance with industry practice, the Sirius Group frequently pays amounts owing in respect of claims under its contracts to reinsurance brokers and to a lesser extent, MGUs, that, in turn, make payments to the cedents. In the event that a broker or MGU fails to make such a payment, depending on the jurisdiction, the Sirius Group may remain liable to the cedent for the deficiency. Conversely, when premiums for reinsurance contracts are paid to reinsurance brokers or MGUs for payment to the Sirius Group, these premiums may be deemed to have been paid and the cedent may no longer be liable to the Sirius Group for those amounts, whether or not actually received by the Sirius Group. Although the Sirius Group has no reason to believe that any of the intermediaries with which it works cannot pay their debts when due, intermediaries generally are less capitalised than the cedents the Sirius Group reinsures. Consequently, the Sirius Group faces credit risk associated with intermediaries during the payment process.

The Issuer is a holding company with no direct operations, and its insurance and reinsurance subsidiaries' ability to pay dividends and other distributions to Issuer is restricted by law.

The Issuer is a holding company and carries out its business through its insurance and reinsurance subsidiaries. Accordingly, the Issuer is dependent upon receipt of funds from other members of the Sirius Group to fulfil its obligations under or in connection with the Subordinated Notes. The Issuer's subsidiaries may not be able to generate cash flow sufficient to pay a dividend or distribute funds to the Issuer. In addition, under the insurance laws of the jurisdictions in which the Issuer's insurance and reinsurance subsidiaries are domiciled, an insurer or reinsurer is restricted with respect to the timing or the amount of dividends it may pay without prior approval by their relevant regulatory authorities.

The Issuer's top tier regulated insurance and reinsurance operating subsidiary, Sirius Bermuda, has the ability to pay approximately $648.0 million of dividends to the Issuer without prior approval of regulatory authorities during 2017, subject to meeting all appropriate liquidity and solvency requirements, of which $60.0 million has been paid to date in 2017. Sirius Bermuda indirectly owns Sirius International, Sirius America and the Sirius Group's other insurance and reinsurance operating companies, each of which are limited in their ability to pay dividends by the insurance laws of their relevant jurisdictions. See "*Regulation*".

As of 30 June 2017, the Issuer and its intermediate holding companies had $11.8 million of net unrestricted cash, short-term investments and fixed-maturity investments outside of its regulated and unregulated insurance and reinsurance operating subsidiaries. Management believes that the Sirius Group's cash balances, cash flows from operations and cash flows from investments are adequate to meet expected cash requirements for the foreseeable future on both a holding company and operating subsidiary level. However, if the Issuer's insurance and reinsurance subsidiaries cannot pay dividends in future periods, it may have difficulty servicing its debt and meeting its holding company expenses. Dividend payments and other distributions from the Issuer's subsidiaries also may be subject to withholding taxes, which would reduce the amount available to service the Issuer's debt.

The regulatory framework under which the Sirius Group operates and potential changes thereto could have a material adverse effect on its business.

The Sirius Group's activities are subject to extensive regulation under the laws and regulations of the U.S., U.K., Bermuda, Sweden and the EU and its member states and the other jurisdictions in which the Sirius Group operates.

The Sirius Group's operations in each of these jurisdictions are subject to varying degrees of regulation and supervision. The laws and regulations of the jurisdictions in which the Issuer's insurance and reinsurance subsidiaries are domiciled require, among other things, that these subsidiaries maintain minimum levels of statutory capital, surplus and liquidity, meet solvency standards, submit to periodic examinations of their financial condition and restrict payments of dividends, distributions and reductions of capital in certain circumstances. Statutes, regulations and policies that the Sirius Group's insurance and reinsurance subsidiaries are subject to may also restrict the ability of these subsidiaries to write insurance and reinsurance policies, make certain investments and distribute funds.

Capital adequacy and risk management regulations, called Solvency II, were implemented throughout the EEA on 1 January 2016. The Sirius Group devotes a significant amount of time and resources to comply with Solvency II, and the Sirius Group's implementation of full equivalence in all areas of Solvency II. The Bermuda Monetary Authority, or BMA, has sought "regulatory equivalency" to enable the Sirius Group's group regulator to transact business within the European Union on a "level playing field". Regulations and legislation relating to capital adequacy and risk management are also in the process of being developed or implemented in other jurisdictions. To date, the insurance regulatory regime of Bermuda has been determined by the European Commission to be fully equivalent with Solvency II. There remains significant uncertainty as to the impact that these various regulations and legislation will have on the Sirius Group. Such impacts could include constraints on the Sirius Group's ability to move capital between subsidiaries or requirements that additional capital be provided to subsidiaries in certain jurisdictions, which may adversely impact the Sirius Group's profitability. In addition, while the Sirius Group currently has excess capital and surplus under applicable capital adequacy requirements, such requirements or similar regulations, in their current form or as they may be amended in the future, may have a material adverse effect on the Sirius Group's business, financial condition or results of operations.

The Sirius Group's reinsurance and insurance operating subsidiaries may not be able to maintain necessary licences, permits, authorisations or accreditations in territories where the Sirius Group is currently engaged in business or obtain them in new territories, or may be able to do so only at significant cost. In addition, the Sirius Group may not be able to comply fully with, or obtain appropriate exemptions from, the wide variety of laws and regulations applicable to insurance or reinsurance companies or holding companies. In addition to insurance and financial industry regulations, the Sirius Group's activities are also subject to relevant economic and trade sanctions, money laundering regulations, and anti-corruption laws including the U.S. Foreign Corrupt Practices Act, U.K. Bribery Act 2010 and the Bermuda Bribery Act 2016, which may increase the costs of regulatory compliance, limit or restrict the Sirius Group's ability to do business or engage in certain regulated activities, or subject the Sirius Group to the possibility of regulatory actions or proceedings.

Although the Sirius Group has adopted compliance frameworks and controls designed to comply with applicable laws and regulations, there can be no assurance that the Sirius Group, its employees, or its agents acting on the Sirius Group's behalf are in full compliance with all applicable laws and regulations or their interpretation by the relevant authorities and given the complex nature of the risks, it may not always be possible for the Sirius Group to ascertain compliance with such laws and regulations. Failure to comply with or to obtain appropriate authorisations and/or exemptions under any applicable laws or regulations, including those referred to above, could subject the Sirius Group to investigations, criminal sanctions or civil remedies, including fines, injunctions, loss of an operating licence, reputational consequences, and other sanctions, all of which could have a material adverse effect on the Sirius Group's business. Also, changes in the laws or regulations to which the Sirius Group is subject could have a material adverse effect on its business. In addition, in most jurisdictions, government regulatory authorities have the power to interpret or amend applicable laws and regulations, and have discretion to grant, renew or revoke licences and approvals the Sirius Group needs to conduct its activities. Such governmental and regulatory authorities may require the Sirius Group to incur substantial costs in order to comply with such laws and regulations.

Risks associated with changes in U.S. health care legislation could negatively affect the Sirius Group's accident and health business.

The Sirius Group derives revenues from, among other things, the provision of accident and health premiums in the U.S., that is, providing insurance to institutions that participate in the U.S. healthcare delivery infrastructure. Changes in U.S. healthcare legislation, specifically the Patient Protection and Affordable Care Act of 2010 (the "**Healthcare Act**") (and the potential repeal and amendment thereof), have made significant changes to the regulation of health insurance including, but not limited to, the healthcare delivery system, the healthcare cost reimbursement structure in the U.S. and the rate of growth of health care costs in the U.S. and may negatively affect the Sirius Group's accident and health business. In addition, the Sirius Group may be subject to regulations, guidance or determinations emanating from the various regulatory authorities authorised under the Healthcare Act. It is difficult to predict the effect that the Healthcare Act, or any regulatory pronouncement made thereunder, will have on the Sirius Group's results of operations or financial condition.

The effects of, and uncertainty regarding, the U.K.'s withdrawal from the European Union could negatively impact the Sirius Group's investment portfolio, business and results of operations.

At a referendum in June 2016, a majority of persons voting voted in favour of the U.K. leaving the European Union, the process for which was commenced on 29 March 2017 when the Prime Minister of the United Kingdom notified the European Council under Article 50 of the Treaty on the European Union of the United Kingdom's intention to leave. Since the referendum, there has been an increase in market volatility which has been further impacted by continuing uncertainty around the terms of the withdrawal. During withdrawal negotiations and beyond, the impact on the U.K. and European economies and the broader global economy could be significant, resulting in negative impacts, such as increased volatility and illiquidity, and potentially lower economic growth on markets in the U.K., Europe and globally, which may negatively impact the value of the Sirius Group's investment portfolio, business and results of operations. The timing and terms of the U.K.'s withdrawal from the European Union could also have an adverse impact on the operation or prospects of Lloyd's. While Lloyd's has announced its intention to establish a European subsidiary company through which Lloyd's syndicates may be able to have access to the European single market, there can be no assurance that the Lloyd's European subsidiary will be authorised or that the arrangements envisaged will not result in increased costs for conducting business in the EU's single market. Accordingly, the consequences of the U.K.'s withdrawal from the EU on the business and results of operations of Syndicate 1945 are uncertain at this time.

The Sirius Group may be unable to adequately maintain its systems and safeguard the security of its data, which may adversely impact the Sirius Group's ability to operate its business and cause reputational harm and financial loss.

Because the Sirius Group's business and operations rely on secure and efficient information technology systems, the Sirius Group depends on its ability, and the ability of certain third parties, including vendors and business partners, to access the Sirius Group's computer systems to perform necessary functions such as providing quotes and product pricing, billing and processing premiums, administering claims, and reporting its financial results. The functioning of these systems may be impacted by any number of events, including power outages, natural and man-made catastrophes, and cyber-attacks. In the event the Sirius Group is unable to access its systems, or any third-party system that it relies upon, the Sirius Group's ability to operate its business effectively may be significantly impaired.

The Sirius Group's business also depends upon its ability to securely process, store, transmit and safeguard confidential and proprietary information that is in the Sirius Group's possession. This information includes confidential information relating to the Sirius Group's business, and personally identifiable information ("**PII**") and protected health information ("**PHI**") belonging to employees, customers, claimants and business partners. As the Sirius Group's systems may be vulnerable to a variety of forms of unauthorised access that could result in a data breach, including hackers, computer viruses, and other cyber-attacks, as well as breaches that result from dishonest employees, errors by employees or lost or stolen computer devices, the Sirius Group may not be able to protect the confidentiality of such information.

Third parties present an additional risk of cyber-related events. The Sirius Group outsources certain technological and business process functions to third-party providers. The Sirius Group relies on these third parties to maintain and store PII and PHI and other confidential information on their systems. The Sirius Group also routinely transmits such information by e-mail and other electronic means. Although the Sirius Group attempts to establish sufficient controls and secure capabilities to transmit such information and to prevent unauthorised disclosure, these controls may not be sufficient. Furthermore, third-party providers may not have appropriate controls in place to protect such information.

The Sirius Group's computer systems have been and will continue to be the target of cyber-attacks, although the Sirius Group is not aware that it has experienced a material cybersecurity breach. The Sirius Group is also not aware of any third-party vendor having experienced a material cybersecurity breach that impacted the Sirius Group's data. The risk of cyber-attack may increase, and the Sirius Group may experience more significant attacks in the future.

The risks identified above could expose the Sirius Group to data breaches, disruptions of service, financial losses and significant increases in compliance costs and reputational harm to the Sirius Group, any of which could affect its business and results of operations. In addition, a data breach that involves the compromise of PII or PHI, could subject the Sirius Group to legal liability or regulatory action under data protection and privacy laws and regulations enacted by federal, state and foreign governments, or other regulatory bodies. As a result, the Sirius Group's ability to conduct its business and the Sirius Group's results of operations might be materially and adversely affected.

Operational risks, including human or systems failures, are inherent in the Sirius Group's business.

Operational risks and losses can result from many sources including fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements or information technology failures.

The Sirius Group's modelling, underwriting and information technology and application systems are critical to its business and reputation. Moreover, the Sirius Group's technology and applications have been an important part of its underwriting process and ability to compete successfully. Such technology is and will continue to be a very important part of the underwriting process. The Sirius Group has also licensed certain systems and data from third parties. The Sirius Group cannot be certain that it will have access to these, or comparable service providers, or that the Sirius Group's technology or applications will continue to operate as intended. In addition, the Sirius Group cannot be certain that these service providers or consultants could be replaced without slowing the Sirius Group's underwriting response time. A major defect or failure in the Sirius Group's internal controls or information technology and application systems could result in management distraction, harm to the Sirius Group's reputation, a loss or delay of revenues or increased expense.

The Sirius Group depends on key personnel to manage the business effectively and they may be difficult to replace.

The Sirius Group's performance substantially depends on the efforts and abilities of its management team and other executive officers and key employees. Furthermore, much of the Sirius Group's competitive advantage is based on the expertise, experience and know-how of its key management personnel. The Sirius Group does not have fixed-term employment agreements with many of its key employees or key-man life insurance and the loss of one or more of these key employees could adversely affect the Sirius Group's business, results of operations and financial condition. The Sirius Group's success also depends on the ability to hire and retain additional personnel. Difficulty in hiring or retaining personnel could adversely affect the Sirius Group's results of operations and financial condition.

A decrease in the fair value of IMG, Armada and/or the Issuer's or Sirius, Ltd.'s intangible assets may result in future impairments.

As of 30 June 2017, goodwill and intangible assets represented approximately 9% of the Issuer's consolidated shareholders' equity and 30% of Sirius, Ltd.'s consolidated shareholders' equity. Goodwill and intangible assets are assessed for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. These assessments require the Issuer and Sirius, Ltd., as applicable, to use significant judgment in making various estimates and assumptions, such as the determination of expected future cash flows and/or earnings, and actual results may ultimately be materially different from such estimates and assumptions. For example, expected future cash flows and/or earnings may be materially and negatively impacted as a result of, among other things, a decrease in renewals and new business, loss of key personnel, lower-than-expected yields and/or cash flows from the Issuer's or Sirius, Ltd.'s investment portfolio, as applicable, or higher-than-expected claims activity and incurred losses as well as other general economic factors. As a result of these potential changes, the estimated fair value of IMG, Armada and/or the Issuer's or Sirius, Ltd.'s intangible assets may decrease, causing the carrying value to exceed the fair value and the goodwill and/or intangible assets to be impaired. If an impairment is determined to exist, the carrying value of the goodwill and/or intangible asset is adjusted to its implied fair value with the corresponding expense recorded in the Issuer's or Sirius, Ltd.'s income statement, as applicable, in the period in which the impairment is determined. If the Issuer or Sirius, Ltd. is required to record goodwill impairments in the future, its financial condition and results of operations would be negatively affected.

The Sirius Group faces unforeseen liabilities arising from possible acquisitions and dispositions of businesses or difficulties integrating acquired businesses.

The Sirius Group has engaged in acquisitions of businesses in the past, including the recent acquisitions of Armada and IMG, and may continue to do so in the future. Any future acquisitions may expose it to operational challenges and risks, including:

- integrating financial and operational reporting systems;
- establishing satisfactory budgetary and other financial controls;
- funding increased capital needs and overhead expenses;
- obtaining management personnel required for expanded operations;
- funding cash flow shortages that may occur if anticipated sales and revenues are not realised or are delayed, whether by general economic or market conditions or unforeseen internal difficulties;
- the value of assets acquired may be lower than expected or may diminish due to credit defaults or changes in interest rates and liabilities assumed may be greater than expected;
- the assets and liabilities acquire by the Sirius Group may be subject to foreign currency exchange rate fluctuation; and
- financial exposures in the event that the sellers of the entities acquired are unable or unwilling to meet their indemnification, reinsurance and other obligations to the Sirius Group.

In addition, following the acquisition of Armada, the Issuer is currently evaluating the ownership structure of Armada and may for business reasons decide in the future to transfer ownership of Armada outside of the Sirius Group but within the Regulatory Group.

The Sirius Group's ability to achieve the benefits anticipated from any business acquisition will depend in large part upon its ability to successfully integrate such businesses in an efficient and effective manner. The Sirius Group may not be able to integrate such businesses successfully, and the process may take longer than expected. The integration of operations may require the dedication of significant management resources, which may distract management's attention from day-to-day business. If the Sirius Group is unable to successfully integrate the operations of such acquired businesses, it may be unable to realise the benefits the Sirius Group expects to achieve as a result of such acquisitions and the Sirius Group's business and results of operations may be lower than expected.

U.S. Treasury Regulations may limit the Sirius Group's ability to make acquisitions of U.S.-domiciled companies using corporate stock.

On 4 April 2016 and 13 January 2017, the IRS and the Treasury Department issued final and temporary regulations on corporate inversions. Among other provisions, the regulations provide for a "cash box rule" that in general reduces a foreign corporation's value by the percentage of passive assets it holds for the purpose of applying the inversion ownership test. Failure of such test would result in the acquiring corporation being taxed as a U.S. corporation. As a result of these regulations, the size of any U.S. company the Sirius Group could acquire for stock may need to be dramatically reduced to avoid severe adverse tax consequences.

The Sirius Group has significant deferred tax assets, which may become devalued if either the Sirius Group does not generate sufficient future taxable income or applicable corporate tax rates are reduced.

The Sirius Group's total net deferred tax asset (net of a valuation allowance) as of 30 June 2017 was $50.7 million. Of that amount, $82.3 million relates to net deferred tax assets in the U.S. subsidiaries (including net operating loss carryforwards and tax credit carryforwards), $210.5 million relates to net deferred tax assets in Luxembourg subsidiaries, $7.1 million relates to net deferred tax assets in the United Kingdom subsidiaries, $253.7 million relates to net deferred tax liabilities in Sweden subsidiaries, and $4.5 million relates to other net deferred tax assets. Utilisation of deferred tax assets is dependent on generating sufficient future taxable income in the appropriate jurisdiction and/or entity. If it is determined that it is more likely than not that sufficient future taxable income will not be generated, the Sirius Group would be required to increase the valuation allowance. Most of the Sirius Group's deferred tax assets are determined by reference to prevailing corporate income tax rates, in particular in the US, Luxembourg, and Sweden. Accordingly, in the event of a change in applicable tax law which results in a reduction in such corporate income tax rates, the carrying value of certain of our deferred tax assets would decrease. A material devaluation in our deferred tax assets due to either insufficient taxable income or lower corporate income tax rates would have an adverse effect on our results of operations and financial condition.

The Sirius Group has significant deferred tax assets, which it may be unable to utilise pursuant to Swedish tax legislation.

The Swedish Tax Authority ("**STA**") has denied the deduction in certain tax years of interest paid on intra-group debt instruments issued by two of the Sirius Group's Swedish subsidiaries. The Sirius Group is currently challenging the STA's decision because uncertainty still exists with respect to the interpretation of the legislation. The Sirius Group's reserve for uncertain tax positions has taken into account these developments. If our appeal were ultimately unsuccessful, we would be required to write down some or all of the Swedish deferred tax assets related to intra-group debt instruments.

The Issuer and its non-U.S. subsidiaries may become subject to U.S. tax, which may have an adverse effect on the Sirius Group's results of operations.

The Issuer and its non-U.S. subsidiaries (other than Sirius International Corporate Member Limited, which may be subject to U.S. tax pursuant to the closing agreement entered into between Lloyd's and the IRS) operate in a manner so that none of these companies should be subject to U.S. tax (other than U.S. excise tax on insurance and reinsurance premium income attributable to insuring or reinsuring U.S. risks and U.S. withholding tax on some types of U.S.-source investment income), because none of these companies should be treated as engaged in a trade or business within the United States. However, because there is considerable uncertainty as to the activities that constitute being engaged in a trade or business within the United States, it is not certain that the IRS will not contend successfully that the Issuer or its non-U.S. subsidiaries are engaged in a trade or business in the United States. If the Issuer or any of its non-U.S. subsidiaries were considered to be engaged in a trade or business in the United States, such entity could be subject to U.S. corporate income and branch profits taxes on the portion of its earnings effectively connected to such U.S. business, which could adversely affect our results of operations and financial condition.

Changes in U.S. federal income tax law could materially adversely affect an investment in the Subordinated Notes.

Legislation has been introduced in the U.S. Congress intended to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the United States but have certain U.S. connections. It is possible that legislation could be introduced in and enacted by the current Congress or a future Congress that could have an adverse impact on the Sirius Group.

Additionally, the U.S. federal income tax laws and interpretations regarding whether a company is engaged in a trade or business within the United States are subject to change, possibly on a retroactive basis. It is not certain if, when or in what form such regulations or pronouncements may be provided and whether such guidance will have a retroactive effect.

The impact of Bermuda's letter of commitment to the OECD to eliminate harmful tax practices is uncertain and could adversely affect the Sirius Group's tax status in Bermuda.

The Organisation for Economic Cooperation and Development ("**OECD**") has published reports and launched a global dialogue among member and non-member countries on measures to limit harmful tax competition. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. According to the OECD, Bermuda is a jurisdiction that has substantially implemented the internationally agreed tax standard and as such is listed on the OECD 'white list'. However, the Issuer is unable to predict whether any changes will be made to this classification or whether any such changes will subject the Issuer or its Bermuda operations to additional taxes.

The Sirius Group may require additional capital in the future, which may not be available or may only be available on unfavourable terms.

The Sirius Group's future capital requirements depend on many factors, including regulatory requirements, the ability to write new business successfully, the frequency and severity of catastrophic events, and the ability to establish premium rates and reserves at levels sufficient to cover losses. The Sirius Group may need to raise additional funds through financings or curtail its growth and reduce its assets. Any equity or debt financing, if available at all, may be on unfavourable terms. Financial markets in the U.S., Europe and elsewhere have experienced extreme volatility and disruption in recent times, resulting in part from financial stresses affecting the liquidity of the banking system. Disruption in the financial markets may limit the Sirius Group's ability to access capital required to operate its business and the Sirius Group may be forced to delay raising capital or bear a higher cost of capital, which could decrease the Sirius Group's profitability and significantly reduce its financial flexibility. In addition, if the Sirius Group experiences a credit rating downgrade, withdrawal or negative watch/outlook in the future, it could incur higher borrowing costs and may have more limited means to access capital. If the Sirius Group cannot obtain adequate capital on favourable terms or at all, the Sirius Group's business, results of operations and financial condition could be adversely affected.

The Sirius Group's results of operations may fluctuate significantly from period to period and may not be indicative of its long-term prospects.

The Sirius Group's results of operations may fluctuate significantly from period to period. These fluctuations result from a variety of factors, including the seasonality of the reinsurance and insurance business, the volume and mix of reinsurance and insurance products that the Sirius Group writes, loss experience on the Sirius Group's reinsurance and insurance liabilities, the performance of the Sirius Group's investment portfolio and its ability to assess and integrate its risk management strategy effectively. In particular, the Sirius Group seeks to underwrite products and make investments to achieve long-term results. As a result, the Sirius Group's short-term results of operations may not be indicative of its long-term prospects.

CMIG may elect to adopt pushdown accounting in connection with the CMIG Acquisition, the effects of which would be material to the Sirius Group.

On 18 April 2016, CMIG International, through its Bermuda holding company CM Bermuda, purchased (the "**CMIG Acquisition**") our parent company, Sirius, Ltd., and its subsidiaries from White Mountains Insurance Group, Ltd. ("**White Mountains**").

Under GAAP, an acquirer of a business initially recognises most of the acquired assets and liabilities at fair value, or what is known as a "stepped-up basis". In connection with CMIG's acquisition of Sirius, Ltd., there is an option to account for the "stepped-up basis" effects of the CMIG Acquisition in the Sirius Group's separate company financial statements, referred to as pushdown accounting. Under pushdown accounting, the Sirius Group would establish a new basis for its assets and liabilities, based on a "push-down" of CMIG's stepped-up basis. For the year ended 31 December 2016, CMIG did not elect pushdown accounting with respect to the Sirius Group's separate audited financial statements. No assurances can be given that CMIG will not elect pushdown accounting with respect to the Sirius Group's separate audited financial statements in the future or the outcome of any such election by CMIG on the Issuer.

The Issuer has elected not to reflect the effects of pushdown accounting in the financial statements presented herein. In a subsequent period, the Issuer may elect to reflect the effects of push-down accounting as a change in accounting principle and retrospectively adjust its basis for its assets and liabilities as of the date of the most recent change-in-control event. The Sirius Group believes the effects of a potential pushdown accounting election in connection with the CMIG Acquisition would be material to the Sirius Group.

Risks relating to the structure of the Subordinated Notes

Set out below is a brief description of certain risks relating to the structure of the Subordinated Notes, generally:

The Subordinated Notes are long-term securities.

The Subordinated Notes are scheduled to be redeemed at their principal amount on 22 September 2047, provided that on such date that the Issuer is Solvent and will remain Solvent immediately after redemption, there is no suspension of redemption pursuant to "*Description of the Floating Rate Subordinated Notes – Redemption; Conditions to Redemption*" and the preconditions to redemption set out therein are fulfilled, and provided that the prior approval of the Applicable Supervisor (if required) has been obtained. If this is not the case, the redemption of the Subordinated Notes will be suspended (see "— *Under certain conditions, redemption of the Subordinated Notes must be suspended*" below).

The Issuer is under no obligation to redeem the Subordinated Notes at any time before this date, and the holders of Subordinated Notes ("**Noteholders**") have no right to call for their redemption.

The Issuer's obligations under the Subordinated Notes are expressly subordinated to the Issuer's Senior Creditors and structurally subordinated to indebtedness and other liabilities of the Issuer's subsidiaries.

The claims of Noteholders against the Issuer in respect of payments of principal and interest on the Subordinated Notes will, in the event of the liquidation, dissolution, administration or other winding-up of the Issuer, be subordinated in right of payment to the claims of all Senior Creditors, which includes any creditors of the Issuer who are unsubordinated and preferred claimants of the Regulatory Group (including all Policyholder Claims). The Issuer had no secured indebtedness and $392 million of senior unsecured indebtedness outstanding as of 30 June 2017. As of 30 June 2017, the Issuer's direct and indirect subsidiaries had no long-term indebtedness and $2.9 billion in other liabilities.

In addition, the Subordinated Notes will be structurally subordinated to indebtedness and other liabilities of the Issuer's subsidiaries. The Subordinated Indenture will allow the Issuer's subsidiaries to incur additional indebtedness in the future. In the event of a bankruptcy, liquidation or reorganisation of any of the Issuer's subsidiaries, such subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer.

Although subordinated notes may pay a higher rate of interest than comparable notes which are not subordinated, there is a real risk that an investor in the Subordinated Notes will lose all or some of his investment should the Issuer become insolvent.

The regulatory capital treatment of the Subordinated Notes may not be what we anticipate.

The Issuer has applied for, and expects to receive from the BMA, approval which will permit the Subordinated Notes to qualify as Tier 2 Capital in accordance with the Applicable Supervisory Regulations. In order for the Subordinated Notes to qualify as Tier 2 Capital, the terms of the Subordinated Notes must reflect (i) in the case of the BMA solvency rules, the criteria contained in the Insurance (Group Supervision) Rules 2011 published by the BMA in January 2012, and any amendments thereto and (ii) in the case of Solvency II, the criteria contained in the Solvency II Directive. No assurance can be made that the BMA (or the Regulatory Group's then-current supervisor under the Solvency II Directive, if applicable) will deem that the Subordinated Notes constitute Tier 2 Capital under the Applicable Supervisory Regulations. In the event that the BMA (or the Regulatory Group's then-current supervisor under the Solvency II Directive, if applicable) does not make such a determination, subject to the limitations described under "*Description of the Floating Rate Subordinated Notes – Redemption; Conditions to Redemption – Variation and Substitution*", the Issuer will be entitled to vary the terms of the Subordinated Notes or exchange the Subordinated Notes for new securities to achieve the desired regulatory capital treatment. In addition, if the Subordinated Notes no longer qualify as Tier 2 Capital, the Issuer may, at its option and without your consent, redeem the Subordinated Notes in whole, but not in part, at a price equal to the principal amount of the Subordinated Notes, plus accrued and unpaid interest (including Arrears of Interest) on the Subordinated Notes and any Additional Amounts thereon.

The Issuer may defer interest payments on the Subordinated Notes and is required to defer interest payments on the Subordinated Notes upon the occurrence of a Mandatory Deferral Event.

So long as no Mandatory Deferral Event has occurred and is continuing and the relevant Interest Payment Date is not a Compulsory Interest Payment Date, the Issuer may elect to defer payments of interest on the Subordinated Notes from time to time and for one or more periods and the Issuer is required to defer interest payments on the Subordinated Notes if a Solvency Capital Event, an Insolvency Event or any other event the occurrence of which would require the Issuer to defer payment of interest on the Subordinated Notes under Applicable Supervisory Regulations on the basis that the Subordinated Notes are intended to qualify as Tier 2 Capital has occurred. Non-payment of the amounts so deferred will not constitute a default under the Subordinated Notes for any purpose.

Any interest in respect of the Subordinated Notes so deferred will, so long as the same remains unpaid, constitute Arrears of Interest. Arrears of Interest will not themselves bear interest. Noteholders have no right to require payment of Arrears of Interest, and Arrears of Interest will become due and payable only upon the earliest of (i) so long as no event of default or Mandatory Deferral Event has occurred and is continuing, the next interest payment date for the Subordinated Notes that does not occur during an Optional Deferral Period or that is a Compulsory Interest Payment Date; (ii) the date fixed for redemption in accordance with the applicable redemption provisions; (iii) the date on which a winding-up of the Issuer occurs; or (iv) the Final Maturity Date for the Subordinated Notes; provided that in the event of there being Arrears of Interest on the Final Maturity Date, such Arrears of Interest shall be paid before any repayment of principal.

To the extent a secondary market develops for the Subordinated Notes, the market price of the Subordinated Notes may be adversely affected if payments of interest on the Subordinated Notes have been deferred. If interest of the Subordinated Notes has been deferred, the market for the Subordinated Notes may become less active or be discontinued during such a deferral period, and the market price of the Subordinated Notes may be more volatile than the market prices of other securities that are not subject to deferral. If you sell your Subordinated Notes during a period of interest deferral on the Subordinated Notes, you may not receive the same return on your investment as a Noteholder that continues to hold its Subordinated Notes unless and until the Issuer pays the deferred interest at the end of the applicable deferral period.

The Issuer will be required to defer payment of the principal amount of the Subordinated Notes beyond the applicable Scheduled Maturity Date if the applicable Conditions to Redemption are not satisfied with respect to the Subordinated Notes on such date.

You may be required to bear the financial risks of an investment in the Subordinated Notes beyond the Scheduled Maturity Date for the Subordinated Notes. The Issuer will be required to defer payment of the principal amount of the Subordinated Notes beyond the Scheduled Maturity Date for the Subordinated Notes if the applicable Conditions to Redemption with respect to the Subordinated Notes are not met on such date. Any such deferral could last for an indefinite period of time. The Conditions to Redemption include the requirement that (i) the redemption or purchase of the Subordinated Notes would not result in, or accelerate the occurrence of, an Insolvency Event; (ii) the Solvency Capital Requirement is complied with after the repayment or purchase of the Subordinated Notes; and (iii) that the BMA has given and not withdrawn its prior consent to the redemption or purchase. If the payment of the principal amount of the Subordinated Notes is deferred on the applicable Scheduled Maturity Date because of the failure to satisfy the applicable Conditions to Redemption with respect to the Subordinated Notes, you will only receive the principal amount of your Subordinated Notes after the Issuer has determined that the applicable Conditions to Redemption with respect to the Subordinated Notes have been met. Noteholders will have no remedies against the Issuer for non-payment as a result of a failure to meet the Conditions to Redemption. See "*Description of the Floating Rate Subordinated Notes – Redemption; Conditions to Redemption*".

Although Sirius, Ltd. is not the Issuer of the Subordinated Notes, Noteholders are exposed to the credit and other risks of the Regulatory Group.

The Issuer is an indirect wholly owned subsidiary of Sirius, Ltd. which is the ultimate parent company of the Regulatory Group. Under the terms of the Subordinated Notes, a Mandatory Deferral Event will occur if there is a Solvency Capital Event or an Insolvency Event, or any other interest deferral required under the Applicable Supervisory Regulations, with respect to Sirius, Ltd. or another member of the Regulatory Group. In this event, the Issuer will be prevented from making interest payments on the Subordinated Notes. See "*— The Issuer will be required to defer payment of the principal amount of the Subordinated Notes beyond the applicable Scheduled Maturity Date if the applicable Conditions to Redemption are not satisfied with respect to the Subordinated Notes on such date*". Accordingly, although Sirius, Ltd. is not the Issuer of the Subordinated Notes, Noteholders are exposed to the credit and other risks of Sirius, Ltd. and its subsidiaries. Such risks include the risks faced by the Sirius Group and the other subsidiaries of Sirius, Ltd., such as IMG.

The terms of the Subordinated Notes do not prohibit the Issuer from taking actions that could adversely impact your investment in the Subordinated Notes.

The Subordinated Notes and the Subordinated Indenture do not:

- require the Issuer to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity;
- except during an Optional Deferral Period or a Mandatory Deferral Period, restrict the Issuer's ability to repurchase or prepay any of its other securities or other indebtedness;
- except during an Optional Deferral Period or a Mandatory Deferral Period, restrict the Issuer's ability to make investments or to repurchase, pay dividends or make other payments in respect of its ordinary shares or other securities ranking junior to the Subordinated Notes;

- restrict the amount of indebtedness the Issuer or any of its subsidiaries may incur;
- restrict the Issuer's ability to enter into transactions with affiliates, including to transfer assets from the Sirius Group to the Regulatory Group;
- restrict the Issuer's ability to sell assets;
- restrict the Issuer's ability to enter into highly leveraged transactions;
- restrict any owner of shares of the Issuer or Sirius, Ltd. from selling such shares, including in a change of control transaction; or
- require the Issuer to repurchase the Subordinated Notes in the event of a change in control.

As a result of the foregoing, when evaluating the terms of the Subordinated Notes, you should be aware that the terms of the Subordinated Indenture and the Subordinated Notes do not restrict the Issuer's ability to engage in, or to otherwise be a party to, a variety of corporate transactions, circumstances and events that could have an adverse impact on your investment in the Subordinated Notes.

There are only limited rights of acceleration under the terms of the Subordinated Notes.

The payment of the principal and accrued and unpaid interest on the Subordinated Notes may only be accelerated following the occurrence of an Issuer Winding-Up Event. The Subordinated Notes may not be accelerated upon a default in the payment of principal of, or interest on, the Subordinated Notes, upon the non-performance of any covenant in relation to the Subordinated Notes or upon the occurrence of any other event in relation to the Subordinated Notes, other than a winding-up of the Issuer. Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment. See "*Description of the Floating Rate Subordinated Notes – Issuer Winding-Up Event*".

The Issuer may redeem the Subordinated Notes in certain circumstances, including at par following the occurrence of an Additional Amounts Event, a Tax Event, a Regulatory Event or a Rating Methodology Event (each as defined in the "Description of the Floating Rate Subordinated Notes" and each a "Specified Event"); and at any time following 22 September 2022.

Subject to satisfaction of the Conditions to Redemption, the Issuer may redeem the Subordinated Notes, in whole but not in part at any time upon the occurrence of a Specified Event at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest (including Arrears of Interest) on the Subordinated Notes being redeemed to, but excluding, the date fixed for redemption, and any Additional Amounts thereon. Events that would constitute a Specified Event could occur at any time and could result in the Subordinated Notes being redeemed earlier than would otherwise be the case.

In addition, beginning on 22 September 2022, subject to satisfaction of the Conditions to Redemption, the Issuer may redeem the Subordinated Notes in whole at any time or in part from time to time, at a redemption price equal to accrued and unpaid interest (including Arrears of Interest) on the principal amount of Subordinated Notes being redeemed to, but excluding, the Redemption Date, and any Additional Amounts thereon, plus 100% of the principal amount of the Subordinated Notes to be redeemed. If the Subordinated Notes are redeemed early, the redemption may be a taxable event to you. See "*Taxation*".

In the event the Issuer chooses to redeem the Subordinated Notes, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Subordinated Notes. See "*Description of the Floating Rate Subordinated Notes – Redemption; Conditions to Redemption*". The redemption right may also adversely impact your ability to sell your Subordinated Notes as the optional redemption date or period approaches.

The Subordinated Notes are subject to substitution, variation and amendment without the Noteholders' consent.

Subject to compliance with all requirements set forth in "*Description of the Floating Rate Subordinated Notes – Redemption; Conditions to Redemption*", if a Specified Event occurs, the Issuer may, as an alternative to redemption of the Subordinated Notes, at any time and without the consent of any Noteholders, elect either (i) to vary any term or condition of the Subordinated Notes or (ii) to substitute all (but not less than all) of the Subordinated Notes for other substituted notes, in each case so that Subordinated Notes or the substituted notes, as the case may be, become Qualifying Equivalent Securities.

In addition, the Issuer and the Indenture Trustee may amend or supplement certain provisions of the Subordinated Indenture without the consent of the Noteholders, to the extent determined reasonably necessary to comply with, or satisfy, requirements imposed by the Applicable Supervisor, as determined by the senior management of the Issuer in good faith. See "*Description of the Floating Rate Subordinated Notes — Modification and Waiver*".

Any such substitution, variation, amendment or supplement may have adverse consequences for Noteholders, depending on a number of factors, including the nature and terms and conditions of the Subordinated Notes following such substitution, variation, amendment or supplement, and any tax laws to which a particular Noteholder is subject.

Other than during an Optional Deferral Period or Mandatory Deferral Period, the Issuer will not be prohibited from repurchasing or redeeming, or paying dividends on, or making other distributions in respect of, its Junior Obligations or Parity Obligations.

Except during an Optional Deferral Period or Mandatory Deferral Period, the Issuer, in its sole discretion, at any time and from time to time, repurchase or redeem, or pay a dividend on, or make other distributions in respect of, its Junior Obligations or Parity Obligations. Even if an Optional Deferral Period or Mandatory Deferral Period occurs, the restrictions in the Subordinated Indenture on the Issuer's ability to pay dividends will be subject to various exceptions which may still allow the Issuer to take such actions during such deferral period with respect to Junior Obligations or Parity Obligations, provided that any such payment will cause the next Interest Payment Date to be a Compulsory Interest Payment Date. As a result, holders of securities ranking junior to you may be repaid ahead of you, and we may not subsequently be able to make payments to you.

No limitation on issuing further debt.

There is no restriction on the amount of debt which the Issuer may issue ranking equal or senior to the obligations under or in connection with the Subordinated Notes. Such issuance of further debt may reduce the amount recoverable by the Noteholders upon insolvency or winding-up of the Issuer or may increase the likelihood that payments of the principal amount or interest under the Subordinated Notes will be mandatorily suspended or deferred or may, in the case of interest payments, be deferred at the option of the Issuer.

In addition, the Subordinated Notes do not contain any "negative pledge" or similar clause, meaning that the Issuer and its subsidiaries may pledge its or their assets to secure other obligations without granting similar security in respect of the Subordinated Notes.

There are no events of default under the Subordinated Notes.

The terms of the Subordinated Notes do not provide for events of default allowing acceleration of the Subordinated Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Subordinated Notes, including the payment of any interest when due, investors will not have any right of acceleration in respect of the Subordinated Notes.

Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment of principal or interest on the Subordinated Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

Set-off risk.

Subject to applicable law, no Noteholder who shall be indebted to the Issuer shall be entitled to exercise any right of set-off or counterclaim against moneys owed to the Issuer in respect of such indebtedness.

Interest rate risks.

The Subordinated Notes will bear interest at a floating rate from, and including the Issue Date. The floating rate applicable to the Subordinated Notes is based on two components, namely the 3-month STIBOR and the Margin. The floating rate (i.e. the coupon) is payable quarterly, and will be set immediately prior to any floating Interest Period to the then prevailing 3-month STIBOR rate plus the Margin. The Margin is fixed at the time of issuance of the transaction, subject to an increase of 0.25 percentage points from and including 22 September 2027 to, but excluding, the Maturity Date.

Noteholders should be aware that the floating rate interest income is subject to changes in the 3-month STIBOR and therefore cannot be anticipated. Hence, Noteholders are not able to determine a definite yield of the Subordinated Notes at the time of purchase, so that their return on investment cannot be compared with that of investments in simple fixed-rate (i.e. fixed-rate coupons only) instruments.

Since the Margin is fixed at the time of issuance of the transaction, Noteholders are subject to the risk that the Margin does not reflect the spread that investors require in addition to the 3-month STIBOR as a compensation for the risks inherent in the Subordinated Notes (credit spread). The credit spread typically changes on a daily basis. As the credit spread changes, the price of the Subordinated Notes changes in the opposite direction. A decrease in the credit spread has a positive impact on the price of the Subordinated Notes; an increase in the credit spread has a negative impact on the price of the Subordinated Notes. However, the price of the Subordinated Notes is subject to changes in the credit spread, changes in the 3-month STIBOR or both. Noteholders should be aware that movements in the credit spread can adversely affect the price of the Subordinated Notes and can lead to losses for the Noteholders.

In addition, Noteholders are exposed to reinvestment risk with respect to proceeds from coupon payments or early redemptions by the Issuer. If the market yield (or credit spread respectively) declines, and if Noteholders want to invest such proceeds in comparable transactions, Noteholders will only be able to reinvest such proceeds in comparable transactions at the then prevailing lower market yields (or credit spreads respectively).

Repayment of the Subordinated Notes is subject to a Mandatory Deferral Event and, accordingly, Noteholders are exposed to the credit and other risk of the Regulatory Group.

The Issuer is an indirect wholly owned subsidiary of Sirius, Ltd. which is the ultimate parent company of the regulated Regulatory Group. As such, a Mandatory Deferral Event will occur if there is a Solvency Capital Event or an event of insolvency with respect to Sirius, Ltd. or another member of the Regulatory Group. In this event, the Issuer will be prevented from making interest payments on the Subordinated Notes. See "— *The Issuer will be required to defer payment of the principal amount of the Subordinated Notes beyond the applicable Scheduled Maturity Date if the applicable Conditions to Redemption are not satisfied with respect to the Subordinated Notes on such date"*. Accordingly, although Sirius, Ltd. is not the Issuer of the Subordinated Notes, Noteholders are exposed to the credit and other risks of Sirius, Ltd. and its subsidiaries. Such risks include the risks faced by the Sirius Group and the other subsidiaries of Sirius, Ltd., such as IMG. See Sirius, Ltd.'s Audited Financial Statements for more information.

The Issuer may become subject to taxes in Bermuda after 31 March 2035, which may have a material adverse effect on our results of operations and your investment.

The Bermuda Minister of Finance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, as amended, has given the Issuer and each of its Bermuda incorporated subsidiaries an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then the imposition of any such tax will not be applicable to any such entity or any of its operations, shares, debentures or other obligations until 31 March 2035, except insofar as such tax applies to persons ordinarily resident in Bermuda or to any taxes payable by it in respect of real property owned or leased by it in Bermuda. See "*Taxation — Bermuda Taxation*". Given the limited duration of the Bermuda Minister of Finance's assurance, there can be no assurance that the Sirius Group will not be subject to any Bermuda tax after 31 March 2035.

Risks relating to the Subordinated Notes generally

Set out below is a brief description of certain risks relating to the Subordinated Notes generally:

There is no active trading market for the Subordinated Notes.

The Subordinated Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Subordinated Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Subordinated Notes to be admitted to listing on the Main Securities Market of the Irish Stock Exchange, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Subordinated Notes.

Credit ratings may not reflect all risks.

The Issuer's credit ratings are an assessment by rating agencies of its ability to pay its debts when due. Consequently, real or anticipated changes in the Issuer's credit ratings will generally affect the market value of the Subordinated Notes. These credit ratings may not reflect the potential impact of risks relating to the structure or marketing of the Subordinated Notes. Agency ratings are not a recommendation to buy, sell or hold any security and may be revised or withdrawn at any time by the issuing organisation. Each agency's rating should be evaluated independently of any other agency's rating.

Credit rating agencies continually review their ratings for the companies that they follow, including the Issuer. The credit rating agencies also evaluate the insurance industry as a whole and may change the Issuer's credit ratings based on their overall view of the insurance industry. There can be no assurance that the Issuer's credit ratings will remain in effect for any given period of time or that a rating will not be lowered, suspended or withdrawn entirely by the applicable rating agencies, if, in such rating agency's judgment, circumstances so warrant. Actual or anticipated changes or downgrades in the Issuer's credit ratings, including any announcement that its ratings are under further review for a downgrade, could affect the market price and marketability of the Subordinated Notes.

Noteholders may be subject to the effects of foreign currency exchange rate fluctuations, as well as possible exchange controls, relating to Swedish krona.

The initial investors in the Subordinated Notes will be required to pay for the Subordinated Notes in Swedish krona. An investment in any security denominated in, and all payments with respect to which are to be made in, a currency other than the currency of the country in which an investor in the Subordinated Notes resides or the currency in which an investor conducts its business or activities (the "**home currency**"), entails significant risks not associated with a similar investment in a security denominated in the home currency. These include the possibility of:

- significant changes in rates of exchange between the Swedish krona and the home currency; and
- the imposition or modification of foreign exchange controls with respect to the Swedish krona or the home currency.

The Issuer has no control over a number of factors affecting the Subordinated Notes, including economic, financial and political events that are important in determining the existence, magnitude and longevity of these risks and their results. Depreciation of the Swedish krona against the home currency could result in a decrease in the effective yield of the Subordinated Notes below the coupon rate, and in certain circumstances, could result in a loss to you on a home currency basis.

In addition, Sweden may, in the future, impose exchange controls and modify any exchange controls imposed, which controls could affect exchange rates, as well as the availability of euros at the time of payment of principal of, interest on, or any redemption payment or additional amounts with respect to, the Subordinated Notes.

This description of foreign currency risks does not describe all the risks of an investment in securities denominated in a currency other than the home currency. You should consult your own financial and legal advisors as to the risks involved in an investment in the Subordinated Notes.

Judgments in U.S. dollars could result in a substantial loss to you.

The Subordinated Notes (other than certain provisions governed by Bermuda law) will be governed by and construed in accordance with the laws of the State of New York. Courts in the United States customarily have not rendered judgments for money damages denominated in any currency other than U.S. dollars. A 1987 amendment to the Judiciary Law of New York State provides, however, that an action based on an obligation denominated in a currency other than U.S. dollars will be rendered in the foreign currency of the underlying obligation. Any judgment under New York law will be rendered in Swedish krona and converted into U.S. dollars at a rate of exchange prevailing on the date of entry of the judgment or decree. There is no provision for any further payments if exchange rates continue to change after the judgment is rendered.

In courts outside of New York, investors may not be able to obtain a judgment in a currency other than U.S. dollars. For example, a judgment for money in an action based on the Subordinated Notes in many other U.S. federal or state courts ordinarily would be enforced in the United States only in U.S. dollars. The date used to determine the rate of conversion of Swedish krona into U.S. dollars would depend upon various factors, including which court renders the judgment and when the judgment is rendered.

Taxation.

Potential purchasers and sellers of the Subordinated Notes should be aware that they may be required to pay taxes of documentary charges or duties in accordance with the laws and practices of the jurisdiction where the Subordinated Notes are transferred to other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Subordinated Notes. Potential investors cannot rely upon such tax summary contained in this Prospectus but should ask for their own tax adviser's advice on their individual taxation with respect to the subscription, acquisition, holding, disposal and redemption of the Subordinated Notes. Only this adviser is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

The Issuer may become subject to increased taxation in Bermuda and other countries as a result of the OECD's plan on " base erosion and profit shifting".

The OECD, with the support of the Group of Twenty ("**G20**"), initiated the "base erosion and profit shifting" ("**BEPS**") project in 2013 in response to concerns that international tax standards have not kept pace with changes in global business practices and that changes are needed to international tax laws to address situations where multinational enterprises may pay little or no tax in certain jurisdictions by shifting profits away from jurisdictions where the activities creating those profits may take place. In October 2015, the OECD issued "final reports" in connection with the BEPS project. The final reports were approved for adoption by the G20 finance ministers in November 2015 and provide the basis for international standards for corporate taxation, which are designed to prevent, among other things, the artificial shifting of income to tax havens and low-tax jurisdictions, the erosion of the tax base through interest deductions on intercompany debt and the artificial avoidance of permanent establishments (i.e., tax nexus with a jurisdiction). The measures also lead to the development of a global multilateral instrument to incorporate and facilitate changes to tax treaties, which was signed on 7 June 2017.

Legislation to adopt these standards has been enacted or is currently under consideration in a number of jurisdictions to implement these standards, including country-by-country reporting. As a result, our income may be taxed in jurisdictions where it is not currently taxed and at higher rates of tax than currently taxed which may substantially increase our effective tax rate. Also, the adoption of these standards may increase the complexity and costs associated with tax compliance and adversely affect our financial position and results of operations.

The proposed financial transactions tax (FTT).

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Subordinated Notes (including secondary market transactions) where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between participating Member States and the scope of any such tax is uncertain. It may therefore be altered prior to implementation, the timing of which remains unclear. Additional Member States may decide to participate.

Prospective holders of the Subordinated Notes are advised to seek their own professional advice in relation to the FTT.

Payments on the Subordinated Notes may be subject to Foreign Account Tax Compliance Act withholding.

Whilst the Subordinated Notes are in global form and held within Euroclear and Clearstream (together, the "**ICSDs**"), in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Subordinated Notes are discharged once it has made payment to, or to the order of, the common depositary for the ICSDs (as bearer of the Subordinated Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the ICSDs and custodians or intermediaries. Further, foreign financial institutions in a jurisdiction which has entered into an intergovernmental agreement with the United States (an "**IGA**") are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from non-U.S. source payments they make.

Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.

The Subordinated Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Subordinated Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Subordinated Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Subordinated Notes by making payments to or to the order of the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Subordinated Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Subordinated Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

Independent review and advice.

Each prospective investor in the Subordinated Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the

Subordinated Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Subordinated Notes.

Each prospective investor should consult its own advisers as to legal, tax and related aspects of an investment in the Subordinated Notes. A prospective investor may not rely on the Issuer or the Joint Lead Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Subordinated Notes or as to the other matters referred to above.

The Subordinated Notes may not be a suitable investment for all investors.

The Subordinated Notes are complex financial instruments. Sophisticated institutional investors generally purchase complex financial instruments as part of a wider financial structure rather than as standalone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Subordinated Notes unless it has the expertise (either alone or with a financial adviser) to evaluate how the Subordinated Notes will perform under changing conditions, the resulting effects on the value of the Subordinated Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each potential investor in the Subordinated Notes must determine the suitability of that investment in light of its own circumstances. In particular, each investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Notes, the merits and the risks of investing the Subordinated Notes and the information contained or incorporated by reference in this Prospectus;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Subordinated Notes and the impact the Subordinated Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Subordinated Notes and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Subordinated Notes are legal investments for it, (2) the Subordinated Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Subordinated Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Subordinated Notes under any applicable risk-based capital or similar rules.

USE OF PROCEEDS

The net proceeds of the issue of the Subordinated Notes, amounting to approximately SEK 2,722,500,000, will be used for general corporate purposes, including in the discretion of the Issuer, if applicable, to fund the redemption or repurchase of the Issuer's 7.506% Non-Cumulative Perpetual Preference Shares (the "**Preference Shares**"), which became eligible for redemption by the Issuer on 30 June 2017. This Prospectus does not constitute a notice of redemption under the certificate of designations for the Preference Shares and any such redemption or repurchase will comply with the requirements of the applicable certificate of designations.

DESCRIPTION OF THE ISSUER, THE SIRIUS GROUP AND THE REGULATORY GROUP

Overview

The Issuer was incorporated in Bermuda as a holding company on 14 March 2003, with company registration number 33445, under the Companies Act 1981 of Bermuda, as amended (the "**Companies Act**").

The Issuer provides reinsurance and insurance products for property, accident and health, aviation and space, trade credit, marine, agriculture and certain other exposures on a worldwide basis through its subsidiaries. The Sirius Group also specialises in the acquisition and management of runoff insurance and reinsurance companies, both in the United States and internationally. Prior to its sale in April 2016, the Issuer was an indirect wholly owned subsidiary of White Mountains. On 18 April 2016, CMIG International, the Singapore-based investment arm of CMIG, through its Bermuda holding company CM Bermuda, purchased the Issuer's parent company, Sirius, Ltd., and its subsidiaries, from White Mountains. As of 30 June 2017, Sirius Group had $5.5 billion of total assets and $2.2 billion of shareholders' equity, respectively. Sirius Group wrote $1.3 billion and $1.2 billion in gross written premiums and $938 million and $848 million in net written premiums in 2016 and 2015, respectively.

The Sirius Group writes treaty and facultative reinsurance, as well as primary direct insurance business. See "— *Reinsurance Overview*" for a brief description of treaty and facultative reinsurance. The majority of the Sirius Group's premiums are derived from proportional and excess of loss reinsurance contracts, which in 2016 amounted to 43% and 30%, respectively, of its total net written premiums, while primary direct business represented 27% of total net written premiums. Our primary direct business is predominately accident and health insurance. In recent years, we have expanded our primary direct business capabilities in the United States, which has resulted in increased accident and health insurance business.

The Sirius Group's principal operating subsidiaries include the following, as well as the recent acquisitions described under "— *Recent Updates — Recent Acquisitions*":

- Sirius Bermuda, which is a Class-4 licensed Bermuda-based reinsurance company, was established to facilitate the long-term growth of the Sirius Group's capital base and business and is licensed to assume all classes of property and casualty business. Sirius Bermuda is the top operating company in the Sirius Group and had $2.6 billion of consolidated shareholders' equity as of 30 June 2017.

- Sirius International, which is an insurance and reinsurance company domiciled in Sweden with its home office in Stockholm, Sweden; and branch offices or subsidiaries in London, United Kingdom; Zurich, Switzerland; Singapore; Labuan, Malaysia; Liege, Belgium; Hamburg, Germany; and Hamilton, Bermuda. Sirius International, which is the largest reinsurance company domiciled in Scandinavia based on gross written premiums, was established in 1945 and owns Sirius America and sponsors Syndicate 1945. Sirius International wrote $678 million and $694 million in gross written premiums and $472 million and $451 million in net written premiums in 2016 and 2015, respectively.

- Sirius America, which is an insurance and reinsurance company domiciled in the state of New York with offices in New York, New York; Norwalk, Connecticut; Miami, Florida; and Toronto, Ontario. Sirius America wrote $405 million and $343 million in gross written premiums and $217 million and $284 million in net written premiums in 2016 and 2015, respectively.

- Syndicate 1945, which is a Lloyd's syndicate that is sponsored and managed by the Sirius Group. Syndicate 1945 currently writes a diverse mix of business, including, accident and health, contingency (which principally covers the occurrence or non-occurrence of insured events, such as event cancellation or prize redemption), bloodstock (which principally covers the value of an animal if it dies as a result of accident, disease or illness), terrorism, marine energy and cargo lines. Syndicate 1945 wrote $167 million and $123 million in gross written premiums and $151 million and $112 million in net written premiums in 2016 and 2015, respectively.

- Sirius Global Solutions, a Connecticut-based division of Sirius Group specialising in the acquisition and management of runoff liabilities for insurance and reinsurance companies, both in the United States and internationally. Sirius Group can derive value from these acquisitions not only from the discounted purchase price, but also from the investment income on insurance float, the potential settlement of claims below the carried level of reserves and the harvesting of other embedded assets, including the value of shell companies and licences. Since its formation in 2000, Sirius Global Solutions has executed 13 transactions involving 18 companies, which have resulted in approximately $185 million of cumulative after-tax income through 31 December 2016.

Recent Updates

Recent Acquisitions

During the second quarter of 2017, the Regulatory Group successfully closed on the acquisitions of two specialty Accident & Health ("**A&H**") agencies, Armada and IMG:

- Armada, which was purchased by the Issuer, is an insurance services and health care technology business that creates specialty employee benefit products and services to strengthen health care coverage and access.

- IMG, which was purchased by Sirius, Ltd., has been an award-winning provider of global insurance benefits and assistance service for over 25 years, offering a full line of international medical insurance products, trip cancellation programs, medical management service and 24/7 emergency medical and travel assistance. The Regulatory Group has been involved with IMG for 20 years as IMG's primary insurance carrier, and was a partial owner through 2012. In 2016, IMG produced approximately $177 million of gross premiums for the Regulatory Group.

On 3 April 2017, the Issuer purchased 100% of Armada from Armada Enterprises LLC ("**Enterprises**"). The transaction was implemented by (i) the purchase of 50% of Armada by Sirius Group for $123.7 million, subject to a post-closing purchase price adjustment based on the target net book value of Armada as of 31 March 2017, and (ii) the redemption by Armada of the remaining 50% held by Enterprises for a redemption price based on a three-year contingent earn-out mechanism that could result in an additional payment to Enterprises of up to $125 million, which was valued at $79.1 million at the transaction date. The carrying value as of 30 June 2017 within the Sirius Group was $204.5 million.

On 26 May 2017, Sirius, Ltd. purchased IMG from private equity firm, ABRY Partners ("**ABRY Partners**"), for $251 million in cash, $100 million in convertible preference shares in Sirius, Ltd. ("**Sirius Preference Shares**") and up to $50 million of Sirius Preference Shares based on a three-year contingent earn-out mechanism, the fair value of which was $40.1 million at the transaction date. The carrying value of IMG as of 30 June 2017 within the Regulatory Group was $260.8 million. In connection with the acquisition of IMG by Sirius, Ltd., Sirius Bermuda and Sirius International acquired from third-party lenders senior debt owed by IMG, which senior debt reduced the cash payable to ABRY Partners at closing and remains outstanding as inter-company debt owed by IMG to Sirius Bermuda and Sirius International. The principal amount of this senior debt was $129.1 million as of 30 June 2017. The Sirius Preference Shares are convertible into common shares of Sirius, Ltd. in the event of a merger or consolidation of Sirius, Ltd. where the surviving entity is a public company or an underwritten qualified initial public offering of Sirius, Ltd. On a fully converted basis, assuming full payment of the contingent earn-out consideration, ABRY Partners would own approximately 6% of Sirius, Ltd. For more information regarding the Sirius Preference Shares, see "*Ownership Structure*".

We note, however, that the purchase accounting for the Armada and IMG acquisitions described above at 30 June 2017 is provisional and therefore is subject to change following the date hereof as the Issuer and Sirius, Ltd. finalise how to account for such acquisitions.

In addition to focusing on A&H as a growth area, the Regulatory Group recently launched a Casualty reinsurance platform in addition to primary Environmental and Surety insurance platforms in the United States. The two insurance platforms complement the specialty aspect of our franchise and bring us closer to the consumer.

2017 Atlantic Hurricane Season

The Sirius Group has significant exposure to losses resulting from natural disasters, including U.S. hurricane exposure. The Atlantic hurricane season extends from 1 June to 30 November, with August, September and October being the peak months for hurricane activity.

On 25 August 2017, Hurricane Harvey made landfall near Corpus Christi, Texas as a Category 4 hurricane and has also impacted the Houston area as a Tropical Storm causing significant destruction from rain and flooding. In addition, during the first half of September 2017, Hurricane Irma caused extensive damage in many parts of the Caribbean and Florida, making its initial U.S. landfall as a Category 4 hurricane in the Florida Keys and affecting nearly the entire state of Florida. We expect that Hurricane Harvey and Hurricane Irma have resulted in significant insured property losses, which the market and Sirius Group are unable to quantify at the moment with a sufficient degree of reliability. The Sirius Group continues to analyze available and emerging information to refine its estimates of potential exposure but expects this process will unfold over several weeks or even months.

To date, Sirius Group has received preliminary loss estimates and formal loss advices related to Hurricane Harvey and Hurricane Irma from a limited number of its reinsurance clients. We expect to receive an increasing number of claims over the ensuing weeks and months as insured losses develop, including related to the following principal exposures in Texas, Florida and the Caribbean:

1. *Property Wind Losses*. Sirius Group's property catastrophe and other property reinsurance contracts cover residential and commercial property wind damage in Texas, Florida and many parts of the Caribbean. Sirius Group does not have direct exposure to the Texas Wind Insurance Association, which is a state-sponsored wind pool association for the State of Texas.

2. *Property Flood Losses*. In the United States, property damage caused by flooding is typically an excluded peril on many standard residential and commercial insurance policies written outside of the excess and surplus lines markets. In most cases, flood insurance for property damage is provided by the U.S. federal government's National Flood Insurance Program, often referred to as the NFIP, instead of private market carriers. Sirius Group does not provide reinsurance protection to the NFIP. However, Sirius Group is exposed to flood losses under its property catastrophe reinsurance contracts covering the excess and surplus markets and personal lines coverage in excess of the NFIP, as well as limited exposure to facultative contracts written out of Syndicate 1945.

3. *Auto Flood and Wind Losses*. Auto physical damage losses caused by wind and flooding are covered under some of Sirius Group's property catastrophe reinsurance contracts.

4. *Business Interruption Losses*. Business interruption ("**BI**") insurance is a type of insurance that covers the loss of income that a business suffers after a disaster. The income loss covered may be due to disaster-related closing of the business facility or due to the rebuilding process after a disaster. BI losses are covered under many of the Sirius Group's property catastrophe and other property reinsurance contracts that include commercial business. Sirius Group has significant BI exposure including Texas and Florida. Sirius Group's BI losses will likely extend for some period of time after an event occurs.

Sirius Group's exposure to Hurricane Harvey and Hurricane Irma is subject to a high level of uncertainty arising out of complex and unique causation and coverage issues associated with the attribution of losses to wind or flood damage or other perils such as fire or business interruption. For example, many underlying policies generally do not cover flood damage; however, water damage caused by wind may be covered. Moreover, if a second hurricane event were to impact the same geographic area, causation and coverage issues among two or more events could additionally impact our ultimate losses on a policy. We expect that these issues will not be resolved for a considerable period of time and may be influenced by evolving legal and regulatory developments.

Investment in The Phoenix Holdings Ltd.

On 14 September 2017, Sirius, Ltd. entered into an agreement with Delek Group Ltd. ("**Delek**") to purchase 4.9% of the issued and outstanding share capital (the "**Initial Phoenix Shares**") of The Phoenix Holdings Ltd. ("**Phoenix**") from Delek for approximately NIS208 million (or $59 million based on the exchange rate as of 14 September 2017). The purchase of the Initial Phoenix Shares by Sirius, Ltd. was funded via dividends from Sirius Group.

In the definitive documentation in respect of the purchase of the Initial Phoenix Shares, Delek provided Sirius, Ltd. with: (i) an exclusivity period of 60 days following receipt by Sirius, Ltd. of certain due diligence information regarding Phoenix (the "**Exclusivity Period**") to conduct comprehensive due diligence regarding Phoenix; and (ii) an option (the "**Call Option**") to purchase the remaining approximately 47.4% of Phoenix's outstanding share capital owned by Delek (the "**Remaining Phoenix Shares**") for approximately NIS2.3 billion (or $639 million based on the exchange rate as of 14 September 2017), subject to certain adjustments for interest and a pro-rata portion of earnings in respect of the Remaining Phoenix Shares, as further adjusted to include an additional premium equal to approximately NIS26 million (or $7 million based on the exchange rate as of 14 September 2017) in respect of the Initial Phoenix Shares. The purchase price for the Remaining Phoenix Shares and the premium for the Initial Phoenix Shares will be payable in cash only upon the closing of the Remaining Phoenix Shares, and may be funded via dividends or intra-group financing from Sirius Group.

Sirius has not completed its comprehensive due diligence of Phoenix, and has not made any decision to exercise its Call Option. No assurance can be given that the Call Option will be exercised by Sirius, Ltd., that all conditions (including as to regulatory approvals) to the purchase of the Remaining Phoenix Shares will be satisfied or whether the purchase of the Remaining Phoenix Shares will in fact be consummated by Sirius, Ltd.

Our Competitive Strengths

We believe our competitive strengths, described below, position us to capitalise on the opportunities presented in the reinsurance and insurance marketplace:

Global Multi-Line Reinsurer with Proven Track Record

We are a global multi-line reinsurance and insurance company with a long operating history and a proven track record of growing tangible book value in varying market conditions. We write a diversified book of reinsurance and insurance business across different risk types and geographic locations. As of 31 December 2016, we had over 2,070 clients in over 140 countries with over 7,121 different reinsurance treaties. The majority of our business is relatively short-tailed as we generally do not focus on the longer-tailed casualty lines. Our management believes diversification is a competitive advantage, which increases return per unit of risk, provides access to risk worldwide and reduces the overall volatility of results. Diversification is also the cornerstone managing the cyclicality of reinsurance and insurance markets.

History of Long-Term Customer Relationships

Our global branch network, managed by a long-tenured and experienced team, has allowed Sirius Group to develop long-standing, local customer relationships. These strong relationships have allowed our operating team to profitably navigate through both favourable and unfavourable market conditions. Our profit centre managers have an average of 18 years of employment with Sirius Group and 28 years in the insurance industry.

Sirius Group has over the years developed into a leading reinsurer primarily in Europe but also in the United States and in other parts of the world. Based on our 2016 client premium revenue statistics, 25% are from clients of 20 or more years and 65% are from clients of 10 or more years. Our long-standing relationships have contributed to Sirius Group's having a position in its markets that enables it to lead or co-lead over 59% of its business (as measured at 31 December 2016), thereby influencing price, terms and conditions.

Prudent, Disciplined Approach to Risk Management

We are guided by our core operating principles and believe that a long-term commitment to disciplined underwriting and prudent pricing is firmly ingrained in our corporate culture. We focus our risk management efforts on ensuring that our exposure to potential loss in any business area remains at an acceptable level. Although this includes extensive modelling, we also evaluate what our total limit loss is in a particular region to ensure that not only is the probable maximum loss, or PML, within our tolerance, but the maximum foreseeable loss is as well.

Sirius Group Financial Strength

We believe that our long-standing presence in multiple markets, including North America and Europe, has allowed us to deploy our capital in an efficient manner throughout the world. We seek to maintain our capital and leverage at levels that support our ratings, and deploy our capital opportunistically across the entire organisation. Another important benefit of our capital structure is the $278.9 million deferred tax liability on retained earnings in our Swedish "safety reserve" position as of 30 June 2017. Pursuant to Swedish regulations, all the retained earnings in the safety reserve including the deferred tax liability, are available to pay claims and deemed to be capital supporting underwriting. See "*Regulation — Sweden — Safety Reserve*" below.

Management's Extensive Industry Experience

On average, our senior management team has approximately 31 years of insurance and reinsurance industry experience, of which approximately 25 years has been with Sirius Group. We strive to continue to attract and retain exceptional talent by encouraging individual personal development of all our employees and rewarding them for outstanding performance.

Our Strategy

Our corporate objective is to grow intrinsic value per share over the long-term. We aim to do this by endeavouring to maximise underwriting profits through market cycles while preserving and achieving long-term growth. We intend to pursue these goals with the following strategies:

Maintain Broad Geographic Coverage Across Multiple Lines

We intend to leverage our multi-line offerings across a broad geographic coverage to grow our business when appropriate. We have had a long-standing presence in multiple markets and across multiple product categories and have developed long-term relationships with brokers and ceding companies. We seek to use our management's expertise, experience and market relationships to identify and underwrite well-priced risks while delivering innovative risk transfer solutions to our customers. We believe our flexibility and our expertise in diverse reinsurance and insurance markets will allow us to create a well-balanced and profitable portfolio of risks across market cycles.

Manage Capital Prudently

We actively manage our capital and business profile. We strive to underwrite business only when the price and other terms and conditions are attractive. When appropriate, we will consider dedicated pools of outside capital and use of retrocessional coverage. If we need to reduce our business volumes due to overly aggressive competition, we intend to do so, as we have done in the past.

Continue to Find Opportunistic Acquisitions

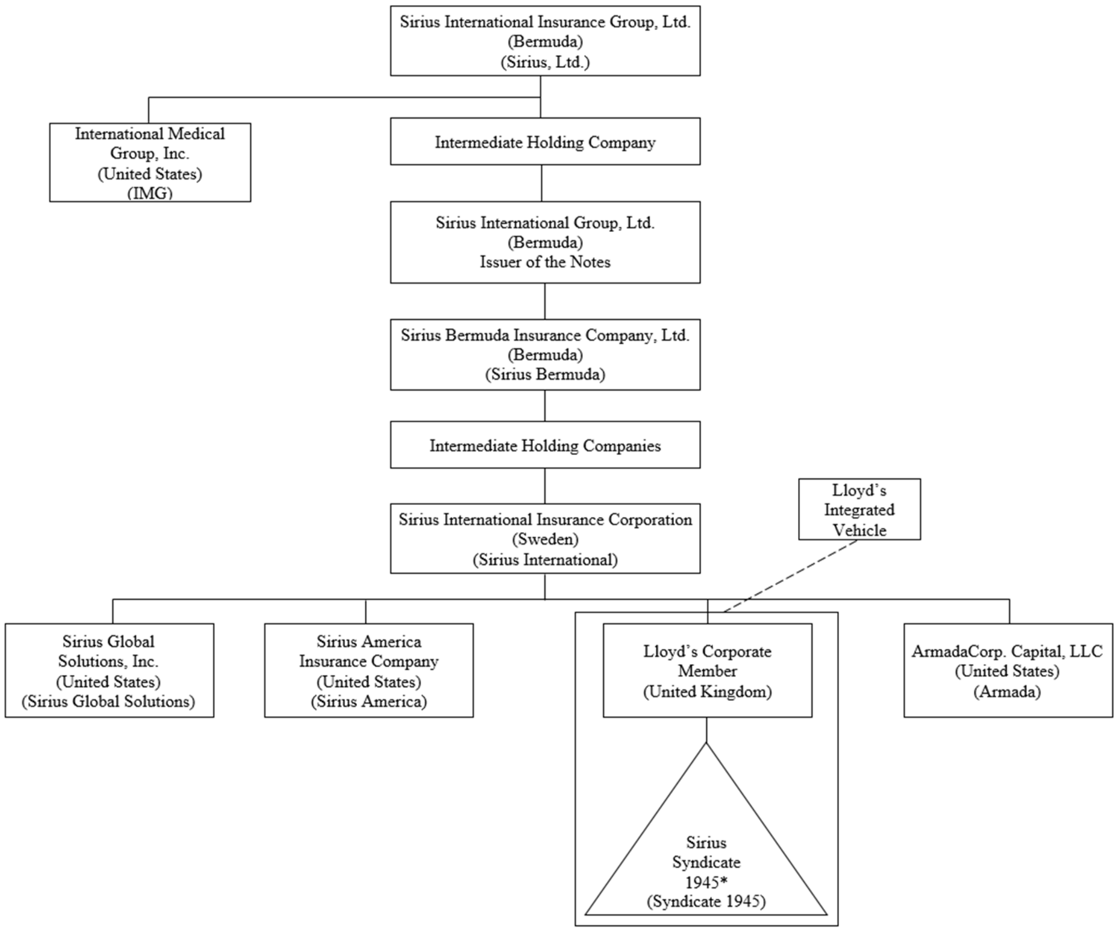
We will continue to evaluate acquisition opportunities and pursue those that meet our strict criteria to generate attractive financial returns. In addition to our dedicated acquisition team at Sirius Global Solutions, our senior management team is active in the search for acquisition opportunities, as shown by our recent acquisitions of IMG and Armada (see "— *Recent Acquisitions*"). While we have an active and ongoing effort to pursue acquisitions, we believe that our disciplined approach ensures that we will be selective. In a given year, we may complete several transactions or we may not complete any, depending on the quality of opportunities that become available. We are optimistic that there will continue to be attractive opportunities in the future. For a description of recent acquisitions by Sirius Group Solutions, See "— *Sirius Global Solutions*" and "— *Recent Acquisitions*".

Investment Strategy

Our investment philosophy is to maximise long-term total returns (after-tax) while taking prudent levels of risk and maintaining a diversified portfolio, subject to our investment guidelines and various regulatory restrictions. Under this total return investment approach, each dollar of after-tax investment income and realised and unrealised gains is valued equally.

Our Corporate Structure

The Issuer is an indirect wholly owned subsidiary of Sirius, Ltd. The chart below displays our corporate structure as it pertains to our holding company and principal operating companies, including Sirius Bermuda, Sirius International, Sirius America, Syndicate 1945 and Sirius Global Solutions. We manage Sirius Group at the Sirius, Ltd. level.



Note: Ownership of each subsidiary displayed above is 100%, except Syndicate 1945. Sirius Group owns 100% of Sirius International Corporate Member Limited, a Lloyd's Corporate Member, which in turn provides underwriting capacity to Syndicate 1945. Syndicate 1945 is managed by Sirius International Managing Agency.

Reinsurance Overview

Sirius Group writes reinsurance and direct insurance business. Sirius Group's direct insurance business is written by several MGUs. Sirius Group has narrowly defined underwriting standards in place for these MGUs that are closely monitored by Sirius Group staff. In addition to the day-to-day interactions that Sirius Group has with the MGUs, audits are performed on a regular basis.

Reinsurance is an arrangement in which a reinsurance company (the "**reinsurer**") agrees to indemnify an insurance company (the "**ceding company**") for insurance risks underwritten by the ceding company. Reinsurance can benefit a ceding company in a number of ways, including reducing exposure on individual risks, providing catastrophe protections from large or multiple losses, and assisting in maintaining acceptable capital levels as well as financial and operating leverage ratios. Reinsurance can also provide a ceding company with additional underwriting capacity by permitting it to accept larger risks and underwrite a greater number of risks without a corresponding increase in its capital. Reinsurers may also purchase reinsurance, known as retrocessional reinsurance, to cover risks assumed from ceding companies. Reinsurance companies often enter into retrocessional agreements for many of the same reasons that ceding companies enter into reinsurance agreements.

Reinsurance is generally written on a treaty or facultative basis. Treaty reinsurance is an agreement whereby the reinsurer assumes a specified portion or category of risk under all qualifying policies issued by the ceding company during the term of the agreement, usually one year. When underwriting treaty reinsurance, the reinsurer does not evaluate each individual risk and generally accepts the original underwriting decisions made by the ceding company. Facultative reinsurance, on the other hand, is underwritten on a risk-by-risk basis, which allows the reinsurer to determine pricing for each exposure.

Treaty reinsurance is typically written on either a proportional or excess of loss basis. A proportional reinsurance treaty is an arrangement whereby a reinsurer assumes a predetermined proportional share of the premiums and losses generated on specified business. An excess of loss treaty is an arrangement whereby a reinsurer assumes losses that exceed a specific retention of loss by the ceding company. Sirius Group writes treaty and facultative reinsurance, as well as primary direct insurance business. The majority of Sirius Group's premiums are derived from proportional and excess of loss reinsurance contracts, which in 2016 amounted to 43% and 30%, respectively, of its total net written premiums, while primary direct business represented 27% of total net written premiums. During 2016, $177 million, or 14%, of the Sirius Group's gross written premiums was obtained through IMG, which is the largest MGU writing direct medical insurance business on behalf of the Sirius Group and was acquired by Sirius, Ltd. on 26 May 2017.

A significant period of time normally elapses between the receipt of insurance premiums for MGUs and reinsurance premiums from ceding companies and the payment of the claims. While premiums are generally paid to the insurer or reinsurer following inception of the underlying coverage, the claims process is delayed and generally begins upon the occurrence of an event causing an insured loss followed by: (1) the reporting of the loss by the insured to its broker or agent; (2) the reporting by the broker or agent to the MGU or ceding company; (3) the reporting by the ceding company to its reinsurance intermediary or agent; (4) the reporting by the reinsurance intermediary or agent to the reinsurer; (5) the MGUs or ceding company's adjustment and payment of the loss; and (6) the payment to the MGU or ceding company by the reinsurer. During this time, insurer or reinsurers invests the premiums and earns investment income and generates net realised and unrealised investment gains and losses on investments. The period of time between the receipt of premiums and the payment of claims is typically longer for an insurer working through MGUs and a reinsurer than for a primary insurer.

Sirius Global Solutions

Sirius Global Solutions is a Connecticut-based division of Sirius Group specializing in the acquisition and management of runoff liabilities for insurance and reinsurance companies both in the United States and internationally. The Sirius Global Solutions team is comprised of a dedicated group of financial, actuarial and claims professionals experienced in the management and resolution of complex insurance liabilities as well as the structuring of transactions designed to enable owners to exit an insurance business and extract trapped capital. Acquisitions typically involve transactions at a significant discount to book value and/or retrospective reinsurance agreements, including loss portfolio transfers, and undergo an extensive due diligence process. Sirius Group can derive value from these transactions not only from the discounted purchase price, but also from the investment income on insurance float, the potential settlement of claims below the carried level of reserves and the harvesting of other embedded assets, including the value of shell companies and licences.

Since its formation in 2000, Sirius Global Solutions has executed 13 transactions, involving 18 companies, which have resulted in approximately $185 million of cumulative after-tax income through 31 December 2016. Most recently, in 2016, Sirius Global Solutions completed the sale of Ashmere to White Mountains in connection with the Sirius Group's acquisition by CMIG International and received $19 million as consideration. In addition, Sirius Global Solutions and Florida Specialty Insurance Company partnered to form Florida Specialty Acquisition LLC ("**FSA**"). Sirius Global Solutions owns 100% of FSA's common shares. FSA acquired Mount Beacon Holdings, LLC and its subsidiaries including Mount Beacon Insurance Company for $17 million in 2016.

Syndicate 1945

Sirius Group participates in the Lloyd's market through the 100% ownership of Sirius International Corporate Member Limited, a Lloyd's Corporate Member, which in turn provides underwriting capacity to Syndicate 1945. The Lloyd's market is known for its ability to provide innovative, tailored coverage and capacity for unique, complex, large and hard-to-place global risks.

Syndicate 1945 began writing business on 1 July 2011. Initially, Syndicate 1945 was authorised by Lloyd's to write accident and health and contingency business. In 2013, this was extended to include other core lines of property and marine business. On 1 July 2014, Sirius Group established its own Lloyd's managing agent, Sirius International Managing Agency, to manage Syndicate 1945. Syndicate 1945 wrote $167 million and $123 million in gross written premiums and $151 million and $112 million in net written premiums in 2016 and 2015, respectively.

New lines to be written by Syndicate 1945 authorised by Lloyd's for 2015 include bloodstock (which principally covers the value of an animal if it dies as a result of accident, disease or illness), terrorism, marine energy and cargo lines. Lloyd's approved stamp capacity for Syndicate 1945 in 2017 is £108.4 million, or approximately $139.5 million (based on the 31 August 2017 GBP to USD exchange rate).

Our Products and Services

Classes of Business

The following table sets forth our gross written premiums by class of business for the six months ended 30 June 2017 and 2016, and years ended 31 December 2016, 2015, 2014, 2013, 2012, 2011 and 2010:

Business class	**Six Months Ended 30 June**		**Year Ended 31 December**						
($ in millions)	**2017**	**2016**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Property[(1)]	$231.7	$207.3	$ 364.3	$ 314.9	$ 325.3	$ 307.4	$ 280.3	$ 247.5	$ 280.8
Accident and health[(1)]	231.7	216.6	434.5	385.9	312.3	270.6	334.6	294.7	246.7
Property catastrophe excess	186.6	175.6	233.2	244.2	296.4	329.9	330.8	295.4	277.4
Aviation and space	38.7	28.0	61.7	67.3	68.0	62.4	71.7	78.0	82.8
Marine	34.2	37.4	57.7	52.6	48.0	48.8	45.3	47.1	45.9
Trade credit	36.1	22.0	31.6	48.1	50.8	70.8	81.0	98.5	71.0
Agriculture	33.7	20.5	37.3	15.7	18.4	16.4	22.4	33.7	28.0
Contingency	11.9	11.1	19.1	14.4	15.0	11.7	11.3	15.2	14.1
Total Core Lines	**804.6**	**718.5**	**1,239.4**	**1,143.1**	**1,134.2**	**1,118.0**	**1,177.4**	**1,110.1**	**1,046.7**
Casualty and other	5.0	8.4	29.6	17.4	2.4	2.4	1.4	18.0	32.4
Esurance[(2)]	-	-	-	-	-	-	-	150.8	435.6
Total	**$809.6**	**$726.9**	**$ 1,269.0**	**$ 1,160.5**	**$ 1,136.6**	**$ 1,120.4**	**$ 1,178.8**	**$ 1,278.9**	**$ 1,514.7**

(1) During 2017, the Sirius Group modified the timing of gross written premium recognition which led to an increase in recorded gross written premiums in several lines of business.

(2) White Mountains sold Esurance to The Allstate Corporation on 7 October 2011 and all existing reinsurance arrangements with Sirius Group were commuted.

The following table sets forth our net written premiums by class of business for the years ended 31 December 2016, 2015 and 2014 and the six months ended 30 June 2017 and 2016.

Business class	**Six Months Ended 30 June**		**Year Ended 31 December**		
($ in millions)	**2017**	**2016**	**2016**	**2015**	**2014**
Property	$ 187.8	$ 185.6	$ 338.0	$ 282.7	$ 292.5
Accident and health	143.9	141.8	276.1	262.3	230.3
Property catastrophe excess	109.8	101.1	139.8	143.0	200.9
Aviation and space	34.4	21.0	46.0	55.1	51.2
Marine	27.6	29.9	49.6	46.5	42.3
Trade credit	34.5	18.7	26.1	37.5	36.2
Agriculture	31.8	20.0	36.5	15.0	16.1
Casualty	9.0	5.1	10.9	14.7	1.2
Contingency	9.7	9.0	15.2	10.6	11.8
WTM Covers(1)	-	-	-	(19.8)	-
Total	**$ 588.5**	**$ 532.2**	**$ 938.1**	**$ 847.6**	**$ 882.5**

(1) Represents industry loss warranty coverage that White Mountains required Sirius Group to purchase to mitigate the potential impact of major natural catastrophe events on Sirius Group's balance sheet pending the close of the sale to CMIG International (referred to as the "**WTM Covers**").

For each of the years ended 31 December 2016, 2015 and 2014, 73%, 75% and 78%, respectively, and for the six months ended 30 June 2017 and 2016, 79% and 81%, respectively, of Sirius Group's net written premiums were for reinsurance products, with the remainder being insurance products. Sirius Group expanded its direct business capabilities in the United States for the accident and health line, which has resulted in increased direct insurance business.

The following discussion summarises the business written by us in each line of business.

Property—We participate in the broker market for property reinsurance treaties written on a proportional and excess of loss basis. For our international business, the book consists of treaty, written on both a proportional and excess of loss basis, facultative, and direct business, primarily in Europe, Asia and Latin America. In the United States, the book predominantly centres on significant participations on proportional and excess of loss treaties for carefully chosen partners in the excess & surplus lines segment of the market.

Accident and Health—We are an insurer of accident and health insurance business in the United States, either on an admitted or surplus lines basis, as well as international business written through IMG, which was acquired by Sirius, Ltd. on 26 May 2017. Sirius Group also writes proportional and excess treaties covering employer medical stop-loss for per person (specific) and per employer (aggregate) exposures. In addition, we write some medical, health and personal accident coverages written on a treaty, facultative and direct basis.

Property Catastrophe Excess—Property catastrophe excess of loss reinsurance treaties cover losses from catastrophic events. We write a worldwide portfolio with the largest concentration of exposure in Europe and the United States, and seek to set prices and terms on treaties wherever possible. The U.S. book written in Bermuda has a national account focus supporting principally the lower and/or middle layers of large capacity programs. Additionally, our Stockholm branch writes a U.S. portfolio mainly consisting of select small regional and standard lines carriers. The exposures written in the international portfolio are diversified across many countries, regions, perils and layers.

Aviation and Space—Aviation insurance covers loss of or damage to an aircraft and the aircraft operations' liability to passengers, cargo and hull as well as to third parties. Additionally, liability arising out of non-aircraft operations such as hangars, airports and aircraft products can be covered. Space insurance primarily covers loss of or damage to a satellite during launch and in orbit. The book consists of treaty, written on both a proportional and excess of loss basis, facultative, and direct business.

Marine—We provide marine reinsurance, primarily written on an excess of loss and proportional basis. Coverage offered includes damage to ships and goods in transit, marine liability lines, and offshore energy industry insurance. We also write yacht business, both on a reinsurance and a direct basis. The marine portfolio is diversified across many countries and regions.

Trade Credit—We write credit and bond reinsurance worldwide. The underlying risks for this reinsurance are primarily based in Europe and Asia (including China), with Europe representing approximately 45% of Sirius Group's net exposure in 2015. The bulk of the business is traditional short-term commercial credit insurance, covering pre-agreed domestic and export sales of goods and services with typical coverage periods of 60 to 120 days. Losses under these policies are correlated to adverse changes in a respective country's gross national product.

Agriculture—We provide stop-loss reinsurance coverage to companies writing U.S. government-sponsored multi-peril crop insurance ("**MPCI**"). Sirius Group's participation is net of the government's stop-loss reinsurance protection. We also provide coverage for crop-hail and certain named perils when bundled with MPCI business. We also write agriculture business outside of the United States.

Contingency—We underwrite contingency insurance for event cancellation and non-appearance, primarily on a direct policy and facultative reinsurance basis. Additionally, coverage for liabilities arising from contractual bonus, prize redemption and over-redemption is also offered. The contingency portfolio is diversified across many countries and regions.

Casualty—Since 2012, we had written casualty lines on a limited basis, due to insufficient U.S. casualty premium rates and the low global interest rates. However, we have recently re-entered this market and will consider casualty opportunities that conform to our high underwriting standards.

Our lines of business experience some seasonality with regard to quarterly recognition of premiums written, which are generally highest in the first quarter and lowest during the fourth quarter.

Geographic Concentration

The following table shows our net written premiums by geographic region based on the location of the ceding company or reinsurer for the years ended 31 December 2016, 2015 and 2014:

Geographic region	**Year Ended 31 December**		
($ in millions)	**2016**	**2015**	**2014**
United States	$ 463.0	$ 397.5	$ 402.6
Europe	258.9	241.9	277.7
Canada, the Caribbean, Bermuda and Latin America	88.3	101.2	99.8
Asia and Other	127.9	107.0	102.4
Total	**$ 938.1**	**$ 847.6**	**$ 882.5**

Marketing and Distribution

For reinsurance business, Sirius Group obtains most of its submissions from reinsurance intermediaries that represent the ceding company. The process of placing an intermediary reinsurance program typically begins when a ceding company enlists the aid of a reinsurance intermediary in structuring a reinsurance program. The ceding company and the reinsurance intermediary will often consult with one or more lead reinsurers as to the pricing and contract terms for the reinsurance protection being sought. Once the ceding company has approved the terms quoted by the lead reinsurer, the reinsurance intermediary will offer participation to qualified reinsurers until the program is fully subscribed. Sirius Group considers both the reinsurance intermediary and the ceding company to be its clients. Sirius Group believes it has developed strong business relationships over a long period of time with the management of many of its ceding companies and reinsurance intermediaries.

Sirius Group pays ceding companies a ceding commission under most proportional reinsurance treaties and some excess of loss reinsurance treaties. The ceding commission is generally based on the ceding company's cost of acquiring and administering the business being reinsured (e.g., agent commissions, premium taxes and certain miscellaneous expenses). The ceding commissions paid to ceding companies constitute the majority of Sirius Group's total acquisition costs. Additionally, Sirius Group pays reinsurance intermediaries commissions based on negotiated percentages of the premium they produce on a per treaty or certificate basis. In addition, Sirius Group pays certain MGUs profit commissions based upon the underwriting profit of the business they produce.

For direct insurance business, Sirius Group enters into agreements with select MGUs, who then market Sirius Group's insurance products to the general public and have underwriting authority on our behalf. Sirius Group seeks to have narrowly defined underwriting standards in place for these MGUs that are closely monitored by the Sirius Group staff. In addition to the day-to-day interactions that Sirius Group has with its MGUs, audits are performed on a regular basis.

During 2016, Sirius Group obtained $176.5 million, or 14%, of its gross written premiums through IMG, which was acquired by Sirius, Ltd. on 26 May 2017. During 2015, Sirius Group received 15% of its gross written premiums through IMG. During 2014, Sirius Group received 11% of its gross written premiums through IMG. During the years ended 31 December 2016, 2015 and 2014, Sirius Group received a majority of our gross reinsurance premiums written from three major, third-party reinsurance intermediaries, as detailed in the following table:

	Year Ended 31 December		
Gross written reinsurance premium by intermediary	**2016**	**2015**	**2014**
Aon Re/Benfield	22%	24%	26%
Guy Carpenter..	18	18	19
Willis Re..	8	9	10
Total	**48%**	**51%**	**55%**

Underwriting and Pricing

Sirius Group seeks to maintain a disciplined underwriting strategy which, while considering overall exposure, focuses on writing more business when market terms and conditions are favourable and reducing business volume during soft markets when terms and conditions become less favourable. Sirius Group offers clients a wide range of insurance and reinsurance products across multiple lines of business to satisfy their risk management needs.

Sirius Group derives its reinsurance business from a broad spectrum of ceding companies, including national, regional, specialty, and excess and surplus lines writers, both internationally and in the United States. Sirius Group derives its direct insurance business through several MGUs, which source business internationally and in the United States. Sirius Group prices its products by assessing the desired return on the expected capital needed to write a given contract and on the expected underwriting results of the contract. Sirius Group's pricing indications are based on a number of underwriting factors including historical results, analysis of exposure and estimates of future loss costs, a review of other programs displaying similar exposure characteristics and the MGUs or ceding company's underwriting and claims experience. Additionally, in the United States, Sirius Group's underwriters, actuaries and claims personnel perform audits of all MGUs and certain ceding companies. Generally, ceding company audits are not customary outside the United States.

Reinsurers do not have the stringent regulations with respect to contract terms and policy exclusions that are generally imposed on primary insurers. For example, the Terrorism Risk Insurance Act is not applicable to reinsurers. As a result, terrorism exclusions on reinsurance contracts are dictated by the marketplace. Sirius Group evaluates terrorism exposure from its ceding companies and applies exclusions as it deems appropriate and as are permitted by market conditions. Reinsurance on U.S. commercial risks written by Sirius Group subsequent to the terrorist acts of 11 September 2001 generally contains clauses that exclude acts of terrorism certified under the Terrorism Risk Insurance Act. Reinsurance on personal risks written by Sirius Group subsequent to the terrorist acts of 11 September 2001 generally contains exclusions related to nuclear, biological, radiological and chemical attacks.

Claims Management

We maintain a staff of experienced reinsurance and insurance claim specialists. Our claims specialists work closely with reinsurance intermediaries and MGUs to obtain specific claims information on reinsurance claims from reinsurers and on submitted direct claims from MGUs. Where customary or appropriate, our claims staff performs selective on-site claim reviews to assess an MGU's claim handling abilities and, where customary or appropriate, a ceding company's claim handling abilities and reserve techniques. In addition, our claims specialists review loss information provided by ceding companies and MGUs for adequacy and accuracy. The results of these claim reviews are shared with the underwriters and actuaries to assist them in pricing products and establishing loss reserves.

We also use third-party administrators ("**TPAs**") for certain claims, including claims arising from certain of our runoff claims related to certain acquired companies. Our claims staff performs on-site claim audits of certain TPAs to ensure the propriety of the controls and processes over claims serviced by the TPAs.

Competition

The worldwide insurance and reinsurance markets are highly competitive. Competition is influenced by a variety of factors, including price charged and other terms and conditions offered, financial strength ratings, prior history and relationships, as well as expertise and the speed at which the company has historically paid claims.

We compete for business in Europe, Bermuda, the United States, and other international markets with numerous global competitors. Our competitors include other insurance and reinsurance companies and underwriting syndicates at Lloyd's of London, as well as London Market Companies. Some of the companies that we compete directly with include Alleghany Corporation, Allied World Assurance Company Holdings AG, Arch Capital Group Ltd., Aspen Insurance Holdings Ltd., Axis Capital Holdings Ltd., Endurance Specialty Holdings Ltd., Everest Re Group, Ltd., General Reinsurance Corporation, Hannover Ruckversicherung AG, Munich Re Group, Odyssey Re Holdings Corp., PartnerRe Ltd., RenaissanceRe Holdings Ltd., Scor Global P&C, Swiss Re Group, Validus Holdings, Ltd., Greenlight Capital Re, Ltd., Maiden Holdings, Ltd., Third Point Reinsurance Ltd., and XL Group Ltd. Some of these competitors have greater revenue and shareholders' equity than we do.

In addition, in recent years the persistent low interest rate environment and ease of entry into the reinsurance sector has led to increased competition from non-traditional sources of capital, such as insurance-linked funds or collateralised special purpose insurers, predominately in the property catastrophe excess reinsurance market. This alternative capital provides collateralised property catastrophe protection in the form of catastrophe bonds, industry loss warranties and other risk-linked products that facilitate the ability for non-reinsurance entities, such as hedge funds and pension funds, to compete for property catastrophe excess reinsurance business outside of the traditional treaty market. This alternative capacity is also expanding into lines of business other than property catastrophe reinsurance. As a result, we have observed reduced pricing and/or reduced shares in certain property catastrophe excess markets, as well as certain other markets.

Catastrophe Risk Management

Sirius Group has exposure to losses caused by hurricanes, earthquakes, tornadoes, winter storms, windstorms, floods, tsunamis, terrorist acts and other catastrophic events. In the normal course of business, Sirius Group regularly manages its concentration of exposures to catastrophic events, primarily by limiting concentrations of exposure to what it deems acceptable levels and, if necessary, purchasing reinsurance. In addition, Sirius Group seeks to limit losses that might arise from acts of terrorism in its insurance and reinsurance contracts by exclusionary provisions where available. Sirius Group has significant exposure to European weather-related events and U.S. windstorms and earthquakes.

Sirius Group licenses third-party global property catastrophe models from AIR and RMS, which are two of the leading vendors of industry-standard catastrophe modelling software, and also utilises its own proprietary models to calculate expected probable maximum loss estimates from various property natural catastrophe scenarios. Sirius Group prices its property catastrophe contracts using the aforementioned third-party software and internal models and other methods. Sirius Group also uses a proprietary property underwriting and pricing tool, referred to as GPI, which consolidates and reports on all its worldwide property exposures. GPI is used to calculate individual and aggregate PMLs by statistically blending multiple third-party and proprietary models for property, accident and health, and marine. For business that Sirius Group determines to have exposure to natural catastrophic perils, as part of its underwriting process it models and assesses the exposure to quantify the appropriate premium for the exposure.

The following table provides an estimate of Sirius Group's three largest PML zones on a per occurrence basis for 1-in-100 and 1-in-250 year events at 31 December 2016 as measured by net after-tax exposure:

($ in millions)	Modelled Industry Loss	Sirius Group Gross Loss	Net After Reinsurance and Reinstatements	Sirius Group After-Tax Loss: Net After-Tax	Sirius Group After-Tax Loss: Net After-Tax as % of Total Capital(1)	Sirius Group After-Tax Loss: Net After-Tax as % of Shareholders' Equity(2)
			1-in-100 year event			
Europe	$ 37,882	$ 330	$ 147	$ 124	5%	6%
Southeast U.S.	$ 118,832	$ 389	$ 324	$ 288	11%	13%
West Coast U.S.	$ 43,833	$ 307	$ 249	$ 214	8%	10%
			1-in-250 year event			
Southeast U.S.	$ 201,635	$ 537	$ 448	$ 398	15%	18%
West Coast U.S.	$ 77,005	$ 307	$ 249	$ 214	8%	10%
Northeast U.S.	$ 53,435	$ 440	$ 320	$ 284	11%	13%

(1) Total Capital includes debt and shareholders' equity as of 31 December 2016.

(2) Common Shareholders' Equity, including preference shares, as of 31 December 2016.

In addition to the above, Sirius Group also has significant exposure to United States Gulf Coast windstorms (i.e., Florida to Texas), California earthquakes, New Madrid earthquakes, and, to a lesser extent, Asia/Pacific, Latin American and Canadian windstorms and earthquakes.

AIR and RMS provide new versions of their models on a periodic basis, usually annually or every other year. Sirius Group may implement these new versions for use in the underwriting and risk management process after having engaged in appropriate testing and achieving comfort with the model enhancements. With GPI, Sirius Group's PML reporting methodology for exposures in the United States approximates an averaging of AIR and RMS, further adjusted for each treaty by underwriting judgment regarding the specific exposures underlying each cedent's portfolio. For exposures in countries other than the United States, Sirius Group chooses either AIR or RMS for PML reporting based on underwriting and actuarial assessment as to the integrity of the model by territory and underlying data availability. The model of choice is then further adjusted in GPI for each treaty by underwriting judgment regarding the specific exposures underlying each cedent's portfolio.

Catastrophe modelling is dependent upon several broad economic and scientific assumptions, such as storm surge (the water that is pushed toward the shore by the force of a windstorm), demand surge (the localised increase in prices of goods and services that often follows a catastrophe) and zone density (the percentage of insured perils that would be affected in a region by a catastrophe). Third-party modelling software does not provide information for all territories or perils (e.g., tsunami) for which Sirius Group writes business. Sirius Group uses its own proprietary models in these situations.

Catastrophe modelling is inherently uncertain due to process risk (i.e., the probability and magnitude of the underlying event) and parameter risk (i.e., the probability of making inaccurate model assumptions).

Sirius Group does not believe that it can rely solely upon catastrophe modelling to measure its exposure to natural catastrophe risk. For example, the losses arising from hurricane Katrina for both Sirius Group and the industry were substantially in excess of losses previously predicted by third-party models from such an event. This was due to issues such as inadequate storm surge and demand surge assumptions in the models, as well as flooding from levees breaking, which was not fully contemplated in these models. Sirius Group monitors gross and net property catastrophe occurrence limits by country and region globally. Occurrence limits for peak zones in Europe, Japan, and the United States are assessed versus modelled catastrophe risk as another measure in understanding total property catastrophe exposure to large events.

Reinsurance Protection

Sirius Group's reinsurance protection primarily consists of pro-rata and excess of loss protections to cover A&H, aviation, trade credit, energy & marine and property exposures. Attachment points and coverage limits vary by region around the world. Sirius Group's core proportional property reinsurance programs provide protection for parts of the non-proportional treaty accounts written in Europe, the Americas, Asia, the Middle East and Australia. These reinsurance protections are designed to increase underwriting capacity where appropriate, and to reduce exposure both to large catastrophe losses and to a frequency of smaller loss events.

Sirius Group purchases excess of loss reinsurance protection for its facultative and direct property portfolios. The protection was renewed at 1 January 2017 for business written in Stockholm and Hamburg, providing $32.5 million of protection in excess of $2.5 million. As from 15 June 2017, this also includes business written in Singapore. For the business written in the London branch and Syndicate 1945, an excess of loss reinsurance protection of $13.0 million in excess of $2.0 million on a per risk basis was in place through 30 June 2017 and was subsequently renewed on 1 July 2017 for 12 months. For the London branch and Syndicate 1945 business, Sirius Group also had $2.5 million of protection in excess of retention of $7.5 million for the catastrophe exposed business, which was placed for 12 months at 30 June 2016, which was not renewed at 1 July 2017. In excess of this, 85% of a $10.0 million protection for property catastrophe losses was purchased at 1 January 2017. In addition, at 1 January 2017, 85% of a $15.0 million worldwide protection for catastrophe losses is in place for the property and energy & marine business combined and 50% of a $10.0 million protection for catastrophe losses in USA is in place for property business.

Sirius Group has in place excess of loss retrocessional coverage for its non-U.S. earthquake-related exposures. This cover was renewed for one year at 1 April 2017, providing $40.0 million of reinsurance protection in excess of Sirius Group's retention of $35.0 million and a further $35.0 million of coverage in excess of $75.0 million.

Sirius Group periodically purchases industry loss warranty ("**ILW**") contracts to augment its overall retrocessional program. The following ILW contracts are currently in force:

Scope	Limit	Trigger	Expiration Date
European wind & earthquake	$7.5 million	$5-7.5 billion	31 December 2017
United States, European, Japan wind & earthquake	$24 million	$5-10 billion	31 December 2017
United States all natural peril	$5 million	$40 billion	30 June 2018

Sirius Group's aviation reinsurance program is intended to reduce exposure to a frequency of small losses, a single large loss, or a combination of both. For the proportional and facultative aviation portfolios, reinsurance protection purchase has been geared to cover losses from events that cause a market loss in excess of $150.0 million up to a full policy limit of $2.0 billion. This program is in place through October 2017. For the non-proportional aviation portfolio, reinsurance protection includes a 15% quota share treaty. In addition, the non-proportional portfolio is protected by ILWs totalling limits of $25.5 million. The ILWs attach at industry loss levels between $400.0 million and $1.0 billion.

For the marine yacht portfolio written by Syndicate 1945, reinsurance coverage is in place for $19.8 million in excess of a retention of $0.3 million. Also, an energy & marine excess of loss coverage for Syndicate 1945 is in place for $13.5 million in excess of retention of $1.5 million protecting both risk and catastrophe losses. For 2017, reinsurance coverage was placed for $6.5 million in excess of $1.0 million for the cargo account written in Syndicate 1945. Furthermore, from 1 January 2016, a new marine whole account protection has been placed for $7.5 million in excess of $7.5 million covering marine, energy, cargo, and terrorism written by Syndicate 1945 and London branch. On top of the aforementioned whole account protection, an additional whole account coverage was placed in 2016 for $7.5 million in excess of all underlying protections covering property, marine & energy, cargo, and terrorism and this has now been renewed with an increased limit of $15.0 million at 1 January 2017.

For the accident and health account, Sirius Group has excess of loss protection covering personal accident and life of €10.0 million or approximately $11.9 million (based on the 31 August 2017 EUR to USD exchange rate) of protection in excess of a €5.0 million or approximately $5.9 million (based on the 31 August 2017 EUR to USD exchange rate) retention for the Stockholm, Hamburg, Liege and Singapore branches. Only 50% of this protection was placed at 1 January 2016 and the same level applies at 1 January 2017. In addition, Sirius America's direct insurance portfolio includes quota share reinsurance of various percentages.

In 2016, Sirius Group ceded a 60% quota share cession in respect of a specific trade credit acceptance. As of 1 January 2017, the quota share cession has been reduced to 16.6%.

In 2016, Sirius Group also ceded 30% of the direct contingency account written in the London branch and Syndicate 1945 on a proportional basis. The treaty was renewed at 1 January 2017, as well as the 20% variable quota share treaty cession for risks exceeding $10.0 million.

Almost all of Sirius Group's excess of loss reinsurance protections, excluding ILWs which tend to only cover one loss event, include provisions that reinstate coverage at a cost of 100% or more of the original reinsurance premium.

As of 30 June 2017, Sirius Group had $13.6 million of reinsurance recoverables on paid losses and $316.7 million of reinsurance recoverables on unpaid losses that will become recoverable if claims are paid in accordance with current reserve estimates. Because retrocessional reinsurance contracts do not relieve Sirius Group of its obligation to its insureds, the collectability of balances due from Sirius Group's reinsurers is critical to its financial strength. Sirius Group monitors the financial strength and ratings of retrocessionaires on an ongoing basis.

The following table sets forth Sirius Group's gross and net recoverable amounts for reinsurance coverage by the reinsurer's Standard & Poor's financial strength rating at 31 December 2016:

Rating(1)	**Gross**	**Collateral**	**Net**	**% of Net Total**
AA	$97.4	$1.1	$96.3	40%
A	139.7	20.3	119.4	49%
BBB+	3.5	3.2	0.3	0%
BBB or lower	7.3	5.4	1.9	1%
Not rated	60.7	37.1	23.6	10%
Total	**$308.6**	**$67.1**	**$241.5**	**100%**

(1) Standard & Poor's ratings as detailed above are: "AA" (Very strong), "A" (Strong), and "BBB+" and "BBB" (Adequate).

Loss and LAE Reserves

We establish loss and LAE reserves that are estimates of future amounts needed to pay claims and related expenses for insured events that have already occurred. The process of estimating reserves involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain. See Note 1 "*Summary of Significant Accounting Policies — Significant Accounting Policies*" in the Issuer's 2016 Audited Financial Statements for a further discussion of loss and LAE reserves.

The following information presents (1) Sirius Group's reserve development over the preceding 10 years and (2) a reconciliation of reserves on a regulatory basis to reserves determined in accordance with GAAP, each as prescribed by Securities Act Industry Guide No. 6.

Section I of the 10-year table shows the estimated liability that was recorded at the end of each of the indicated years for all current and prior accident year unpaid loss and LAE. The liability represents the estimated amount of loss and LAE for claims that were unpaid at the balance sheet date, including IBNR reserves. In accordance with GAAP, the liability for unpaid loss and LAE is recorded in the balance sheet gross of the effects of reinsurance with an estimate of reinsurance recoverables arising from reinsurance contracts reported separately as an asset. The net balance represents the estimated amount of unpaid loss and LAE outstanding as of the balance sheet date, reduced by estimates of amounts recoverable under reinsurance contracts.

Section II shows the cumulative amount of net loss and LAE paid relating to recorded liabilities as of the end of each succeeding year. Section III shows the re-estimated amount of the previously recorded net liability as of the end of each succeeding year. Estimates of the liability for unpaid loss and LAE are increased or decreased as payments are made and more information regarding individual claims and trends, such as overall frequency and severity patterns, becomes known. Section IV shows the cumulative net (deficiency)/redundancy representing the aggregate change in the liability from original balance sheet dates and the re-estimated liability through 31 December 2016. Section V shows the re-estimated gross liability and re-estimated reinsurance recoverables through 31 December 2016. Section VI shows the cumulative gross (deficiency)/redundancy representing the aggregate change in the liability from original balance sheet dates and the re-estimated liability through 31 December 2016.

	Year ended 31 December										
($ in million)	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
I. Liability for unpaid losses and LAE:											
Gross balance	$ 3,832.3	$ 3,470.7	$ 3,034.7	$ 2,777.9	$ 2,728.1	$ 2,343.9	$ 2,168.9	$ 2,025.0	$ 1,809.8	$ 1,644.4	$ 1,620.1
Less: reins. recoverables on unpaid losses and LAE	(1,142.5)	(806.4)	(545.7)	(578.5)	(450.7)	(339.7)	(321.8)	(347.9)	(322.2)	(283.1)	(291.5)
Net Balance	**$ 2,689.8**	**$ 2,664.3**	**$ 2,489.0**	**$ 2,199.4**	**$ 2,277.4**	**$ 2,004.2**	**$ 1,847.1**	**$ 1,677.1**	**$ 1,487.6**	**$ 1,361.3**	**$ 1,328.6**
II. Cumulative net amount of liability paid through											
1 year later...........	822.7	852.2	809.7	448.0	750.6	561.1	479.6	402.2	360.1	337.2	
2 years later...........	1,432.7	1,338.1	993.1	833.6	1,070.0	826.6	707.7	592.6	530.0		
3 years later...........	1,827.6	1,404.2	1,259.9	1,089.8	1,220.4	995.0	843.5	697.6			
4 years later...........	1,838.3	1,699.7	1,487.7	1,211.3	1,334.3	1,103.8	924.8				
5 years later...........	1,994.7	1,906.9	1,594.5	1,309.9	1,431.3	1,170.6					
6 years later...........	2,187.7	1,997.9	1,684.6	1,389.5	1,492.6						
7 years later...........	2,268.3	2,080.6	1,756.8	1,441.0							
8 years later...........	2,346.8	2,147.7	1,805.6								
9 years later...........	2,407.3	2,191.1									
10years later...........	2,445.5										
III. Net liability re-estimated as of:											
1 years later...........	2,741.9	2,739.7	2,464.0	2,125.1	2,219.3	1,969.6	1,798.9	1,579.3	1,436.4	1,297.5	
2 years later...........	2,959.6	2,755.7	2,433.8	2,098.1	2,242.3	1,939.2	1,691.3	1,518.3	1,380.7		
3 years later...........	2,933.1	2,732.8	2,412.0	2,091.0	2,240.3	1,857.5	1,659.2	1,478.5			
4 years later...........	2,927.2	2,723.9	2,417.0	2,095.8	2,185.1	1,824.8	1,629.9				
5 years later...........	2,932.1	2,740.2	2,423.9	2,058.8	2,149.7	1,795.3					
6 years later...........	2,964.8	2,746.3	2,394.5	2,030.1	2,117.6						
7 years later...........	2,973.3	2,725.9	2,363.0	2,002.7							
8 years later...........	2,957.1	2,696.8	2,339.5								
9 years later...........	2,928.7	2,674.7									
10 years later...........	2,908.2										
IV. Cumulative net (deficiency) / redundancy	$(218.4)	$(10.4)	$149.5	$196.7	$159.8	$208.8	$217.2	$198.5	$106.9	$63.7	
Percent (deficient) / redundant.................	-8.1%	-0.4%	6.0%	8.9%	7.0%	10.4%	11.8%	11.8%	7.2%	4.7%	
V. Reconciliation of net liability re-estimated as of the end of the latest re-estimation period (see III. Above)											
Gross re-estimated liability.....................	$4,065.6	$3,488.4	$2,880.5	$2,544.0	$2,501.2	$2,110.6	$1,860.8	$1,722.7	$1,664.0	$1,571.0	

	Year ended 31 December										
($ in million)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Less: gross re-estimated reinsurance recoverable	(1,157.3)	(813.6)	(541.0)	(541.3)	(383.6)	(315.3)	(230.9)	(244.2)	(283.3)	(273.5)	
Net re-estimated liability.....................	$2,908.2	$2,674.7	$2,339.5	$2,002.7	$2,117.6	$1,795.3	$1,629.9	$1,478.5	$1,380.7	$1,297.5	
VI. Cumulative gross (deficiency) / redundancy	$(233.3)	$(17.7)	$154.2	$234.0	$226.9	$233.3	$308.1	$302.2	$145.8	$73.3	
Percent (deficient) / redundant................	-6.1%	-0.5%	5.1%	8.4%	8.3%	10.0%	14.2%	14.9%	8.1%	4.5%	

As part of the IMG acquisition, Sirius, Ltd. acquired $14.2 million of loss reserves which are excluded from the table above.

The cumulative net (deficiency)/redundancy in the table above includes adverse development from asbestos and environmental, or A&E, claims. Sirius Group's exposure to A&E claims results mainly from asbestos claims arising from treaty and facultative contracts written prior to 1985 at two companies acquired by Sirius America-MONY Reinsurance Corporation in 1991 and Christiania General Insurance Corporation in 1996. As a result, the table above reflects reserve development on A&E business that was not underwritten by Sirius Group.

Our net incurred losses from A&E claims have totalled $195 million over the past ten years. Although losses arising from A&E claims were on contracts that were not underwritten by Sirius Group but rather assumed by Sirius Group through acquisitions, we are liable for any additional losses arising from such contracts. Accordingly, Sirius Group cannot guarantee that it will not incur additional A&E losses in the future. See Note 3 "*Reserves for Unpaid Losses and Loss Adjustment Expenses — Asbestos and Environmental Loss and Loss Adjustment Expense Reserve Activity*" in the Issuer's 2016 Audited Financial Statements.

The following table reconciles loss and LAE reserves determined on a regulatory basis to loss and LAE reserves determined in accordance with GAAP as of 31 December 2016, 2015 and 2014 as follows:

	31 December		
($ in millions)	**2016**	**2015**	**2014**
Regulatory reserves..	$ 1,326.4	$ 1,358.4	$ 1,481.9
Reinsurance recoverable on unpaid losses and LAE(1)..	292.6	286.0	327.5
Discount on loss reserves...	1.1	0.8	0.9
Purchase accounting and other	0	(0.8)	(0.5)
GAAP reserves	**$ 1,620.1**	**$ 1,644.4**	**$ 1,809.8**

(1) Represents adjustments made to add back reinsurance recoverables included with the presentation of reserves under regulatory accounting.

Investments

Sirius Group's investment philosophy is to maximise long-term total returns (after-tax) while taking prudent levels of risk and maintaining a diversified portfolio, and subject to Sirius Group's investment guidelines and various regulatory restrictions. Under this total-return investment approach, each dollar of after-tax investment income and realised and unrealised gains are valued equally.

In protecting Sirius Group's insurance franchise, there are certain operational constraints which affect investment decisions made. There are limitations on asset class or on exposure to a single issue, or even complete prohibitions on certain classes of investments. Sirius Group needs to be in a position to accommodate future volatility in our insurance operations arising from sudden insurance losses and other business risks.

Sirius Group will continue to hold a fixed-income portfolio as the foundation for claims-paying needs and expects significant benefit to come from equity and alternative investments over time.

Sirius Group's investment portfolio mix at 30 June 2017 consisted in large part of high-quality, short-duration, fixed-maturity investments and short-term investments. Sirius Group also maintains a value-oriented equity portfolio that consists of common equity securities, convertibles and other long-term investments, including hedge funds and private equity funds. Sirius Group's management believes that prudent levels of investments in common equity securities, convertibles and other long-term investments are likely to enhance long-term after-tax total returns, and the percentage of these assets as a part of Sirius Group's total investment portfolio may increase opportunistically, depending on market factors, subject to our investment guidelines and various regulatory restrictions. Sirius Group's fixed-maturity investment strategy is to purchase securities that are attractively priced in relation to their investment risks. Sirius Group also actively manages the average duration of the portfolio.

Prior to the acquisition by CMIG International, Sirius Group's equity portfolio was constructed to provide an element of downside protection; management designed the portfolio to underperform indices in strong up markets but outperform those indices in down markets. Sirius Group had established separate accounts with third-party registered investment advisers to manage its publicly-traded common equity securities and convertible fixed-maturity securities. In addition, Sirius Group held meaningful investments in unconsolidated affiliates as well as select passive-equity-indexed exchange-traded funds. During 2016, Sirius Group sold all of its holdings in unconsolidated affiliates and exchange-traded funds and redeployed proceeds mainly into fixed-income. However, Sirius Group believes that prudent levels of investments in common equity securities and other long-term investments are likely to enhance total returns over the long-term. Over time, we intend to build an appropriate portfolio of diversified risk assets, with value oriented managers.

The following table presents the composition and carrying value of our investment portfolio as of 30 June 2017 and 31 December 2016:

	As of 30 June 2017		**As of 31 December 2016**	
($ in millions)	**Carrying Value**	**% of total**	**Carrying Value**	**% of total**
Fixed-maturity investments	$2,394.9	67.8%	$2,886.7	79.5%
Short-term investments	$539.8	15.3%	504.6	13.9%
Common equity securities	$209.4	5.9%	118.0	3.2%
Other long-term investments[(1)]	$390.2	11.0%	$124.8	3.4%
Total investments	**$ 3,534.3**	**$ 100%**	**$ 3,634.1**	**$ 100%**

(1) As of 30 June 2017, $209 million of our other long-term investments relate to an affiliate note related to the acquisition of IMG. See "*— Overview — Recent Updates — Recent Acquisitions*".

As of 30 June 2017, Sirius Group's invested assets consisted of securities and other investments held for general investment purposes. Sirius Group's portfolio of fixed-maturity investments and common equity securities held for general investment purposes are classified as trading and are reported at fair value as of the balance sheet date. Changes in unrealised gains and losses are reported pre-tax in revenues. Realised investment gains and losses are accounted for using the specific identification method and are reported pre-tax in revenues. Premiums and discounts on all fixed-maturity investments are amortised and accreted to income over the anticipated life of the investment.

Sirius Group's invested assets that are measured at fair value include fixed-maturity investments, common and preferred equity securities, convertible fixed-maturity and preferred investments, and other long-term investments, such as interests in hedge funds and private equities. In determining its estimates of fair value, Sirius Group uses a variety of valuation approaches and inputs. Whenever possible, Sirius Group estimates fair value using valuation methods that maximise the use of quoted prices and other observable inputs.

Net Investment Income

Sirius Group's pre-tax net investment income for the six months ended 30 June 2017 and 2016 was as follows:

	Six Months Ended 30 June	
($ in millions)	**2017**	**2016**
Investment income:		
Fixed-maturity investments	$27.9	$27.5
Short-term investments	0.0	1.0
Common equity securities	3.0	1.5
Other long-term investments	7.0	1.3
Total investment income	37.9	31.3
Investment expenses	(4.7)	(6.2)
Net investment income, pre-tax	**$33.2**	**$25.1**

Net Realised and Unrealised Investment Gains and Losses

Sirius Group's net realised and unrealised investment gains and losses for the six months ended 30 June 2017 and 2016 were as follows:

	Six Months Ended 30 June 2017		
($ in millions)	**Net realised and unrealised gains (losses)**	**Net foreign currency gains (losses)**	**Total Net realised and unrealised gains (losses) reflected in earnings**
Fixed-maturity investments	$9.3	$ (40.9)	$ (31.6)
Short-term investments	0.0	-	0.0
Common equity securities	5.0	(3.0)	2.0
Convertible fixed-maturity investments	-	-	-
Other long-term investments	4.4	-	4.4
Forward contracts	-	-	-
Net realised and unrealised investments gains, pre-tax	18.7	(43.9)	(25.2)
Income taxes attributable to realised and unrealised investment gains	(3.7)	10.5	6.8
Net realised and unrealised investment gains after tax	$**15.0**	$ **(33.4)**	$ **(18.4)**

($ in millions)	Six Months Ended 30 June 2016 Net realised and unrealised gains (losses)	Net foreign currency gains (losses)	Total Net realised and unrealised gains (losses) reflected in earnings
Fixed-maturity investments	$43.5	$(2.7)	$40.8
Short-term investments	-	(3.7)	(3.7)
Common equity securities	15.3	4.3	19.6
Convertible fixed-maturity investments	-	-	-
Other long-term investments	1.5	0.2	1.7
Forward contracts	-	-	-
Net realised and unrealised investments gains, pre-tax	60.3	(1.9)	58.4
Income taxes attributable to realised and unrealised investment gains	(13.4)	0.1	(13.3)
Net realised and unrealised investment gains after tax	$**46.9**	$ **(1.8)**	$**45.1**

Foreign currency gains and losses on Sirius Group's investments from foreign currency translation recognized through other comprehensive income, after tax were $59.9 million and $(2.8) million for the six months ended 30 June 2017 and 2016, respectively.

The cost or amortised cost, gross unrealised investment gains and losses, net foreign currency gains and losses, and carrying values of Sirius Group's fixed-maturity investments as of 30 June 2017 and 31 December 2016, were as follows:

Fixed-Maturity Investments

($ in millions)	30 June 2017 Cost or amortised cost	Gross unrealised gains	Gross unrealised losses	Net foreign currency gains (losses)	Carrying value
Debt securities issued by corporations	$1,119.8	$5.6	$ (3.9)	$2.5	$1,124.0
Mortgage-backed and asset-backed securities	1,084.2	2.3	(7.8)	(1.6)	1,077.1
Foreign government, agency and provincial obligations	92.0	0.0	(0.5)	1.1	92.6
U.S. Government and agency obligations	90.0	0.1	(1.1)	0.4	89.4
Preferred stocks	10.2	0.4	-	0.2	10.8
Municipal obligations	1.0	-	-	-	1.0
Total fixed-maturity investments	$**2,397.2**	$**8.4**	$ **(13.3)**	$**2.6**	$**2,394.9**

Fixed-Maturity Investments	31 December 2016				
($ in millions)	**Cost or amortised cost**	**Gross unrealised gains**	**Gross unrealised losses**	**Net foreign currency gains (losses)**	**Carrying value**
Debt securities issued by corporations ...	$1,462.1	$8.7	$ (12.9)	$20.1	$1,478.0
Mortgage-backed and asset-backed securities	1,159.5	1.6	(13.9)	13.8	1,161.0
Foreign government, agency and provincial obligations........	148.7	0.3	(1.7)	(0.8)	146.5
U.S Government and agency obligations	84.8	-	(0.6)	5.2	89.4
Preferred stocks........	10.2	0.3	-	0.3	10.8
Municipal obligations	1.0	-	-	-	1.0
Total fixed-maturity investments	**$2,866.3**	**$10.9**	**$ (29.1)**	**$38.6**	**$2,886.7**

At 30 June 2017 and 31 December2016, the weighted average credit quality of Sirius Group's fixed-maturity investments was between A+ and AA- and 96% was rated investment grade. The following table summarises the ratings of the fixed-maturity investments held in Sirius Group's investment portfolio as of 30 June 2017 and 31 December 2016:

	Fair Value at	
($ in millions)	**30 June 2017**	**31 December 2016**
AAA........	$1,115.6	$1,184.8
AA........	285.2	388.8
A........	422.8	577.8
BBB........	480.1	641.3
Other........	91.2	94.0
Fixed-maturity investments, at fair value	**$2,394.9**	**$2,886.7**

*If a security has an assigned credit rating from Standard & Poor's, Fitch or Moody's Investors Service, Inc. ("**Moody's**"), the second-lowest rating is used.

The weighted average duration of our fixed-income portfolio was 2.2 years at 30 June 2017. The weighted average duration of Sirius Group's fixed-income portfolio as of 31 December 2016 was approximately 3.0 years, including short-term investments, and approximately 3.4 years excluding short-term investments.

The cost or amortised cost and carrying value of our fixed-maturity investments as of 30 June 2017 is presented below by contractual maturity. Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties.

	30 June 2017	
($ in millions)	**Cost or amortised cost**	**Carrying value**
Due in one year or less........	$128.4	$129.8
Due after one year through five years	1,048.7	1,052.6
Due after five years through ten years........	100.7	$99.8
Due after ten years	25.1	$24.8
Mortgage-backed and asset-backed securities	1,084.1	1,077.1
Preferred stocks........	10.2	10.8
Total........	**$2,397.2**	**$2,394.9**

Equity Securities

The cost or amortised cost, gross unrealised investment gains and losses, net foreign currency gains and losses, and carrying values of Sirius Group's common equity securities and other long-term investments as of 30 June 2017 and 31 December 2016, were as follows:

	30 June 2017				
($ in millions)	**Cost or amortised cost**	**Gross unrealised gains**	**Gross unrealised losses**	**Net foreign currency gains (losses)**	**Carrying value**
Common equity securities........................	$208.3	$5.7	$ (2.8)	$ (1.8)	$ 209.4
Other long-term investments...................	$385.7	$6.4	$ (6.8)	$4.9	$390.2

	31 December 2016				
($ in millions)	**Cost or amortised cost**	**Gross unrealised gains**	**Gross unrealised losses**	**Net foreign currency gains (losses)**	**Carrying value**
Common equity securities........................	$120.6	$0.1	$ (2.7)	$ -	$118.0
Other long-term investments...................	$115.8	$4.2	$ (2.1)	$6.9	$124.8

Ratings

Ratings by independent agencies are an important factor in establishing the competitive position of insurance and reinsurance companies and are important to our ability to market and sell our products and services. Rating organisations continually review the financial positions of insurers, including us. As of the date hereof, our reinsurance and insurance operating subsidiaries were rated as follows:

	A.M. Best(1)	**Fitch(2)**	**Moody's(3)**	**Standard & Poor's(4)**
Rating	"A" (Excellent)	"A-" (Strong)	"A3" (Good)	"A-" (Strong)
Outlook	Negative	Stable	Stable	Stable

(1) "A" is the third highest of 16 financial strength ratings assigned by A.M. Best.
(2) "A-" is the seventh highest of nineteen financial strength ratings assigned by Fitch.
(3) "A3" is the seventh highest of 21 financial strength ratings assigned by Moody's, based on publicly available information only.
(4) "A-" is the seventh highest of 21 financial strength ratings assigned by Standard & Poor's.

These ratings reflect A.M. Best's, Fitch's, Moody's and Standard & Poor's respective opinions of the ability of Sirius Group to pay claims and are not evaluations directed to investors in the Subordinated Notes and are not recommendations to buy, sell or hold the Subordinated Notes. A.M. Best maintains a letter-scale rating system ranging from "A++" (Superior) to "F" (in liquidation). Fitch maintains a letter-scale rating system ranging from "AAA" (Exceptionally Strong) to "C" (Distressed). Moody's maintains a letter-scale rating system ranging from "Aaa" (Exceptional) to "C" (Lowest). Standard & Poor's maintains a letter-scale rating system ranging from "AAA" (Extremely Strong) to "D" (Default). None of A.M. Best, Fitch, Moody's or Standard & Poor's is established in the EEA and none of these entities has applied for registration under the CRA Regulation.

These ratings are subject to periodic review by, and may be revised downward or revoked at the sole discretion of, A.M. Best, Fitch, Moody's and Standard & Poor's, respectively.

Recently, on 21 July 2017, A.M. Best affirmed the Issuer's and its main subsidiaries' financial strength rating at "A" (Excellent) with a negative outlook.

Employees

As of 30 June 2017, the Sirius Group had 543 employees, including Armada. Additionally, Sirius, Ltd. had 403 employees related to IMG. We believe our relationships with our employees are satisfactory.

Properties

The Issuer maintains a professional office in Hamilton, Bermuda, which serves as its headquarters and its registered office. Sirius, Ltd. and Sirius Bermuda are headquartered in Hamilton, Bermuda. Sirius International is headquartered in Stockholm, Sweden with various branch offices in Europe, Asia and Bermuda. Sirius America is headquartered in New York, New York with various offices in the United States and in Toronto, Canada. Sirius Group's home offices and all of its branch offices are leased.

Legal Proceedings

Sirius Group and the insurance and reinsurance industry in general, are routinely subject to claims-related litigation and arbitration in the normal course of business, as well as litigation and arbitration that do not arise from, or are directly related to, claims activity. Our estimates of the costs of settling matters routinely encountered in claims activity are reflected in the reserves for unpaid loss and LAE.

Although the ultimate outcome of claims and non-claims-related litigation and arbitration, and the amount or range of potential loss at any particular time, is often inherently uncertain, management does not believe that the ultimate outcome of such claims and non-claims-related litigation and arbitration will have a material adverse effect on our financial condition, results of operations or cash flows. See Note 16 "*Commitments and Contingencies — Legal Proceedings*" in the Issuer's 2016 Audited Financial Statements.

OWNERSHIP STRUCTURE

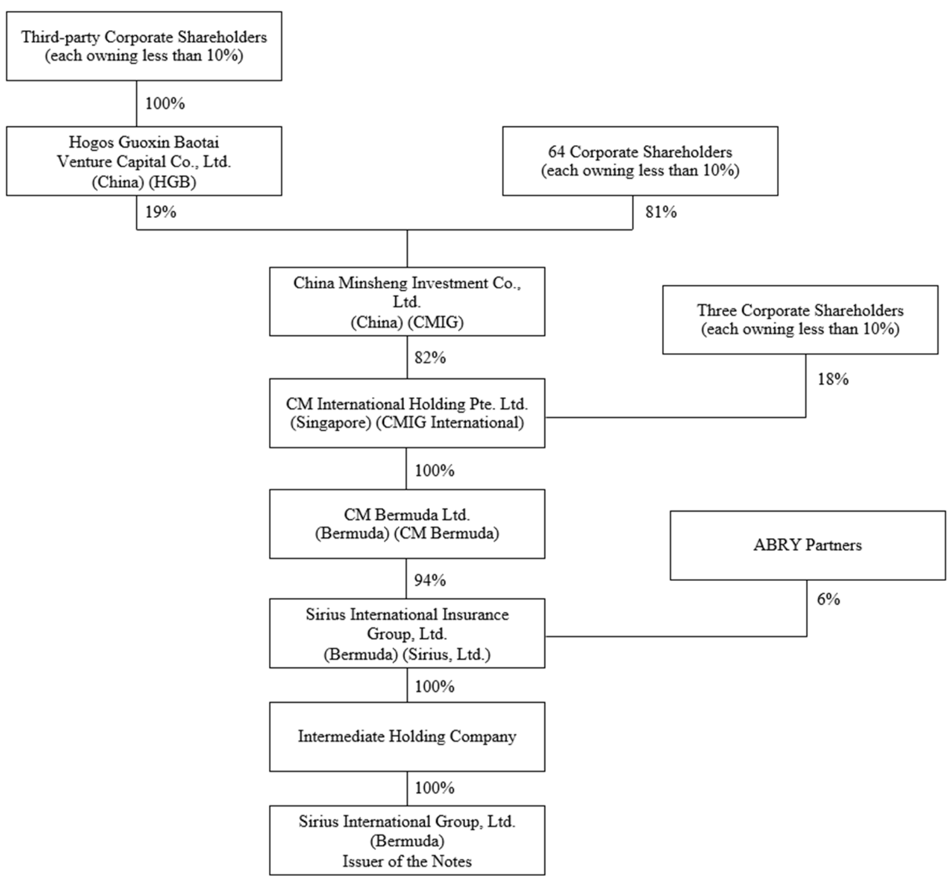
On 18 April 2016, CMIG International, through its Bermuda holding company CM Bermuda, purchased our parent company, Sirius, Ltd., and its subsidiaries from White Mountains.

CMIG International is a Singapore-incorporated company that is owned approximately 82% by CMIG and approximately 18% by third-party corporate shareholders, none of which owns more than 10% of CMIG International.

CMIG is a Chinese incorporated company that is approximately 81% owned by 64 corporate shareholders and approximately 19% owned by Horgos Guoxin Baotai Venture Capital Co., Ltd. ("**HGB**"), a Chinese-incorporated company. HGB operates as a vehicle for existing CMIG corporate shareholders to monetize the appreciation in CMIG's value as new shareholders invest in CMIG over time. None of the individual corporate shareholders own in the aggregate more than 10% in CMIG or HGB, directly or indirectly, on a fully-diluted basis. CMIG is not a guarantor of, or otherwise has any responsibility or liability with respect to, the Subordinated Notes.

In connection with the acquisition of IMG by Sirius, Ltd., Sirius, Ltd. issued $100 million of Sirius Preference Shares to ABRY Partners, and may issue up to an additional $50 million of Sirius Preference Shares to ABRY Partners based on a three-year contingent earn-out mechanism. On a fully converted basis, assuming full payment of the contingent earn-out consideration, ABRY Partners would own approximately 6% of Sirius, Ltd. for more information regarding the Sirius Preference Shares, see "*Description of the Issuer, the Sirius Group and the Regulatory Group — Recent Updates — Recent Acquisitions*".

Set forth below is a summary organizational chart that displays the current ownership structure of the Issuer:



DESCRIPTION OF THE FLOATING RATE SUBORDINATED NOTES

*The Issuer will issue the Subordinated Notes under a subordinated indenture (the "****Subordinated Indenture****") among the Issuer, the Indenture Trustee, as trustee, registrar and transfer agent, and The Bank of New York Mellon, London Branch, as calculation agent and paying agent, in a transaction that is exempt from the registration requirements of the Securities Act, pursuant to Regulation S thereunder. Unless the context requires otherwise, references in this "Description of the Floating Rate Subordinated Notes" to the Subordinated Notes include any additional Subordinated Notes that are issued. The terms of the Subordinated Notes include those set forth in the Subordinated Indenture. The Subordinated Indenture will not incorporate or include any of the provisions of, or otherwise be subject to, the U.S. Trust Indenture Act of 1939, as amended.*

The following description is a summary of the material provisions of the Subordinated Indenture and the Subordinated Notes. This does not restate those agreements in their entirety. We urge you to read the Subordinated Indenture and the Subordinated Notes because they, and not this description, will define your rights as holders of the Subordinated Notes. Copies of the Subordinated Indenture and the form of Subordinated Note may be obtained from the Issuer or the Indenture Trustee following the Issue Date as described below under "— Additional Information". You should read the Subordinated Indenture and the Subordinated Note carefully to fully understand the terms of the Subordinated Notes.

Maturity and Interest

The Subordinated Notes are scheduled to mature on 22 September 2047 (the "**Scheduled Maturity Date**"). Unless previously redeemed in full prior to such time as set forth under "— *Redemption; Conditions to Redemption — Optional Redemption*" and "— *Specified Event Redemption*," the Subordinated Notes will become due and payable on the applicable Scheduled Maturity Date, and the Issuer will repay the Subordinated Notes at their principal amount, together with accrued and unpaid interest (including Arrears of Interest) on the Subordinated Notes to, but excluding, such Scheduled Maturity Date, and any Additional Amounts thereon; *provided*, that, on such date, the applicable Conditions to Redemption (as described under "— *Redemption; Conditions to Redemption*") are satisfied. If the applicable Conditions to Redemption are not satisfied on the applicable Scheduled Maturity Date, the Subordinated Notes will not become due and payable on such date, interest will continue to accrue, and the Subordinated Notes will become due and payable, and will be finally redeemed, on the applicable Final Maturity Date as described under "— *Redemption; Conditions to Redemption*."

The Subordinated Notes will bear interest from (and including) the Issue Date to, but excluding, the Final Maturity Date (as defined below under "— *Redemption; Conditions to Redemption*") or earlier redemption of the Subordinated Notes as provided in the Subordinated Indenture, as the case may be, at the Interest Rate, payable quarterly in arrears on each Interest Payment Date to the persons in whose name the Subordinated Notes were registered at the close of business on the applicable Interest Payment Record Date, subject to deferral (as described under "— *Deferral of Interest Payments; Arrears of Interest*"). On the Final Maturity Date or earlier date of redemption, the Issuer will pay accrued and unpaid interest from the most recent date to which interest has been paid or provided for. If the Final Maturity Date falls on a day that is not a Business Day, the payment of interest and principal will be made on the next succeeding Business Day, and no interest will accrue for the period from and after the Final Maturity Date.

"**Interest Payment Date**" means 22 March, 22 June, 22 September and 22 December of each year from 22 December 2017 to (and including) the Final Maturity Date, *provided* that if any Interest Payment Date would otherwise fall on a day that is not a Business Day, it shall be postponed to the next succeeding Business Day unless the next succeeding Business Day is in the next succeeding calendar month, in which case such Interest Payment Date shall be the immediately preceding Business Day.

"**Interest Payment Record Date**" means with respect to any Interest Payment Date, the date that is 15 days prior to such Interest Payment Date.

"**Interest Rate**" means the sum of (i) the Applicable STIBOR Rate for the relevant Interest Period, plus (ii) the applicable Margin.

"**Interest Determination Date**" means, with respect to any Interest Period, the second Business Day prior to the relevant Interest Period.

At maturity, the Issuer will pay accrued and unpaid interest from and including the most recent date to which interest has been paid or provided for. Interest on the Subordinated Notes will be calculable on the basis of a day-count fraction equal to the actual number of days elapsed in the relevant Interest Period divided by 360. Principal and interest will be payable, and the Subordinated Notes will be transferable or exchangeable, at the office or offices or agency maintained by the Issuer for this purpose. All payment obligations under the Subordinated Notes will be payable in Swedish krona.

General Terms of the Subordinated Notes

The Subordinated Notes initially will be limited to SEK 2,750,000,000 aggregate principal amount. The Subordinated Notes will be issued in fully registered form, without coupons, in minimum denominations of SEK 2,000,000 and integral multiples of SEK 1,000,000 in excess thereof. No service charge will be made for any transfer or exchange of the Subordinated Notes, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with a transfer or exchange.

The Issuer may issue from time to time, without giving notice to or seeking the consent of the holders of the Subordinated Notes, additional notes ("**Additional Notes**") having the same ranking and the same interest rate, maturity and other terms as the Subordinated Notes offered hereby, except for the initial public offering price, the issue date and the date of the first payment of interest thereon. Any Additional Notes having such similar terms, together with the Subordinated Notes being offered hereby, will be treated as a single class for all purposes under the Subordinated Indenture, *provided* if such Additional Notes are not (1) issued pursuant to a "qualified reopening" of the original series, (2) treated as part of the same "issue" of debt instruments as the original series or (3) issued with no more than a *de minimis* amount of original discount, in each case for U.S. federal income tax purposes, such Additional Notes will have a separate ISIN number or other identifier. An additional prospectus will be required in respect of the Additional Notes in order to list such Additional Notes on the Irish Stock Exchange.

Payments on the Subordinated Notes will be made at the office or agency of the Paying Agent for the Subordinated Notes, currently located at One Canada Square, London E14 5AL, United Kingdom. Subordinated Notes may be surrendered for registration of transfer or exchange at the office of the registrar. In addition, all notices or demands to or upon the Issuer in respect of the Subordinated Notes and the Subordinated Indenture may be served on the Issuer at the office of the registrar.

There are no provisions in either the Subordinated Indenture or the Subordinated Notes that protect the holders in the event that the Issuer incurs substantial additional indebtedness. See "*Risk Factors — No limitation on issuing further debt.*"

The Subordinated Notes will not be entitled to the benefit of any mandatory redemption or sinking fund.

The Issuer's ability to pay principal and interest on the Subordinated Notes is subject to the applicable Conditions to Redemption and mandatory deferral of interest provisions, as described herein under "*— Deferral of Interest Payments; Arrears of Interest — Mandatory Deferral of Interest Payments*," and depends on the Issuer's ability to, among other things, obtain cash dividends or obtain loans from the Issuer's subsidiaries. See "*Risk Factors — The Issuer may defer interest payments on the Subordinated Notes and is required to defer interest payments on the Subordinated Notes upon the occurrence of a Mandatory Deferral Event*," "*— The Issuer will be required to defer payment of the principal amount of the Subordinated Notes beyond the applicable Scheduled Maturity Date if the applicable Conditions to Redemption are not satisfied with respect to the Subordinated Notes on such date*," and "*— The Issuer's obligations under the Subordinated Notes are subordinated*."

Additionally, the Issuer may choose to defer the payment of interest on the Subordinated Notes, subject to the applicable Conditions to Redemption and optional deferral of interest provisions, as described herein under "*— Deferral of Interest Payments; Arrears of Interest — Optional Deferral of Interest Payments*." See "*Risk Factors — The Issuer may defer interest payments on the Subordinated Notes and is required to defer interest payments on the Subordinated Notes upon the occurrence of a Mandatory Deferral Event*."

Under certain circumstances, the Issuer may at any time and without consent of holders, vary any term or condition of the Subordinated Notes or substitute all (but not less than all) of the Subordinated Notes for other Subordinated Notes, so that the varied Subordinated Notes or the substituted Subordinated Notes, as the case may be, become Qualifying Equivalent Securities, in accordance with the procedures set forth under "—

Redemption; Conditions to Redemption — Variation and Substitution." See "*Risk Factors — The Subordinated Notes are subject to substitution, variation and amendment without the Noteholders' consent*."

Holders may transfer or exchange the Subordinated Notes in accordance with the provisions of the Subordinated Indenture. The Subordinated Notes will be issued in the form of one or more fully registered global notes and deposited with the common depositary for Clearstream and Euroclear (the "**Common Depositary**"). The global notes will be registered in the name of the Common Depositary or a nominee thereof. While the Subordinated Notes will be represented by global notes, ownership of beneficial interests in any global security with respect to which Clearstream or Euroclear is the depositary will be shown on, and the transfer of that ownership will be effected only through, records maintained by such depositary or its respective nominee (with respect to beneficial interests of participants) and records of participants (with respect to beneficial interests of persons who hold through participants). See "*Book-Entry; Delivery and Form*" in this Prospectus. Except as described under "*Book-Entry; Delivery and Form*," the Subordinated Notes will not be issuable in certificated form. Upon the issuance of certificated notes, holders will be able to transfer certificated notes at the specified office of the registrar or any paying or transfer agent upon the surrender of such certificated notes, together with the form of transfer endorsed thereon duly completed and executed, and otherwise in accordance with the provisions of the Subordinated Indenture. In the case of a transfer of only a part of a certificated note, a new certificated note will be issued to the transferee at such specified office in respect of the part transferred and a further new certificated note in respect of the balance of the holding not transferred will be issued to the transferor.

Other than as set forth under "— *Consolidation, Amalgamation, Merger, Sale or Conveyance*," neither the Subordinated Indenture nor the terms of the Subordinated Notes contain any financial, operating or other covenants that restrict the ability of the Issuer to take a variety of actions that could be adverse to holders of the Subordinated Notes. See "*Risk Factors — The terms of the Subordinated Notes do not prohibit the Issuer from taking actions that could adversely impact your investment in the Subordinated Notes*."

Subordination

The Subordinated Notes will be the Issuer's direct, unsecured subordinated obligations and will be subject to the subordination provisions set out under this caption, including under "— *Additional Subordination under Applicable Supervisory Regulations*." By purchasing the Subordinated Notes, each holder is deemed to agree and acknowledge to these subordination provisions.

The Issuer had no secured indebtedness and $392 million of senior unsecured indebtedness outstanding as of 30 June 2017. As of 30 June 2017, the Issuer's direct and indirect subsidiaries had no long-term indebtedness and $2.9 billion in other liabilities.

Subordination to Holders of Issuer's Senior Indebtedness

The Subordinated Notes will rank in right of payment junior to all of the Issuer's existing and future Senior Indebtedness, and *pari passu* with all of the Issuer's future debt that by its terms ranks equally in right of payment with the Subordinated Notes upon a winding-up of the Issuer. The Subordinated Notes will also be structurally subordinated to all claims of creditors (including policyholders and trade creditors) of the Issuer's subsidiaries.

Upon any payment or distribution of assets of any kind or character, whether in cash, property or securities, to creditors upon any total or partial liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors or marshaling of assets or in a bankruptcy, reorganization, insolvency, receivership or other similar proceeding relating to the Issuer or its property, whether voluntary or involuntary, all principal of, interest on and all other amounts due or to become due shall be paid, first, to all Senior Indebtedness in full in cash, or such payment duly provided for to the satisfaction of the holders of Senior Indebtedness, before any payment or distribution of any kind or character is made on account of any principal of, interest on or other amounts owing in respect of the Subordinated Notes, or for the acquisition of any of the Subordinated Notes for cash, property or otherwise.

If any default occurs and is continuing in the payment when due, whether at maturity, upon any redemption, by declaration or otherwise, of any principal of, interest on, unpaid drawings for letters of credit issued in respect of, or regularly accruing fees with respect to, any Senior Indebtedness, no payment of any kind or character shall be made by the Issuer or any other person on the Issuer's behalf with respect to any principal of, interest on or other amounts owing in respect of the Subordinated Notes or to acquire any of the Subordinated Notes for cash, property or otherwise.

If any other event of default occurs and is continuing with respect to any Senior Indebtedness, as such event of default is defined in the instrument creating or evidencing such Senior Indebtedness, permitting the holders of such Senior Indebtedness then outstanding to accelerate the maturity thereof and if the representative (as defined in the applicable instrument creating or evidencing such Senior Indebtedness) for the respective issue of Senior Indebtedness gives written notice of the event of default to the trustee (a "**Default Notice**"), then, unless and until all events of default have been cured or waived or have ceased to exist or the trustee receives notice from the representative for the respective issue of Senior Indebtedness terminating the Blockage Period (as defined below), during the 179 days after the delivery of such Default Notice (the "**Blockage Period**"), neither the Issuer nor any other person on the Issuer's behalf shall:

(1) make any payment of any kind or character with respect to any principal of, interest on or other amounts owing in respect of the Subordinated Notes; or

(2) acquire any of the Subordinated Notes for cash, property or otherwise.

Notwithstanding anything herein to the contrary, in no event will a Blockage Period extend beyond 179 days from the date the payment on the Subordinated Notes was due and only one such Blockage Period may be commenced within any 360 consecutive days. No event of default which existed or was continuing on the date of the commencement of any Blockage Period with respect to the Senior Indebtedness shall be, or be made, the basis for commencement of a second Blockage Period by the representative of such Senior Indebtedness whether or not within a period of 360 consecutive days unless such event of default shall have been cured or waived for a period of not less than 90 consecutive days (it being acknowledged that any subsequent action, or any breach of any financial covenants for a period commencing after the date of commencement of such Blockage Period that, in either case, would give rise to an event of default pursuant to any provisions under which an event of default previously existed or was continuing shall constitute a new event of default for this purpose).

The Subordinated Indenture does not restrict the amount of the Issuer's or the applicable Issuer's subsidiaries' Senior Indebtedness or other indebtedness. As a result of the foregoing provisions, in the event of the Issuer's insolvency, holders of the Subordinated Notes may recover ratably less than the Issuer's general creditors.

"**Senior Indebtedness**," means, with respect to the Issuer:

(1) the principal (including redemption payments), premium, if any, interest and other payment obligations in respect of (A) the Issuer's indebtedness for money borrowed and (B) the Issuer's indebtedness evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Issuer, including any such securities issued under any deed, indenture or other instrument to which the Issuer is a party (including, for the avoidance of doubt, deeds, indentures or other instruments pursuant to which senior debt securities have been or may be issued);

(2) all of the Issuer's capital lease obligations;

(3) all of the Issuer's obligations issued or assumed as the deferred purchase price of property, all of the Issuer's conditional sale obligations, all of the Issuer's hedging agreements and agreements of a similar nature thereto and all of the Issuer's agreements relating to any such agreements, and all obligations under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business);

(4) all of the Issuer's obligations for reimbursement on any letter of credit, banker's acceptance, security purchase facility or similar credit transaction;

(5) all obligations of the type referred to in clauses (1) through (4) above of other persons for the payment of which the Issuer is responsible or liable as obligor, guarantor or otherwise;

(6) all obligations of the type referred to in clauses (1) through (5) above of other persons secured by any lien on any of the Issuer's property or assets (whether or not such obligation is assumed by the Issuer); and

(7) any deferrals, amendments, renewals, extensions, modifications and refundings of all obligations of the type referred to in clauses (1) through (6) above, in each case whether or not contingent and whether outstanding at the date of effectiveness of the Subordinated Indenture or thereafter incurred;

except, in each case, for the Subordinated Notes and any such other indebtedness or deferral, amendment, renewal, extension, modification or refunding that contains express terms, or is issued under a deed, indenture or other instrument that contains express terms, providing that it is subordinate to or ranks equal with the Subordinated Notes.

Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions of the Subordinated Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness and notwithstanding that no express written subordination agreement may have been entered into between the holders of such Senior Indebtedness and the trustee or any of the holders.

Additional Subordination under Applicable Supervisory Regulations

The following provisions have been included to reflect requirements set by the BMA relating to the issuance and terms of the Subordinated Notes and are subject in all respects to the provisions above under "— *Governing Law; Consent to Jurisdiction and Service of Process*".

By purchasing the Subordinated Notes, each holder is deemed to agree and acknowledge that the Subordinated Notes will be subordinated to the claims of all Senior Creditors on the terms and to the minimum extent necessary under the Applicable Supervisory Regulations (whether they be the Bermuda Group Rules, Solvency II or otherwise) as in effect from time to time so as to permit the Subordinated Notes to qualify as Tier 2 Capital. These subordination provisions are given effect prior to the application of the subordination provisions set forth above in "— *Subordination to Holders of Issuer's Senior Indebtedness*".

"**Regulatory Group**" means all subsidiaries of the Issuer from time to time that are regulated insurance or reinsurance companies (or part of such regulatory group) pursuant to the Applicable Supervisory Regulations, and such other entities (including, if applicable, the Issuer and any direct or indirect parent company of the Issuer) that may be construed as part of such regulatory group by the Applicable Supervisor under the Applicable Supervisory Regulations, taken as a whole (and, for the avoidance of doubt, shall initially be construed as including the Issuer and Sirius International Insurance Group, Ltd.).

"**Senior Creditors**" means any creditors of the Issuer who are unsubordinated creditors of the Issuer and preferred claimants of the Regulatory Group (including all Policyholder Claims), as well as any other creditors to whose claims the Subordinated Notes must be subordinated under Applicable Supervisory Regulations so as to permit the Subordinated Notes to qualify as Tier 2 Capital.

"**Policyholder Claims**" means claims of policyholders or beneficiaries under policies of insurance (including policies issued by the Issuer (if any)) in a winding-up, liquidation or administration of the Regulatory Group to the extent that those claims relate to any amounts to which the Regulatory Group is, or may become, liable to a policyholder pursuant to a contract of insurance, including all amounts to which policyholders are entitled under applicable legislation or rules relating to the winding-up or administration of insurance companies to reflect any right to receive, or expectation of receiving, benefits which such policyholders may have.

No Encumbrances

By purchasing the Subordinated Notes, each holder of such Subordinated Notes is also deemed to agree and acknowledge that no security of any kind is, or will at any time be, provided by the Issuer or any of its respective affiliates to secure the rights of holders of the Subordinated Notes.

Deferral of Interest Payments; Arrears of Interest

Optional Deferral of Interest Payments

So long as no Mandatory Deferral Event has occurred and is continuing and the relevant Interest Payment Date is not a Compulsory Interest Payment Date, the Issuer may defer interest payments on the Subordinated Notes, from time to time, for one or more periods (each, an "**Optional Deferral Period**"). Any such accrued interest, the payment of which is so deferred, so long as such interest remains unpaid, will constitute Arrears of Interest and will be subject to the provisions described below under "— *Arrears of Interest*." Prior to an Optional Deferral Period, the Issuer will be required to provide to the Indenture Trustee an officer's certificate identifying the beginning of the Optional Deferral Period and shall notify the holders of the Subordinated Notes at least five Business Days before the first Interest Payment Date during the Optional Deferral Period. The Issuer may pay at any time all or any portion of the interest accrued to that point during an Optional Deferral Period and upon payment by the Issuer in full of all interest accrued during an Optional Deferral Period, the Optional Deferral Period shall be deemed to terminate. Any Optional Deferral Period shall also be deemed terminated on any Interest Payment Date that is a Compulsory Interest Payment Date.

"**Compulsory Interest Payment Date**" means each Interest Payment Date other than during a Mandatory Deferral Period during the six months immediately prior to which:

(i) a declaration or payment of any distribution or dividend or other payment (including payment in relation to redemption or repurchase) on or in respect of any Junior Obligations or Parity Obligations has been made by the Issuer or any other person; or

(ii) the Issuer, directly or indirectly, redeemed, repurchased or acquired any Junior Obligations or Parity Obligations (with the exception of any repurchases in connection with stock options or ownership programs for management or employees that are made in the normal course of business),

provided that, it shall not be a Compulsory Interest Payment Date solely by virtue of any payment on any Parity Obligations the terms of which do not allow the issuer of the relevant securities to defer, pass on or eliminate the relevant payment.

Mandatory Deferral of Interest Payments

If, as of any Interest Payment Date, a Mandatory Deferral Event has occurred and is continuing or would occur if payment of interest accrued on the Subordinated Notes were made on such Interest Payment Date, the Issuer shall be required to defer payment of all (and not less than all) of the interest accrued on the Subordinated Notes as of such Interest Payment Date (a "**Mandatory Deferral Period**").

Any such accrued interest, the payment of which is so deferred, so long as such interest remains unpaid, will constitute Arrears of Interest and will be subject to the provisions described below under "— *Arrears of Interest*." Prior to a Mandatory Deferral Period, the Issuer shall provide to the Indenture Trustee an officer's certificate identifying the beginning of the Mandatory Deferral Period and shall notify the holders of the Subordinated Notes at least five Business Days before the first Interest Payment Date during the Mandatory Deferral Period, unless the Mandatory Deferral Event occurs within such five Business Day period, in which case the Issuer shall so notify the Holders promptly following the occurrence of such Mandatory Deferral Event.

Notwithstanding any other provision in the Subordinated Notes or the Subordinated Indenture, the deferral of any payment of interest on the Subordinated Notes on any Interest Payment Date in accordance with this section will not constitute an Issuer Winding-Up Event under the Subordinated Indenture or the Subordinated Notes and will not give holders of the Subordinated Notes or the Indenture Trustee any right to accelerate repayment of the Subordinated Notes.

A "**Mandatory Deferral Event**" with respect to the Subordinated Notes constitutes the occurrence of a Solvency Capital Event or an Insolvency Event, or any other event the occurrence of which would require the Issuer to defer payment of interest on the Subordinated Notes under Applicable Supervisory Regulations on the basis that the Subordinated Notes are intended to qualify as Tier 2 Capital (including, for the avoidance of doubt, if the Applicable Supervisory Regulations are Solvency II, the Issuer or the Regulatory Group, as applicable, not meeting the Solvency II Minimum Capital Requirement) unless otherwise permitted by the Applicable Supervisor. (For the avoidance of doubt, it shall not be a Mandatory Deferral Event if, in view of other facts and circumstances then subsisting, the payment of interest need not be deferred under Applicable Supervisory Regulations in order that the Subordinated Notes qualify as Tier 2 Capital, including, if the Applicable Supervisory Regulations are Solvency II, in circumstances where: (i) the Applicable Supervisor has exceptionally waived the deferral of interest payments, (ii) such interest payments do not further weaken the solvency position of the Issuer and (iii) the Solvency II Minimum Capital Requirement is complied with immediately after such interest payments are made.

A “**Solvency Capital Event**” means the Issuer or the Regulatory Group, as applicable, not meeting the Solvency Capital Requirement.

An “**Insolvency Event**” will have occurred if, as of the relevant date, the Issuer, as applicable, is not, or after making an applicable payment on either the Subordinated Notes would not be, Solvent. For this purpose, the Issuer will be “**Solvent**” if (i) it is able to pay its debts to all its creditors (other than those whose claims rank, or are expressed to rank, junior to, the claims of the holders of the Subordinated Notes) as they fall due and (ii) its Assets exceed its Liabilities (or exceed its Liabilities by any minimum margin or percentage in respect of solvency required under Applicable Supervisory Regulations). An officer’s certificate relating to the Subordinated Notes as to the Solvency of the Issuer shall, in the absence of manifest error, be treated and accepted by the Indenture Trustee, the holders of the Subordinated Notes and all other interested parties as correct and sufficient evidence thereof, shall be final and binding on such parties, and the Indenture Trustee shall be entitled to rely on such officer’s certificate with respect to the Subordinated Notes without any liability to any person.

Arrears of Interest

Any interest in respect of the Subordinated Notes not paid on an Interest Payment Date, together with any interest in respect of the Subordinated Notes not paid on an earlier Interest Payment Date will, so long as the same remains unpaid, constitute “**Arrears of Interest**” in respect of the Subordinated Notes. Arrears of Interest shall not themselves bear interest. Arrears of Interest on the Subordinated Notes will remain payable for so long as it remains unpaid.

So long as no Mandatory Deferral Event has occurred and is continuing (or unless otherwise permitted by the Applicable Supervisor), at the Issuer’s option, Arrears of Interest on the Subordinated Notes may be paid in whole or in part to the persons in whose names the Subordinated Notes are registered as of the close of business on the 15th calendar day (whether or not such date is a Business Day) immediately preceding the date on which payment of such Arrears of Interest is to be made, at any time upon the expiration of not more than 15 nor less than five Business Days’ written notice to the Indenture Trustee, the paying agent and the holders of the Subordinated Notes to such effect (which written notice shall specify the amount of such Arrears of Interest).

If not previously paid, Arrears of Interest with respect to the Subordinated Notes shall become due and payable, and shall be paid in whole (and not in part), on the earliest of:

(a) so long as no Mandatory Deferral Event has occurred and is continuing, the next Interest Payment Date for the Subordinated Notes that does not occur during an Optional Deferral Period or that is a Compulsory Interest Payment Date; or

(b) the date of redemption of the Subordinated Notes in accordance with the applicable redemption provisions;

(c) the date of any Issuer Winding-Up Order; or

(d) the Final Maturity Date for the Subordinated Notes;

provided that in the event of there being Arrears of Interest on the Final Maturity Date, such Arrears of Interest shall be paid before any repayment of principal.

Redemption; Conditions to Redemption

Final Redemption

Unless previously redeemed or purchased and canceled, the Subordinated Notes will become finally due and payable, and will be redeemed, on the Final Maturity Date for the Subordinated Notes at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest (including Arrears of Interest) on the Subordinated Notes to, but excluding, the Final Maturity Date, and any Additional Amounts thereon.

"**Final Maturity Date**" with respect to the Subordinated Notes means:

(a) if, on the applicable Scheduled Maturity Date, the applicable Conditions to Redemption are satisfied and would continue to be satisfied if such final redemption payment were made or no such Conditions to Redemption apply, the applicable Scheduled Maturity Date; or

(b) otherwise, following the applicable Scheduled Maturity Date, on the earlier of (a) the date falling 10 Business Days after the applicable Conditions to Redemption are satisfied and would continue to be satisfied if the final redemption payment were made (so long as such conditions continue to be so satisfied on such 10th Business Day) and (b) any Issuer Winding-Up Order.

The Issuer shall notify the Indenture Trustee and the holders of the Subordinated Notes in writing not less than 10 Business Days prior to the applicable Scheduled Maturity Date (or as soon as reasonably practicable if the applicable Conditions to Redemption are no longer satisfied as of a date less than 10 Business Days prior to the applicable Scheduled Maturity Date) if the applicable Conditions to Redemption will not be satisfied on the applicable Scheduled Maturity Date, which written notice shall state the cause of the failure to satisfy such conditions, and the redemption of the Subordinated Notes shall be deferred until such time as the applicable Conditions to Redemption are satisfied. In such event, the Issuer shall further notify the Indenture Trustee and the holders of the Subordinated Notes in writing not more than five Business Days following the satisfaction of the applicable Conditions to Redemption that such conditions have been satisfied and stating the date that final payment on the Subordinated Notes will occur, which shall be the 10th Business Day following the date such conditions were satisfied. If at any time following the date of such written notice and prior to the stated redemption date the applicable Conditions to Redemption are no longer satisfied, the above notice provisions shall again apply.

Optional Redemption

Beginning on 22 September 2022, and *provided* that the applicable Conditions to Redemption have been satisfied and will continue to be satisfied if the optional redemption payment were made on the Subordinated Notes, the Subordinated Notes may be redeemed, in whole at any time or in part from time to time, at the Issuer's option, at a redemption price equal to accrued and unpaid interest (including Arrears of Interest) on the principal amount of Subordinated Notes being redeemed to, but excluding, the Redemption Date, and any Additional Amounts thereon, plus 100% of the principal amount of the Subordinated Notes to be redeemed.

Notice of any optional redemption will be mailed at least 30 days but not more than 60 days before the date of redemption to each holder of the Subordinated Notes to be redeemed. The Issuer shall notify the Indenture Trustee and the holders of the Subordinated Notes in writing not less than 10 Business Days prior to the applicable redemption date (or as soon as reasonably practicable if the applicable Conditions to Redemption are no longer satisfied as of a date less than 10 Business Days prior to the applicable redemption date) if the applicable Conditions to Redemption will not be satisfied on the applicable redemption date, which written notice shall state the cause of the failure to satisfy such conditions, and the redemption shall be deferred until such time as the applicable Conditions to Redemption are satisfied. In such event, the Issuer shall further notify the Indenture Trustee and the holders of the Subordinated Notes in writing not more than five Business Days following the satisfaction of the applicable Conditions to Redemption that such conditions have been satisfied and stating the new redemption date for the Subordinated Notes, which shall be the 10th Business Day following the date such conditions were satisfied. If at any time following the date of such written notice and prior to the new redemption date the applicable Conditions to Redemption are no longer satisfied, the above notice provisions shall again apply. Unless the Issuer defaults in payment of the redemption price (including, for this purpose, a non-payment in the event the applicable Conditions to Redemption have not been satisfied), on and after the date of redemption, interest will cease to accrue on the Subordinated Notes or portions thereof called for redemption. In the event the Subordinated Notes are called for redemption, neither the Issuer nor the Indenture Trustee will be required to register the transfer of or exchange the Subordinated Notes to be redeemed during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption and ending at the close of business on the day of such mailing.

If less than all of the Subordinated Notes are to be redeemed, such Subordinated Notes to be redeemed shall be selected by the Indenture Trustee, by a method the Indenture Trustee deems fair and appropriate subject to the customary procedures of Clearstream and Euroclear.

Specified Event Redemption

The Subordinated Notes may be redeemed at the Issuer's option and sole discretion, in whole, but not in part, within 90 days following the occurrence of a Specified Event (a "**Specified Event Redemption**"); *provided* that, at the time of such Specified Event Redemption, the applicable Conditions to Redemption are satisfied and will continue to be satisfied after the redemption payment is made and, if not so satisfied, such Specified Event Redemption will be deferred until such time as the Conditions to Redemption are satisfied. The Subordinated Notes will be redeemed at a redemption price equal to the principal amount thereof, together with accrued and unpaid interest (including Arrears of Interest) on the Subordinated Notes being redeemed to, but excluding, the date fixed for redemption, and any Additional Amounts thereon.

A "**Specified Event**" means, with respect to the Subordinated Notes, the occurrence of any of an Additional Amounts Event, a Tax Event, a Rating Methodology Event or a Regulatory Event, each as defined below:

(a) An "**Additional Amounts Event**" will occur with respect to the Subordinated Notes if an opinion of a recognized independent tax counsel has been delivered to the Indenture Trustee stating that the Issuer has or will become obligated to pay Additional Amounts on the Subordinated Notes as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of any Taxing Jurisdiction, or as a result of any change in or amendment to an official interpretation or application of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decisions or regulatory determination), which change or amendment becomes effective on or after the Issue Date, and that obligation cannot be avoided by the Issuer taking such reasonable measures it (acting in good faith) deems appropriate.

(b) A "**Tax Event**" will occur with respect to the Subordinated Notes if an opinion of a recognized independent tax counsel has been delivered to the Indenture Trustee stating that, as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of any Taxing Jurisdiction, or as a result of any change in or amendment to an official interpretation or application of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decisions or regulatory determination), which change or amendment becomes effective on or after the Issue Date of the Subordinated Notes, interest payable by the Issuer in respect of the Subordinated Notes is no longer, or within 90 days of the date of the opinion will no longer be, fully deductible by the Issuer for income tax purposes in the applicable jurisdiction (to the extent that such interest was so deductible as of the time of such Tax Event), and that non-deductibility cannot be avoided by the Issuer, as applicable, taking such reasonable measures it (acting in good faith) deems appropriate.

(c) A "**Rating Methodology Event**" will occur with respect to the Subordinated Notes, if, as a consequence of a change in, or clarification to, the rating methodology (or the interpretation thereof) of Standard & Poor's Rating Services or Fitch Ratings Inc. or any respective successor, which change or clarification becomes effective on or after the Issue Date, the capital treatment of the Subordinated Notes for the Issuer or its subsidiaries or the Regulatory Group is amended in a way that is reasonably determined by the Issuer to be materially unfavorable to the Issuer or its subsidiaries or the Regulatory Group.

(d) A "**Regulatory Event**" will occur with respect to the Subordinated Notes, if, as a consequence of a change in, or clarification to, the Applicable Supervisory Regulations by the Applicable Supervisor the Subordinated Notes (in whole or in part) will not or will no longer qualify as Tier 2 Capital, as reasonably determined by the Issuer.

Notice of any Specified Event Redemption will be mailed at least 30 days but not more than 60 days before the redemption date to the Indenture Trustee and each holder of Subordinated Notes to be redeemed at its registered address (which notice will be irrevocable). The Issuer shall notify the Indenture Trustee and the holders of the Subordinated Notes in writing not less than 10 Business Days prior to the applicable redemption date (or as soon as reasonably practicable if the applicable Conditions to Redemption are no longer satisfied as of a date less than 10 Business Days prior to the applicable redemption date) if the applicable Conditions to Redemption will not be satisfied on the applicable redemption date, which written notice shall state the cause of the failure to satisfy such conditions, and the Specified Event Redemption shall be deferred until such time as the applicable Conditions to Redemption are satisfied. In such event, the Issuer shall further notify the Indenture Trustee and the holders of the Subordinated Notes in writing not more than five Business Days following the satisfaction of the applicable Conditions to Redemption that such conditions have been satisfied and stating the new redemption date of the Subordinated Notes, which shall be the 10th Business Day following the date such conditions were satisfied. If at any time following the date of such written notice and prior to the new redemption date the applicable Conditions to Redemption are no longer satisfied, the above notice provisions shall again apply.

Such notice shall state the specified redemption date, the facts establishing the right of the Issuer to redeem the Subordinated Notes, and that all outstanding Subordinated Notes shall be redeemed at the applicable redemption price on the redemption date automatically and without any further action by the holders of Subordinated Notes. Unless the Issuer defaults in the payment of the redemption price (including, for this purpose, a non-payment in the event the applicable Conditions to Redemption have not been satisfied), on and after the redemption date, interest will cease to accrue on the Subordinated Notes to be redeemed. In the event the Subordinated Notes are called for redemption, neither the Issuer nor the Indenture Trustee will be required to register the transfer of or exchange the Subordinated Notes to be redeemed during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption and ending at the close of business on the day of such mailing.

Variation and Substitution

If a Specified Event occurs, the Issuer may, as an alternative to redemption of the Subordinated Notes, at any time, without the consent of any holder, vary any term or condition of the Subordinated Notes or substitute all (but not less than all) of the Subordinated Notes for other Subordinated Notes, so that the varied Subordinated Notes or the substituted Subordinated Notes, as the case may be, become Qualifying Equivalent Securities.

The principal amount of the Qualifying Equivalent Securities to be received by holders in substitution shall be equal to the principal amount of the Subordinated Notes. Any variation or substitution of the Subordinated Notes is subject to no more than 60 nor less than 30 calendar days' prior notice by the Issuer to the holders (which notice shall be irrevocable and shall specify the date fixed for such variation or substitution) in accordance with the notice provisions governing the Subordinated Notes and to:

(a) the Issuer being in compliance with the Applicable Supervisory Regulations on the date of such variation or substitution, and such variation or substitution not resulting directly or indirectly in a breach of such Applicable Supervisory Regulations; and

(b) the Issuer complying with the rules of any stock exchange (or any other relevant authority) on which the Issuer has had its Subordinated Notes listed or admitted to trading.

"**Qualifying Equivalent Securities**" means securities which have terms not materially less favorable to the holders than the Subordinated Notes, as reasonably determined by the Issuer, and which:

(a) contain terms which comply with then current requirements in relation to Tier 2 Capital under the Applicable Supervisory Regulations;

(b) contain terms providing for the same interest rate and Interest Payment Dates from time to time applying to the Subordinated Notes;

(c) contain new terms providing for mandatory deferral of payments of interest and/or principal only if such terms are not materially less favorable to the holders than the mandatory deferral provisions under "— *Mandatory Deferral of Interest Payments*";

(d) rank senior to or have the same ranking as the Subordinated Notes;

(e) preserve the obligations (including the obligations arising from the exercise of any right) of the Issuer as to redemption of the Subordinated Notes, including (without limitation) as to timing of, and amounts payable upon such redemption;

(f) do not contain terms providing for loss absorption through principal write-down or conversion to ordinary shares; and

(g) preserve any rights under the Conditions to Redemption to any accrued interest and Arrears of Interest, and any existing rights to other amounts payable under the Subordinated Notes which has accrued to holders and not been paid.

Conditions to Redemption

The "**Conditions to Redemption**" are satisfied on any day with respect to a scheduled redemption (including the applicable Scheduled Maturity Date and the applicable Final Maturity Date) or a planned purchase of the Subordinated Notes, if:

(a) the redemption or purchase of the Subordinated Notes would not result in, or accelerate the occurrence of, an Insolvency Event;

(b) the Solvency Capital Requirement is complied with after the redemption or purchase of the Subordinated Notes;

(c) prior to 22 September 2022 (as well as any subsequent date where such consent is required), the Applicable Supervisor has given, and not withdrawn by such date, its prior consent to the redemption of the Subordinated Notes and the payment of accrued and unpaid interest and Arrears of Interest (if any) and any Additional Amounts thereon or to the purchase of the Subordinated Notes; and

(d) any further conditions to such redemption or purchase under Applicable Supervisory Regulations on the basis that the Subordinated Notes are intended to qualify as Tier 2 Capital (including, for the avoidance of doubt, if the Applicable Supervisory Regulations are Solvency II, that no Insolvent Insurer Winding-Up has occurred and is continuing and that the Solvency II Minimum Capital Requirement is complied with after the redemption or purchase of the Subordinated Notes), or as have otherwise been imposed by the Applicable Supervisor, have, in each case, been complied with,

but only, in the case of (a) through (c) above, to the extent the satisfaction of such condition(s) is required under Applicable Supervisory Regulations so as to permit the Subordinated Notes to qualify as Tier 2 Capital, and, in all cases, unless otherwise permitted by the Applicable Supervisor.

In the event that the Subordinated Notes are not redeemed as a result of a failure to satisfy the Conditions to Redemption, interest on the Subordinated Notes will continue to accrue and be paid on each Interest Payment Date (subject to the provisions described under "— *Deferral of Interest Payments; Arrears of Interest — Mandatory Deferral of Interest Payments*") until the first date on which final payment on the Subordinated Notes may be made as described above under "— *Final Redemption*," at which time the Subordinated Notes will become due and payable, and will be finally redeemed at the principal amount of the Subordinated Notes, together with accrued and unpaid interest (including any Arrears of Interest) and any Additional Amounts thereon in the manner and subject to the conditions stated above.

Notwithstanding any other provision in the Subordinated Notes or the Subordinated Indenture, in the event of non-payment on a scheduled redemption date resulting from a failure to satisfy the applicable Conditions to Redemption in accordance with this provision, the Subordinated Notes to be redeemed will not become due and payable on such date, and such non-payment will not constitute an Issuer Winding-Up Event under the Subordinated Indenture or the Subordinated Notes and will not give holders of the Subordinated Notes or the Indenture Trustee any right to accelerate repayment of the Subordinated Notes.

An officer's certificate relating to the Subordinated Notes in connection with any redemption under this "*Conditions to Redemption*" section certifying that (i) the applicable Conditions to Redemption have not been met or would not be met if the final redemption payment for the Subordinated Notes were made, or (ii) the applicable Conditions to Redemption have been met and would continue to be met if the final redemption payment of Subordinated Notes were made or no such Conditions to Redemption apply shall, in the absence of manifest error, be treated and accepted by the Issuer, the Indenture Trustee, the holders of the Subordinated Notes and all other interested parties as correct and sufficient evidence thereof, shall be final and binding on such parties, and the Indenture Trustee shall be entitled to rely on such officer's certificate without liability to any person.

Purchases

The Issuer may, in its sole discretion, at any time, subject to compliance with the Applicable Supervisory Regulations, purchase the Subordinated Notes for cancellation in the open market or otherwise at any price; *provided* that such purchase is permitted only if the applicable Conditions to Redemption and the limitations relating to optional deferral of interest as described herein "*— Deferral of Interest Payments; Arrears of Interest — Optional Deferral of Interest Payments*" have been satisfied with respect to such purchase.

Payment of Additional Amounts

All amounts payable (whether in respect of principal, interest or otherwise) in respect of the Subordinated Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, assessments or governmental charges (including interest, penalties and any liabilities with respect thereto) of whatever nature imposed or levied by or on behalf of any Taxing Jurisdiction unless the withholding or deduction of such taxes, duties, levies, assessments or governmental charges is required by law. In that event, the Issuer will pay, or cause to be paid, such additional amounts on the Subordinated Notes as may be necessary in order that the net amounts receivable by a holder of the Subordinated Notes after such withholding or deduction (including any withholding or deduction from such payment of additional amounts) shall equal the respective amounts that would have been receivable by such holder of the Subordinated Notes had no such withholding or deduction been required ("**Additional Amounts**"), except that no such Additional Amounts shall be payable on the Subordinated Notes in relation to any payment (including a payment made in connection with a redemption) in respect of the Subordinated Notes:

(a) to a holder or a beneficial owner that would be able to avoid such withholding or deduction by complying with such holder's or beneficial owner's applicable statutory requirements or by making a declaration of non-residence or similar claim for exemption (including a claim under an applicable double taxation treaty) but, in either case, fails to do so, or is liable for such taxes, duties, levies, assessments or governmental charges in respect of such Subordinated Note by reason of such holder or beneficial owner having some connection with (including, without limitation, being a citizen of, being incorporated or engaged in a trade or business in, or having a residence or principal place of business in) the Taxing Jurisdiction, other than (a) the mere holding of such Subordinated Note, (b) the receipt of principal, interest or other amount in respect of such Subordinated Note or (c) the mere enforcement of rights with respect to such Subordinated Note;

(b) presented for payment more than 30 days after the relevant date (as defined below), except to the extent that the relevant holder would have been entitled to such Additional Amounts on presenting the same for payment on or before the expiration of such period of 30 days;

(c) to a fiduciary, a partnership or person who is not the beneficial owner of a Subordinated Note, if and to the extent that, as a result of an applicable tax treaty, no Additional Amounts would have been payable had the beneficiary, partner or beneficial owner owned the Subordinated Note directly;

(d) on account of any inheritance, gift, estate, personal property, stamp, sales or transfer or similar taxes, duties, levies, assessments or similar governmental charges;

(e) on account of any taxes, duties, levies, assessments or governmental charges that are payable otherwise than by withholding from payments in respect of such Subordinated Note;

(f) any taxes that are withheld or deducted pursuant to sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations thereunder, official interpretations thereof, or agreements (including any intergovernmental agreement or any laws, rules or practices implementing such intergovernmental agreement) entered into in connection therewith; or

(g) any combination of items (a) through (f) above.

The "**relevant date**" means, in respect of any payment of Additional Amounts, the date on which such payment first becomes due and payable, but if the full amount of the moneys payable has not been received by the Paying Agent on or prior to such due date, it means the first date on which, the full amount of such moneys having been so received and being available for payment to holders of the Subordinated Notes, notice to that effect shall have been duly given to the holders of the Subordinated Notes.

Delivery of Financial Information

The Subordinated Indenture will provide that, unless (i) the Issuer becomes subject to the reporting requirements of Section 13 or 15(d) of the U.S. Exchange Act of 1934 (as amended), or (ii) the Issuer's common shares are admitted to trading on a regulated market within the meaning of Article 4(1) of the European Markets in Financial Instruments Directive, it will, at its expense:

(1) furnish to the Indenture Trustee, within 60 days after the last day of each fiscal quarter of each fiscal year (other than the fourth such fiscal quarter in any fiscal year), unaudited financial statements (which shall be as of and for the portion of the fiscal year then ended and prepared in accordance with GAAP; such financial statements are to include the Issuer's consolidated balance sheet as of the end of such fiscal quarter and its consolidated statement of income, changes in shareholders equity and cash flows for the portion of the fiscal year then ended (or such other types of financial information or financial statements as at the time are specified by GAAP), setting forth in comparative form the corresponding figures as of the end of, and for the corresponding portion of, the preceding fiscal year, all prepared in accordance with GAAP; and such financials may be subject to customary year-end adjustments, with footnote and schedule disclosure abbreviated or omitted;

(2) furnish to the Indenture Trustee, within 120 days after the last day of each fiscal year, the Issuer's consolidated balance sheet as of the end of such fiscal year and its consolidated statement of income, changes in shareholders equity and cash flows for such fiscal year (or such other types of financial statements as at the time are specified by GAAP), setting forth in comparative form the corresponding figures as of the end of and for the preceding fiscal year, all prepared in accordance with GAAP and accompanied by an audit report of a firm of independent public accountants of recognized international standing selected by the Issuer; and

(3) upon written certification from any person that is a holder of Subordinated Notes or any beneficial owner of an interest in a global note certificate (which request must be provided as set forth in the Subordinated Indenture and must indicate whether the person making such request is a holder or beneficial owner of Subordinated Notes), promptly deliver to such holder or beneficial owner, as the case may be, by mailing or otherwise providing electronically to such holder or beneficial owner or by posting on a website or by any online data system a copy of the financial information or financial statements then most recently provided to the Indenture Trustee pursuant to subparagraph (1) or (2) above, as the case may be, and thereafter, unless otherwise expressly stated in such request, deliver to such holder or beneficial owner, as the case may be, a copy of all subsequent financial information and financial statements provided to the Indenture Trustee pursuant to subparagraphs (1) and (2) above (such financial information and financial statements to be delivered to such holder or beneficial owner as promptly as practicable following the delivery thereof to the Indenture Trustee) unless such request is revoked by such holder or beneficial owner by notice to the Issuer delivered as provided in the Subordinated Indenture or until such time as the Issuer shall have reasonably determined that such person is no longer a holder or beneficial owner of Subordinated Notes.

For purposes of (1), (2) and (3) above, the term "**GAAP**" means (i) the generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board ("**U.S. GAAP**"), and as are applicable to the financial statements of the Issuer as of the date of any computation required hereunder or (ii) if elected by the Issuer by written notice (the "**IFRS Election**") to the Indenture Trustee, the International Financial Reporting Standards issued by the International Accounting Standards Board ("**IFRS**"), and as are applicable to the financial statements of the Issuer as of the date of any computation required hereunder. Upon such IFRS Election, references to GAAP shall thereafter be constructed to mean (a) for prior periods, U.S. GAAP and (b) periods beginning on and after the date specified in such notice, IFRS.

Consolidation, Amalgamation, Merger, Sale or Conveyance

As long as the Subordinated Notes are outstanding, the Issuer may not (1) consolidate or amalgamate with or merge into any person, or convey, transfer, sell, assign, lease or otherwise dispose of all or substantially all of the Issuer's properties and assets as an entirety, in one or more related transactions, to any person or (2) permit any person to consolidate with or amalgamate or merge into the Issuer or convey, transfer, sell, assign, lease or otherwise dispose of its properties and assets substantially as an entirety to the Issuer, in each case in one or more related transactions, unless:

- (a) the Issuer is the surviving entity or (b) the person formed by the consolidation or into which the Issuer is merged or the person to which the Issuer's properties and assets are so conveyed, transferred, sold, assigned or leased, (i) is a corporation, partnership or limited liability company organized or existing under the laws of the United States, any state of the United States, the District of Columbia, Bermuda, Sweden, the United Kingdom, Singapore or any country that is, as of the date of the Subordinated Indenture, a member of the OECD or the European Union and (ii) expressly assumed by supplemental indenture the payment of all amounts due on the Subordinated Notes and the performance of every obligation in the Subordinated Indenture and the Subordinated Notes to be performed or observed;

- immediately after giving effect to the transaction, no Issuer Winding-Up Event, and no event that, after notice or lapse of time or both, would become an Issuer Winding-Up Event, will have occurred and be continuing; and

- the Issuer has delivered an officer's certificate and a written legal opinion to the Indenture Trustee stating that such transaction and any supplemental indenture required in connection with such transaction complies with the applicable provisions of the Subordinated Indenture.

Tax Treatment of Subordinated Notes

The Subordinated Indenture will provide that the Issuer and each holder, by purchasing the Subordinated Notes, will agree to treat the Subordinated Notes as indebtedness for U.S. federal income tax purposes, except as otherwise required by applicable law.

No Rights of Set-off

The Subordinated Notes will not in any way give rise to any rights of set-off, recoupments or counterclaims against any claims and obligations of the Issuer or any of its subsidiaries in the Regulatory Group or to any person in whose names the Subordinated Notes are registered or any creditor of the Issuer or any of its subsidiaries in the Regulatory Group.

Deferral of Distributions in the Event of a Regulatory Breach

For so long as the Regulatory Group is in breach of any applicable Solvency Capital Requirement or Minimum Capital Requirement, there will be no distributions nor payments made pursuant to the Subordinated Notes, and such payments will be deferred until such time as the applicable breach is rectified. This provision is subject in all respects to the provisions below under "— *Governing Law; Consent to Jurisdiction and Service of Process*."

No Events of Default

There are no events of default under the Subordinated Indenture with respect to the Subordinated Notes and no breach of the Subordinated Indenture or the Subordinated Notes will constitute an event of default.

Issuer Winding-Up Event

An "**Issuer Winding-Up Event**" with respect to the Subordinated Notes will occur only upon the occurrence of an Issuer Winding-Up Order.

An "**Issuer Winding-Up Order**" will occur if:

(a) at any time an order is made, or an effective resolution is passed, for the winding-up of the Issuer (except, in any such case, a solvent winding-up solely for the purpose of a reconstruction, merger or amalgamation or the substitution in place of the Issuer of a successor in business of the Issuer, the terms of which reconstruction, merger amalgamation or substitution (A) have previously been approved in writing by the Indenture Trustee or by holders of a majority in aggregate principal amount of the outstanding Subordinated Notes and (B) do not provide that the Subordinated Notes or any amount in respect thereof shall thereby become payable); or

(b) an administrator of the Issuer is appointed and such administrator gives notice that it intends to declare and distribute a dividend.

If an Issuer Winding-Up Event under the Subordinated Indenture occurs, the entire principal amount of the Subordinated Notes, together with accrued and unpaid interest (including Arrears of Interest) and any Additional Amounts thereon, will automatically become due and payable without any declaration or other action on the part of the Indenture Trustee or any holder of the Subordinated Notes. The right of acceleration only applies upon the occurrence of an Issuer Winding-Up Event as described above. Any failure to pay interest on the Subordinated Notes when due as a result of a Mandatory Deferral Event or to pay principal of the Subordinated Notes when due as a result of any of the applicable Conditions to Redemption not being satisfied shall not constitute an Issuer Winding-Up Event under the Subordinated Indenture or the Subordinated Notes.

The Subordinated Indenture provides that the Indenture Trustee must give holders notice of any Issuer Winding-Up Event or any failure of the Issuer to comply with any term or condition of the Subordinated Notes or the Subordinated Indenture within 90 days after it becomes actually known to a responsible officer of the Indenture Trustee.

The Indenture Trustee may, at its discretion and without further notice, institute such proceedings or take such steps or actions against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Subordinated Notes or the Subordinated Indenture (other than any payment obligation of the Issuer under or arising from the Subordinated Notes or the Subordinated Indenture, including any payment of damages awarded for breach of any obligations thereunder) but in no event shall the Issuer, by virtue of the institution of any such proceedings or the taking of such steps or actions, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it under the terms of the Subordinated Notes. Nothing in this paragraph shall, however, (i) prevent the Indenture Trustee from proving in any winding-up or administration of the Issuer and/or claiming in any liquidation of the Issuer in respect of any payment obligation of the Issuer, in each case where such payment obligation arises from the Subordinated Notes or the Subordinated Indenture (including, without limitation, payment of any principal, interest (including Arrears of Interest) and any Additional Amounts in respect of the Subordinated Notes or any payment of damages awarded for breach of any obligations under the Subordinated Notes or the Subordinated Indenture), or (ii) impair the right of any holder to receive payment of principal of, or interest (including Arrears of Interest) and any Additional Amounts on such holder's Subordinated Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such holder's Subordinated Notes.

Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder may pursue any remedy with respect to this Indenture or the Subordinated Notes unless:

(1) such holder has previously given the Indenture Trustee notice that an Issuer Winding-Up Event is continuing;

(2) holders of at least 25% in aggregate principal amount of the then outstanding Subordinated Notes make a written request to the Indenture Trustee to pursue the remedy;

(3) such holders have offered the Indenture Trustee, and the Indenture Trustee has received, security (including by way of pre-funding) and/or indemnity satisfactory to it against any loss, liability or expense;

(4) the Indenture Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security (including by way of pre-funding) and/or indemnity by way of pre-funding; and

(5) holders of a majority in aggregate principal amount of the then outstanding Subordinated Notes have not given the Indenture Trustee a direction inconsistent with such request within such 60-day period.

The Indenture Trustee

The Indenture Trustee may resign at any time with respect to the Subordinated Notes by giving written notice thereof to the Issuer. The Indenture Trustee may be removed at any time, upon 30 days' notice, with respect to the Subordinated Notes by the holders of a majority in principal amount of the outstanding Subordinated Notes delivered to the Indenture Trustee and to the Issuer.

In addition, the Issuer may also remove the Indenture Trustee with or without cause if the Issuer so notifies the Indenture Trustee 30 days in advance and if no default occurs or is continuing during the 30-day period.

The holders of a majority in principal amount of all outstanding Subordinated Notes have the right to direct the time, method and place of conducting any proceeding for exercising any remedy or power available to the Indenture Trustee.

If an Issuer Winding-Up Event shall occur (and shall not be cured) under the Subordinated Indenture and is actually known to a responsible officer of the Indenture Trustee, the Indenture Trustee shall exercise such of the rights and powers vested in it by the Subordinated Indenture and use the same degree of care and skill in such exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

The Indenture Trustee will not be under any obligation to exercise any of its rights or powers under the Subordinated Indenture at the request of any of the holders of Subordinated Notes unless they shall have offered to the Indenture Trustee security and indemnity satisfactory to it.

Modification and Waiver

Any amendment or modification to the Subordinated Indenture or the Subordinated Notes shall require the prior consent of the Applicable Supervisor, if such consent is then required, and any amendment or modification made or purported to be made without such consent shall be void. Further, the Issuer, when authorized by board resolutions, and the Indenture Trustee, at any time and from time to time, may amend or supplement the provisions of the article entitled "Additional Subordination under Applicable Supervisory Regulations" in the Subordinated Indenture, as described herein under "— *Subordination — Additional Subordination under Applicable Supervisory Regulations*," without the consent of any holder to the extent determined reasonably necessary to comply with, or satisfy, regulations or requirements of the Applicable Supervisor relating to the Subordinated Notes, as determined by the senior management of the Issuer in good faith.

Subject to the foregoing paragraph, the Issuer, when authorized by a board resolution, and the Indenture Trustee may modify, amend and/or supplement the Subordinated Indenture and the Subordinated Notes with the consent of the holders of not less than a majority in principal amount of the outstanding Subordinated Notes (voting as a single class); provided, however, that such modification, amendment or supplement may not, without the consent of each holder of the Subordinated Notes:

(1) change the stated maturity of the principal of or any premium or any installment of interest with respect to the Subordinated Notes;

(2) reduce the principal amount of, or the rate of interest on or any premium payable upon the redemption of, the Subordinated Notes, or change the Issuer's obligation to pay Additional Amounts;

(3) change the currency of payment of principal of or interest on the Subordinated Notes;

(4) change the redemption provisions, if any, of any Subordinated Notes in any manner adverse to the holders of such Subordinated Notes;

(5) impair the right to institute suit for the enforcement of any payment on or with respect to the Subordinated Notes;

(6) reduce the above-stated percentage of holders of the Subordinated Notes necessary to modify or amend the Subordinated Indenture;

(7) modify the subordination provisions of the Subordinated Indenture in a manner adverse to the holders of such Subordinated Notes then outstanding; or

(8) modify the foregoing requirements or reduce the percentage of outstanding Subordinated Notes necessary to waive any covenant or past default.

Holders of not less than a majority in principal amount of the outstanding Subordinated Notes (voting as a single class) may waive certain past defaults and may waive compliance by the Issuer with any provision of the

Subordinated Indenture relating to such Subordinated Notes (subject to the immediately preceding sentence); provided, however, that:

(1) without the consent of each holder of Subordinated Notes, no waiver may be made of a default in the payment of the principal of or interest on any Subordinated Note or in respect of a covenant or provision of the Subordinated Indenture that expressly states that it cannot be modified or amended without the consent of each holder; and

(2) only the holders of a majority in principal amount of Subordinated Notes may waive compliance with a provision of the Subordinated Indenture.

The Issuer, when authorized by a board resolution, and the Indenture Trustee may amend or supplement the Subordinated Indenture or waive any provision of the same and the Subordinated Notes without the consent of any holders of Subordinated Notes in some circumstances, including:

- to cure any ambiguity, omission, mistake or omission, or to correct or supplement any provision contained therein or in any supplemental indenture that may be defective or inconsistent with any other provision contained therein or any supplemental indenture;
- to make any change that does not, in the good faith opinion of the board of directors, adversely affect the interests of holders of such Subordinated Notes in any material respect, provided that any amendment or supplement conforming the Subordinated Indenture to the terms described in this Prospectus pursuant to which they were initially sold shall be deemed not to adversely affect the interests of holders of such Subordinated Notes;
- to provide for the assumption of the Issuer's obligations under the Subordinated Indenture by a successor upon any merger, consolidation or asset transfer permitted under the Subordinated Indenture;
- to add covenants that would benefit the holders of such Subordinated Notes or to surrender any rights or powers the Issuer has under the Subordinated Indenture;
- to provide any security for or guarantees of such Subordinated Notes;
- to add events of default with respect to such Subordinated Notes; or
- to evidence and provide for the acceptance of appointment by a successor trustee with respect to the Subordinated Notes and to add to or change any of the provisions of the Subordinated Indenture as shall be necessary to provide for or facilitate the administration of the trusts under the Subordinated Indenture by more than one trustee, pursuant to the requirements of the Subordinated Indenture.

The consent of the holders of Subordinated Notes is not necessary under the Subordinated Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Actions Not Restricted by Subordinated Indenture

Other than the provisions described herein under "— *Deferral of Interest Payments; Arrears of Interest — Limitation on Restricted Payments*," the Subordinated Indenture does not contain restrictions on the ability of the Issuer:

(a) except during an Optional Deferral Period or a Mandatory Deferral Period, to repurchase or prepay any of its other securities or indebtedness;

(b) except during an Optional Deferral Period or a Mandatory Deferral Period, to make investments or to repurchase, pay dividends or make other payments in respect of its ordinary shares or other securities ranking junior to the Subordinated Notes;

(c) to incur indebtedness;

(d) to enter into transactions with affiliates, including to transfer assets from the Sirius Group to the Regulatory Group;

(e) to sell assets; or

(f) to enter into highly leveraged transactions.

The Subordinated Indenture does not require the maintenance of any financial ratios or specified levels of net worth, revenues, income, cash flow or liquidity or to repurchase the Subordinated Notes in the event of a change in control. In addition, the Subordinated Indenture does not contain any provisions that would require the Issuer to purchase or redeem or modify the terms of any of the Subordinated Notes upon a change of control or other event involving the Issuer that may adversely affect the creditworthiness of the Subordinated Notes. See "*Risk Factors — The terms of the Subordinated Notes do not prohibit the Issuer from taking actions that could adversely impact your investment in the Subordinated Notes*."

Indemnification of Judgment Currency

The Issuer will indemnify the Indenture Trustee and each holder of a Subordinated Note to the fullest extent permitted by applicable law against any loss incurred by the Indenture Trustee or any such holder, as applicable, as a result of any judgment or order being given or made for any amount due under such Subordinated Note and the judgment or order being expressed and paid in the currency (the "**Judgment Currency**"), other than Swedish krona and as a result of any variation as between (i) the rate of exchange at which the Swedish krona is converted into the Judgment Currency for the purpose of the judgment or order and (ii) the spot rate of exchange in The City of New York at which the Indenture Trustee or such holder, as applicable, on the date that payment is made pursuant to the judgment or order is able to purchase Swedish krona in the amount of the Judgment Currency actually received by the Indenture Trustee or such holder.

Governing Law; Consent to Jurisdiction and Service of Process

The Subordinated Indenture and the Subordinated Notes (other than the section entitled "Deferral of Distributions in the Event of Regulatory Breach" in the Subordinated Indenture, as described herein under "*— Deferral of Distributions in the Event of a Regulatory Breach*," and the article entitled "Additional Subordination under Applicable Supervisory Regulations" in the Subordinated Indenture, as described herein under "*— Subordination — Additional Subordination under Applicable Supervisory Regulations*") will be governed by, and construed in accordance with, the laws of the State of New York, without giving effect to principles of conflicts of laws of such state.

The section entitled "Deferral of Distributions in the Event of Regulatory Breach" in the Subordinated Indenture, as described herein under "*— Deferral of Distributions in the Event of a Regulatory Breach*," and the article entitled "Additional Subordination under Applicable Supervisory Regulations" in the Subordinated Indenture, as described herein under "*— Subordination — Additional Subordination under Applicable Supervisory Regulations*," shall be governed by, and construed in accordance with, the laws of Bermuda (or, in the event that the Applicable Supervisor is based in a jurisdiction other than Bermuda, under the laws of that jurisdiction).

Each of the Issuer and the Indenture Trustee has irrevocably and unconditionally submitted to the non-exclusive jurisdiction of any U.S. federal or New York state court in the Borough of Manhattan, The City of New York, over any legal suit, action or proceeding arising out of or relating to the Subordinated Indenture or any Subordinated Note. As long as any of the Subordinated Notes remain outstanding, the Issuer will at all times have an authorized agent in The City of New York upon whom process may be served in any legal suit, action or proceeding arising out of or relating to the Subordinated Indenture or any Subordinated Note. The Issuer has appointed Sirius America Insurance Company as its agent for such purpose.

To the fullest extent permitted by applicable law, each of the Issuer and the holders of the Subordinated Notes waives any and all right to trial by jury in any legal proceeding arising out of or relating to the Subordinated Indenture, the Subordinated Notes or the transactions contemplated thereby.

Listing

The Issuer will apply for and expects the Subordinated Notes to be listed on the Main Securities Market of the Irish Stock Exchange. There can be no assurance that any such listing will be granted or, if granted, maintained. The issuance and settlement of the Subordinated Notes are not conditioned on the listing of the Subordinated Notes.

Certain Definitions; Interpretation

"**Additional Amounts**" has the meaning specified under "— *Payment of Additional Amounts*."

"**Additional Amounts Event**" has the meaning specified under "— Rede*mption; Conditions to Redemption — Specified Event Redemption*."

"**Applicable STIBOR Rate**" means the interest rate determined as follows:

(1) On the Interest Determination Date, the Calculation Agent will determine the Applicable STIBOR Rate which shall be the rate for deposits in Swedish krona having a maturity of three months commencing on the Interest Determination Date that appears on the Reuters Screen STIBOR Page as of 11:00 a.m., Stockholm time, on such Interest Determination Date.

"**Reuters Screen STIBOR Page**" means the display designated under the heading "FIXINGS" on the "SIDE" page on Reuters (or such other page of Reuters as may replace such page or of equivalent service or any successor service for the purpose of displaying Stockholm interbank offered rates for krona-denominated deposits of major banks). If the Applicable STIBOR on such Interest Determination Date does not appear on the Reuters Screen STIBOR Page, the Applicable STIBOR Rate will be determined as set forth in (2) below.

(2) With respect to an Interest Determination Date for which the Applicable STIBOR Rate does not appear on the Reuters Screen STIBOR Page as set forth in (1) above, the Applicable STIBOR Rate will be determined on the basis of the rates at which deposits in Swedish krona are offered by four major banks in the Stockholm interbank market selected by the Issuer on the advice of an investment bank of international repute (the "**Reference Banks**") at approximately 11:00 a.m., Stockholm time, on such Interest Determination Date to prime banks in the Stockholm interbank market having a maturity of three months, and in a principal amount equal to an amount that is representative for a single transaction in such market at such time. The Calculation Agent, upon direction from the Issuer, will request the principal Stockholm office of each of such Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the Applicable STIBOR Rate on such Interest Determination Date will be the arithmetic mean (rounded upwards) of such quotations. If fewer than two quotations are provided, the Applicable STIBOR on such Interest Determination Date will be determined as at the preceding Interest Determination Date (save in respect of the first Interest Period following the Issue Date, in which case the Interest Rate shall be equal to 3.582%).

The amount of interest for each day that the Subordinated Notes are outstanding (the "**Daily Interest Amount**") will be calculated by dividing the Interest Rate in effect for such day by 360 and multiplying the result by the principal amount of the Subordinated Notes. The amount of interest to be paid on the Subordinated Notes for any Interest Period will be calculated by adding the Daily Interest Amounts for each day in such Interest Period.

The Interest Rate and amount of interest to be paid on the Subordinated Notes for each Interest Period will be determined by the Calculation Agent. The Calculation Agent will, upon the request of any holder of the Subordinated Notes, provide the interest rate then in effect during any Interest Period with respect to the Subordinated Notes, and shall notify the Issuer of the Interest Rate for each such Interest Period on the relevant Interest Determination Date. All calculations made by the Calculation Agent shall in the absence of manifest error be conclusive for all purposes and binding on the Issuer and the holders of the Subordinated Notes. So long as the Applicable STIBOR Rate is required to be determined with respect to the Subordinated Notes, there will at all times be a Calculation Agent. In the event that any then acting Calculation Agent shall be unable or unwilling to act, or that such Calculation Agent shall fail to duly establish the Applicable STIBOR Rate for any Interest Period, or that the Issuer proposes to remove such Calculation Agent, the Issuer shall appoint itself or another person which is a bank, trust company, investment banking firm or other financial institution to act as the Calculation Agent.

"**Applicable Supervisor**" means the BMA or, should the BMA no longer have primary supervisory authority with respect to prudential matters in relation to the Regulatory Group, the regulatory authority that has such primary supervisory authority.

"**Applicable Supervisory Regulations**" means any of the Bermuda Group Rules, Solvency II or such other insurance supervisory laws, rules and regulations relating to group supervision or the supervision of single insurance entities, as in each case are then being applied to the Regulatory Group by the Applicable Supervisor, and which, for the avoidance of doubt, shall initially mean the Bermuda Group Rules until such time when the Bermuda Monetary Authority ceases to be the Applicable Supervisor.

"**Arrears of Interest**" has the meaning specified under "— *Deferral of Interest Payments; Arrears of Interest — Arrears of Interest*."

"**Assets**" means the Issuer's total assets as of the date of the latest published audited financial statements of the Issuer as would appear on an unconsolidated balance sheet of the Issuer prepared in accordance with GAAP (as defined in "— *Delivery of Financial Information*") (including, but for the avoidance of doubt, shares or other investments in subsidiaries howsoever termed under GAAP), but adjusted for subsequent events in such manner as the person or persons giving the officer's certificate as to the Solvency of the Issuer contemplated by the definition of "Insolvency Event" or, if the Issuer is in a winding-up, its liquidator may determine.

"**Bermuda Group Rules**" means the Bermuda Group Solvency Standards, together with the Bermuda Group Supervision Rules, as those rules and regulations may be amended or replaced from time to time.

"**Bermuda Group Solvency Standards**" means the Bermuda Insurance (Prudential Standards) (Insurance Group Solvency Requirement) Rules 2011, as those rules and regulations may be amended or replaced from time to time.

"**Bermuda Group Supervision Rules**" means the Bermuda Insurance (Group Supervision) Rules 2011, as those rules and regulations may be amended or replaced from time to time.

"**BMA**" means the Bermuda Monetary Authority (or any successor regulatory authority).

"**Business Day**" means each Monday, Tuesday, Wednesday, Thursday or Friday (i) that is not a day on which banking institutions in New York, Stockholm or London are authorized or obligated by law, regulation or executive order to close and (ii) on which the Trans-European Automated Realtime Gross Settlement Express Transfer system, or the TARGET2 system, or any successor thereto, operates.

"**Calculation Agent**" means the Indenture Trustee.

"**Capital Contribution Securities**" means any subordinated and undated debt instruments of the Issuer which are recognized as "Tier 1 Capital" of the Issuer or the Regulatory Group (whether on a solo, group or consolidated basis) by the Applicable Supervisor under the Applicable Supervisory Rules (or, if the Applicable Supervisory Rules are amended so as to no longer refer to Tier 1 Capital in this respect, the nearest corresponding concept).

"**Clearstream**" shall mean Clearstream Banking, société anonyme (or any successor securities clearing agency).

"**Common Depositary**" has the meaning specified under "— *General Terms of the Subordinated Notes.*"

"**Conditions to Redemption**" has the meaning specified under "— *Redemption; Conditions to Redemption — Conditions to Redemption.*"

"**ECR**" means the enhanced capital and surplus requirement applicable to the Regulatory Group and as defined in the Insurance Act (or any successor or equivalent solvency capital requirement applicable to the Regulatory Group under the Bermuda Group Rules).

"**Euroclear**" shall mean Euroclear Bank S.A./N.V. (or any successor securities clearing agency), as operator of the Euroclear system.

"**Final Maturity Date**" has the meaning specified under "— *Redemption; Conditions to Redemption — Final Redemption*."

"**Insolvency Event**" has the meaning specified under "— *Deferral of Interest Payments; Arrears of Interest — Mandatory Deferral of Interest Payments*."

"**Insolvent Insurer Winding-Up**" means, if the Applicable Supervisory Regulations are Solvency II: the winding-up of any regulated insurance or reinsurance company in the Regulatory Group; or the appointment of an administrator of any regulated insurance or reinsurance company in the Regulatory Group, in each case where the Issuer has determined, acting reasonably, that all Policyholder Claims of the policyholders of that regulated insurance or reinsurance company may or will not be met.

"**Interest Determination Date**" has the meaning set forth in "— *Maturity and Interest*."

"**Interest Payment Date**" has the meaning set forth in "— *Maturity and Interest*."

"**Interest Payment Record Date**" means with respect to any Interest Payment Date, the date that is 15 days prior to such Interest Payment Date.

"**Interest Period**" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each period thereafter from (and including) each Interest Payment Date to (but excluding) the next following Interest Payment Date.

"**Issue Date**" means the date on which the Subordinated Notes are issued, which is expected to be on or about 22 September 2017.

"**Issuer Winding-Up**" has the meaning specified under "— *Issuer Winding-Up Event*."

"**Junior Obligations**" means:

(i) all classes of share capital, preference share capital and Capital Contribution Securities of the Issuer; and

(ii) subordinated obligations of the Issuer ranking or expressed to rank junior to the Subordinated Notes.

"**Liabilities**" means the Issuer's total liabilities as of the date of the latest published audited financial statements of the Issuer as would appear on an unconsolidated balance sheet of the Issuer prepared in accordance with GAAP (as defined in "— *Delivery of Financial Information*), but adjusted for subsequent events in such manner as the person or persons giving the officer's certificate as to the Solvency of the Issuer contemplated by the definition of "Insolvency Event" or, if the Issuer is in a winding-up, its liquidator may determine.

"**Mandatory Deferral Event**" has the meaning specified under "— *Deferral of Interest Payments; Arrears of Interest — Mandatory Deferral of Interest Payments*."

"**Mandatory Deferral Period**" has the meaning specified under "— *Mandatory Deferral of Interest Payments*."

"**Margin**" means: (i) 4.00 per cent. per annum for each Interest Period to (but excluding) 22 September 2027; and (ii) 4.25 per cent. per annum thereafter (from and including 22 September 2027).

"**Parity Obligations**" means subordinated obligations of the Issuer which constitute, or would but for any applicable limitation on the amount of such capital, constitute Tier 2 Capital and any other obligations ranking or expressed to rank *pari passu* with the Subordinated Notes.

"**Policyholder Claims**" has the meaning specified under "— *Applicable Supervisor — Subordination Provisions*."

"**Qualifying Equivalent Securities**" has the meaning specified under "— *Redemption; Conditions to Redemption — Variation and Substitution*."

"**Rating Methodology Event**" has the meaning specified under "— *Redemption; Conditions to Redemption — Specified Event Redemption*."

"**Regulatory Event**" has the meaning specified under "— *Redemption; Conditions to Redemption — Specified Event Redemption*."

“**Regulatory Group**” has the meaning specified under “— *Applicable Supervisor — Subordination Provisions*.”

“**Senior Creditors**” has the meaning specified under “— *Applicable Supervisor — Subordination Provisions*.”

“**Solvency Capital Event**” has the meaning specified under “— *Deferral of Interest Payments; Arrears of Interest — Mandatory Deferral of Interest Payments*.”

“**Solvency Capital Requirement**” means: if the Applicable Supervisory Regulations are the Bermuda Group Rules, the ECR; if the Applicable Supervisory Regulations are Solvency II, the Solvency Capital Requirement of the Issuer or the Solvency Capital Requirement of the Regulatory Group referred to in Solvency II; or any other requirement to maintain assets applicable to the Issuer or in respect of the Regulatory Group, as applicable, pursuant to the Applicable Supervisory Regulations.

“**Solvency II**” means the Solvency II Directive and any implementing measures adopted pursuant to the Solvency II Directive including, without limitation, the Solvency II Regulation (for the avoidance of doubt, whether implemented by way of regulation or by further directives or otherwise);

“**Solvency II Directive**” means Directive 2009/138/EC of the European Union (as amended) on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II) and transposed by member states of the European Economic Area pursuant to Article 309 of Directive 2009/138/EC;

“**Solvency II Minimum Capital Requirement**” means, if the Applicable Supervisory Regulations are Solvency II (or the Applicable Supervisory Regulations otherwise establish a minimum capital requirement that differs from the Solvency Capital Requirement), the Minimum Capital Requirement of the Issuer, the Minimum Capital Requirement of the Insurer Group or the group Minimum Solvency Capital Requirement referred to in, or any other minimum capital requirement howsoever described in, Solvency II (or, as applicable, in such other Applicable Supervisory Regulations).

“**Solvency II Regulation**” means Commission Delegated Regulation (EU) 2015/35 of 10 October 2014 supplementing Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);

“**Solvent**” has the meaning specified under “— *Deferral of Interest Payments; Arrears of Interest — Mandatory Deferral of Interest Payments*.”

“**Specified Event**” has the meaning specified under “— *Redemption; Conditions to Redemption — Specified Event Redemption*.”

“**Specified Event Redemption**” has the meaning specified under “— *Redemption; Conditions to Redemption — Specified Event Redemption*.”

“**Swedish Government Obligations**” means any security that is a direct obligation of, or obligation guaranteed by, the Kingdom of Sweden, and the payment for which the Kingdom of Sweden pledges its full faith and credit.

“**Tax Event**” has the meaning specified under “— *Redemption; Conditions to Redemption — Specified Event Redemption*.”

“**Taxing Jurisdiction**” means Bermuda, or any political subdivision thereof, or any authority or agency therein having the power to tax, or any other jurisdiction from or through which the Issuer makes a payment on the Subordinated Notes or in which the Issuer generally becomes subject to taxation, or any jurisdiction in which a successor of the Issuer is incorporated.

“**Tier 2 Capital**” means (i) if the Applicable Supervisory Regulations are the Bermuda Group Rules, “Tier 2 Ancillary Capital” as set out in the Bermuda Group Supervision Rules of the Issuer or the Regulatory Group (whether on a solo, group or consolidated basis) (or, if the Bermuda Group Supervision Rules are amended so as to no longer refer to Tier 2 Ancillary Capital in this respect, the nearest corresponding concept (if any) under the Bermuda Group Supervision Rules, as amended); (ii) if the Applicable Supervisory Regulations are Solvency II, capital which is treated as “Tier 2 Capital” of the Issuer or the Regulatory Group (whether on a solo, group or consolidated basis) by the Applicable Supervisor under Solvency II; and (iii) otherwise, capital which is treated as the nearest corresponding concept to "Tier 2 Ancillary Capital" under the Bermuda Group Supervision Rules and "Tier 2 Capital" under Solvency II of the Issuer or the Regulatory Group (whether on a solo, group or consolidated basis) by the Applicable Supervisory under the Applicable Supervisory Regulations.

BOOK ENTRY; DELIVERY AND FORM

The Subordinated Notes will be represented by one or more global notes in registered form without interest coupons attached (the "**Global Note**"). On the Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the "**book-entry interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under "— *Individual Definitive Notes*", the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Subordinated Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Subordinated Indenture and "holders" of book-entry interests will not be considered the owners or "holders" of Subordinated Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Subordinated Notes or to exercise any rights of Noteholders under the Subordinated Indenture.

None of the Issuer, the Indenture Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Subordinated Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in Swedish krona. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Floating Rate Subordinated Notes – Payment of Additional Amounts*".

Under the terms of the Subordinated Indenture, the Issuer, the Indenture Trustee and their respective agents will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Indenture Trustee or any of their respective agents has or will have any responsibility or liability for:

- Any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Subordinated Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Noteholder only at the direction of one or more participants to whose account the book-entry interests in the Global Note are credited and only in respect of such portion of the aggregate principal amount of Subordinated Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Issuer Winding-Up Event, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organisations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Indenture Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Issuer within 90 days, or (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or a Noteholder, as the case may be, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by or on behalf of the Registrar for delivery to Noteholders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

MANAGEMENT

The following table sets forth information concerning the Issuer's directors and executive officers as of 31 August 2017.

Name	Age	Position
Allan L. Waters	59	Director (Chairman), President and Chief Executive Officer
Kernan V. Oberting	48	Director, Chief Financial Officer
Monica Cramér Manhem	58	Director
Jeffrey W. Davis	53	Director, Executive Vice President
Gene Boxer	43	Executive Vice President, Group General Counsel
Warren J. Trace	61	Vice President

Biographies of Executive Officers and Directors

All of the directors and executive officers of the Issuer are elected by the Board for a term of one year or until their successors have been elected and have duly qualified. Information with respect to the principal occupation and relevant business experience of the directors and executive officers is as follows:

Mr. Waters serves as a director (Chairman), President and Chief Executive Officer of the Issuer. Mr. Waters was appointed President and Chief Executive Officer of Sirius, Ltd. in March 2007, and also serves as Chairman of Sirius, Ltd. Mr. Waters served as a director of White Mountains from 2003 to 2004 and was re-elected as a director in November 2005. From 1998 to 2007, Mr. Waters was the founder and Managing Member of Mulherrin Capital Advisors, LLC. Mr. Waters formerly served as Senior Vice President and Chief Financial Officer of White Mountains from 1993 to 1998, and originally joined White Mountains in 1985.

Mr. Oberting serves as a director and Chief Financial Officer of the Issuer. Mr. Oberting was appointed Executive Vice President and Chief Financial Officer of Sirius, Ltd. in April 2016, and also serves as a director of Sirius, Ltd. Prior to that, Mr. Oberting served as a Managing Director of White Mountains Capital, Inc. from July 2012 until April 2016 and as the President of Sirius Capital Markets from January 2015 until April 2016. From 2008 to 2012, Mr. Oberting was the founder and Managing Member of Oakum Bay Capital (f/k/a KVO Capital Management). From 2004 to 2008, Mr. Oberting served as Executive Vice President and Chief Financial Officer of Montpelier Re Holdings, Ltd. Mr. Oberting previously worked for White Mountains entities from 1995 to 2004 in various capacities. Prior to White Mountains, Mr. Oberting was a trader at CS First Boston (Japan) from 1993 to 1995.

Ms. Cramér Manhem serves as a director of the Issuer. Ms. Cramér Manhem has been the Chief Executive Officer and President of Sirius International since March 2014, and also serves as a director of Sirius, Ltd. Prior to March 2014, Ms. Cramér Manhem served as Senior Vice President and Business Unit Manager of Sirius International from January 2004 until March 2014. Ms Cramér Manhem served in various positions at Sirius International prior to 2004, having joined the company in 1985.

Mr. Davis serves as a director and Executive Vice President of the Issuer. Mr. Davis has served as Executive Vice President, Chief Actuary of Sirius, Ltd. since October 2008. Mr. Davis previously served also as Senior Vice President and Chief Actuary at White Mountains from October 2008 until April 2016. In April 2016, Mr. Davis assumed the additional responsibilities as Chief Risk Officer for Sirius, Ltd. Prior to joining Sirius Group, Mr. Davis served as Head of Central Reserving for Munich Re from 2005 until September 2008, and previously in various capacities at Munich American Re since 1999. Mr. Davis previously served as an actuary for Nationwide Insurance from 1991 until 1999.

Mr. Boxer serves as Executive Vice President, Group General Counsel, of the Issuer. Mr. Boxer was appointed Executive Vice President, Group General Counsel, of Sirius, Ltd. in August 2016. From 2011 until 2015, Mr. Boxer served as Global General Counsel of Cushman & Wakefield, a commercial real estate services firm. From 2006 until 2011, Mr. Boxer served as a senior member of the Restructuring Group and Legal Mergers & Acquisitions Group of American International Group, Inc. (AIG). Prior to 2006, Mr. Boxer practiced at Milbank, Tweed, Hadley & McCloy LLP, focusing on M&A and securities offerings.

Mr. Trace serves as a Vice President of the Issuer. Mr. Trace serves as President and Chief Executive Officer of Sirius Bermuda, and as Vice President of Sirius, Ltd. Mr. Trace was appointed Executive Vice President and

Branch Manager of Sirius International Insurance Corporation – Bermuda Branch in October 2009. Mr. Trace has been a part of the White Mountains group serving in various executive positions since June 1983, when he joined Folksamerica Reinsurance Company (now Sirius America).

To the best of the Issuer's knowledge, there are no conflicts of interest between any of the board members' duties to the Issuer and their private interests or duties.

The office address of the board members and management is: Sirius International Group, Ltd., 14 Wesley Street, Hamilton HM 11, Bermuda.

CORPORATE GOVERNANCE

Our global strategy is overseen by Sirius, Ltd. Our directors and executive officers also serve as directors and executive officers of Sirius, Ltd. Sirius, Ltd. has established Corporate Governance Guidelines that spell out its overall approach towards corporate governance. Sirius, Ltd. also has a Code of Business Conduct that applies to all directors, officers and employees in carrying out their responsibilities to, and on behalf of, Sirius, Ltd.

The Board

The Board of Sirius, Ltd. is comprised of Mr. Waters (as Chairman), Mr. Oberting, Ms. Cramér Manhem, Mr. Laurence Liao, Mr. Robert L. Friedman and Mr. Meyer (Sandy) Frucher. Messrs. Waters, Mr. Oberting and Ms. Cramér Manhem also serve as executive officers and/or directors of the Issuer. Mr. Liao, who is CEO of CMIG International, serves as a representative of CMIG International on the Board of Sirius, Ltd. Messrs. Friedman and Frucher are non-management (independent) directors. Mr. Friedman is a private investor, and was previously Chief Investment Officer of Savannah-Baltimore Capital and Franklin Templeton Mutual Series Funds. Mr. Frucher is Vice Chairman of Nasdaq, Inc., and was formerly Chairman and Chief Executive Officer of the Philadelphia Stock Exchange.

Committees of the Board

Audit & Risk Committee

The primary purposes of the Audit & Risk Committee are to: (1) assist with Board oversight of: the integrity of Sirius, Ltd.'s financial statements; the qualifications and independence of the independent auditors; the performance of the internal audit function and the independent auditors; and Sirius, Ltd.'s compliance with legal and regulatory requirements; (2) provide an avenue of communication among the independent auditors, management, the internal auditors and the Board; (3) approve certain related or affiliated person transactions and review disclosures thereof and (4) prepare any audit committee reports required by regulatory bodies. In addition, with respect to risk management, the Committee discusses with management Sirius, Ltd.'s policies with respect to risk assessment and risk management, including Sirius, Ltd.'s major financial risk exposures and the steps management has taken to monitor and control those exposures.

The Audit & Risk Committee is currently comprised of Messrs. Oberting (as Chairman), Liao, Friedman and Frucher.

Compensation Committee

The primary purposes of the Compensation Committee are to: (1) review and make recommendations on director compensation; (2) discharge the Board's responsibilities relating to the compensation of executives; (3) oversee the administration of Sirius, Ltd.'s compensation plans (and, to the extent the Compensation Committee deems appropriate, the plans of Sirius, Ltd.'s major subsidiaries), in particular the incentive compensation and equity-based plans and (4) prepare the annual reports on executive compensation to the extent required by the rules and regulations of regulatory bodies, as applicable.

The Compensation Committee is currently comprised of Messrs. Waters (as Chairman), Liao and Frucher, and Ms. Cramér Manhem.

Finance Committee

The primary purposes of the Finance Committee are to: (1) formulate Sirius, Ltd.'s investment policy and investment guidelines; (2) review the performance and asset allocation of Sirius, Ltd.'s investment portfolio and asset allocation on a regular basis and (3) monitor the capital, debt, and corporate structure of Sirius, Ltd. and, in coordination with the Audit & Risk Committee, review the adequacy of risk management.

The Finance Committee is currently comprised of Messrs. Oberting (as Chairman), Waters, Liao, Friedman and Frucher.

REGULATION

Sirius Group

Set forth below is a summary of certain material information concerning the regulatory and supervisory environment of the insurance business conducted by the Sirius Group. This description is a summary of certain legal issues and does not purport to be complete.

The business of reinsurance and insurance is regulated in all countries in which we operate, although the degree and type of regulation varies significantly from one jurisdiction to another. As a holding company, the Issuer is generally not directly subject to such regulations, but its various insurance and reinsurance operating subsidiaries are subject to regulation, as summarised below.

Bermuda Insurance Regulation

Insurance Regulation Generally. The Insurance Act 1978 of Bermuda and related regulations, as amended (the "**Insurance Act**"), regulates the insurance businesses of Sirius Bermuda, and other Bermuda operating companies, including Alstead Reinsurance Ltd., the Bermuda branch of Sirius International, Star Re Ltd. and White Shoals Re Ltd. (together, the "**Bermuda Operating Companies**"), and provides that no person may carry on any insurance business in or from within Bermuda unless registered as an insurer under the Insurance Act by the BMA.

Each of the Bermuda Operating Companies has the ability to declare or pay dividends or make capital distributions during any 12-month period without the prior approval of Bermuda regulatory authorities on the condition that any such declaration or payment of dividends or capital distributions does not cause a breach of any of its regulatory solvency and liquidity requirements.

The Insurance Act imposes solvency and liquidity standards on Bermuda insurance companies, as well as auditing and reporting requirements. In addition, the BMA has confirmed that it will act as the primary group supervisor under Solvency II effective 1 July 2016 and has designated Sirius Bermuda as the designated insurer ("**Designated Insurer**"). Therefore, Sirius Group is subject to the BMA's group supervision and solvency rules which cover assessing the financial situation and solvency position of Sirius Group and/or its members and regulating intra-Group transactions, risk concentration, governance procedures, risk management and regulatory reporting and disclosure. See "— *Group Supervision*" below for further discussion.

Certain significant aspects of the Bermuda insurance regulatory framework are set forth below, focusing only on our primary Class-4 insurer, Sirius Bermuda, which is subject to the strictest regulation.

Sirius Bermuda is required to maintain fully paid-up share capital of at least $1 million.

Independent Approved Auditor. Sirius Bermuda has appointed PricewaterhouseCoopers Ltd. as its independent auditor. The independent auditor will audit and report on Sirius Bermuda's GAAP or IFRS financial statements (as defined below) and audit its statutory financial statements, each of which are required to be filed annually with the BMA, as described below.

Loss Reserve Specialist. As a Class-4 insurer, Sirius Bermuda is required to appoint an individual approved by the BMA to be its loss reserve specialist.

As a Class-4 insurer, Sirius Bermuda is required to submit annually an opinion of its approved loss reserve specialist with its capital and solvency return in respect of its total general business insurance technical provisions (i.e. the aggregate of its net premium provisions, net loss and loss expense provisions and risk margin, as each is reported in the insurer's statutory economic balance sheet). The loss reserve specialist's opinion must state, among other things, whether or not the aggregate amount of technical provisions shown in the statutory economic balance sheet as at the end of the relevant financial year (i) meets the requirements of the Insurance Act and (ii) makes reasonable provision for the total technical provisions of the insurer under the terms of its insurance contracts and agreements.

Annual Financial Statements. Sirius Bermuda must prepare and submit, on an annual basis, audited GAAP or IFRS financial statements and audited statutory financial statements.

Annual Statutory Financial Return and Annual Capital and Solvency Return. As a Class-4 insurer, Sirius Bermuda is required to file with the BMA a statutory financial return no later than four months after its financial year end (unless specifically extended with the approval of the BMA). The statutory financial return includes, among other matters, the statutory financial statements and the calculations for the Class-4 insurer's minimum solvency margin and liquidity ratio.

In addition, each year Sirius Bermuda is required to file with the BMA a capital and solvency return along with its annual statutory financial return. Sirius, Ltd. has published its financial condition report as of 31 December 2016 which contains the minimum solvency margin and enhanced capital requirement of Sirius, Ltd together with those of its Bermudian subsidiaries including Sirius Bermuda. Sirius, Ltd.'s financial condition report has been published on the Sirius Group's website at http://siriusgroup.com/international/files/press/Sirius%20Group%20Financial%20Condition%20Report_2016.pdf, which report has been incorporated herein by reference.

Public Disclosures. Pursuant to recent amendments to the Insurance Act, all commercial insurers and insurance groups are required to prepare and file with the BMA, and also publish on their website, a financial condition report.

Minimum Liquidity Ratio. The Insurance Act provides a minimum liquidity ratio for general business insurers. A Class-4 insurer engaged in general business is required to maintain the value of its relevant assets at not less than 75% of the amount of its relevant liabilities. Relevant assets include cash and time deposits, quoted investments, unquoted bonds and debentures, first liens on real estate, investment income due and accrued, accounts and premiums receivable, reinsurance balances receivable, funds held by ceding reinsurers and any other assets which the BMA, on application in any particular case made to it with reasons, accepts in that case.

The relevant liabilities are total general business insurance reserves and total other liabilities less deferred income taxes and letters of credit, guarantees and other instruments.

Minimum Solvency Margin and Enhanced Capital Requirements. Sirius Bermuda is required to maintain available statutory economic capital and surplus at a level equal to or in excess of its enhanced capital requirement ("**ECR**"), which is established by reference to either a model based on the BMA's prescribed form of capital and solvency return (known as the Bermuda Solvency Capital Requirement or "**BSCR**") or an approved internal capital model.

The BSCR model is a risk-based capital model which provides a method for determining a Class-4 insurer's capital requirements (statutory economic capital and surplus) by taking into account the risk characteristics of different aspects of the Class-4 insurer's business. The BSCR formula establishes capital requirements for ten categories of risk: fixed-income investment risk, equity investment risk, interest rate/liquidity risk, currency risk, concentration risk, premium risk, reserve risk, credit risk, catastrophe risk and operational risk. For each category, the capital requirement is determined by applying factors to asset, premium, reserve, creditor, probable maximum loss and operation items, with higher factors applied to items with greater underlying risk and lower factors for less risky items.

While not specifically referred to in the Insurance Act, the BMA has also established a target capital level ("**TCL**") for each Class-4 insurer equal to 120% of its ECR. The TCL serves as an early warning tool for the BMA, and failure to maintain statutory capital at least equal to the TCL will likely result in increased regulatory oversight.

A Class-4 insurer is required to have general business assets that exceeded the value of its general business liabilities by an amount prescribed by the Insurance Act, as its Minimum Solvency Margin ("**MSM**"). The MSM that a Class-4 insurer is required to maintain with respect to its general business is the greater of (i) U.S. $100 million, or (ii) 50% of net premiums written (with a credit for reinsurance ceded not exceeding 25% of gross premiums), or (iii) 15% of the aggregate of net loss and loss expense provisions and other reinsurance reserves, or (iv) 25% of the ECR as reported at the end of the relevant year.

Eligible Capital. To enable the BMA to better assess the quality of the Class-4 insurer's capital resources, a Class-4 insurer is required to disclose the makeup of its capital in accordance with the recently introduced "3-tiered eligible capital system". Under this system, all of the Class-4 insurer's capital instruments will be classified as either basic or ancillary capital which in turn will be classified into one of three tiers based on their "loss absorbency" characteristics. Highest quality capital will be classified as Tier 1 Capital lesser quality capital will be classified as either Tier 2 Capital or Tier 3 Capital. Under this regime, up to certain specified percentages of Tier 1, Tier 2 and Tier 3 Capital may be used to support the Class-4 insurer's MSM, ECR and TCL.

The characteristics of the capital instruments that must be satisfied to qualify as Tier 1, Tier 2 and Tier 3 Capital are set out in the Insurance (Eligible Capital) Rules 2012, and amendments thereto. Under these rules, Tier 1, Tier 2 and Tier 3 Capital may, until 1 January 2026, include capital instruments that do not satisfy the requirement that the instrument be non-redeemable or settled only with the issuance of an instrument of equal or higher quality upon a breach, or if it would cause a breach, of the ECR.

Cancellation of Insurer's Registration. An insurer's registration may be cancelled by the BMA at the request of the insurer or on certain grounds specified in the Insurance Act. For example, such grounds include a failure by the insurer to comply with its obligations under the Insurance Act or where the BMA believes that the insurer has not been carrying on business in accordance with sound insurance principles.

Restrictions on Dividends and Distributions. A Class-4 insurer is prohibited from declaring or paying a dividend if it is in breach of its MSM, ECR or minimum liquidity ratio or if the declaration or payment of such dividend would cause such a breach. Where an insurer fails to meet its MSM or minimum liquidity ratio on the last day of any financial year, it will be prohibited from declaring or paying any dividends during the next financial year without the approval of the BMA.

In addition, a Class-4 insurer is prohibited from declaring or paying in any financial year dividends of more than 25% of its total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet) unless it files (at least seven days before payment of such dividends) with the BMA an affidavit signed by at least two directors (one of whom must be a Bermuda resident director if any of the insurer's directors are resident in Bermuda) and the principal representative stating that it will continue to meet its solvency margin and minimum liquidity ratio. Where such an affidavit is filed, it shall be available for public inspection at the offices of the BMA.

Reduction of Capital. No Class-4 insurer may reduce its total statutory capital by 15% or more, as set out in its previous year's financial statements, unless it has received the prior approval of the BMA. Total statutory capital consists of the insurer's paid in share capital, its contributed surplus (sometimes called additional paid in capital) and any other fixed capital designated by the BMA as statutory capital (such as letters of credit).

The BMA has extensive powers to require licensed insurers to provide information to investigate an insurer's business and to direct an insurer to take, or refrain from taking, certain action.

Fit and Proper Controllers. The BMA maintains supervision over the controllers of all registered insurers in Bermuda.

A controller includes (i) the managing director of the registered insurer or its parent company; (ii) the chief executive of the registered insurer or of its parent company; (iii) a shareholder controller; and, (iv) any person in accordance with whose directions or instructions the directors of the registered insurer or of its parent company are accustomed to act.

The definition of shareholder controller is set out in the Insurance Act but generally refers to (i) a person who holds 10% or more of the shares carrying rights to vote at a shareholders' meeting of the registered insurer or its parent company, or (ii) a person who is entitled to exercise 10% or more of the voting power at any shareholders' meeting of such registered insurer or its parent company, or (iii) a person who is able to exercise significant influence over the management of the registered insurer or its parent company by virtue of its shareholding or its entitlement to exercise, or control the exercise of, the voting power at any shareholders' meeting.

A shareholder controller that owns 10% or more but less than 20% of the shares as described above is defined as a 10% shareholder controller; a shareholder controller that owns 20% or more but less than 33% of the shares as described above is defined as a 20% shareholder controller; a shareholder controller that owns 33% or more but less than 50% of the shares as described above is defined as a 33% shareholder controller; and a shareholder controller that owns 50% or more of the shares as described above is defined as a 50% shareholder controller.

Where the shares of an insurer, or the shares of its parent company, are not traded on a recognised stock exchange (i.e. private companies), the Insurance Act prohibits a person from becoming a shareholder controller unless he has first served on the BMA notice in writing stating that he intends to become such a controller and the BMA has either, before the end of 45 days following the date of notification, provided notice to the proposed controller that it does not object to his becoming such a controller or the full 45 days has elapsed without the BMA filing an objection. Where neither the shares of the insurer nor the shares of its parent company (if any) are traded on any stock exchange, the Insurance Act prohibits a person who is a shareholder controller of a Class-4 insurer from reducing or disposing of his holdings where the proportion of voting rights held by the shareholder controller in the insurer will reach or fall below 10%, 20%, 33% or 50%, as the case may be, unless that shareholder controller has served on the BMA a notice in writing stating that he intends to reduce or dispose of such holding.

Any person who contravenes the Insurance Act by failing to give notice or knowingly becoming a controller of any description before the required 45 days has elapsed is guilty of an offence and liable to a fine of $25,000 on summary conviction.

The BMA may file a notice of objection to any person who has become a controller of any description where it appears that such person is not, or is no longer, a fit and proper person to be a controller of the registered insurer. Any person who continues to be a controller of any description after having received a notice of objection shall be guilty of an offence and shall be liable on summary conviction to a fine of $25,000 (and a continuing fine of $500 per day for each day that the offence is continuing) or, if convicted on indictment, to a fine of $100,000 and/or two years in prison.

Notification by Registered Person of Change of Controllers and Officers. All registered insurers are required to give written notice to the BMA of the fact that a person has become, or ceased to be, a controller or officer of the registered insurer within 45 days of becoming aware of such fact. An officer in relation to a registered insurer means a director, chief executive or senior executive performing duties of underwriting, actuarial, risk management, compliance, internal audit, finance or investment matters.

Notification of Material Changes. All registered insurers are required to give notice to the BMA of their intention to effect a material change within the meaning of the Insurance Act. For the purposes of the Insurance Act, the following changes are material: (i) the transfer or acquisition of insurance business being part of a scheme falling under section 25 of the Insurance Act or section 99 of the Companies Act, (ii) the amalgamation with or acquisition of another firm, (iii) engaging in unrelated business that is retail business, (iv) the acquisition of a controlling interest in an undertaking that is engaged in non-insurance business which offers services and products to persons who are not affiliates of the insurer, (v) outsourcing all or substantially all of the company's actuarial, risk management, compliance or internal audit functions, (vi) outsourcing all or a material part of an insurer's underwriting activity, (vii) the transfer other than by way of reinsurance of all or substantially all of a line of business, (viii) expansion into a material new line of business, (ix) the sale of an insurer, and (x) outsourcing of an officer role.

No registered insurer shall take any steps to give effect to a material change unless it has first served notice on the BMA that it intends to effect such material change and before the end of 30 days, either the BMA has notified such company in writing that it has no objection to such change or that period has lapsed without the BMA having issued a notice of objection.

Group Supervision. The BMA acts as group supervisor of the Regulatory Group and has designated Sirius Bermuda as the Designated Insurer.

As group supervisor, the BMA performs a number of supervisory functions including (i) coordinating the gathering and dissemination of information which is of importance for the supervisory task of other competent authorities; (ii) carrying out a supervisory review and assessment of the Regulatory Group; (iii) carrying out an assessment of the Regulatory Group's compliance with the rules on solvency, risk concentration, intra-group transactions and good governance procedures; (iv) planning and coordinating, with other competent authorities, supervisory activities in respect of the Regulatory Group, both as a going concern and in emergency situations; (v) coordinating any enforcement action that may need to be taken against the Regulatory Group or any of its members; and (vi) planning and coordinating meetings of colleges of supervisors (consisting of insurance regulators) in order to facilitate the carrying out of the functions described above.

In carrying out its functions, the BMA makes rules for (i) assessing the financial situation and the solvency position of the Regulatory Group and/or its members and (ii) regulating intra-group transactions, risk concentration, governance procedures, risk management and regulatory reporting and disclosure.

Group Solvency and Group Supervision. The current supervision and solvency rules (together, "**Group Rules**") apply to the Regulatory Group so long as the BMA remains our group supervisor. Through the Group Rules, the BMA may take action which affects the Issuer. A summary of the Group Rules is set forth below.

Approved Group Actuary. Sirius Bermuda, as Designated Insurer, is responsible for ensuring that the Regulatory Group appoints an individual approved by the BMA to be the group actuary. The group actuary must provide an opinion on the Regulatory Group's technical provisions as recorded in the group statutory economic balance sheet.

Annual Group Financial Statements. The Regulatory Group is required to prepare and submit, on an annual basis, financial statements prepared in accordance with either IFRS or GAAP, together with statutory financial statements. The financial statements must be audited annually by the Regulatory Group's approved auditor who is required to prepare an auditor's report thereon in accordance with generally accepted auditing standards. In addition, the Regulatory Group must prepare statutory financial statements (which include, in statutory form, a group balance sheet, a group income statement, a group statement of capital and surplus, and notes thereto) in respect of the parent company of the Regulatory Group. The Designated Insurer is required to file with the BMA the group statutory financial statements and the audited group GAAP or IFRS financial statements for the Regulatory Group with the BMA within five months from the end of the relevant financial year (unless specifically extended).

Annual Insurance Group Statutory Financial Return and Annual Insurance Group Capital and Solvency Return. The Regulatory Group is required to prepare an annual group statutory financial return and an insurance group capital and solvency return. The group statutory financial return must consist of (i) an insurance group business solvency certificate, (ii) particulars of ceded reinsurance listing the top-ten unaffiliated reinsurers, (iii) any adjustments to the group financial statements in the form of a reconciliation of amounts reported as total assets, total liabilities, net income and total statutory capital and surplus, (iv) a list of non-insurance financial regulated entities owned by the Regulatory Group, and (v) particulars of qualifying members of the Regulatory Group. The group capital and solvency return shall include an annual opinion of the group actuary. Both the annual insurance group statutory financial return and the insurance group capital and solvency return must be submitted to the BMA by the Designated Insurer within five months after its financial year end (unless specifically extended).

Quarterly Group Financial Statements. The Designated Insurer is required to file quarterly financial returns for the Regulatory Group with the BMA on or before the last day of the months May, August and November of each year. The quarterly Regulatory Group financial returns consist of (i) quarterly unaudited (consolidated) financial statements for each financial quarter (which must minimally include a balance sheet and income statement and must also be recent and not reflect a financial position that exceeds two months) and (ii) a list and details of material intra-group transactions and risk concentrations, details surrounding all intra-group reinsurance and retrocession arrangements and details of the top-ten counterparties and any other counterparty exposures exceeding 10% of Regulatory Group's statutory capital and surplus.

Public Disclosures. Pursuant to recent amendments to the Insurance Act all insurance groups are required to prepare and file with the BMA, and also publish on their website, a financial condition report. An insurance group that does not have a website must furnish to the public a copy of the financial condition report within 10 days of receipt of a request to do so made in writing. The Designated Insurer must keep copies of the financial condition report at its head office for a period of five years beginning from the filing date.

*Group Solvency Self-Assessment ("**GSSA**").* The Group Rules require the board of directors of the parent company of the insurance group (the "**Parent Board**") to establish solvency self-assessment procedures for the group that factors in all the foreseeable reasonably material risks. Such procedures should be carried out at least annually and assess the quality and quantity of the capital required to adequately cover the risks to which the insurance group is exposed. Such procedures must also be an integral part of the group's risk management framework and be reviewed and evaluated on a regular basis by the Parent Board. In particular, the GSSA should, among other things, demonstrate consideration of the relationship between risk management, the quality and quantity of capital resources, the impact of risk mitigation techniques and diversification and correlation effects between material risks; a description of the group's risk appetite; be forward-looking; include appropriate stress and scenario testing and appropriately reflect all assets and liabilities, material off-balance sheet arrangements, material intra group transactions, relevant managerial practices, systems and controls and a valuation basis that is aligned with the risk characteristics and business model of the group.

*Group Minimum Solvency Margin ("**Group MSM**") and Group Enhanced Capital Requirement ("**Group ECR**").* An insurance group must ensure that the value of its total statutory group economic capital and surplus exceeds the aggregate of (i) the amount of the aggregate minimum margins of solvency of each qualifying member of the Regulatory Group controlled by the parent company, and (ii) the parent company's percentage shareholding in each member where it exercises significant influence over such member but does not control it. A member is a qualifying member of the Regulatory Group if it is subject to solvency requirements in the jurisdiction in which it is registered. Where the parent company exercises control in relation to any member of the group, the minimum margin of solvency of such member shall be its individual minimum solvency margin. Where the parent company exercises significant influence on any member of the Regulatory Group, the minimum margin of solvency applicable to that member for purposes of calculating the Group MSM shall be an amount equal to the parent company's percentage shareholding in the member multiplied by that member's minimum margin of solvency. "Control" and "significant influence" shall be determined in accordance with either the IFRS or GAAP used to prepare the Regulatory Group's GAAP or IFRS financial statements. The Regulatory Group is required to maintain available group capital and surplus at a level equal to 50% of the Regulatory Group ECR and this requirement will increase by increments of 10% in each of the following five years until 100% is required in 2018.

Group Eligible Capital. To enable the BMA to better assess the quality of the group's capital resources, the Designated Insurer is required to disclose the makeup of the Regulatory Group's capital in accordance with a 3-tiered eligible capital system. Under the eligible capital requirements, all of the Regulatory Group's capital instruments will be classified as either basic or ancillary capital which in turn will be classified into one of three tiers based on their "loss absorbency" characteristics. Highest quality capital will be classified Tier 1 Capital, lesser quality capital will be classified as either Tier 2 Capital or Tier 3 Capital. A minimum threshold of Tier 1 and maximum thresholds of Tier 2 and Tier 3 Capital used to satisfy the Regulatory Group MSM and Regulatory Group ECR requirements are specified under the rules. Tier 1, Tier 2 and Tier 3 Capital may, until 1 January 2026, include capital instruments that do not satisfy the requirement that the instrument be non-redeemable or settled only with the issuance of an instrument of equal or higher quality upon a breach, or if redemption would cause a breach, of the Regulatory Group ECR.

Group Governance. The Group Rules require the Parent Board to establish and effectively implement corporate governance policies and procedures, which it must be periodically review to ensure they continue to support the overall organisational strategy of the group. In particular, the Parent Board must:

- ensure that operational and oversight responsibilities of the group are clearly defined and documented and that the reporting of material deficiencies and fraudulent activities are transparent and devoid of conflicts of interest;

- establish systems for identifying on a risk-sensitive basis those policies and procedures that must be reviewed annually and those policies and procedures that must be reviewed at other regular intervals;

- establish a risk management and internal controls framework and ensure that it is assessed regularly and such assessment is reported to the Parent Board and the chief and senior executives;

- establish and maintain sound accounting and financial reporting procedures and practices for the group; and

- establish and keep under review group functions relating to actuarial, compliance, internal audit and risk management functions which must address certain specific requirements as set out in the Group Rules.

Certain Other Bermuda Law Considerations. The Issuer is an exempted company organised under the Companies Act. As a result, the Issuer is required to comply with the provisions of the Companies Act regulating the payment of dividends and making of distributions from contributed surplus. A company is prohibited from declaring or paying a dividend, or making a distribution out of contributed surplus, if there are reasonable grounds for believing that:

1. The company is, or would after the payment be, unable to pay its liabilities as they become due; or

2. The realisable value of the company's assets would be less than its liabilities.

Under the Issuer's bye-laws, each common share is entitled to dividends if, and when, dividends are declared by its board of directors, subject to any preferred dividend rights which may be held by the holders any preferred shares. Issued share capital is the aggregate par value of the company's issued shares, and the share premium account is the aggregate amount paid for issued shares over and above their par value. Share premium accounts may be reduced in certain limited circumstances. In addition, the Companies Act regulates return of capital, reduction of capital and any purchase or redemption of shares by the Issuer.

Under Bermuda law, only persons who are Bermudians, spouses of Bermudians, holders of a permanent resident's certificate, holders of a working resident's certificate or persons who are exempt pursuant to the Incentives for Job Makers Act 2011, as amended ("**exempted persons**") may engage in gainful occupation in Bermuda without an appropriate governmental work permit. Work permits may be granted or extended by the Bermuda government upon showing that, after proper public advertisement in most cases, no Bermudian (or otherwise exempted person) is available who meets the minimum standard requirements for the advertised position. A waiver from advertising is automatically granted in respect of any chief executive officer position and other chief officer positions.

U.S. Regulation

State-Based Regulation

Sirius Group's U.S.-based insurance and reinsurance operating subsidiaries are subject to regulation and supervision in each of the states where they are domiciled and where they are licensed to conduct business. Generally, state regulatory authorities have broad supervisory and administrative powers over such matters as licences, standards of solvency, premium rates, policy forms, investments, statutory deposits, methods of accounting, form and content of financial statements, reserves for unpaid loss and LAE, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, annual and other report filings and market conduct.

Sirius Group's U.S.-based reinsurance and insurance subsidiaries, and their respective state regulators are as follows:

- Sirius America Insurance Company (New York State Department of Financial Services);

- Empire Insurance Company (New York State Department of Financial Services); and

- Oakwood Insurance Company (Tennessee Department of Commerce and Insurance).

State Monitoring

The states generally follow the model laws developed by the National Association of Insurance Commissioners ("**NAIC**"). However, there are jurisdictional differences that require reference to each state's insurance laws. States have laws establishing the standards that an insurer must meet to maintain its licence to write business. In addition, the states have enacted laws substantially similar to the NAIC's risk-based capital ("**RBC**") standards for property and casualty companies, which are designed to determine minimum capital requirements and to raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for property and casualty insurance companies measures three major areas of risk: 1) underwriting, which encompasses the risk of adverse loss developments and inadequate pricing; 2) declines in asset values arising from market and/or credit risk; and 3) off-balance sheet risk arising from adverse experience from non-controlled assets, guarantees for affiliates or other contingent liabilities and excessive premium growth. RBC reports are periodically provided to state regulators as part of an insurer's financial reporting requirements. Insurers having less total adjusted capital than that required by the RBC calculation will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy. At 31 December 2016, Sirius Group's U.S. domiciled subsidiaries exceeded all required RBC regulatory thresholds.

The NAIC has a set of financial relationship tests known as the Insurance Regulatory Information System to assist state insurance regulators in monitoring the financial condition of insurance companies and identifying companies that require special regulatory attention operating in their respective states. Insurance companies generally submit data annually to their domiciliary state regulator, which in turn analyses the data using prescribed financial data ratios ("**IRIS ratios**"), each with defined "usual ranges". Generally, regulators will begin to investigate or monitor an insurance company if its IRIS ratios fall outside the usual ranges for four or more of the ratios. If an insurance company has insufficient capital, regulators may act to reduce the amount of insurance it can issue or, in severe situations, assume control of the company.

Many states have laws and regulations that limit an insurer's ability to exit a market. Some states also limit cancelling or non-renewing certain policies for specific reasons. State insurance laws and regulations include numerous provisions governing marketplace activities of insurers, including provisions governing marketing and sales practices, policyholder services, claims management and complaint handling. State regulatory authorities generally test and enforce these provisions through periodic market conduct examinations. These laws are applicable to certain types of direct insurance policies, but not applicable to reinsurance.

The NAIC's Annual Financial Reporting Model Regulation, or the Model Audit Rule, which includes provisions that are similar to certain Sarbanes-Oxley requirements for public companies, requires certain insurance companies to appoint audit committees to oversee accounting and financial reporting processes as well as oversee the audit of the insurer's statutory financial statements. Audit committees also are required to appoint independent auditors, among other things. The appointed audit committee receives reports regarding significant deficiencies, material weaknesses and solvency concerns at the insurance company level.

Holding Company Regulation

Regulators in states that adopted the NAIC's 2010 amendment to the Insurance Holding Company System Regulatory Model Act (the "**Amended Holding Company Model Act**") have enhanced authority to regulate insurers as well as their affiliated entities. The Amended Holding Company Model Act requires the ultimate controlling person in an insurer's holding company structure to identify and report to state insurance regulators material risks within the structure that could pose enterprise risk to the insurer.

The New York State Department of Financial Services, which is the domiciliary regulator of Sirius America, has adopted portions of the Amended Holding Company Model Act with modifications. The adoptions:

- authorize for the regulator to participate in a supervisory college to regulate insurers with international operations and share confidential and privileged materials with members of a supervisory college (e.g., other regulators);

- require holding companies to adopt a formal enterprise risk management function and to file an enterprise risk report by 30 April of each year (referred to as "Form F");

- require a domestic insurer to provide 45 days' prior notice to the superintendent of reinsurance treaties or agreements entered into with its affiliates, and increase the thresholds for when notice is required of sales, purchases, exchanges, loans, or extensions of credit between the domestic insurer and any person in its holding company system;

- require 30 days' prior notice to the superintendent from any domestic insurer seeking to divest its controlling interest in another domestic insurer;

- establish new prior notice filing requirements for transactions between a domestic insurer and its subsidiaries or a parent corporation of a domestic insurer and its subsidiaries;

- require production of information not in the possession of an insurer if the insurer can gain access to it;

- require registration by parent corporations of domestic insurers, in addition to registration as a controlling person; and

- require amendment of registration by parent corporations and domestic insurers within 30 days if there is a material change in the information in the registration.

Acquisition of Control

Insurance holding company laws generally provide that no person or entity may acquire control of an insurance company, or a controlling interest in any parent company of an insurance company, without the prior approval of such insurance company's domiciliary state insurance regulator. Control is generally presumed to exist if any person acquires, directly or indirectly, 10% or more of the voting securities of an insurance company. This statutory presumption of control may be rebutted by showing that control does not exist in fact. Control may also be deemed to exist upon the possession of the power to direct or cause the direction of the management and policies of any person, whether through ownership of voting securities, by contract or otherwise.

To obtain approval of any acquisition of control, the proposed acquirer must file with the applicable insurance regulator an application disclosing, among other information, its background, financial condition, the financial condition of its affiliates, the source and amount of funds by which it will effect the acquisition, the criteria used in determining the nature and amount of consideration to be paid for the acquisition, proposed changes in the management and operations of the insurance company and other related matters. In considering an application to acquire control of an insurer, an insurance commissioner generally will consider such factors as the experience, competence and financial strength of the applicant, the integrity of the applicant's board of directors and executive officers, the acquirer's plans for the management and operation of the insurer, and any anti-competitive results that may arise from the acquisition. These regulations pertaining to an acquisition of control of an insurance company may impact a person or entity's ability to acquire Sirius Group, as well as our ability to acquire an insurance company.

Guaranty Funds and Mandatory Shared Market Mechanisms

All states within the U.S. and the District of Columbia have insurance guaranty fund laws requiring insurance companies doing business within those jurisdictions to participate in guaranty associations. Sirius Group's U.S.-based insurance and reinsurance subsidiaries may be required to participate in guaranty associations to help pay the obligations of impaired, insolvent or failed insurance companies to their policyholders and claimants. Such participation generally includes an assessment based on the premiums written by the insurer in such state applicable to particular lines of business.

Pricing, Investments and Dividends

Nearly all states have insurance laws requiring licensed property and casualty insurance companies to file their rates, rules and policy or coverage forms with the state's regulatory authority. In most cases, such rates, rules and forms must be approved prior to use. While pricing laws vary from state to state, their objectives are generally to ensure that rates are not excessive, unfairly discriminatory or used to engage in unfair price competition. The ability and timing of Sirius Group's U.S.-based (re)insurance subsidiaries to increase rates are dependent upon the regulatory requirements in each state where policies are sold.

Sirius Group's U.S.-based (re)insurance subsidiaries are subject to state laws and regulations that require investment portfolio diversification and that dictate the quality, quantity and general types of investments they may hold. Non-compliance may cause non-conforming investments to be non-admitted when measuring statutory surplus and, in some instances, may require divestiture. Sirius Group's investment/finance units continually monitor portfolio composition to ensure compliance with the investment rules applicable to each (re)insurance subsidiary.

Under the insurance laws of the domiciliary states under which Sirius Group's U.S.-based (re)insurance subsidiaries are domiciled, an insurer is restricted with respect to the timing and the amount of dividends it may pay without prior approval by regulatory authorities. Under New York law, Sirius America has the ability to pay dividends to its parent during any 12-month period without the prior approval of regulatory authorities in an amount set by a formula based on the lesser of net investment income, as defined by statute, or 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus and subject to dividends paid in prior periods. Based upon this formula, Sirius America does not have dividend capacity at this time without prior approval of the New York State Department of Financial Services.

U.S. Federal Regulation Affecting the Insurance Industry

Sirius Group's U.S.-based insurance and reinsurance subsidiaries are not federally regulated, but they are impacted by other federal regulations targeted at the insurance and other industries. From time to time, federal measures are proposed that may significantly affect the insurance business. For example, the Terrorism Risk Insurance Act of 2002, as subsequently amended and extended, expired on 31 December 2014 and was amended and renewed on 12 January 2015 through 31 December 2020 (as so amended and renewed, the "**Terrorism Risk Insurance Act**"). The Terrorism Risk Insurance Act provides a federal backstop to all U.S.-based property and casualty insurers for insurance-related losses resulting from any act of terrorism on U.S. soil or against certain U.S. air carriers, vessels or foreign mission.

The federal government also has issued certain orders and regulations that require Sirius Group's U.S.-based (re)insurance subsidiaries to establish certain internal controls. Most significant of these regulations is the U.S. Treasury Department Office of Foreign Asset Control ("**OFAC**"). OFAC proscribes transactions with specially designated nationals (SDNs) and blocked countries due to ties with matters such as terrorism, drugs and money laundering. Insurance and reinsurance transactions with SDNs and blocked countries are prohibited and violation can result in significant fines.

States are adopting laws to strengthen the ability of regulators to understand and regulate the risk-management practices of insurers and insurance groups. For example, many states, including New York, have adopted measures related to the NAIC's Solvency Modernization Initiative ("**SMI**"), which requires insurers to summarise their key risks and risk management strategies to regulators. The SMI resulted in a 2010 amendment to the Insurance Holding Company System Regulatory Model Act, which requires the ultimate controlling person in an insurer's holding company structure to identify and report material enterprise risks to the state insurance regulator. The SMI also produced the NAIC Risk Management and Own Risk Solvency Model Act ("**ORSA Model Act**"), which requires insurers meeting premium thresholds to: 1) maintain a risk-management framework; and 2) annually submit a comprehensive report designed to assess the adequacy of an insurer's risk-management practices, including risks related to the insurer's future solvency position. The ORSA Model Act requirements became effective in 2015 in all of the domiciliary states of Sirius Group's U.S.-based (re)insurance subsidiaries and our first report was submitted to regulators in 2015.

While the federal government does not directly regulate the insurance business, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "**Dodd-Frank Act**") created the Federal Insurance Office within the U.S. Department of the Treasury headed by a Director appointed by the Treasury Secretary to monitor the insurance industry and certain lines of business. The Federal Insurance Office is designed principally to exercise a monitoring and information-gathering role, rather than a regulatory role. Nonetheless, these activities could ultimately lead to changes in the regulation of certain insurers and reinsurers in the United States. Since the Dodd-Frank Act requires extensive rule-making and other future regulatory action, which in some cases will take a period of years to implement.

Europe

Sweden

Sirius International is subject to regulation and supervision by the Swedish Financial Supervisory Authority (the "**SFSA**"). As Sweden is a member of the EU, the SFSA supervision of branches is recognised across all locations within the EU (apart from customer conduct that is regulated and supervised locally across the EU). Regulatory requirements are based on the European Solvency II legislation. The SFSA has broad supervisory and administrative powers over such matters as licences, governance and internal control, standards of solvency, investments, methods of accounting, form and content of financial statements, minimum capital and surplus requirements, and annual and other report filings. Non-compliance can be sanctioned by warnings, high fees or withdrawal of licence.

Safety Reserve

Subject to certain limitations under Swedish law, Sirius International is permitted to transfer pre-tax income amounts into an untaxed reserve referred to as a "**safety reserve**". As of 31 December 2016, Sirius International's safety reserve amounted to SEK 10.7 billion, or $1.3 billion (based on the 31 August 2017 SEK to USD exchange rate). For the 12 months ended 31 December 2016, Sirius International did not transfer to the safety reserve. Under GAAP, an amount equal to the safety reserve, net of a related deferred tax liability established at the Swedish tax rate of 22%, is classified as shareholders' equity. Generally, this deferred tax liability is only required to be paid by Sirius International if it fails to maintain prescribed levels of premium writings and loss reserves in future years. As a result of the indefinite deferral of these taxes, Swedish regulatory authorities apply no taxes to the safety reserve when calculating solvency capital under Swedish insurance regulations. Accordingly, under local statutory requirements, an amount equal to the deferred tax liability on Sirius International's safety reserve ($259.7 million as of 31 December 2016) is included in solvency capital. Access to the safety reserve is restricted to coverage of insurance and reinsurance losses. Access for any other purpose requires the approval of Swedish regulatory authorities. Similar to the approach taken by Swedish regulatory authorities, most major rating agencies generally include the balance of the safety reserve, without any provision for deferred taxes, in Sirius International's regulatory capital when assessing Sirius International's financial strength.

Change of Control

The acquisition of a "qualifying holding" directly or indirectly in Sirius International requires approval from the SFSA prior to completion. "**Qualifying holding**" means:

- a direct or indirect ownership in an undertaking, where the holding represents 10 percent or more of the equity capital or of all voting participating interests; or

- the ability to exercise a significant influence over the management of the undertaking (e.g. possible shareholder agreements which might have an impact on the influence over the undertaking)

In addition, approval from the SFSA must be obtained when the holding is increased so that the holding represents or exceeds 20, 30 or 50 percent of the equity capital or of all voting participating interests, or when the company becomes a subsidiary. The same is valid if there is a decrease.

The SFSA assesses the suitability of the acquirer and will generally grant authorisation inter alia if the acquisition is found to be financially sound. The SFSA will also assess the acquirer's reputation, financial standing and possible links to money laundering and financing of terrorism. The ownership assessment also encompasses a suitability assessment of the management of all legal persons' acquiring a qualifying holding in Sirius International. The term management includes the board of directors, deputy board of directors, the managing director and deputy managing director of the acquirer.

The SFSA requires a substantial amount of information for its assessment. The proposed acquirer must provide: the signed application form for the acquirer; signed application forms for each member of management for the acquirer; certified copies of the ID-card (preferable passport) of each management person; curriculum vitae/resume for each member of management; certificate of registration for the acquirer (evidencing it being incorporated and validly existing); a presentation of the ownership structure pre-acquisition and post-acquisition, picturing Sirius International in relation to old and new owners; analysis on whether an insurance group, as set out in the IBA, will be formed as a result of the acquisition; a statement on how the acquisition will be financed, including documentation; and a business plan (including, e.g., solvency reports and forecasts for Sirius International for the coming three years). Also the SFSA will obtain information from several Swedish authorities, e.g. the Enforcement Authority (Sw. Kronofogdemyndigheten), the Swedish police and the Swedish Companies Registration Office (Sw. Bolagsverket). In relation to acquirers and management of such acquirers that are residing in another EEA country, the SFSA will contact the relevant supervisory authority for relevant information.

United Kingdom

The financial services industry in the United Kingdom is dual-regulated by the Financial Conduct Authority and the Prudential Regulation Authority (collectively, the "**U.K. Regulators**"). The U.K. Regulators regulate insurers, insurance intermediaries and Lloyd's. The U.K. Regulators and Lloyd's have common objectives in ensuring that the Lloyd's market is appropriately regulated. Lloyd's is required to implement certain rules prescribed by the U.K. Regulators by the powers it has under the Lloyd's Act of 1982 ("**Lloyd's Act**") relating to the operation of the Lloyd's market. In addition, each year the U.K. Regulators require Lloyd's to satisfy an annual solvency test that measures whether Lloyd's has sufficient assets in the aggregate to meet all the outstanding liabilities of its members.

Lloyd's permits its corporate and individual members ("**Members**") to underwrite insurance risks through Lloyd's syndicates. Members of Lloyd's may participate in a syndicate for one or more underwriting years by providing capital to support the syndicate's underwriting. All syndicates are managed by Lloyd's approved managing agents. Managing agents receive fees and profit commissions in respect of the underwriting and administrative services they provide to the syndicates. Lloyd's prescribes, in respect of its managing agents and Members, certain minimum standards relating to their management and control, solvency and various other requirements.

Sirius Group participates in the Lloyd's market through the 100% ownership of Sirius International Corporate Member Limited, a Lloyd's Corporate Member, which in turn provides underwriting capacity to Syndicate 1945. Syndicate 1945 commenced underwriting on 1 July 2011. Effective 1 July 2014, Sirius established its own Lloyd's managing agent, Sirius International Managing Agency, which manages the syndicate. Lloyd's approved stamp capacity for Syndicate 1945 in 2017 is £108.4 million, or approximately $139.5 million (based on the 31 August 2017 GBP to USD exchange rate). Stamp capacity is a measure of the amount of net premium (premiums written less acquisition costs) that a syndicate is authorised by Lloyd's to write.

A corporate member of Lloyd's is bound by the rules of the Society of Lloyd's which are prescribed by the by-laws and requirements of the Council of Lloyd's under powers conferred by the Lloyd's Act. These rules govern Sirius Group's corporate member participation in Syndicate 1945 and among other things prescribe Syndicate 1945's membership subscription fees and level of contribution to the Lloyd's Central Fund ("**Central Fund**").

The underwriting capacity of a Member must be supported by providing a deposit in the form of cash, securities or letters of credit ("**Funds at Lloyd's**") in an amount to be determined pursuant to the capital adequacy requirements set by the U.K. Regulators. The amount of such deposit is calculated for each Member through the completion of an annual capital adequacy exercise. Pursuant to these requirements, Lloyd's must demonstrate that each Member has sufficient assets to meet its underwriting liabilities plus a required solvency margin. The requirement to maintain such solvency margin can have the effect of reducing the amount of funds available to distribute as profits to the Member or result in the Member having to deposit additional Funds at Lloyd's to cover its solvency margin.

The amounts of capital required by Lloyd's to be maintained in the form of Funds at Lloyd's to support the activities of underwriters is determined by a combination of the managing agent's assessment of capital requirements of the syndicates, and review and challenge by Lloyd's. The managing agents' assessment of capital requirements for each syndicate determines their view of the Solvency Capital Requirement ("**SCR**"); this represents the capital needed to support each syndicate, based on modelling individual syndicate robustness against the risk environment in which it operates. Lloyd's may or may not approve the level of SCR as submitted and has the authority to require the capital requirement to be increased. The approved or amended SCR is then uplifted by an economic capital margin (currently a flat 35% for all syndicates) to produce an amount of syndicate capital known as the economic capital assessment ("**ECA**"). The level of the ECA is set to ensure that Lloyd's overall aggregate capital is maintained at a level necessary to retain its desired rating, as well as to meet the requirements of the U.K. Regulators. Any failure to comply with these requirements may affect the amount of business which the syndicate may underwrite and/or could result in sanctions being imposed by Lloyd's and/or the U.K. Regulators. The process and the method by which the required capital is calculated may alter from year to year and may affect the level of participation of Members in a particular syndicate.

Lloyd's has wide discretionary powers to regulate a Member's underwriting. For example, Lloyd's may change the way that syndicate expenses are allocated or vary the Funds at Lloyd's investment criteria. Any such change may affect the Member's return on investment. If a Member is unable to pay its obligations to policyholders, such obligations may be payable by the Central Fund. If Lloyd's determines that the Central Fund needs to be increased, it may levy premiums on current Members. The Council of Lloyd's has discretion to assess up to 3% of a Member's underwriting capacity in any one year as a Central Fund contribution.

Change of Control

The change of control requirements in the UK are similar to the Swedish regulatory requirements since both countries are members of the EU, with a 10 % change of control threshold, significant influence over management considerations, as well as controller bands of 10-20%, 20-30%, 30-50%. Any direct or indirect change of control of Sirius International meeting the above thresholds must obtain prior approval from the UK regulators and Lloyd's, whether such change of control results from an external acquisition or an internal restructuring resulting in a new controller. Also, certain information noted above is required to be submitted by new board members, deputy board members, the managing director and his or her deputy in a legal person with a qualifying holding in a company. This is also applicable if there is a change in positions.

Solvency II

The European Solvency II regulatory framework for insurance business became effective from 1 January 2016. It imposes economic risk-based solvency requirements across all EU Member States. The aim of the Solvency II framework is to ensure that insurance and reinsurance undertakings are financially sound and can withstand adverse events in order to protect policyholders and the stability of the financial system as a whole. It also aims at the creation of a single European rule book and harmonised supervision. In addition to quantitative requirements, such as capital requirements (Pillar 1), insurance and reinsurance companies will be required to meet qualitative requirements relating to governance and risk-management (Pillar 2), as well as to regularly disclose extensive information to supervisors and to the public (Pillar 3). Sirius International and its wholly owned insurance subsidiaries, such as Sirius America, Star Re or any other insurance subsidiaries, will be required, when and where applicable, to comply with Solvency II requirements.

The Solvency II framework is set out in a complex structure of regulations headed by an EU Directive. It also includes a Delegated Act and Implementing Technical Standards adopted by the EU Commission and Guidelines issued by the European Insurance and Occupational Pensions Authority (EIOPA). The Solvency II Directive is implemented into local laws and complemented by local regulations and guidelines.

The Solvency II group requirements are far-reaching when it comes to group capital requirements and apply above Europe to the so called ultimate parent undertaking. For Sirius International this would have covered CMIG. However, the Bermuda commercial insurance regulatory regime has been approved by the European Commission as being fully equivalent to Solvency II for an indefinite period of time. The SFSA has taken a decision to cap the Solvency II group requirements to the highest European entity, which is currently the UK-based holding company, Sirius International UK Holdings Ltd. ("**SIUK**"). Accordingly, the SFSA is the group supervisor for the SIUK group and below and our Bermuda regulator, the BMA, has been designated as the group supervisor for the Sirius, Ltd.-level and below. Apart from regular reporting on solvency capital requirements, risk concentrations and intra-group transactions within the SIUK group are to be reported annually and above certain thresholds immediately.

TAXATION

Bermuda Taxation

At the present time, there is no Bermuda income or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by us or by Noteholders in respect of the Subordinated Notes. We have obtained an assurance from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act 1966 that, in the event that any legislation is enacted in Bermuda imposing any tax computed on profits or income, or computed on any capital asset, gain or appreciation or any tax in the nature of estate duty or inheritance tax, such tax shall not, until 31 March 2035, be applicable to us or to any of our operations or to our shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda or is payable by us in respect of real property owned or leased by us in Bermuda.

Foreign Account Tax Compliance Act ("FATCA") Withholding

A 30% withholding tax may be imposed on certain payments to certain non-U.S. financial institutions that fail to comply with information reporting requirements or certification requirements in respect of their direct and indirect United States shareholders and/or United States accountholders.

The Subordinated Notes should generally not be treated as accounts for these purposes, except as described below. In addition, the Issuer may be required to withhold on a portion of any payment under any Subordinated Note that is made to a non-U.S. financial institution that has not agreed to comply with these information reporting requirements. Such withholding may be imposed at any point in a chain of payments if a non-U.S. payee fails to comply with U.S. information reporting, certification and related requirements. Accordingly, any Subordinated Notes held through a non-compliant institution may be subject to withholding even if the Noteholder otherwise would not be subject to withholding. Such withholding will generally not apply to payments made before 1 January 2019. Moreover, such withholding will only apply to Subordinated Notes issued or modified at least six months after the date on which final regulations implementing such rule are published in final form. It is impossible to determine at this time what impact, if any, these rules will have on Noteholders.

Prospective investors should consult their tax advisors and their banks or brokers regarding the possibility of this withholding.

SUBSCRIPTION AND SALE

HSBC Bank plc, Nordea Bank AB (publ) and DNB Bank ASA, Sweden Branch (the "**Joint Lead Managers**") have, pursuant to a Purchase Agreement (the "**Purchase Agreement**") dated 19 September 2017, agreed to subscribe or procure subscribers for the Subordinated Notes at the issue price of 99.00% of their principal amount less a combined selling concession and management and underwriting commission. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Subordinated Notes. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Purchase Agreement prior to the closing of the issue of the Subordinated Notes.

United States

The Subordinated Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Subordinated Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver the Subordinated Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Subordinated Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Subordinated Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Subordinated Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted, undertaken and agreed that, except as permitted by the Purchase Agreement:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) received by it in connection with the issue of the Subordinated Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Subordinated Notes in, from or otherwise involving the United Kingdom.

Kingdom of Sweden

Each Joint Lead Manager has confirmed and agreed, that it will not (directly or indirectly) offer for subscription or purchase or issue invitations to subscribe for or purchase or sell Subordinated Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Kingdom of Sweden, except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (Sw. lag (1991:980) om handel med finansiella instrument), which include but are not limited to that an offer of such Subordinated Notes to the public in the Kingdom of Sweden may be made provided that:

(a) the offer is directed exclusively to "qualified investors" (Sw. kvalificerade investerare) (as defined in the Swedish Financial Instruments Trading Act);

(b) the offer is directed to fewer than 150 individuals or legal entities in an EEA-member state, which do not qualify as qualified investors;

(c) the minimum investment amount is at least the equivalent of €100,000 per investor;

(d) each such Subordinated Note has a minimum denomination of the equivalent of €100,000; or

(e) the aggregate sum which the investors shall pay during a 12-month period within the EEA is not more than the equivalent of €2,500,000.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Subordinated Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Subordinated Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Subordinated Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Subordinated Notes, in all cases at their own expense.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements of Sirius International Group, Ltd. as of 31 December 2016 and 2015 and for the years ended 31 December 2016, 2015 and 2014, included in this Prospectus, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report, appearing herein.

The consolidated financial statements of Sirius International Insurance Group, Ltd. as of 31 December 2016 and 2015 and for the years ended 31 December 2016, 2015 and 2014, included in this Prospectus, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report, appearing herein.

PricewaterhouseCoopers LLP is a public accounting firm registered in the U.S. with the Public Company Accounting Oversight Board (PCAOB) and is a member of the American Institute of Certified Public Accountants.

LISTING AND GENERAL INFORMATION

(a) It is expected that the admission of the Subordinated Notes to the Official List and the admission of the Subordinated Notes to trading on the Main Securities Market of the Irish Stock Exchange will be granted on or around the Issue Date. It is expected that the total expenses related to admission to trading of the Subordinated Notes will be approximately €7,500.

(b) The Issuer is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) since 31 December 2016 which may have or has in such period had a significant effect on the financial position or profitability of the Issuer and/or the Sirius Group.

(c) There has been no significant change in the financial or trading position of the Issuer or the Sirius Group since 30 June 2017 and there has been no material adverse change in the financial position or prospects of the Issuer or the Sirius Group since 31 December 2016.

(d) The Issue of the Subordinated Notes was authorised pursuant to a resolution of the board of directors of the Issuer passed prior to the date of this Prospectus.

(e) The Subordinated Notes have been accepted for clearance through Euroclear and Clearstream under the ISIN XS1683455429, and Common Code 168345542.

(f) For the life of the Prospectus and for so long as the Subordinated Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Main Securities Market, copies of the Issuer's constitutional documents, the Subordinated Indenture and the form of Subordinated Note, the consolidated financial statements of Sirius International Group, Ltd. as of 31 December 2016 and 2015 and for each of the three years ended 31 December 2016, the unaudited consolidated financial statements of Sirius International Group, Ltd. as of 30 June 2017 and for the six months ended 30 June 2017, the consolidated financial statements of Sirius International Insurance Group, Ltd. as of 31 December 2016 and 2015 and for each of the three years ended 31 December 2016, and the unaudited consolidated financial statements of Sirius International Insurance Group, Ltd. as of 30 June 2017 and for the six months ended 30 June 2017, may be inspected in physical form at the registered office of the Issuer or the Indenture Trustee during usual business hours, on any weekday (public holidays excepted).

(g) Arthur Cox Listing Services Limited, of Ten Earlsfort Terrace, Dublin 2, Ireland, is acting solely in its capacity as listing agent for the Issuer in connection with the Subordinated Notes and is not itself seeking admission of the Subordinated Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market.

INDEX TO THE FINANCIAL STATEMENTS

Sirius International Group, Ltd. and Subsidiaries

Sirius International Insurance Group, Ltd. and Subsidiaries

Sirius International Group, Ltd.
Consolidated Balance Sheets
Unaudited

(Millions, except share and per share amounts)	June 30, 2017	December 31, 2016
Assets		
Fixed maturity investments, at fair value	$ 2,394.9	$ 2,886.7
Short-term investments, at amortized cost (which approximates fair value)	539.8	504.6
Common equity securities, at fair value	209.4	118.0
Other long-term investments	390.2	124.8
Total investments	3,534.3	3,634.1
Cash	122.8	137.1
Reinsurance recoverable on unpaid losses	316.7	291.5
Reinsurance recoverable on paid losses	13.6	17.1
Insurance and reinsurance premiums receivable	555.5	394.6
Funds held by ceding companies	139.0	100.0
Deferred acquisition costs	110.5	84.7
Deferred tax asset	305.0	279.1
Ceded unearned insurance and reinsurance premiums	142.0	101.1
Accrued investment income	13.7	19.0
Goodwill	122.7	-
Intangible assets	85.1	-
Other assets	36.3	50.2
Total assets	$ 5,497.2	$ 5,108.5
Liabilities		
Loss and loss adjustment expense reserves	$ 1,659.3	$ 1,620.1
Unearned insurance and reinsurance premiums	576.9	398.0
Debt	392.2	396.2
Deferred tax liability	254.3	239.7
Funds held under reinsurance treaties	61.3	63.4
Ceded reinsurance payable	138.8	99.6
Accounts payable on unsettled investment purchases	8.5	7.6
Other liabilities	173.7	74.8
Total liabilities	3,265.0	2,899.4
Equity		
Common shareholders' equity		
Common shares at $1.00 par value per share - authorized 12,000 shares; issued and outstanding, 12,000 shares	0.1	0.1
Preference shares at $0.01 par value per share - 250,000 shares	-	-
Additional paid-in surplus - common shares	1,145.0	1,134.0
Additional paid-in surplus - preference shares	250.0	250.0
Retained earnings	1,001.4	1,035.3
Accumulated other comprehensive (loss), after-tax:		
Net unrealized foreign currency translation (losses)	(164.5)	(211.6)
Total common shareholders' equity	2,232.0	2,207.8
Non-controlling interests	0.2	1.3
Total equity	2,232.2	2,209.1
Total liabilities and equity	$ 5,497.2	$ 5,108.5

Sirius International Group, Ltd.
Consolidated Statements of Operations and Comprehensive Income
Unaudited

	Six Months Ended June 30,	
(Millions)	**2017**	**2016**
Revenues		
Gross written insurance and reinsurance premiums	**$ 809.6**	$ 726.9
Net written insurance and reinsurance premiums	**$ 588.5**	$ 532.2
Earned insurance and reinsurance premiums	**$ 459.4**	$ 419.6
Net investment income	**33.2**	25.1
Net realized investment gains (losses)	**(2.6)**	271.6
Net unrealized investment (losses) gains	**(22.6)**	(213.2)
Net foreign exchange gains (losses)	**1.6**	(7.9)
Other revenue	**2.0**	4.6
Total revenues	**471.0**	499.8
Expenses		
Loss and loss adjustment expenses	**251.4**	270.4
Insurance and reinsurance acquisition expenses	**97.6**	105.3
Other underwriting expenses	**57.8**	49.8
General and administrative expenses	**24.0**	34.6
Intangible asset amortization expenses	**1.4**	-
Accretion of fair value adjustment to loss and loss adjustment expense reserves	**0.1**	0.4
Interest expense on debt	**9.6**	13.3
Total expenses	**441.9**	473.8
Pre-tax income	**29.1**	26.0
Income tax expense	**(4.0)**	(3.2)
Income before equity in earnings of unconsolidated affiliates	**25.1**	22.8
Equity in earnings of unconsolidated affiliates, net of tax	**-**	6.6
Income before income attributable to non-controlling interests	**25.1**	29.4
Net income (loss) attributable to non-controlling interests	**0.4**	-
Net income before dividends on preference shares	**25.5**	29.4
Dividends on preference shares	**(9.4)**	(9.4)
Net income attributable to Sirius Group's common shareholders	**16.1**	20.0
Other comprehensive income, net of tax		
Change in foreign currency translation, net of tax	**47.1**	(7.2)
Net change in other, net of tax	**-**	1.0
Comprehensive income (loss) attributable to Sirius Group's common shareholders	**$ 63.2**	$ 13.8

Sirius International Group, Ltd.
Consolidated Statements of Changes in Equity
Unaudited

	Sirius Group's Shareholders' Equity						
(Millions)	**Common shares and paid-in surplus**	**Preference shares and paid-in surplus**	**Retained earnings**	**AOCI, after-tax**	**Total**	**Non-Controlling Interests**	**Total Equity**
Balances at January 1, 2017	$ 1,134.1	$ 250.0	$ 1,035.3	$ (211.6)	$ 2,207.8	$ 1.3	$ 2,209.1
Net income	-	-	16.1	-	16.1	(0.4)	15.7
Net change in foreign currency translation	-	-	-	47.1	47.1	-	47.1
Net change in other	-	-	-	-	-	-	-
Comprehensive income (loss)	-	-	16.1	47.1	63.2	(0.4)	62.8
Dividends declared on common shares	-	-	(50.0)	-	(50.0)	-	(50.0)
Capital contribution from parent	11.0	-	-	-	11.0	-	11.0
Contribution from sale of OneBeacon	-	-	-	-	-	-	-
Other, net	-	-	-	-	-	(0.7)	(0.7)
Balances at June 30, 2017	**$ 1,145.1**	**$ 250.0**	**$ 1,001.4**	**$ (164.5)**	**$ 2,232.0**	**$ 0.2**	**$ 2,232.2**

	Sirius Group's Shareholders' Equity						
(Millions)	**Common shares and paid-in surplus**	**Preference shares and paid-in surplus**	**Retained earnings**	**AOCI, after-tax**	**Total**	**Non-Controlling Interests**	**Total Equity**
Balances at January 1, 2016	$ 1,091.9	$ 250.0	$ 986.2	$ (145.5)	$ 2,182.6	$ 0.1	$ 2,182.7
Net income	-	-	20.0	-	20.0	-	20.0
Net change in foreign currency translation	-	-	-	(7.2)	(7.2)	-	(7.2)
Net change in other	-	-	-	1.0	1.0	-	1.0
Comprehensive income (loss)	-	-	20.0	(6.2)	13.8	-	13.8
Dividends declared on common shares	-	-	(20.0)	-	(20.0)	-	(20.0)
Capital contribution from parent	-	-	-	-	-	-	-
Contribution from sale of OneBeacon	22.1	-	-	-	22.1	-	22.1
Other, net	0.1	-	-	-	0.1	0.7	0.8
Balances at June 30, 2016	**$ 1,114.1**	**$ 250.0**	**$ 986.2**	**$ (151.7)**	**$ 2,198.6**	**$ 0.8**	**$ 2,199.4**

Sirius International Group, Ltd.
Consolidated Statements of Cash Flows
Unaudited

	Six Months Ended June 30,	
(Millions)	2017	2016
Cash flows from operations:		
Net income	$ **25.5**	$ 29.4
(Credits) charges to reconcile net income to net cash provided from (used for) operations:		
Net realized and unrealized investment gains	**25.2**	(58.5)
Amortization and depreciation	**13.7**	7.5
Excess of fair value of acquired net assets over cost	**-**	(6.7)
Undistributed equity in earnings of unconsolidated affiliates, after-tax	**-**	(6.6)
Other operating items:		
Net change in loss and loss adjustment expense reserves	**(16.5)**	5.5
Net change in reinsurance recoverable on paid and unpaid losses	**(8.7)**	3.0
Net change in funds held by ceding companies	**(28.8)**	(5.8)
Net change in unearned insurance and reinsurance premiums	**145.4**	149.4
Net change in ceded reinsurance payable	**30.7**	15.3
Net change in ceded unearned insurance and reinsurance premiums	**(26.8)**	(34.9)
Net change in insurance and reinsurance premiums receivable	**(128.7)**	(148.1)
Net change in deferred acquisition costs	**(21.3)**	(19.4)
Net change in funds held under reinsurance treaties	**(5.2)**	2.7
Net change in current and deferred income taxes, net	**(1.6)**	(36.8)
Net change in other assets and liabilities, net	**(11.8)**	4.7
Net cash used for operations	**(8.9)**	(99.3)
Cash flows from investing activities:		
Net change in short-term investments	**(14.7)**	(153.0)
Sales of fixed maturity investments	**932.0**	1,458.2
Maturities, calls and paydowns of fixed maturity investments	**193.7**	90.4
Sales of common equity securities	**23.9**	809.2
Distributions and redemptions of other long-term investments	**37.3**	18.9
Sales of consolidated subsidiaries and unconsolidated affiliates, net of cash sold	**-**	173.5
Contributions to other long-term investments	**(298.7)**	(14.4)
Purchases of common equity securities	**(107.7)**	(177.2)
Purchases of fixed maturity investments	**(608.7)**	(2,225.3)
Purchases of consolidated affiliates, net of cash acquired	**(113.4)**	27.5
Net change in unsettled investment purchases and sales	**0.7**	136.1
Other, net	**(2.9)**	1.3
Net cash provided from investing activities	**41.5**	145.2
Cash flows from financing activities:		
Capital contribution from parent	**11.0**	-
Contribution from sale of OneBeacon	**-**	22.1
Repayment of debt	**(3.7)**	-
Collateral provided by interest rate cap counterparties	**(0.8)**	(1.2)
Cash dividends paid on common shares	**(50.0)**	(20.0)
Cash dividends paid on preference shares	**(9.4)**	(9.4)
Other, net	**(0.8)**	0.8
Net cash used for financing activities	**(53.7)**	(7.7)
Effect of exchange rate changes on cash	**6.8**	(3.6)
Net increase (decrease) in cash during the period	**(14.3)**	34.6
Cash balance at beginning of year	**137.1**	141.5
Cash balance at end of period	$ **122.8**	$ 176.1

Sirius International Group, Ltd.

Consolidated Financial Statements
For the years ended
December 31, 2016, 2015, and 2014

Report of Independent Auditors

To the Board of Directors of Sirius International Group, Ltd.

We have audited the accompanying consolidated financial statements of Sirius International Group, Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income, of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2016.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sirius International Group, Ltd. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Boston Massachusetts
April 7, 2017

PricewaterhouseCoopers LLP, 101 Seaport Boulevard, Boston, MA 02210
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Sirius International Group, Ltd.
Consolidated Balance Sheets

Millions, except share and per share amounts	December 31, 2016	December 31, 2015
Assets		
Fixed maturity investments, at fair value	**$ 2,886.7**	$ 2,359.0
Short-term investments, at amortized cost (which approximates fair value)	**504.6**	323.2
Common equity securities, at fair value	**118.0**	730.1
Other long-term investments	**124.8**	78.2
Total investments	**3,634.1**	3,490.5
Cash	**137.1**	141.5
Reinsurance recoverable on unpaid losses	**291.5**	283.1
Reinsurance recoverable on paid losses	**17.1**	10.2
Insurance and reinsurance premiums receivable	**394.6**	323.6
Funds held by ceding companies	**100.0**	90.6
Investments in unconsolidated affiliates	**-**	151.9
Deferred acquisition costs	**84.7**	74.6
Deferred tax asset	**279.1**	275.7
Ceded unearned insurance and reinsurance premiums	**101.1**	87.7
Accrued investment income	**19.0**	16.8
Accounts receivable on unsettled investment sales	**-**	29.0
Other assets	**50.2**	70.3
Total assets	**$ 5,108.5**	$ 5,045.5
Liabilities		
Loss and loss adjustment expense reserves	**$ 1,620.1**	$ 1,644.4
Unearned insurance and reinsurance premiums	**398.0**	342.2
Debt	**396.2**	403.0
Deferred tax liability	**239.7**	263.6
Funds held under reinsurance treaties	**63.4**	52.9
Ceded reinsurance payable	**99.6**	67.1
Accounts payable on unsettled investment purchases	**7.6**	-
Other liabilities	**74.8**	89.6
Total liabilities	**2,899.4**	2,862.8
Shareholders' equity		
Common shares at $1.00 par value per share - authorized 12,000 shares; issued and outstanding, 12,000 shares	**0.1**	0.1
Preference shares at $0.01 par value per share - 250,000 shares	**-**	-
Additional paid-in surplus - common shares	**1,134.0**	1,091.8
Additional paid-in surplus - preference shares	**250.0**	250.0
Retained earnings	**1,035.3**	986.2
Accumulated other comprehensive income (loss), after-tax:		
Net unrealized foreign currency translation losses	**(211.6)**	(144.3)
Other, net	**-**	(1.2)
Total shareholders' equity	**2,207.8**	2,182.6
Non-controlling interests	**1.3**	0.1
Total equity	**2,209.1**	2,182.7
Total liabilities and shareholders' equity	**$ 5,108.5**	$ 5,045.5

See Notes to Consolidated Financial Statements including **Note 16** for Commitments and Contingencies.

Sirius International Group, Ltd.
Consolidated Statements of Operations and Comprehensive Income

	Year Ended December 31,		
Millions	**2016**	2015	2014
Revenues			
Gross written insurance and reinsurance premiums	**$ 1,269.0**	$ 1,160.5	$ 1,136.6
Net written insurance and reinsurance premiums	**$ 938.1**	$ 847.6	$ 882.5
Earned insurance and reinsurance premiums	**$ 890.1**	$ 847.0	$ 873.9
Net investment income	**56.4**	39.8	41.1
Net realized investment gains	**288.1**	138.4	65.0
Net unrealized investment (losses) gains	**(238.2)**	102.6	144.2
Net foreign exchange losses	**(10.9)**	(18.2)	(56.6)
Other revenue	**9.0**	(2.4)	(5.8)
Total revenues	**994.5**	1,107.2	1,061.8
Expenses			
Loss and loss adjustment expenses	**519.3**	422.7	345.3
Insurance and reinsurance acquisition expenses	**210.3**	189.8	193.6
Other underwriting expenses	**107.3**	107.9	129.7
General and administrative expenses	**48.1**	10.5	13.5
Accretion of fair value adjustment to loss and loss adjustment expense reserves	**0.5**	0.7	0.7
Interest expense on debt	**34.6**	26.6	26.3
Total expenses	**920.1**	758.2	709.1
Pre-tax income	**74.4**	349.0	352.7
Income tax benefit (expense)	**7.4**	(47.1)	(71.7)
Income before equity in earnings of unconsolidated affiliates	**81.8**	301.9	281.0
Equity in earnings of unconsolidated affiliates, net of tax	**6.6**	23.9	42.9
Income before income attributable to non-controlling interests	**88.4**	325.8	323.9
Income attributable to non-controlling interests	**(0.5)**	-	-
Net income before dividends on preference shares	**87.9**	325.8	323.9
Dividends on preference shares	**(18.8)**	(18.8)	(18.8)
Net income attributable to Sirius Group's common shareholders	**69.1**	307.0	305.1
Other comprehensive income, net of tax			
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates, net of tax	**-**	(29.8)	66.1
Change in foreign currency translation, net of tax	**(67.3)**	(65.4)	(167.9)
Net change in other, net of tax	**1.2**	0.2	(1.5)
Comprehensive income attributable to Sirius Group's common shareholders	**$ 3.0**	$ 212.0	$ 201.8

See Notes to Consolidated Financial Statements.

Sirius International Group, Ltd.
Consolidated Statements of Shareholders' Equity

	Sirius Group's Shareholders' Equity						
Millions	Common shares and paid-in surplus	Preference shares and paid-in surplus	Retained earnings	AOCI, after-tax	Total	Non-Controlling Interests	Total Equity
Balances at December 31, 2013	$ 1,091.2	$ 250.0	$ 487.7	$ 52.8	$ 1,881.7	-	$ 1,881.7
Net income before dividends on preference shares	-	-	323.9	-	323.9	-	323.9
Net change in unrealized investment gain (losses) from investments in unconsolidated affiliates	-	-	-	66.1	66.1	-	66.1
Net change in foreign currency translation	-	-	-	(167.9)	(167.9)	-	(167.9)
Net change in interest rate swap	-	-	-	0.3	0.3	-	0.3
Dividends declared on preference shares	-	-	(18.8)	-	(18.8)	-	(18.8)
Net change in other	-	-	-	(1.8)	(1.8)	-	(1.8)
Comprehensive income (loss)	-	-	305.1	(103.3)	201.8	-	201.8
Dividends declared on common shares	-	-	(65.4)	-	(65.4)	-	(65.4)
Other, net	0.5	-	-	-	0.5	-	0.5
Balances at December 31, 2014	1,091.7	250.0	727.4	(50.5)	2,018.6	-	2,018.6
Net income before dividends on preference shares	-	-	325.8	-	325.8	-	325.8
Net change in unrealized investment gain (losses) from investments in unconsolidated affiliates	-	-	-	(29.8)	(29.8)	-	(29.8)
Net change in foreign currency translation	-	-	-	(65.4)	(65.4)	-	(65.4)
Net change in interest rate swap	-	-	-	0.3	0.3	-	0.3
Dividends declared on preference shares	-	-	(18.8)	-	(18.8)	-	(18.8)
Net change in other	-	-	-	(0.1)	(0.1)	-	(0.1)
Comprehensive income (loss)	-	-	307.0	(95.0)	212.0	-	212.0
Dividends declared on common shares	-	-	(48.0)	-	(48.0)	-	(48.0)
Other, net	0.2	-	(0.2)	-	-	0.1	0.1
Balances at December 31, 2015	1,091.9	250.0	986.2	(145.5)	2,182.6	0.1	2,182.7
Net income before dividends on preference shares	-	-	87.9	-	87.9	0.5	88.4
Net change in unrealized investment gain (losses) from investments in unconsolidated affiliates	-	-	-	-	-	-	-
Net change in foreign currency translation	-	-	-	(67.3)	(67.3)	-	(67.3)
Net change in interest rate swap	-	-	-	-	-	-	-
Dividends declared on preference shares	-	-	(18.8)	-	(18.8)	-	(18.8)
Net change in other	-	-	-	1.2	1.2	-	1.2
Comprehensive income (loss)	-	-	69.1	(66.1)	3.0	0.5	3.5
Dividends declared on common shares	-	-	(20.0)	-	(20.0)	-	(20.0)
Capital contribution from parent	20.0	-	-	-	20.0	-	20.0
Contribution from sale of OneBeacon	22.1	-	-	-	22.1	-	22.1
Other, net	0.1	-	-	-	0.1	0.7	0.8
Balances at December 31, 2016	**$ 1,134.1**	**$ 250.0**	**$ 1,035.3**	**$ (211.6)**	**$ 2,207.8**	**$ 1.3**	**$ 2,209.1**

See Notes to Consolidated Financial Statements.

Sirius International Group, Ltd.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
Millions	**2016**	2015	2014
Cash flows from operations:			
Net income	**$ 87.9**	$ 325.8	$ 323.9
(Credits) charges to reconcile net income to net cash provided from (used for) operations:			
Net realized and unrealized investment gains	**(49.9)**	(241.0)	(209.2)
Net gain on sale of consolidated affiliates	**-**	(1.0)	(1.0)
Amortization and depreciation	**18.4**	27.2	31.5
Excess of fair value of acquired net assets over cost (See **Note 2**)	**(4.3)**	-	-
Undistributed equity in earnings of unconsolidated affiliates, after-tax	**(6.6)**	(23.9)	(42.9)
Other operating items:			
Net change in loss and LAE reserves	**18.1**	(100.7)	(92.5)
Net change in reinsurance recoverable on paid and unpaid losses	**(23.6)**	24.6	(9.8)
Net change in funds held by ceding companies	**(15.1)**	(4.8)	(0.2)
Net change in unearned insurance and reinsurance premiums	**60.8**	27.4	62.0
Net change in ceded reinsurance premiums payable	**11.5**	8.4	34.6
Net change in ceded unearned insurance and reinsurance premiums	**(1.9)**	(18.9)	(17.5)
Net change in insurance and reinsurance premiums receivable	**(95.4)**	(39.2)	(79.2)
Net change in deferred acquisition costs	**(14.2)**	(8.6)	(10.8)
Net change in funds held under reinsurance treaties	**13.0**	(0.9)	4.7
Net change in current and deferred income taxes, net	**(12.0)**	12.0	72.0
Net change in other assets and liabilities, net	**10.0**	37.7	107.6
Net cash (used for) provided from operations	**(3.3)**	24.1	173.2
Cash flows from investing activities:			
Net change in short-term investments	**(198.2)**	135.0	(209.9)
Sales of fixed maturities and convertible fixed maturity investments	**2,438.4**	2,159.0	2,803.6
Maturities, calls and paydowns of fixed maturity and convertible fixed maturity investments	**141.8**	178.3	176.8
Sales of common equity securities	**848.4**	312.6	51.1
Distributions and redemptions of other long-term investments	**27.9**	13.2	38.4
Sales of consolidated subsidiaries and unconsolidated affiliates, net of cash sold	**173.5**	14.3	12.6
Contributions to other long-term investments	**(73.5)**	(10.7)	(22.3)
Purchases of common equity securities	**(224.7)**	(266.1)	(39.1)
Purchases of fixed maturities and convertible fixed maturity investments	**(3,186.0)**	(2,434.1)	(2,825.7)
Purchases of consolidated and unconsolidated affiliates, net of cash acquired	**27.5**	-	(9.1)
Net change in unsettled investment purchases and sales	**38.4**	(12.2)	(17.3)
Other, net	**4.4**	(9.2)	(7.6)
Net cash provided from (used for) investing activities	**17.9**	80.1	(48.5)
Cash flows from financing activities:			
Capital contribution from parent	**20.0**	-	-
Contribution from sale of OneBeacon	**22.1**	-	-
Issuance of debt, net of issuance costs	**392.4**	-	-
Repayment of debt	**(405.6)**	-	-
Collateral provided by interest rate cap counterparties	**(0.5)**	(2.4)	(6.5)
Cash dividends paid on common shares	**(20.0)**	(48.0)	(65.4)
Cash dividends paid on preference shares	**(18.8)**	(18.8)	(18.8)
Other, net	**0.8**	-	-
Net cash used for financing activities	**(9.6)**	(69.2)	(90.7)
Effect of exchange rate changes on cash	**(9.4)**	(4.5)	(14.3)
Net (decrease) increase in cash during year	**(4.4)**	30.5	19.7
Cash balance at beginning of year	**141.5**	111.0	91.3
Cash balance at end of year	**$ 137.1**	$ 141.5	$ 111.0

See Notes to Consolidated Financial Statements.

NOTE 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements at December 31, 2016, have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and include the accounts of Sirius International Group, Ltd. (the "Company" or "SIG") and its subsidiaries (collectively with the Company, "Sirius Group") and other entities required to be consolidated under GAAP. The Company is a direct wholly owned subsidiary of Sirius International Holdings, Ltd. ("S.I. Holdings, Ltd.") and an indirect wholly owned subsidiary of Sirius International Insurance Group, Ltd. ("Sirius Ltd."), each a Bermuda company. All the issued and outstanding capital stock of Sirius Ltd. was purchased on April 18, 2016 by CM International Holding Pte. Ltd ("CMIG International"), a Singapore Holding Company, through its Bermuda holding company CM Bermuda Ltd. ("CM Bermuda"), from White Mountains Insurance Group, Ltd. ("White Mountains"). Sirius Group has not elected to apply pushdown accounting after being acquired by CMIG International. The Company is an exempted Bermuda limited liability company whose wholly-owned subsidiaries provide insurance and reinsurance on a worldwide basis. Sirius Group provides insurance and reinsurance products for property, accident and health, aviation and space, trade credit, marine, agriculture and certain other exposures on a worldwide basis through its subsidiaries, Sirius Bermuda Insurance Company Ltd. ("Sirius Bermuda"), Sirius International Insurance Corporation ("Sirius International"), Sirius America Insurance Company ("Sirius America"), and Lloyd's Syndicate 1945 ("Syndicate 1945"). Sirius Group also specializes in the acquisition and management of runoff insurance and reinsurance companies both in the United States and internationally through Sirius Global Solutions Holding Company ("Sirius Global Solutions").

Sirius Bermuda is an insurance and reinsurance company domiciled in Bermuda with its home office in Hamilton, Bermuda.

Sirius International is an insurance and reinsurance company domiciled in Sweden with its home office in Stockholm, Sweden; and branch offices or subsidiaries in London, United Kingdom; Zurich, Switzerland; Singapore; Labuan, Malaysia; Sydney, Australia; Liege, Belgium; Hamburg, Germany; and Hamilton, Bermuda.

Sirius America is an insurance and reinsurance company domiciled in the state of New York with offices in New York, New York; Norwalk, Connecticut; Miami, Florida; and Toronto, Ontario.

Syndicate 1945 is a Lloyd's of London syndicate that Sirius Group sponsors and manages. Syndicate 1945 writes a diverse mix of business, including, accident and health, contingency (which principally covers the occurrence or non-occurrence of insured events, such as event cancellation or prize redemption), bloodstock (which principally covers the value of an animal if it dies as a result of accident, disease or illness), terrorism, marine energy and cargo lines. Syndicate 1945 wrote premiums of $166.7 million, $123.4 million, and $108.9 million during 2016, 2015, and 2014, respectively. Lloyd's approved stamp capacity for Syndicate 1945 in 2017 is £108.4 million, or approximately $134.3 million (based on the December 31, 2016 GBP to USD exchange rate).

Sirius Global Solutions, is a Connecticut-based division of Sirius Group specializing in the acquisition and management of runoff liabilities for insurance and reinsurance companies, both in the United States and internationally. Sirius Group can derive value from these acquisitions not only from the discounted purchase price, but also from the investment income on insurance float, the potential settlement of claims below the carried level of reserves and the harvesting of other embedded assets, including the value of shell companies and licenses. Since its formation in 2000, Sirius Global Solutions has executed 13 transactions involving 18 companies, which have resulted in approximately $185 million of cumulative after-tax income through December 31, 2016.

All significant intercompany transactions have been eliminated in consolidation. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation.

Marketing and Distribution

Sirius Group obtains most of its reinsurance submissions from reinsurance intermediaries that represent the ceding company. During the years ended December 31, 2016, 2015, and 2014, Sirius Group received a large portion of its gross reinsurance premiums written from three major, third-party reinsurance intermediaries as detailed in the following table:

	Year Ended December 31,		
Gross written premium by intermediary	**2016**	2015	2014
AON Re/Benfield	**22%**	24	26
Guy Carpenter	**18**	18	19
Willis Re	**8**	9	10
Total	**48%**	51%	55%

During 2016, Sirius Group obtained $176.5 million, or 14%, of its gross written premiums through International Medical Group, Inc. ("IMG"), which is the largest agent writing medical business on Sirius Group's behalf. During 2015 and 2014, Sirius Group received 15% and 11% of its gross written premiums through IMG, respectively.

Geographic Concentration

The following table shows Sirius Group's net written premiums by geographic region based on the location of the ceding company for the years ended December 31, 2016, 2015, and 2014:

Geographic region	Year Ended December 31,		
Millions	**2016**	2015	2014
United States	**$ 463.0**	$ 397.5	$ 402.6
Europe	**258.9**	241.9	277.7
Canada, the Caribbean, Bermuda and Latin America	**88.3**	101.2	99.8
Asia and Other	**127.9**	107.0	102.4
Total	**$ 938.1**	$ 847.6	$ 882.5

Sirius Group conducts a significant portion of its business outside of the United States. As a result, a significant portion of Sirius Group's assets, liabilities, revenues and expenses are denominated in currencies other than the U.S. dollar and are therefore subject to foreign currency risk. Sirius Group's foreign currency risk cannot be eliminated entirely and significant changes in foreign exchange rates may adversely affect Sirius Group's results of operations and financial condition.

Sirius Group's foreign operations are subject to legal, political, and operational risks that may be greater than those present in the United States. As a result, certain of Sirius Group's operations at these foreign locations could be temporarily or permanently disrupted.

Significant Accounting Policies

Investment Securities

As of December 31, 2016, Sirius Group's invested assets consisted of securities and other investments held for general investment purposes. Sirius Group's portfolio of fixed maturity investments and common equity securities held for general investment purposes are classified as trading and are reported at fair value as of the balance sheet date. Changes in unrealized gains and losses are reported pre-tax in revenues. Realized investment gains and losses are accounted for using the specific identification method and are reported pre-tax in revenues. Premiums and discounts on all fixed maturity investments are amortized and accreted to income over the anticipated life of the investment.

Sirius Group's invested assets that are measured at fair value include fixed maturity investments, common and preferred equity securities, convertible fixed maturity and preferred investments, and other long-term investments, such as interests in hedge funds and private equities. In determining its estimates of fair value, Sirius Group uses a variety of valuation approaches and inputs. Whenever possible, Sirius Group estimates fair value using valuation methods that maximize the use of quoted prices and other observable inputs.

As of both December 31, 2016 and 2015, approximately 96% and 98% of the investment portfolio recorded at fair value was priced based upon quoted market prices or other observable inputs. Investments valued using Level 1 inputs include fixed maturities, primarily investments in U.S. Treasuries, common equities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs comprise fixed maturities including corporate debt, state and other governmental debt, convertible fixed maturity and preferred investments, and mortgage and asset-backed securities. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Level 3 fair value estimates based upon unobservable inputs include Sirius Group's investments in certain debt securities, including asset-backed securities, and equity securities where quoted market prices are unavailable or are not considered reasonable. Sirius Group determines when transfers between levels have occurred as of the beginning of the period. Sirius Group uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, Sirius Group uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services used by Sirius Group have indicated that if no observable inputs are available for a security, they will not provide a price. In those circumstances, Sirius Group estimates the fair value using industry standard pricing models and observable inputs such as benchmark interest rates, market comparables, broker quotes, issuer spreads, bids, offers, credit rating prepayment speeds and other relevant inputs. Sirius Group performs procedures to validate the market prices obtained from the outside pricing sources. Such procedures, which cover substantially all of its fixed maturity investments include, but are not limited to, evaluation of model pricing methodologies and a review of the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from a different independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices, and a review of assumptions utilized by the pricing service for selected measurements on an ad hoc basis throughout the year. Sirius Group also performs back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price on an ad hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and $1.0 million from the expected price based on these procedures are considered outliers. Prices that have not changed from period to period and prices that have trended unusually compared to market conditions are also considered outliers.

In circumstances where the results of Sirius Group's review process do not appear to support the market price provided by the pricing services, Sirius Group challenges the price. During the past year Sirius Group did not issue any challenges with the pricing service. If Sirius Group cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question. The fair values of such securities are considered to be Level 3 measurements.

Sirius Group's investments in debt securities, including asset-backed securities, are generally valued using matrix and other pricing models. Key inputs include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage-backed and asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life.

Short-term investments consist of money market funds, certificates of deposit and other securities which, at the time of purchase, mature or become available for use within one year. Short-term investments are carried at amortized cost, which approximated fair value as of December 31, 2016 and 2015.

Other Long-term Investments

Other long-term investments consist primarily of hedge funds, private equity funds, other investments in limited partnerships and other private equity securities. Sirius Group has taken the fair value option for most of its investments in hedge funds, private equity funds, other limited partnership investments, and other private equity securities. For the investments for which Sirius Group has taken the fair value option, changes in fair value are reported in revenues on a pre-tax basis. For those other long-term investments for which Sirius Group has not made the fair value election, Sirius Group accounts for its interests under the equity method.

Derivative Financial Instruments

Sirius Group holds derivative financial instruments for both risk management and investment purposes. Sirius Group recognizes all derivatives as either assets or liabilities, measured at fair value, in the consolidated balance sheets. Changes in the fair value of derivative instruments are recognized in current period pre-tax income.

Interest Rate Cap

Sirius Group entered into an interest rate swap with two financial institutions where the Company paid an upfront premium and in return, will receive a series of quarterly payments based on 3-month LIBOR at time of payment. The Interest Rate Cap does not qualify for hedge accounting. It is recorded in other assets at fair value. Changes in fair value are recognized as unrealized gains or losses and are presented within other revenue. Collateral held is recorded within short-term investments with an equal amount recognized as a liability to return collateral. (See **Note 8.**)

Foreign Currency Swaps

In April 2015, Sirius Group executed two foreign currency swaps, each with a notional amount of $50.0 million, maturing in March, 2017. Under the first swap, Sirius Group pays Swedish krona and receives U.S. dollars. Under the second swap, Sirius Group pays Euros and receives U.S. dollars. The swaps, which were executed as part of Sirius Group's management of overall foreign currency exposure at Sirius Group, have not been designated or accounted for under hedge accounting. (See **Note 8.**)

Weather Derivatives

Sirius Group assumes liabilities related to weather and weather contingent risk management products. All of the products are in the form of derivative financial instruments. Sirius Group enters into weather and weather contingent derivative contracts with the objective of generating profits in normal climatic conditions. Accordingly, Sirius Group’s weather and weather contingent derivatives are not designed to meet the criteria for hedge accounting under GAAP. The majority of Sirius Group’s business consists of receiving a payment or premium at the contract inception in exchange for bearing the risk of variations in a quantifiable weather index. Sirius Group initially recognizes the premium paid or received as an asset or liability, respectively, and recognizes any subsequent changes in fair value, as they occur, in other revenue within the income statement. The fair value for Sirius Group’s derivative financial contracts are based upon quoted market prices, where available. Where quoted market prices are not available, management uses available market data and internal pricing models based upon consistent statistical methodologies to estimate the fair value. (See **Note 8**.)

Cash

Cash includes amounts on hand and demand deposits with banks and other financial institutions. Amounts presented in the statement of cash flows are shown net of balances acquired and sold in the purchase or sale of the Company’s consolidated subsidiaries and exclude changes in amounts of restricted cash. (See **Note 11**.)

Insurance and Reinsurance Operations

Sirius Group accounts for insurance and reinsurance policies that it writes in accordance with ASC 944. Premiums written are recognized as revenues and are earned ratably over the term of the related policy or reinsurance treaty. Unearned premiums represent the portion of premiums written that are applicable to future insurance or reinsurance coverage provided by policies or treaties in force. Sirius Group charges fees on certain of its insurance policies.

Deferred acquisition costs represent commissions, premium taxes, brokerage expenses, and other costs which are directly attributable to and vary with the production of business. These costs are deferred and amortized, to the extent they relate to successful contract acquisitions, over the applicable premium recognition period as insurance and reinsurance acquisition expenses. Amortization of deferred acquisition costs are presented within insurance and reinsurance acquisition expenses. Deferred acquisition costs are limited to the amount expected to be recovered from future earned premiums and anticipated investment income. This limitation is referred to as a premium deficiency. A premium deficiency is recognized if the sum of expected loss and loss adjustment expenses ("LAE"), expected dividends to policyholders, unamortized acquisition costs, and maintenance costs exceeds related unearned premiums and anticipated investment income. A premium deficiency is recognized by charging any unamortized acquisition costs to expense to the extent required in order to eliminate the deficiency. If the premium deficiency exceeds unamortized acquisition costs then a liability is accrued for the excess deficiency.

Losses and LAE are charged against income as incurred. Unpaid insurance losses and LAE are based on estimates (generally determined by claims adjusters, legal counsel and actuarial staff) of the ultimate costs of settling claims, including the effects of inflation and other societal and economic factors. Unpaid reinsurance losses and LAE are based primarily on reports received from ceding companies and actuarial projections. Unpaid loss and LAE reserves represent management's best estimate of ultimate losses and LAE, net of estimated salvage and subrogation recoveries, if applicable. Such estimates are regularly reviewed and updated and any resulting adjustments are reflected in current operations. The process of estimating loss and LAE involves a considerable degree of judgment by management and the ultimate amount of expense to be incurred could be considerably greater than or less than the amounts currently reflected in the financial statements.

Sirius Group enters into ceded reinsurance contracts from time to time to protect its businesses from losses due to concentration of risk, to manage their operating leverage ratios and to limit losses arising from catastrophic events. Such reinsurance contracts are executed through excess of loss treaties and catastrophe contracts under which the reinsurer indemnifies for a specified part or all of certain types of losses over stipulated amounts arising from any one occurrence or event. Sirius Group has also entered into quota share treaties with reinsurers under which all risks meeting prescribed criteria are covered on a pro-rata basis. The amount of each risk ceded by Sirius Group is subject to maximum limits which vary by line of business and type of coverage.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. The collectability of reinsurance recoverables is subject to the solvency of the reinsurers. Sirius Group is selective in regard to its reinsurers, principally placing reinsurance with those reinsurers with a strong financial condition, industry ratings, and underwriting ability. Management monitors the financial condition and ratings of its reinsurers on an ongoing basis.

Reinsurance premiums, commissions, expense reimbursements, and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to other companies are reported as a reduction of premiums written. Expense allowances received in connection with reinsurance ceded have been accounted for as a reduction of the related policy acquisition costs and are deferred and amortized accordingly. Funds held by ceding companies represent amounts due to Sirius Group in connection with certain assumed reinsurance agreements in which the ceding company retains a portion of the premium to provide security against future loss payments. The funds held by ceding companies are generally invested by the ceding company and a contractually agreed interest amount is credited to Sirius Group and recognized as investment income. Funds held under insurance and reinsurance contracts represent contractual payments due to Sirius Group that have been retained to secure such obligations. Such amounts are recorded as liabilities in the consolidated financial statements.

Accruals for contingent commission liabilities are established for reinsurance contracts that provide for the stated commission percentage to increase or decrease based on the loss experience of the contract. Changes in the estimated liability for such arrangements are recorded as contingent commissions. Accruals for contingent commission liabilities are determined through the review of the contracts that have these adjustable features and are estimated based on expected loss and LAE.

Insurance-related Assessments

Under existing guaranty fund laws in the United States, insurers licensed to do business in those states can be assessed for certain obligations of insolvent insurance companies to policyholders and claimants. Sirius Group records guaranty fund assessments when it is probable that an assessment will be made and the amount can be reasonably estimated.

Deferred Software Costs

Sirius Group capitalizes costs related to computer software developed for internal use during the application development stage of software development projects. These costs generally consist of certain external, payroll and payroll-related costs. Sirius Group begins amortization of these costs once the project is completed and ready for its intended use. Amortization is on a straight-line basis and over a useful life of three to five years. As of December 31, 2016 and 2015, Sirius Group had unamortized deferred software costs of $8.1 million and $9.7 million.

Commission and Other Revenue Recognition

Sirius Group recognizes agent commissions and other revenues when it has fulfilled all of its obligations necessary to earn the revenue and when it can both reliably estimate the amount of revenue, net of any amounts expected to be uncollectible, and any amounts associated with expected cancellations.

Federal and Foreign Income Taxes

Some of Sirius Group's subsidiaries file consolidated tax returns in the United States. Income earned or losses generated by companies outside the United States are generally subject to an overall effective tax rate lower than that imposed by the United States.

Deferred tax assets and liabilities are recorded when a difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes exists, and for other temporary differences. The deferred tax asset or liability is recorded based on tax rates expected to be in effect when the difference reverses. The deferred tax asset is recognized when it is more likely than not that it will be realized.

Foreign Currency Exchange

The U.S. dollar is the functional currency for Sirius Group's businesses except for Sirius International, Syndicate 1945, and the Canadian reinsurance operations of Sirius America. Sirius Group also invests in securities denominated in foreign currencies. Assets and liabilities recorded in these foreign currencies are translated into U.S. dollars at exchange rates in effect at the balance sheet date, and revenues and expenses are converted using the average exchange rates for the period. Net foreign exchange gains and losses arising from the translation of functional currencies are generally reported in shareholders' equity, in accumulated other comprehensive income or loss.

Assets and liabilities relating to foreign operations are translated into the functional currency using current exchange rates; revenues and expenses are translated into the functional currency using the weighted average exchange rate for the period. The resulting exchange gains and losses are reported as a component of net income in the period in which they arise. As of December 31, 2016 and 2015, Sirius Group had unrealized foreign currency translation losses of $211.6 million and $144.3 million recorded in accumulated other comprehensive income on its consolidated balance sheet.

The following rates of exchange for the U.S. dollar have been used for the most significant operations:

Currency	Opening Rate 2016	Closing Rate 2016	Opening Rate 2015	Closing Rate 2015
Swedish kronor	**8.4247**	**9.0549**	7.7737	8.4247
British pound	**0.6757**	**0.8074**	0.6426	0.6757
Euro	**0.9189**	**0.9479**	0.8245	0.9189
Canadian dollar	**1.3859**	**1.3432**	1.1591	1.3859

A summary of the impact of foreign currency translation on Sirius Group's consolidated financial results for the years ended December 31, 2016, 2015, and 2014 follows:

	Year Ended December 31,		
Millions	2016	2015	2014
Net realized investment gains - foreign currency[1]	**$ 49.9**	$ 70.6	$ 25.5
Net unrealized investment (losses) gains - foreign currency[2]	**(7.5)**	(15.4)	125.0
Net realized and unrealized investment gains - foreign currency	**42.4**	55.2	150.5
Other revenue - foreign currency translation (losses) gains	**(17.5)**	(18.1)	(56.6)
Other revenue - currency swaps	**6.6**	(0.1)	-
Income tax expense	**2.4**	(0.2)	(4.0)
Total foreign currency translation gains (losses) recognized through net income, after tax	**33.9**	36.8	89.9
Change in foreign currency translation on investments recognized through other comprehensive income, after tax	**(83.1)**	(110.7)	(274.3)
Change in foreign currency translation on non-investment net liabilities recognized through other comprehensive income, after tax	**15.8**	45.3	106.4
Total foreign currency translation (losses) gains recognized through other comprehensive income, after tax	**(67.3)**	(65.4)	(167.9)
Total foreign currency (losses) gains recognized through comprehensive income, after tax	**$ (33.4)**	$ (28.6)	$ (78.0)

[1] Component of net realized investment gains on the income statement.

[2] Component of net unrealized investment (losses) gains on the income statement.

Intangible Assets

Intangible assets consist solely of insurance licenses with indefinite lives. Intangible assets with indefinite lives are not amortized, but rather are evaluated for impairment on at least an annual basis. Sirius Group did not recognize any impairment losses for intangible assets for any years ended December 31, 2016, 2015, and 2014. The carrying value of intangible assets as of December 31, 2016 and 2015, was $5.0 million and $10.2 million, respectively.

Non-controlling Interest

Non-controlling interests consist of the ownership interests of non-controlling shareholders in consolidated subsidiaries, and are presented separately on the balance sheet. The portion of comprehensive income attributable to non-controlling interests is presented net of related income taxes in the statement of operations and comprehensive income.

Variable Interest Entities

Sirius Group consolidates a variable interest entity ("VIE") when it has both the power to direct the activities of the VIE that most significantly impact its economic performance and either the obligation to absorb losses or the right to receive returns from the VIE that could potentially be significant to the VIE.

Preference Shares

On May 24, 2007, the Company issued $250.0 million in non-cumulative perpetual preference shares with a $1,000 per share liquidation preference (the "SIG Preference Shares"), and received $245.7 million of proceeds, net of $4.3 million of issuance costs and commissions. These shares were issued in an offering that was exempt from the registration requirements of the Securities Act of 1933. Holders of the SIG Preference Shares receive dividends semi-annually on a non-cumulative basis, when and if declared by the Company, on June 30 and December 31 of each year. The holders of the SIG Preference Shares have the right to elect two directors to the Company's board in the event of non-payment of dividends for six quarterly dividend periods. The right ceases upon the payment of dividends for four quarterly periods or the redemption of the SIG Preference Shares. In addition, the Company may not declare or pay dividends on its common shares (other than stock dividends and dividends paid for purposes of any employee benefit plans of the Company and its subsidiaries) unless it is current on its most recent dividend period. The dividend rate is fixed at an annual rate of 7.506% until June 30, 2017. After June 30, 2017, the dividend rate will be paid at a floating annual rate, equal to the greater of 3-month LIBOR plus 320 basis points or 7.506%. The SIG Preference Shares are redeemable solely at the discretion of the Company on or after June 30, 2017 at their liquidation preference of $1,000 per share, plus any declared but unpaid dividends.

In July 2013, SIG executed a 5-year forward LIBOR cap (the "Interest Rate Cap") for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period. The Interest Rate Cap economically fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The Interest Rate Cap is recorded in other assets at fair value. Changes in fair value are recorded in other revenue.

Prior to June 30, 2017, the Company may elect to redeem the SIG Preference Shares at an amount equal to the greater of 1) the aggregate liquidation preference of the shares to be redeemed and 2) the sum of the present values of the aggregate liquidation preference of the shares to be redeemed and the remaining scheduled dividend payments on the shares to be redeemed (excluding June 30, 2017), discounted to the redemption date on a semi-annual basis at a rate equal to the rate on a comparable treasury issue plus 45 basis points.

In the event of liquidation of the Company, the holders of the SIG Preference Shares would have preference over the common shareholders and would receive a distribution equal to the liquidation preference per share, subject to availability of funds.

Recently Adopted Changes in Accounting Principles

Business Combinations – Measurement Period Adjustments

Effective January 1, 2016, Sirius Group adopted ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which requires adjustments to provisional amounts recorded in connection with a business combination that are identified during the measurement period to be recorded in the reporting period in which the adjustment amounts are determined, rather than as retroactive adjustments to prior periods. Sirius Group has not recognized any adjustments to estimated purchase accounting amounts for the year ended December 31, 2016 and accordingly, there was no effect to Sirius Group's financial statements upon adoption.

Fair Value Measurements

On January 1, 2016, Sirius Group adopted ASU 2015-07, *Fair Value Measurement - Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* (ASC 820), which eliminates the requirement to disclose the fair value hierarchy level for investments for which fair value is measured at net asset value using the practical expedient in ASC 820. Sirius Group measures the fair value of its investments in hedge funds and private equity funds using this practical expedient. Upon adoption, these fair value measurements are no longer classified within the fair value hierarchy. Prior year amounts have been modified to conform to the current year's disclosures.

Amendments to Consolidation Analysis

On January 1, 2016, Sirius Group adopted ASU 2015-02, *Amendments to the Consolidation Analysis* (ASC 810) which amends the guidance for determining whether an entity is a variable interest entity ("VIE"). ASU 2015-02 eliminates the separate consolidation guidance for limited partnerships and, with it, the presumption that a general partner should consolidate a limited partnership. In addition, ASU 2015-02 changes the guidance for determining if fee arrangements qualify as variable interests and the effect fee arrangements have on the determination of the primary beneficiary. Adoption of ASU 2015-02 did not affect the consolidation analysis for any of Sirius Group's investments.

Share-Based Compensation Awards

On January 1, 2016, Sirius Group adopted ASU 2014-12, *Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASC 718). The new guidance requires that a performance target that affects vesting and that can be achieved after the requisite service period be treated as a performance condition. Compensation cost is to be recognized in the period when it becomes probable the performance target will be achieved in an amount equal to the compensation cost attributable to the periods for which service has been rendered. Adoption did not have an effect on Sirius Group's financial position, results of operations, cash flows, presentation or disclosures.

Debt Issuance Costs

On January 1, 2016, Sirius Group adopted ASU 2015-03, *Imputation of Interest* (ASC 835), which requires debt issuance costs to be presented as a deduction from the carrying amount of the related debt, consistent with the treatment required for debt discounts. The new guidance requires amortization of debt issuance costs to be classified within interest expense and also requires disclosure to the debt's effective interest rate. Sirius Group has applied the guidance retrospectively and as a result has reclassified $0.5 million of unamortized debt issuance costs from other assets to debt as of December 31, 2015, reflecting these amounts as a reduction from the related debt, and has modified its disclosures to include the required effective interest rate on its debt.

Pushdown Accounting

ASU 2014-17, *Pushdown Accounting*, became effective upon its issuance on November 18, 2014. The new guidance, gives an acquired non-public company the option to apply pushdown accounting in its separate company financial statements in the period in which it is acquired in a change of control transaction. Once pushdown accounting has been applied, the election is irreversible. Acquired entities that chose not to apply pushdown accounting at the time of acquisition may apply pushdown accounting in a subsequent period as a change in accounting principle under ASC 250, *Accounting Changes and Error Corrections*. Sirius Group has not had any acquisitions for which it has elected to apply pushdown accounting since ASU 2014-17 became effective. In addition, Sirius Group has not elected to apply pushdown accounting after being acquired by CMIG International.

Recent Accounting Pronouncements

Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash* (ASC 230). The new guidance adds and clarifies the classification and presentation of restricted cash in the statement of cash flows. The standard also requires a description of the nature of the changes in restricted cash and cash equivalents during the periods presented. The updated guidance in ASU 2016-18 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. Sirius Group is evaluating the expected impact of this new guidance.

In August 2016, the FASB issued ASU 2016-15*, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (ASC 230). This standard provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows, including among others, debt prepayment and extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims and distributions received from equity method investees. The standard also clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use of the underlying cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods. Sirius Group is currently assessing the impact of adoption this guidance will have on future financial statements and disclosures.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASC 326), which establishes new guidance for the recognition of credit losses for financial assets measured at amortized cost. The new ASU, which applies to financial assets that have the contractual right to receive cash, including reinsurance receivables, requires reporting entities to estimate the credit losses expected over the life of a credit exposure using historical information, current information and reasonable and supportable forecasts that affect the collectability of the financial asset. ASU 2016-13 is effective for annual periods beginning after January 1, 2020, including interim periods. Sirius Group is evaluating the expected impact of this new guidance.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842). The new guidance requires lessees to recognize lease assets and liabilities on the balance sheet for both operating and financing leases, with the exception of leases with an original term of 12 months or less. Under existing guidance recognition of lease assets and liabilities is not required for operating leases. The lease assets and liabilities to be recognized are both measured initially based on the present value of the lease payments. The new guidance is effective for Sirius Group for years beginning after December 15, 2018, including interim periods therein. Sirius Group is evaluating the expected impact of this new guidance and available adoption methods.

Financial Instruments - Recognition and Measurement

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASC 825-10). The new guidance requires all equity securities with readily determinable fair values to be measured at fair value with changes therein recognized through current period earnings. In addition, the new ASU requires a qualitative assessment for equity investments without readily determinable fair values to identify impairment, and for impaired equity security investments to be measured at fair value. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Sirius Group has taken the fair value election for its portfolio of equity security investments and, accordingly, does not expect the adoption of ASU 2016-01 to have a significant impact on its financial statements.

Short-Duration Contracts

In May 2015, the FASB issued ASU 2015-09, *Disclosures about Short Duration Contracts* (ASC 944), which requires expanded footnote disclosures about loss and loss adjustment expense (“LAE”) reserves. Under the new guidance, some disclosures currently presented outside of Sirius Group’s financial statements, such as loss development tables and a reconciliation of loss development data to the loss and LAE reserves reflected on the balance sheet, will become part of the financial statement footnotes. In addition, the loss development tables required to be presented under the new ASU must be presented on a disaggregated basis by accident year rather than by reporting year as currently presented. Some of the expanded disclosures are new requirements, such as the disclosure of reserves for losses incurred but not reported (“IBNR”) plus expected development on reported claims, which must be presented by accident year on a disaggregated basis. The new guidance also requires new disclosures about claim frequency data together with descriptions of the approach used to measure that data. Qualitative descriptions of methodologies and assumptions used to develop IBNR estimates must be presented together with the amounts of IBNR to which they relate, along with a discussion of any significant changes in methodology and assumptions and the related effect upon the loss reserves. The new guidance will be effective for annual periods beginning after December 15, 2016 and interim periods within annual periods beginning after December 15, 2017 with retrospective restatement of prior periods required. Sirius Group will modify its financial statement footnote disclosures to conform to the requirements of ASU 2015-09 upon adoption, including revisions to prior year’s disclosures.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606), which modifies the guidance for revenue recognition. The scope of the new ASU excludes insurance contracts but is applicable to certain fee arrangements as well as commissions and other non-insurance revenues. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (ASC 606), which delayed the effective date of ASU 2014-09 to annual and interim reporting periods beginning after December 15, 2017. Sirius Group is in the process of evaluating the new guidance and has not yet determined the potential effect of adoption on its financial position, results of operations, or cash flows, but does not expect the impact of the adoption of ASU 2015-14 to have a significant impact on its financial statements

NOTE 2. Significant Transactions

Sirius Group completed the following transactions:

- On May 17, 2016, Sirius Global Solutions and Florida Specialty Insurance Company partnered to form Florida Specialty Acquisition LLC ("Florida Specialty"). Sirius Global Solutions provided $15.8 million to acquire 100% of Florida Specialty's common shares. Florida Specialty acquired Mount Beacon Holdings, LLC and its subsidiaries including Mount Beacon Insurance Company ("Mount Beacon").

- On April 18, 2016, Sirius Group sold its investment in OneBeacon Insurance Group, Ltd. ("OneBeacon") at fair value to White Mountains for proceeds of $178.3 million in connection with the sale of Sirius Group to CMIG International and recorded $22.1 million of additional paid-in capital for the excess of fair value over the equity method carrying value of OneBeacon. (See **Note 12.**).

- On April 18, 2016, Sirius Global Solutions sold Ashmere Insurance Company to White Mountains for proceeds of $18.5 million in connection of the sale of Sirius Group from White Mountains.

- On February 1, 2016, Sirius Group sold its investment in Symetra Financial Corporation ("Symetra") for proceeds of $559.8 million, or $32.00 per share. (See **Note 12.**).

- On September 24, 2015, Sirius Global Solutions completed the sale of Woodridge to Sojourner Holding Co., which resulted in a gain of $1.0 million recorded in other revenue.

- On December 23, 2014, Sirius Group acquired 100% of Olympus Re for $11.5 million. Olympus Re was a Bermuda-domiciled insurance and reinsurance company that assumed property and marine business mainly from Sirius Group from 2001 to 2007 and has been in runoff since then. At acquisition, Sirius Group recognized total assets acquired of $24.6 million and total liabilities assumed of $13.1 million at their estimated fair values.

- On October 31, 2014, Sirius Global Solutions completed a loss portfolio transfer ("LPT") from the U.S. insurance subsidiary of a major international financial services company. Loss reserves and cash consideration of approximately $37 million were assumed by White Shoals Re.

- On January 2, 2014, Sirius Global Solutions completed the shell sale of Citation Insurance Company to CopperPoint Mutual Insurance Company, which resulted in a gain of $0.7 million recorded in other revenue.

NOTE 3. Reserves for Unpaid Losses and Loss Adjustment Expenses

Sirius Group establishes loss and LAE reserves that are estimates of future amounts needed to pay claims and related expenses for events that have already occurred. Sirius Group also obtains reinsurance whereby another reinsurer contractually agrees to indemnify Sirius Group for all or a portion of the reinsurance risks underwritten by Sirius Group. Such arrangements, where one reinsurer provides reinsurance to another reinsurer, are usually referred to as "retrocessional reinsurance" arrangements. Sirius Group establishes estimates of amounts recoverable from retrocessional reinsurance in a manner consistent with the loss and LAE liability associated with reinsurance contracts offered to its customers (the "ceding companies"), net of an allowance for uncollectible amounts. Net reinsurance loss reserves represent loss and LAE reserves reduced by retrocessional reinsurance recoverable on unpaid losses.

In addition to those risk factors which give rise to inherent uncertainties in establishing insurance loss and LAE reserves, the inherent uncertainties of estimating such reserves are even greater for the reinsurer, due primarily to: (1) the claim-tail for reinsurers and insurers working through managing general underwriters ("MGUs") being further extended because claims are first reported to either the original primary insurance company or the MGU and then through one or more intermediaries or reinsurers, (2) the diversity of loss development patterns among different types of reinsurance treaties, facultative contracts or direct insurance contracts, (3) the necessary reliance on the ceding companies, intermediaries and MGUs for information regarding reported claims and (4) the differing reserving practices among ceding companies and MGUs.

As with insurance reserves, the process of estimating reinsurance reserves involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain. Based on the above, such uncertainty may be larger relative to the reserves for a company that principally writes reinsurance compared to an insurance company, and certainty may take a longer time to emerge.

Upon notification of a loss from an insured (typically a ceding company), Sirius Group establishes case reserves, including LAE reserves, based upon Sirius Group's share of the amount of reserves established by the insured and Sirius Group's independent evaluation of the loss. In cases where available information indicates that reserves established by a ceding company are inadequate, Sirius Group establishes case reserves or incurred but not reported ("IBNR") in excess of its share of the reserves established by the ceding company. Also, in certain instances, Sirius Group may decide not to establish case reserves or IBNR, when the information available indicates that reserves established by ceding companies are not adequately supported. In addition, specific claim information reported by insureds or obtained through claim audits can alert management to emerging trends such as changing legal interpretations of coverage and liability, claims from unexpected sources or classes of business, and significant changes in the frequency or severity of individual claims where customary. Generally, ceding company audits are not customary outside the United States. This information is often used to supplement estimates of IBNR.

Although loss and LAE reserves are initially determined based on underwriting and pricing analyses, Sirius Group regularly reviews the adequacy of its recorded reserves by using a variety of generally accepted actuarial methods, including historical incurred and paid loss development methods. If actual loss activity differs substantially from expectations, an adjustment to recorded reserves may be warranted. As time passes, loss reserve estimates for a given year will rely more on actual loss activity and historical patterns than on initial assumptions based on pricing indications.

The actuarial methods are used to calculate a point estimate of loss and LAE reserves for each company within Sirius Group. These point estimates are then aggregated to produce an actuarial point estimate for Sirius Group. Once a point estimate is established, Sirius Group's actuaries estimate loss reserve ranges to measure the sensitivity of the actuarial assumptions used to set the point estimates. These ranges are calculated from historical variations in loss ratios, payment and reporting patterns by class and type of business. Management then establishes an estimate for the carried loss and LAE reserves shown in the financial statement. The management selection is within the range of loss reserve estimates provided by SBDA's actuaries and typically above the actuarial point estimate.

Loss and Loss Adjustment Expense Reserve Summary

The following table summarizes the loss and LAE reserve activities of Sirius Group for the years ended December 31, 2016, 2015, and 2014:

	Year ended December 31,		
Millions	**2016**	2015	2014
Gross beginning balance	**$ 1,644.4**	$ 1,809.8	$ 2,025.0
Less beginning reinsurance recoverable on unpaid losses	**(283.1)**	(322.2)	(347.9)
Net loss and LAE reserve balance	**1,361.3**	1,487.6	1,677.1
Loss and LAE reserves acquired (1)	**9.8**	-	45.4
Losses and LAE incurred relating to:			
Current year losses	**583.0**	473.9	443.3
Prior years losses	**(63.7)**	(51.2)	(98.0)
Total net incurred losses and LAE	**519.3**	422.7	345.3
Accretion of fair value adjustment to net loss and LAE reserves	**0.5**	0.7	0.7
Foreign currency translation adjustment to net loss and LAE reserves	**(14.0)**	(27.2)	(36.0)
Loss and LAE paid relating to:			
Current year losses	**207.6**	162.4	142.7
Prior years losses	**340.7**	360.1	402.2
Total loss and LAE payments	**548.3**	522.5	544.9
Net ending balance	**1,328.6**	1,361.3	1,487.6
Plus ending reinsurance recoverable on unpaid losses	**291.5**	283.1	322.2
Gross ending balance	**$ 1,620.1**	$ 1,644.4	$ 1,809.8

(1) Loss and LAE reserves acquired in 2016 relate to Sirius Global Solutions' purchase of Mount Beacon. Loss and LAE reserves acquired in 2014 relate to Sirius Group's purchase of Olympus Re and loss portfolio transfer from a major international financial services company.

Loss and LAE development—2016

During the year ended December 31, 2016, Sirius Group had net favorable loss reserve development of $63.7 million. The major reductions in loss reserve estimates were recognized in the property ($25.1 million), aviation and space ($11.5 million), accident and health ($7.8 million) and marine ($7.2 million) lines. The decrease in property was driven primarily by reductions in the ultimate loss estimates for natural catastrophes that occurred between 2010 and 2015 due to less than expected claims activity. In addition, $5.4 million was due to IBNR reduction, as a write-off of an uncollectible premium balance due from a Venezuela insurer was recognized as a commission expense.

Loss and LAE development—2015

During the year ended December 31, 2015, Sirius Group had net favorable loss reserve development of $51.2 million. The major reductions in loss reserve estimates were recognized in the property ($25.6 million), and casualty and other runoff lines ($13.7 million). The decrease in property was driven primarily by reductions in the ultimate loss estimates for natural catastrophes that occurred between 2010 and 2014 due to less than expected claims activity.

Loss and LAE development – 2014

During the year ended December 31, 2014, Sirius Group had net favorable loss reserve development of $98.0 million. The major reductions in loss reserve estimates were recognized in property ($54.5 million), aviation and space ($12.6 million), accident and health ($13.1 million) lines and casualty ($12.7 million) lines, which included a $9.6 million increase in asbestos and environmental loss reserves. For the property loss estimates decrease, $24.0 million represented reduction of loss reserves previously held above the actuarial central estimate. This amount represented an IBNR provision established between 2010-2012 in response to the large catastrophe events, including the 2010 earthquake in Chile, the 2010/2011 earthquakes in New Zealand, the 2011 earthquake in Japan, and hurricane Sandy in 2012, and the inherent uncertainty associated with deriving initial loss estimates.

Fair value adjustment to loss and LAE reserves

In connection with purchase accounting for acquisitions, Sirius Group is required to adjust loss and LAE reserves and the related reinsurance recoverables to fair value on their respective acquired balance sheets. The net reduction to loss and LAE reserves is being recognized through an income statement charge ratably with and over the period the claims are settled. Sirius Group recognized $0.5 million, $0.7 million, and $0.7 million of such charges, recorded as loss and LAE during 2016, 2015, and 2014. As of December 31, 2016, the pre-tax un-accreted adjustment was $2.9 million.

Asbestos and Environmental Loss and Loss Adjustment Expense Reserve Activity

Sirius Group's reserves include provisions made for claims that assert damages from asbestos and environmental ("A&E") related exposures primarily at Sirius America. Asbestos claims relate primarily to injuries asserted by those who came in contact with asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up cost obligations, particularly as mandated by U.S. federal and state environmental protection agencies. In addition to the factors described above regarding the reserving process, Sirius Group estimates its A&E reserves based upon, among other factors, facts surrounding reported cases and exposures to claims, such as policy limits and deductibles, current law, past and projected claim activity and past settlement values for similar claims, as well as analysis of industry studies and events, such as recent settlements and asbestos-related bankruptcies. The cost of administering A&E claims, which is an important factor in estimating loss reserves, tends to be higher than in the case of non-A&E claims due to the higher legal costs typically associated with A&E claims.

Sirius Group's A&E exposure is primarily from reinsurance contracts written between 1974 through 1985 by acquired companies, mainly MONY Reinsurance Company, which was acquired in 1991 and Christiania General Insurance Company, which was acquired in 1996. The exposures are mostly higher layer excess of loss treaty and facultative coverages with relatively low limits exposed for each claim. In 2014, Sirius Group increased its net A&E exposure through the LPT from the U.S. insurance subsidiary of a major international financial services company. The acquisition added $22.9 million in net asbestos reserves and $2.1 million in net environmental reserves in 2014.

The acquisition of companies having modest portfolios of A&E exposure has been typical of several prior Sirius Global Solutions transactions and is likely to be an element of at least some future acquisitions. However, the acquisition of new A&E liabilities is undertaken only after careful due diligence and utilizing conservative reserving assumptions in relation to industry benchmarks. In the case of the portfolios acquired during 2014, the exposures arise almost entirely from old assumed reinsurance contracts having small limits of liability.

Sirius Group recorded an increase of $13.6 million, a decrease of $0.5 million and an increase of $8.0 million of asbestos-related incurred losses and LAE on its asbestos reserves in 2016, 2015, and 2014. The 2016 and 2014 incurred losses were primarily the result of management's monitoring of a variety of metrics including actual paid and reported claims activity as compared to the most recent in-depth analysis performed in 2012, net paid and reported survival ratios, peer comparisons, and industry benchmarks.

Sirius Group recorded $0.4 million, $3.0 million and $1.6 million of environmental losses in 2016, 2015, and 2014 on its already existing reserves.

Sirius Group's net reserves for A&E losses were $180.3 million and $189.7 million as of December 31, 2016 and 2015, respectively. Sirius Group's A&E three-year net paid survival ratio was approximately 8.3 years and 8.9 years as of December 31, 2016 and 2015.

Sirius Group's reserves for A&E losses as of December 31, 2016 represent management's best estimate of its ultimate liability based on information currently available. However, as case law expands, and medical and clean-up costs increase and industry settlement practices change, Sirius Group may be subject to asbestos and environmental losses beyond currently estimated amounts. Sirius Group cannot reasonably estimate at the present time loss reserve additions arising from any such future adverse developments and cannot be sure that allocated loss reserves will be sufficient to cover additional liability arising from any such adverse developments.

The following table summarizes reported A&E loss and LAE reserve activities (gross and net of reinsurance) for the years ended December 31, 2016, 2015, and 2014, respectively:

	2016		2015		2014	
Millions	**Gross**	**Net**	Gross	Net	**Gross**	**Net**
Asbestos:						
Beginning balance	**$ 193.5**	**$ 172.9**	$ 215.8	$ 192.8	$ 207.4	$ 178.7
Losses and LAE acquired	**-**	**-**	-	-	22.9	22.9
Incurred losses and LAE	**15.3**	**13.6**	(0.3)	(0.5)	7.4	8.0
Paid losses and LAE	**(21.8)**	**(20.1)**	(22.0)	(19.4)	(21.9)	(16.8)
Ending balance	**187.0**	**166.4**	193.5	172.9	215.8	192.8
Environmental:						
Beginning balance	**21.5**	**16.8**	22.7	17.4	20.4	15.2
Losses and LAE acquired	**-**	**-**	-	-	2.1	2.1
Incurred losses and LAE	**0.4**	**0.4**	3.0	3.0	1.6	1.6
Paid losses and LAE	**(3.4)**	**(3.3)**	(4.2)	(3.6)	(1.4)	(1.5)
Ending balance	**18.5**	**13.9**	21.5	16.8	22.7	17.4
Total asbestos and environmental:						
Beginning balance	**215.0**	**189.7**	238.5	210.2	227.8	193.9
Losses and LAE acquired	**-**	**-**	-	-	25.0	25.0
Incurred losses and LAE	**15.7**	**14.0**	2.7	2.5	9.0	9.6
Paid losses and LAE	**(25.2)**	**(23.4)**	(26.2)	(23.0)	(23.3)	(18.3)
Ending balance	**$ 205.5**	**$ 180.3**	$ 215.0	$ 189.7	$ 238.5	$ 210.2

NOTE 4. Third Party Reinsurance

In the normal course of business, Sirius Group's subsidiaries seek to limit losses that may arise from catastrophes or other events by reinsuring with third-party reinsurers. Sirius Group remains liable for risks reinsured in the event that the reinsurer does not honor its obligations under reinsurance contracts. The effects of reinsurance on Sirius Group's subsidiaries' written and earned premiums and on losses and LAE were as follows:

	Year ended December 31,		
Millions	**2016**	2015	2014
Written premiums:			
Direct	**$ 368.5**	$ 293.7	$ 208.7
Assumed	**900.5**	866.8	927.9
Gross written premiums	**1,269.0**	1,160.5	1,136.6
Ceded	**(330.9)**	(312.9)	(254.1)
Net written premiums	**$ 938.1**	$ 847.6	$ 882.5
Earned premiums:			
Direct	**$ 351.6**	$ 277.8	$ 200.2
Assumed	**877.7**	868.3	925.4
Gross earned premiums	**1,229.3**	1,146.1	1,125.6
Ceded	**(339.2)**	(299.1)	(251.7)
Net earned premiums	**$ 890.1**	$ 847.0	$ 873.9
Losses and LAE:			
Direct	**$ 216.9**	$ 151.3	$ 117.8
Assumed	**463.8**	391.9	378.1
Gross losses and LAE	**680.7**	543.2	495.9
Ceded	**(161.4)**	(120.5)	(150.6)
Net losses and LAE	**$ 519.3**	$ 422.7	$ 345.3

Sirius Group's reinsurance protection primarily consists of pro-rata and excess of loss protections to cover A&H, aviation, trade credit, energy & marine and property exposures. Attachment points and coverage limits vary by region around the world. Sirius Group's core proportional property reinsurance programs provide protection for parts of the non-proportional treaty accounts written in Europe, the Americas, Asia, the Middle East, and Australia. These reinsurance protections are designed to increase underwriting capacity where appropriate, and to reduce exposure both to large catastrophe losses and to a frequency of smaller loss events.

Sirius Group purchases excess of loss reinsurance protection for its facultative and direct property portfolios. The protection has been renewed at January 1, 2017 for business written in Stockholm and Hamburg, providing $32.5 million of protection in excess of $2.5 million. For the business written in the London branch and Syndicate 1945, an excess of loss reinsurance protection of $13.0 million in excess of two attachment points, one at $2.0 million and one at $4.0 million on a per risk basis is in place through March 31, 2017. For the London branch and Syndicate 1945 business, Sirius Group also has $2.5 million of protection in excess of retention of $7.5 million for the catastrophe exposed business, which is placed for 12 months at June 30, 2016. In excess of this, 85% of a $10.0 million protection for property catastrophe losses was purchased at January 1, 2017. In addition, at January 1, 2017, 85% of a $15.0 million worldwide protection for catastrophe losses is in place for the property and energy & marine business combined.

Sirius Group has in place excess of loss retrocessional coverage for its non-U.S. earthquake-related exposures. This cover was renewed for one year at April 1, 2016, now also including cover for Japanese exposures, providing $40.0 million of reinsurance protection in excess of Sirius Group's retention of $35.0 million and a further $35.0 million of coverage in excess of $75.0 million.

Sirius Group periodically purchases industry loss warranty ("ILW") contracts to augment its overall retrocessional program. Except for the ILW contracts, as described below purchased in conjunction with the CMIG sale, the following ILW contracts are currently in force:

Scope	Limit	Trigger	Expiration Date
European wind & flood	$5 million	$5 billion	March 31, 2017
European wind & flood	$5 million	$7.5 billion	March 31, 2017
European wind & flood	$7.5 million	$7.5 billion	April 30, 2017
European all natural perils	$15 million	$15 billion	May 31, 2017 (second event aggregate excess cover)
European wind & earthquake	$7.5 million	$5 - $7.5 billion	December 31, 2017
United States all natural peril	$5 million	$40 billion	April 20, 2017
United States all natural peril	$2 million	$40 billion	April 27, 2017
United States all natural peril	$3 million	$20 billion	June 30, 2017
United States, European, Japan wind & earthquake	$24 million	$5 - $10 billion	December 31, 2017 (multiple layer covers)

Sirius Group's aviation reinsurance program is intended to reduce exposure to a frequency of small losses, a single large loss, or a combination of both. For the proportional and facultative aviation portfolios, reinsurance protection purchase has been geared to cover losses from events that cause a market loss in excess of $150.0 million up to a full policy limit of $2.0 billion. This program is in place through October 2017. For the non-proportional aviation portfolio, reinsurance protection includes a 15% quota share treaty. In addition, the non-proportional portfolio is protected by ILWs totaling limits of $25.5 million. The ILWs attach at industry loss levels between $400.0 million and $1.0 billion.

For the marine yacht portfolio written by Syndicate 1945, reinsurance coverage is in place for $19.8 million in excess of a retention of $0.3 million. Also, an energy & marine excess of loss coverage for Syndicate 1945 is in place for $13.5 million in excess of retention of $1.5 million protecting both risk and catastrophe losses. For 2017, reinsurance coverage was placed for $6.5 million in excess of $1.0 million for the cargo account written in Syndicate 1945. Furthermore, from January 1, 2016, a new marine whole account protection has been placed for $7.5 million in excess of $7.5 million covering marine, energy, cargo, and terrorism written by Syndicate 1945. On top of the aforementioned whole account protection, an additional whole account coverage was placed in 2016 for $7.5 million in excess of all underlying protections covering property, marine & energy, cargo, and terrorism and this has now been renewed with an increased limit of $15.0 million at January 1, 2017.

For the accident and health account, Sirius Group has excess of loss protection covering personal accident and life of €10.0 million or approximately $10.6 million (based on the December 31, 2016 EUR to USD exchange rate) of protection in excess of a €5.0 million or approximately $5.3 million (based on the December 31, 2016 EUR to USD exchange rate) retention for the Stockholm, Hamburg, Liege and Singapore branches. Only 50% of this protection was placed at January 1, 2016 and the same level applies at January 1, 2017. In addition, Sirius America's direct insurance portfolio includes quota share reinsurance of various percentages.

For 2016, Sirius Group ceded a 60% quota share cession in respect of a specific trade credit acceptance. As of January 1, 2017, the quota share cession has been reduced to 16.6%.

For 2016, Sirius Group also ceded 30% of the direct contingency account written in the London branch and Syndicate 1945 on a proportional basis. The treaty was renewed at January 1, 2017 as well as the 20% variable quota share treaty cession for risks exceeding $10.0 million.

Almost all of Sirius Group's excess of loss reinsurance protections, excluding ILWs which tend to only cover one loss event, includes provisions that reinstate coverage at a cost of 100% or more of the original reinsurance premium.

In connection with the CMIG International acquisition, White Mountains required Sirius Group to purchase ILWs, referred to as the WTM Covers, to mitigate the potential impact of major natural catastrophe events on Sirius Group's balance sheet pending the close of the sale to CMIG International. The cost and potential economic benefit provided by the WTM Covers inure to White Mountains. All but one of these contracts expired in May or June 2016; the other was a United States second event cover for an industry loss at $15 billion with a limit of $5 million expired on July 15, 2016. Under the Stock Purchase Agreement ("SPA") between CMIG International and White Mountains, shortly after the sale of the Company, White Mountains paid Sirius Ltd. $16.5 million on a after-tax basis, which the Company recorded as paid-in capital.

The following table summarizes the WTM Covers purchased in connection with the CMIG International acquisition:

Scope	Limit	Industry Loss Trigger
United States first event	$75.0 million	$40.0 billion
United States first event	$22.5 million	$50.0 billion
United States second event	$45.0 million	$15.0 billion
Japan first event	$25.0 million	$12.5 billion

As of December 31, 2016, Sirius Group had $17.1 million of reinsurance recoverables on paid losses and $291.5 million of reinsurance recoverables on unpaid losses that will become recoverable if claims are paid in accordance with current reserve estimates. Because retrocessional reinsurance contracts do not relieve Sirius Group of its obligation to its insureds, the collectability of balances due from Sirius Group's reinsurers is critical to its financial strength. Sirius Group monitors the financial strength and ratings of retrocessionaires on an ongoing basis.

The following table provides a listing of Sirius Group's gross and net recoverable amounts by the reinsurer's Standard & Poor's Financial Services LLC ("Standard & Poor's") rating and the percentage of total recoverables at December 31, 2016:

Rating[(1)]		Gross		Collateral		Net	% of Net Total
AA	$	97.4	$	1.1	$	96.3	40%
A		139.7		20.3		119.4	49%
BBB+		3.5		3.2		0.3	0%
BBB or lower		7.3		5.4		1.9	1%
Not rated		60.7		37.1		23.6	10%
Total	$	308.6	$	67.1	$	241.5	100%

(1) Standard & Poor's ratings as detailed above are: "AA" (Very strong), "A" (Strong), and "BBB+" and "BBB" (Adequate).

NOTE 5. Investment Securities

Net Investment Income

Sirius Group's net investment income is comprised primarily of interest income associated with Sirius Group's fixed maturity investments, dividend income from its equity investments, and interest income from its short-term investments.

Pre-tax net investment income for 2016, 2015, and 2014 consisted of the following:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Investment income:			
Fixed maturity investments	**$ 57.9**	$ 45.0	$ 47.5
Short-term investments	**0.9**	2.2	1.4
Common equity securities	**4.1**	5.9	4.0
Convertible fixed maturity investments	**-**	0.1	0.8
Other long-term investments	**4.9**	(0.3)	1.0
Interest on funds held under reinsurance treaties	**(0.5)**	(0.5)	(0.1)
Total investment income	**67.3**	52.4	54.6
Investment expenses	**(10.9)**	(12.6)	(13.5)
Net investment income, pre-tax	**$ 56.4**	$ 39.8	$ 41.1

Net Realized and Unrealized Investment Gains (Losses)

Net realized and unrealized investment gains (losses) for 2016, 2015, and 2014 consisted of the following:

	Year Ended December 31,		
Millions	**2016**	**2015**	**2014**
Net realized investment gains, pre-tax	$ 288.1	$ 138.4	$ 65.0
Net unrealized investment (losses) gains, pre-tax	(238.2)	102.6	144.2
Net realized and unrealized investment gains, pre-tax	**49.9**	**241.0**	**209.2**
Income taxes attributable to realized and unrealized investment gains	(12.7)	(49.1)	(52.5)
Net realized and unrealized investment gains, after-tax	**$ 37.2**	**$ 191.9**	**$ 156.7**

Net realized investment gains

Net realized investment gains for 2016, 2015, and 2014 consisted of the following:

	Year Ended December 31, 2016		
Millions	Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains reflected in earnings
Fixed maturity investments	$ 12.8	$ 44.6	$ 57.4
Common equity securities	227.1	4.6	231.7
Convertible fixed maturity investments	-	-	-
Other long-term investments	(1.7)	0.7	(1.0)
Net realized investment gains (losses), pre-tax	**238.2**	**49.9**	**288.1**
Income taxes attributable to realized investment gains (losses)	(48.1)	(12.9)	(61.0)
Net realized investment gains (losses), after-tax	**$ 190.1**	**$ 37.0**	**$ 227.1**

	Year Ended December 31, 2015		
Millions	Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains reflected in earnings
Fixed maturity investments	$ 14.6	$ 60.0	$ 74.6
Common equity securities	51.2	9.6	60.8
Convertible fixed maturity investments	0.5	-	0.5
Other long-term investments	1.5	1.0	2.5
Net realized investment gains (losses), pre-tax	**67.8**	**70.6**	**138.4**
Income taxes attributable to realized investment gains (losses)	(19.9)	(16.9)	(36.8)
Net realized investment gains (losses), after-tax	**$ 47.9**	**$ 53.7**	**$ 101.6**

	Year Ended December 31, 2014		
Millions	Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains reflected in earnings
Fixed maturity investments	$ 18.3	$ 21.4	$ 39.7
Common equity securities	9.6	1.4	11.0
Convertible fixed maturity investments	-	-	-
Other long-term investments	11.6	2.7	14.3
Net realized investment gains (losses), pre-tax	**39.5**	**25.5**	**65.0**
Income taxes attributable to realized investment gains (losses)	(11.2)	(8.1)	(19.3)
Net realized investment gains (losses), after-tax	**$ 28.3**	**$ 17.4**	**$ 45.7**

Net unrealized investment (losses) gains

The following table summarizes the net unrealized investment (losses) gains and changes in the carrying value of investments measured at fair value:

	Year Ended December 31, 2016		
Millions	**Net unrealized gains (losses)**	**Net foreign currency gains (losses)**	**Total net unrealized gains (losses) reflected in earnings**
Fixed maturity investments	$ (14.5)	$ (10.6)	$ (25.1)
Common equity securities	(215.1)	0.5	(214.6)
Convertible fixed maturity investments	-	-	-
Other long-term investments	(1.1)	2.6	1.5
Net unrealized investment gains (losses), pre-tax	**(230.7)**	**(7.5)**	**(238.2)**
Income taxes attributable to unrealized investment gains (losses)	46.7	1.6	48.3
Net unrealized investment gains (losses), after-tax	**$ (184.0)**	**$ (5.9)**	**$ (189.9)**

	Year Ended December 31, 2015		
Millions	**Net unrealized gains (losses)**	**Net foreign currency gains (losses)**	**Total net unrealized gains (losses) reflected in earnings**
Fixed maturity investments	$ (33.0)	$ (13.0)	$ (46.0)
Common equity securities	167.6	(4.7)	162.9
Convertible fixed maturity investments	-	-	-
Other long-term investments	(16.6)	2.3	(14.3)
Net unrealized investment gains (losses), pre-tax	**118.0**	**(15.4)**	**102.6**
Income taxes attributable to unrealized investment gains (losses)	(16.3)	4.0	(12.3)
Net unrealized investment gains (losses), after-tax	**$ 101.7**	**$ (11.4)**	**$ 90.3**

	Year Ended December 31, 2014		
Millions	**Net unrealized gains (losses)**	**Net foreign currency gains (losses)**	**Total net unrealized gains (losses) reflected in earnings**
Fixed maturity investments	$ 18.0	$ 112.5	$ 130.5
Common equity securities	7.3	7.1	14.4
Convertible fixed maturity investments	-	-	-
Other long-term investments	(6.1)	5.4	(0.7)
Net unrealized investment gains (losses), pre-tax	**19.2**	**125.0**	**144.2**
Income taxes attributable to unrealized investment gains (losses)	(4.7)	(28.5)	(33.2)
Net unrealized investment gains (losses), after-tax	**$ 14.5**	**$ 96.5**	**$ 111.0**

Sirius Group recognized gross realized investment gains of $310.4 million, $154.3 million, and $75.3 million and gross realized investment losses of $22.4 million, $15.8 million, and $10.3 million on sales of investment securities during 2016, 2015, and 2014.

As of December 31, 2016 Sirius Group reported $7.6 million in accounts payable on unsettled investment purchases. No amount was reported for December 31, 2015.

As of December 31, 2015 Sirius Group reported $29.0 million in accounts receivable on unsettled investment sales. No amount was reported for December 31, 2016.

The following table summarizes the amount of total gains (losses) included in earnings attributable to unrealized investment gains (losses) for Level 3 investments for the years ended December 31, 2016, 2015, and 2014:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Fixed maturity investments	**$ (0.1)**	$ -	$ (0.6)
Common equity securities	**-**	6.6	4.9
Other long-term investments	**2.8**	(0.4)	(1.0)
Total unrealized investment gains, pre-tax - Level 3 investments	**$ 2.7**	$ 6.2	$ 3.3

The components of Sirius Group's net realized and unrealized investment gains (losses), after-tax, as recorded on the statements of operations and comprehensive income were as follows:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates, pre-tax	**$ -**	$ (35.4)	$ 72.0
Income tax benefit (expense)	**-**	2.9	(5.8)
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates, after-tax	**-**	(32.5)	66.2
Change in net unrealized foreign currency (losses) on investments through accumulated other comprehensive income, after-tax	**(83.1)**	(110.7)	(274.3)
Total investments (losses) through accumulated other comprehensive income, after-tax	**(83.1)**	(143.2)	(208.1)
Net realized and unrealized investment gains, after-tax	**37.2**	191.9	156.7
Total investment (losses) gains recorded during the period, after-tax	**$ (45.9)**	$ 48.7	$ (51.4)

Investment Holdings

The cost or amortized cost, gross unrealized investment gains (losses), net foreign currency gains (losses), and carrying values of Sirius Group's fixed maturity investments as of December 31, 2016 and 2015, were as follows:

	December 31, 2016				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Fixed maturity investments:					
Debt securities issued by corporations	$ 1,462.1	$ 8.7	$ (12.9)	$ 20.1	$ 1,478.0
Mortgage-backed and asset-backed securities	1,159.5	1.6	(13.9)	13.8	1,161.0
Foreign government, agency and provincial obligations	148.7	0.3	(1.7)	(0.8)	146.5
U.S. Government and agency obligations	84.8	-	(0.6)	5.2	89.4
Preferred stocks	10.2	0.3	-	0.3	10.8
Municipal obligations	1.0	-	-	-	1.0
Total fixed maturity investments	**$ 2,866.3**	**$ 10.9**	**$ (29.1)**	**$ 38.6**	**$ 2,886.7**

Millions	December 31, 2015 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Fixed maturity investments:					
Debt securities issued by corporations	$ 1,155.3	$ 11.7	$ (8.7)	$ 41.0	$ 1,199.3
Mortgage-backed and asset-backed securities	969.0	3.8	(4.1)	15.9	984.6
U.S. Government and agency obligations	125.0	-	(0.1)	0.1	125.0
Foreign government, agency and provincial obligations	44.5	0.1	(0.1)	-	44.5
Preferred stocks	4.2	0.2	-	0.2	4.6
Municipal obligations	1.0	-	-	-	1.0
Total fixed maturity investments	**$ 2,299.0**	**$ 15.8**	**$ (13.0)**	**$ 57.2**	**$ 2,359.0**

The weighted average duration of Sirius Group's fixed income portfolio as of December 31, 2016 was approximately 3.0 years, including short-term investments, and approximately 3.4 years excluding short-term investments.

The cost or amortized cost and carrying value of Sirius Group's fixed maturity investments and convertible fixed maturity investments as of December 31, 2016 is presented below by contractual maturity. Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties.

Millions	December 31, 2016 Cost or amortized cost	Carrying value
Due in one year or less	$ 116.3	$ 122.5
Due after one year through five years	1,155.0	1,171.2
Due after five years through ten years	398.4	394.8
Due after ten years	26.9	26.4
Mortgage-backed and asset-backed securities	1,159.5	1,161.0
Preferred stocks	10.2	10.8
Total	**$ 2,866.3**	**$ 2,886.7**

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of Sirius Group's common equity securities and other long-term investments as of December 31, 2016 and 2015, were as follows:

Millions	December 31, 2016 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	**$ 120.6**	**$ 0.1**	**$ (2.7)**	**$ -**	**$ 118.0**
Other long-term investments	**$ 115.8**	**$ 4.2**	**$ (2.1)**	**$ 6.9**	**$ 124.8**

Millions	December 31, 2015 Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	$ 515.7	$ 218.5	$ (5.9)	$ 1.8	$ 730.1
Other long-term investments	$ 72.3	$ 8.9	$ (7.7)	$ 4.7	$ 78.2

Proceeds from the sales and maturities of investments, excluding short-term investments, totaled $3,456.5 million, $2,663.1 million, and $3,031.5 million for the years ended December 31, 2016, 2015, and 2014.

Investments Held on Deposit or as Collateral

As of December 31, 2016 and 2015 investments of $406.0 million and $396.1 million, respectively, were held in trusts required to be maintained in relation to various reinsurance agreements. Sirius Group's consolidated reinsurance operations are required to maintain deposits with certain insurance regulatory agencies in order to maintain their insurance licenses. The fair value of such deposits which are included within total investments totaled $413.0 million and $371.0 million as of December 31, 2016 and 2015.

As of December 31, 2016, Sirius Group held $1.4 million of collateral in the form short-term investments associated with interest rate cap agreements. (See **Note 8**.)

Fair value measurements as of December 31, 2016

Fair value measurements are categorized into a hierarchy that distinguishes between inputs based on market data from independent sources ("observable inputs") and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable ("unobservable inputs"). Quoted prices in active markets for identical assets or liabilities have the highest priority ("Level 1"), followed by observable inputs other than quoted prices, including prices for similar but not identical assets or liabilities ("Level 2") and unobservable inputs, including the reporting entity's estimates of the assumptions that market participants would use, having the lowest priority ("Level 3").

Sirius Group used quoted market prices or other observable inputs to determine fair value for 96% of its investment portfolio. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, common equity securities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs are primarily comprised of fixed maturity investments, which have been disaggregated into classes, including debt securities issued by corporations, municipal obligations, mortgage and asset-backed securities, foreign government obligations and preferred stocks. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Investments valued using Level 2 inputs also include certain ETFs that track U.S. stock indices such as the S&P 500 but are traded on foreign exchanges and that management values using the fund's published NAV to account for the difference in market close times. Level 3 fair value estimates based upon unobservable inputs include Sirius Group's investments in certain debt securities, including asset-backed securities, and equity securities where quoted market prices are unavailable or are not considered reasonable. Sirius Group determines when transfers between levels have occurred as of the beginning of the period.

Sirius Group uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, Sirius Group uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services Sirius Group uses have indicated that they will only provide prices where observable inputs are available. In circumstances where quoted market prices are unavailable or are not considered reasonable, Sirius Group estimates the fair value using industry standard pricing models and observable inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, prepayment speeds, reference data including research publications, and other relevant inputs. Given that many fixed maturity investments do not trade on a daily basis, the outside pricing services evaluate a wide range of fixed maturity investments by regularly drawing parallels from recent trades and quotes of comparable securities with similar features. The characteristics used to identify comparable fixed maturity investments vary by asset type and take into account market convention.

Sirius Group's process to assess the reasonableness of the market prices obtained from the outside pricing sources covers substantially all of its fixed maturity investments and includes, but is not limited to, evaluation of model pricing methodologies, review of the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from different independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices and review of assumptions utilized by the pricing service for selected measurements on an ad hoc basis throughout the year. Sirius Group also performs back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price on an ad-hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and $1.0 million from the expected price based on these procedures are considered outliers. Also considered outliers are prices that haven't changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of Sirius Group's review process does not appear to support the market price provided by the pricing services, Sirius Group challenges the price. If Sirius Group cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question.

The valuation process above is generally applicable to all of Sirius Group's fixed maturity investments. The techniques and inputs specific to asset classes within Sirius Group's fixed maturity investments for Level 2 securities that use observable inputs are as follow:

Debt securities issued by corporations: The fair value of debt securities issued by corporations is determined from an evaluated pricing model that uses information from market sources and integrates relative credit information, observed market movements, and sector news. Key inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including sector, coupon, credit quality ratings, duration, credit enhancements, early redemption features, and market research publications.

Mortgage and asset-backed securities: The fair value of mortgage and asset-backed securities is determined from an evaluated pricing model that uses information from market sources and leveraging similar securities. Key inputs include benchmark yields, reported trades, underlying tranche cash flow data, collateral performance, plus new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including issuer, vintage, loan type, collateral attributes, prepayment speeds, default rates, recovery rates, cash flow stress testing, credit quality ratings, and market research publications.

Municipal obligations: The fair value of municipal obligations is determined from an evaluated pricing model that uses information from market makers, brokers-dealers, buy-side firms, and analysts along with general market information. Key inputs include benchmark yields, reported trades, issuer financial statements, material event notices and new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including type, coupon, credit quality ratings, duration, credit enhancements, geographic location, and market research publications.

Foreign government obligations: The fair value of foreign government obligations is determined from an evaluated pricing model that uses feeds from data sources in each respective country, including active market makers and inter-dealer brokers. Key inputs include benchmark yields, reported trades, broker-dealer quotes, two-sided markets, benchmark securities, bids, offers, local exchange prices, foreign exchange rates and reference data including coupon, credit quality ratings, duration, and market research publications.

Preferred stocks: The fair value of preferred stocks is determined from an evaluated pricing model that calculates the appropriate spread over a comparable security for each issue. Key inputs include exchange prices (underlying and common stock of same issuer), benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including sector, coupon, credit quality ratings, duration, credit enhancements, early redemption features, and market research publications.

Level 3 valuations are generated from techniques that use assumptions not observable in the market. These unobservable assumptions reflect Sirius Group's assumptions that market participants would use in valuing the investment. Generally, certain securities may start out as Level 3 when they are originally issued but as observable inputs become available in the market, they may be reclassified to Level 2.

Sirius Group employs a number of procedures to assess the reasonableness of the fair value measurements for its other long-term investments, including obtaining and reviewing the audited annual financial statements of hedge funds and private equity funds and periodically discussing each fund's pricing with the fund manager. However, since the fund managers do not provide sufficient information to evaluate the pricing inputs and methods for each underlying investment, the inputs are considered to be unobservable. Accordingly, the fair values of Sirius Group's investments in hedge funds and private equity funds have been classified as Level 3 measurements. The fair value of Sirius Group's investments in hedge funds and private equity funds has been determined using net asset value.

Fair Value Measurements by Level

The following tables summarize Sirius Group's fair value measurements for investments as of December 31, 2016 and 2015 by level. The major security types were based on the legal form of the securities. Sirius Group has disaggregated its fixed maturity investments based on the issuing entity type, which impacts credit quality, with debt securities issued by U.S. government entities carrying minimal credit risk, while the credit and other risks associated with other issuers, such as corporations, foreign governments, municipalities or entities issuing asset-backed securities vary depending on the nature of the issuing entity type. Sirius Group further disaggregates debt securities issued by corporations and equity securities by industry sector because investors often reference commonly used benchmarks and their subsectors to monitor risk and performance. Accordingly, Sirius Group has further disaggregated these asset classes into subclasses based on the similar sectors and industry classifications it uses to evaluate investment risk and performance against commonly used benchmarks, such as the Barclays Intermediate Aggregate and S&P 500 indices.

	December 31, 2016			
Millions	**Fair value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Fixed maturities:				
U.S. Government and agency obligations	$ 89.4	$ 86.2	$ 3.2	$ -
Debt securities issued by corporations:				
Consumer	340.0	-	340.0	-
Financials	557.8	-	557.8	-
Industrial	145.9	-	145.9	-
Communications	116.5	-	116.5	-
Energy	168.9	-	168.9	-
Health Care	-	-	-	-
Utilities	57.8	-	57.8	-
Materials	22.8	-	22.8	-
Technology	68.3	-	68.3	-
Total debt securities issued by corporations:	1,478.0	-	1,478.0	-
Mortgage-backed and asset-backed securities	1,161.0	-	1,142.6	18.4
Foreign government, agency and provincial obligations	146.5	18.1	128.4	-
Preferred stocks	10.8	-	1.8	9.0
Municipal obligations	1.0	-	1.0	-
Total fixed maturity investments	2,886.7	104.3	2,755.0	27.4
Short-term investments	504.6	465.3	39.3	-
Common equity securities:				
Financials	0.5	0.5	-	-
Exchange Traded Funds	117.5	117.5	-	-
Total common equity securities	118.0	118.0	-	-
Convertible fixed maturity investments	-	-	-	-
Other long-term investments	39.4	-	-	39.4
Total investments	**$ 3,548.7**	**$ 687.6**	**$ 2,794.3**	**$ 66.8**

(1) Excludes carrying value of $85.4 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

	December 31, 2015			
Millions	**Fair value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Fixed maturities:				
U.S. Government and agency obligations	$ 125.0	$ 125.0	$ -	$ -
Debt securities issued by corporations:				
Consumer	314.2	-	314.2	-
Financials	202.4	-	202.4	-
Industrial	131.9	-	131.9	-
Communications	163.4	-	163.4	-
Energy	124.6	-	124.6	-
Health Care	117.1	-	117.1	-
Utilities	82.1	-	82.1	-
Materials	40.9	-	40.9	-
Technology	22.7	-	22.7	-
Total debt securities issued by corporations:	1,199.3	-	1,199.3	-
Mortgage-backed and asset-backed securities	984.6	-	984.6	-
Foreign government, agency and provincial obligations	44.5	16.2	28.3	-
Preferred stocks	4.6	-	1.6	3.0
Municipal obligations	1.0	-	1.0	-
Total fixed maturity investments	2,359.0	141.2	2,214.8	3.0
Short-term investments	323.2	321.3	1.9	-
Common equity securities:				
Financials	557.6	557.6	-	-
Exchange Traded Funds	172.5	172.5	-	-
Total common equity securities	730.1	730.1	-	-
Convertible fixed maturity investments	-	-	-	-
Other long-term investments[(1) (2)]	28.6	-	-	28.6
Total investments	**$ 3,440.9**	**$ 1,192.6**	**$ 2,216.7**	**$ 31.6**

(1) Excludes carrying value of $3.8 associated with other long-term investment limited partnerships accounted for using the equity method.

(2) Excludes carrying value of $45.8 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

Debt Securities Issued by Corporations

The following table summarizes the ratings and fair value of the corporate debt securities held in Sirius Group's investment portfolio as of December 31, 2016 and 2015:

	Fair Value at December 31,	
Millions	**2016**	2015
AA	$ 370.4	$ 124.0
A	478.1	362.3
BBB	620.2	704.1
Other	9.3	8.9
Debt securities issued by corporations (1)	**$ 1,478.0**	$ 1,199.3

(1) Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's Investor Service ("Moodys").

Mortgage-backed, Asset-backed Securities

Sirius Group purchases commercial mortgage-backed securities ("CMBS") and residential mortgage-backed securities ("RMBS") with the goal of maximizing risk adjusted returns in the context of a diversified portfolio. Sirius Group considers sub-prime mortgage-backed securities as those that have underlying loan pools that exhibit weak credit characteristics, or those that are issued from dedicated sub-prime shelves or dedicated second-lien shelf registrations (i.e., Sirius Group considers investments backed primarily by second-liens to be sub-prime risks regardless of credit scores or other metrics).

Sirius Group categorizes mortgage-backed securities as "non-prime" (also called "Alt A" or "A-") if they are backed by collateral that has overall credit quality between prime and sub-prime based on Sirius Group's review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. Sirius Group's non-agency residential mortgage-backed portfolio is generally moderate-term and structurally senior. Sirius Group does not own any collateralized loan obligations. Sirius Group does not own any collateralized debt obligations, with the exception of $16.8 million of non-agency residential mortgage resecuritization tranches, each a senior tranche in its own right and each collateralized by a single earlier vintage Super Senior or Senior non-agency residential mortgage backed security.

	December 31, 2016			December 31, 2015		
Millions	**Fair Value**	**Level 2**	**Level 3**	**Fair Value**	**Level 2**	**Level 3**
Mortgage-backed securities:						
Agency:						
GNMA	$ 77.3	$ 77.3	$ -	$ 68.4	$ 68.4	$ -
FNMA	282.1	282.1	-	2.5	2.5	-
FHLMC	88.2	88.2	-	11.7	11.7	-
Total Agency[(1)]	447.6	447.6	-	82.6	82.6	-
Non-agency:						
Residential	82.0	82.0	-	113.8	113.8	-
Commercial	163.4	157.0	6.4	183.5	183.5	-
Total Non-agency	245.4	239.0	6.4	297.3	297.3	-
Total mortgage-backed securities	693.0	686.6	6.4	379.9	379.9	-
Asset-backed securities:						
Credit card receivables	99.1	99.1	-	205.3	205.3	-
Vehicle receivables	260.6	260.6	-	235.6	235.6	-
Other	108.3	96.3	12.0	163.8	163.8	-
Total asset-backed securities	468.0	456.0	12.0	604.7	604.7	-
Total mortgage and asset-backed securities	**$ 1,161.0**	**$ 1,142.6**	**$ 18.4**	$ 984.6	$ 984.6	$ -

[(1)] Represents publicly traded mortgage-backed securities which carry the full faith and credit guaranty of the U.S. government (i.e., GNMA) or are guaranteed by a government sponsored entity (i.e., FNMA, FHLMC).

Non-agency Mortgage-backed Securities

The security issuance years of Sirius Group's investments in non-agency RMBS and non-agency CMBS securities as of December 31, 2016 are as follows:

		Security Issuance Year												
Millions	**Fair Value**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Non-agency RMBS	$ 82.0	$ 13.0	$ 11.7	$ 3.0	$ -	$ 5.3	$ -	$ 11.3	$ 1.5	$ 4.3	$ 6.1	$ 25.8	$ -	$ -
Non-agency CMBS	$ 163.4	-	-	-	6.6	-	-	3.5	-	30.6	22.7	66.8	23.1	10.1
Total	**$ 245.4**	**$ 13.0**	**$ 11.7**	**$ 3.0**	**$ 6.6**	**$ 5.3**	**$ -**	**$ 14.8**	**$ 1.5**	**$ 34.9**	**$ 28.8**	**$ 92.6**	**$ 23.1**	**$ 10.1**

Non-agency Residential Mortgage-backed Securities

The classification of the underlying collateral quality and the tranche levels of SBDA non-agency RMBS securities are as follows as of December 31, 2016:

Millions		Fair Value		Super Senior (1)		Senior (2)		Subordinate (3)
Prime	$	82.0	$	50.4	$	23.4	$	8.2
Total	**$**	**82.0**	**$**	**50.4**	**$**	**23.4**	**$**	**8.2**

(1) At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch Ratings ("Fitch") and were senior to other "AAA" or "Aaa" bonds. There were no Super Senior tranche levels that are classified as Non-prime or Sub-prime at December 31, 2016.

(2) At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's "Aaa" by Moody's or "AAA" by Fitch and were senior to non-"AAA" or non-"Aaa" bonds. There were no Senior tranche levels classified as Non-prime or Sub-prime at December 31, 2016.

(3) At issuance, Subordinate were not rated "AAA" by Standard & Poor's , "Aaa" by Moody's or "AAA" by Fitch and were junior to "AAA" or "Aaa" bonds. There were no Subordinate tranche levels classified as Non-prime or Sub-prime at December 31, 2016.

Non-agency Commercial Mortgage-backed Securities

Sirius Group's non-agency CMBS portfolio is generally short-term and structurally subordinate, with more than 30 points of subordination on average for both fixed rate CMBS and floating rate CMBS as of December 31, 2016. In general, subordination represents the percentage principal loss on the underlying collateral that would be absorbed by other securities lower in the capital structure before the more senior security incurs a loss. As of December 31, 2016, on average less than 1% of the underlying loans were reported as non-performing for all non-agency CMBS held by Sirius Group.

The amount of fixed and floating rate securities and their tranche levels of Sirius Group's non-agency CMBS securities are as follows as of December 31, 2016:

Millions		Fair Value		Super Senior (1)		Senior (2)		Subordinate (3)
Fixed rate CMBS	$	111.8	$	44.5	$	51.1	$	16.2
Floating rate CMBS		28.2		-		-		28.2
Interest Only CMBS		23.4		-		23.4		-
Total	**$**	**163.4**	**$**	**44.5**	**$**	**74.5**	**$**	**44.4**

(1) At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch and were senior to other "AAA" or "Aaa" bonds.

(2) At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's "Aaa" by Moody's or "AAA" by Fitch and were senior to non-"AAA" or non-"Aaa" bonds.

(3) At issuance, Subordinate were not rated "AAA" by Standard & Poor's , "Aaa" by Moody's or "AAA" by Fitch and were

Other Long-term Investments

Other long-term investments consist of the following as of December 31, 2016 and 2015:

	Fair Value at			
Millions	December 31, 2016		December 31, 2015	
Hedge funds and private equity funds(1)	**$**	**85.4**	$	45.8
Limited liability companies and private equity securities(1)		**39.4**		28.6
Partnership investments accounted for under the equity method		-		3.8
Total other-long term investments	**$**	**124.8**	$	78.2

(1)See *Fair Value Measurements by Level* table.

Hedge Funds and Private Equity Funds

Sirius Group holds investments in hedge funds and private equity funds, which are included in other long-term investments. The fair value of these investments has been estimated using the net asset value of the funds. As of December 31, 2016, Sirius Group held investments in 6 hedge funds and 25 private equity funds. The largest investment in a single fund was $24.2 million as of December 31, 2016 and $7.0 million as of December 31, 2015.

The following table summarizes investments in hedge funds and private equity interests by investment objective and sector as of December 31, 2016 and 2015:

	December 31, 2016		December 31, 2015	
Millions	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Hedge funds				
Long/short credit & distressed	$ -	$ -	$ 7.2	$ -
Other	3.7	-	3.9	-
Total hedge funds	3.7	-	11.1	-
Private equity funds				
Energy infrastructure & services	50.7	60.0	15.8	4.8
Multi-sector	8.9	1.5	9.9	1.9
Healthcare	19.4	24.4	3.8	0.4
Private equity secondaries	1.8	1.1	2.2	1.0
Real estate	0.3	-	0.4	0.1
International multi-sector, Europe	-	-	0.2	-
Venture capital	0.2	-	0.2	-
Manufacturing/Industrial	0.4	19.6	2.2	-
Total private equity funds	81.7	106.6	34.7	8.2
Total hedge and private equity funds included in other long-term investments	**$ 85.4**	**$ 106.6**	$ 45.8	$ 8.2

Redemption of investments in certain hedge funds is subject to restrictions including lock-up periods where no redemptions or withdrawals are allowed, restrictions on redemption frequency, and advance notice periods for redemptions. Amounts requested for redemptions remain subject to market fluctuations until the redemption effective date, which generally falls at the end of the defined redemption period.

The following summarizes the December 31, 2016 fair value of hedge funds subject to restrictions on redemption frequency and advance notice period requirements for investments in active hedge funds:

Millions	**Notice Period**				
Redemption Frequency	30-59 days notice	60-89 days notice	90-119 days notice	120+ days notice	Total
Monthly	$ -	$ -	$ -	$ -	$ -
Quarterly	1.0	-	-	-	1.0
Semi-annual	-	1.3	-	-	1.3
Annual	-	-	1.3	0.1	1.4
Total	**$ 1.0**	**$ 1.3**	**$ 1.3**	**$ 0.1**	**$ 3.7**

Certain of the hedge fund and private equity fund investments in which Sirius Group is invested are no longer active and are in the process of disposing of their underlying investments. Distributions from such funds are remitted to investors as the fund's underlying investments are liquidated. As of December 31, 2016, no distributions were outstanding from these investments.

Sirius Group also submits redemption requests for certain of its investments in active hedge funds. As of December 31, 2016, there were no redemptions outstanding that would be subject to market fluctuations. Redemptions are recorded as receivables when the investment is no longer subject to market fluctuations.

Investments in private equity funds are generally subject to a "lock-up" period during which investors may not request a redemption. Distributions prior to the expected termination date of the fund may be limited to dividends or proceeds arising from the liquidation of the fund's underlying investments. In addition, certain private equity funds provide an option to extend the lock-up period at either the sole discretion of the fund manager or upon agreement between the fund and the investors.

As of December 31, 2016, investments in private equity funds were subject to lock-up periods as follows:

Millions	1 – 3 years	3 – 5 years	5 – 10 years	Total
Private Equity Funds - expected lock up period remaining	$ 6.5	$ 7.4	$ 67.8	$ 81.7

Rollforward of Fair Value Measurements by Level

Sirius Group uses quoted market prices where available as the inputs to estimate fair value for its investments in active markets. Such measurements are considered to be either Level 1 or Level 2 measurements, depending on whether the quoted market price inputs are for identical securities (Level 1) or similar securities (Level 2). Level 3 measurements for fixed maturity investments, common equity securities, and other long-term investments as of December 31, 2016 and 2015 consist of securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities.

The following tables summarize the changes in Sirius Group's fair value measurements by level for the years ended December 31, 2016 and 2015:

Millions	Level 1 Investments	Level 2 Investments	Level 3 Investments: Fixed Maturities	Level 3 Investments: Common equity securities	Level 3 Investments: Other long-term investments	Hedge Funds and Private Equity Funds measured at NAV	Total	
Balance at January 1, 2016	$ 871.3	$ 2,214.8	$ 3.0	$ -	$ 28.6	$ 45.8	$ 3,163.5	(1) (2)
Total realized and unrealized gains	22.3	18.2	(0.1)	-	2.7	1.5	44.6	
Foreign currency losses through OCI	(14.6)	(65.2)	-	-	(0.8)	(2.3)	(82.9)	
Accretion	(0.6)	(21.1)	-	-	-	-	(21.7)	
Purchases	793.3	2,623.1	26.7	-	10.6	62.7	3,516.4	
Sales	(1,449.4)	(2,017.0)	-	-	(1.7)	(22.3)	(3,490.4)	
Transfers in	-	2.2	-	-	-	-	2.2	
Transfers out	-	-	(2.2)	-	-	-	(2.2)	
Balance at December 31, 2016	$ 222.3	$ 2,755.0	$ 27.4	$ -	$ 39.4	$ 85.4	$ 3,129.5	(2)

(1) Excludes carrying value of $3.8 associated with other long-term investment limited partnerships accounted for using the equity method.

(2) Excludes carrying value of $323.2 and $504.6 at January 1, 2016 and December 31, 2016 classified as short-term investments.

Millions	Level 1 Investments	Level 2 Investments	Level 3 Investments: Fixed Maturities	Level 3 Investments: Common equity securities	Level 3 Investments: Other long-term investments	Hedge Funds and Private Equity Funds measured at NAV	Total	
Balance at January 1, 2015	$ 275.6	$ 2,256.4	$ 0.4	$ 36.1	$ 24.4	$ 81.9	$ 2,674.8	(1) (2)
Total realized and unrealized gains	145.0	15.9	-	6.6	(0.5)	(10.7)	156.3	
Foreign currency losses through OCI	(3.9)	(90.1)	(0.4)	-	0.3	(3.0)	(97.1)	
Accretion	(0.3)	(21.9)	-	-	-	-	(22.2)	
Purchases	1,117.3	1,962.7	43.7	-	4.9	5.5	3,134.1	
Sales	(662.4)	(1,948.9)	-	(42.7)	(0.5)	(27.9)	(2,682.4)	
Transfers in	-	40.7	-	-	-	-	40.7	
Transfers out	-	-	(40.7)	-	-	-	(40.7)	
Balance at December 31, 2015	$ 871.3	$ 2,214.8	$ 3.0	$ -	$ 28.6	$ 45.8	$ 3,163.5	(2) (3)

(1) Excludes carrying value of $5.2 associated with other long-term investment limited partnerships accounted for using the equity method.

(2) Excludes carrying value of $486.0 and $323.2 at January 1, 2015 and December 31, 2015 classified as short-term investments.

(3) Excludes carrying value of $3.8 associated with other long-term investment limited partnerships accounted for using the equity method.

Fair Value Measurements – transfers between levels

During 2016, one fixed maturity security classified as Level 3 measurements in the prior period was recategorized as a Level 2 measurement because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available as of December 31, 2016. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $2.2 million for the period ended December 31, 2016

During 2015, six fixed maturity securities classified as Level 3 measurements in the prior period were recategorized as Level 2 measurements because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available as of December 31, 2015. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $40.7 million for the period ended December 31, 2015.

Significant Unobservable Inputs

The following summarizes significant unobservable inputs used in estimating the fair value of investment securities classified within Level 3 other than hedge funds and private equities as of December 31, 2016 and December 31, 2015. The fair value of investments in hedge funds and private equity funds, which are classified within Level 3, are estimated using the net asset value of the funds.

($ in Millions)	December 31, 2016				
Description	**Rating [1]**	**Valuation Technique(s)**	**Fair Value**	**Unobservable Input**	
Private equity securities [2]	NR	Multiple of GAAP book value	$ 16.1	Book value multiple	1.0X
Private equity securities [2]	NR	Multiple of GAAP book value	$ 10.5	Book value multiple	1.0X
Common stock warrant [2]	NR	Average fair value	$ 0.5	Discount rate rage	14-17%
Preferred stock [2]	NR	Average fair value	$ 3.0	Average share price	86.3
Preferred stock [2]	NR	Average fair value	$ 6.0	Average share price	0.6
Private debt instrument [2]	NR	Share price of recent transaction	$ 9.0	Purchase price	$9.0
Private debt instrument [2]	NR	Share price of recent transaction	$ 3.3	Purchase price less pay down	$3.3
Asset-backed securities [3]	AAA	Broker pricing	$ 18.4	Purchase price	$18.4

(1) Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's.
(2) As of December 31, 2016 each asset type consists of one security.
(3) As of December 31, 2016 each asset type consists of two securities.

($ in Millions)	December 31, 2015				
Description	**Rating [1]**	**Valuation Technique(s)**	**Fair Value**	**Unobservable Input**	
Private equity securities [2]	NR	Multiple of GAAP book value	$ 15.1	Book value multiple	1.0X
Private equity securities [2]	NR	Multiple of GAAP book value	$ 9.1	Book value multiple	1.0X
Common stock warrant [2]	NR	Average fair value	$ 0.5	Discount rate range	14-17%
Preferred stock [2]	NR	Average share price	$ 3.0	Average share price	86.3
Private debt instrument [2]	NR	Share price of recent transaction	$ 3.9	Purchase price less pay down	$3.9

(1) Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's.
(2) As of December 31, 2015 each asset type consists of one security.

NOTE 6. Debt and Standby Letters of Credit Facilities

Sirius Group's debt outstanding as of December 31, 2016 and 2015 consisted of the following:

Millions		December 31, 2016	Effective Rate [1]		December 31, 2015	Effective Rate [1]
SIG 2016 Senior Notes, at face value	**$**	**400.0**	**4.7%**	$	-	
Unamortized original issue discount		**(3.1)**			-	
Unamortized original issuance costs		**(4.4)**			-	
SIG 2016 Senior Notes, carrying value		**392.5**			-	
Old Lyme Note		**3.7**	**3.6%**		3.7	3.4%
SIG 2007 Senior Notes, at face value		**-**			400.0	6.5%
Unamortized original issue discount		**-**			(0.2)	
Unamortized original issuance costs		**-**			(0.5)	
SIG 2007 Senior Notes, carrying value		**-**			399.3	
Total debt	**$**	**396.2**		$	403.0	

[1] Effective rate considers the effect of the debt issuance costs.

A schedule of contractual repayments of Sirius Group's debt as of December 31, 2016 follows:

Millions		December 31, 2016
Due in one year or less	**$**	**3.7**
Due in one to three years		**-**
Due in three to five years		**-**
Due after five years		**400.0**
Total	**$**	**403.7**

2016 SIG Senior Notes

In November 2016, SIG issued $400.0 million face value of senior unsecured notes ("2016 SIG Senior Notes") at an issue price of 99.209% for net proceeds of $392.4 million after taking into effect both deferrable and non-deferrable issuance costs. The SIG Senior Notes were issued in an offering that was exempt from the registration requirements of the Securities Act of 1933. The 2016 SIG Senior Notes bear an annual interest rate of 4.600%, payable semi-annually in arrears on May 1, and November 1, until maturity in November 2026.

SIG incurred $4.4 million in expenses related to the issuance of the 2016 SIG Senior Notes (including $3.4 million in underwriting fees), which have been deferred and are being recognized into interest expense over the life of the 2016 SIG Senior Notes.

Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, the 2016 SIG Senior Notes yield an effective rate of approximately 4.7% per annum. Sirius Group recorded $3.2 million of interest expense, inclusive of amortization of issuance costs on the 2016 SIG Senior Notes for the year ended December 31, 2016.

2007 SIG Senior Notes

During 2016, using the funds received from the issuance of the 2016 SIG Senior Notes, SIG retired the $400.0 million face value of senior unsecured notes that were issued in 2007 ("2007 SIG Senior Notes"). The repurchase of the 2007 SIG Senior Notes resulted in a $5.7 million loss recorded in interest expense, which includes the write-off of the remaining $0.1 million in unamortized deferred costs and original issue discount at the time of repurchase.

In anticipation of the issuance of the 2007 SIG Senior Notes, SIG entered into an interest rate lock agreement to hedge its interest rate exposure from the date of the agreement until the pricing of the SIG Senior Notes. The agreement was terminated on March 15, 2007 with a loss of $2.4 million, which was recorded in other comprehensive income. The loss was reclassified from accumulated other comprehensive income over the life of the 2007 SIG Senior Notes using the interest method and is included in interest expense until it was retired in 2016. When the 2007 SIG Senior Notes were retired, the remaining $0.1 million loss remaining in accumulated other comprehensive income was reclassified to interest expense.

Prior to repurchase, taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, including the interest rate lock agreement, the 2007 SIG Senior Notes yielded an effective rate of approximately 6.5% per annum. Sirius Group recorded $31.2 million, $26.3 million, and $26.3 million of interest expense, inclusive of loss on repurchase, amortization of issuance costs and the interest rate lock agreement, on the 2007 SIG Senior Notes for each of the years ended December 31, 2016, 2015, and 2014.

Old Lyme Note

On December 30, 2011 Sirius Group acquired the runoff loss reserve portfolio of Old Lyme. As part of the acquisition, Sirius Group entered into a five-year $2.1 million purchase note with a maturity date of December 30, 2016. The principal amount of the purchase note is subject to upward adjustments for favorable loss reserve development (up to 50% of $6.0 million) and downward adjustments for any adverse loss reserve development. From inception, Sirius Group has had favorable loss reserve development of $3.2 million on the Old Lyme loss reserve position that has resulted in an increase of $1.6 million on the Old Lyme Note. Payment of the note is expected in early 2017.

Stand By Letter of Credit Facilities

On November 25, 2014, Sirius International entered into two stand by letter of credit facility agreements totaling $200 million to provide capital support for its Lloyds Syndicate 1945. One letter of credit is a $125 million facility from Nordea Bank Finland plc (the "Nordea facility"), $100 million of which is issued on an unsecured basis. The second letter of credit is a $75 million facility with Lloyds Bank plc (the "Lloyds Bank facility"), $25 million of which is issued on an unsecured basis. As of December 31, 2016, both letter of credit facilities remained issued and outstanding.

The unsecured portions of the Nordea facility and the Lloyds Bank facility are subject to various affirmative, negative, and financial covenants that Sirius Group considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards.

Sirius International, Sirius America, and Sirius Bermuda have other secured letter of credit and trust arrangements with various financial institutions to support its insurance operations. As of December 31, 2016 and 2015, Sirius International's secured letter of credit and trust arrangements were collateralized by pledged assets and assets in trust of SEK 1.8 billion and SEK 1.6 billion, or $203.0 million and $188.4 million (based on the December 31, 2016 and 2015 SEK to USD exchange rate). As of December 31, 2016 and 2015, Sirius America's trust arrangements were collateralized by pledged assets and assets in trust of $18.8 million and $20.9 million. As of December 31 2016 and 2015, Sirius Bermuda did not have any trust arrangements that were collateralized by assets and assets in trust.

Debt and Standby Letter of Credit Facility Covenants

As of December 31, 2016, Sirius Group was in compliance with all of the covenants under the 2016 SIG Senior Notes, the Nordea facility and the Lloyd's Bank facility.

Interest

Total interest expense which includes the loss on repurchase of the 2007 SIG Senior Notes, incurred by Sirius Group for its indebtedness was $34.6 million, $26.6 million, and $26.3 million in 2016, 2015, and 2014. Total interest paid, which includes the loss on repurchase of the 2007 SIG Senior Notes, by Sirius Group for its indebtedness was $31.6 million, $25.5 million, and $25.5 million in 2016, 2015, and 2014, respectively.

NOTE 7. Income Taxes

The Company and its Bermuda domiciled subsidiaries are not subject to Bermuda income tax under current Bermuda law. In the event there is a change in the current law such that taxes are imposed, the Company and its Bermuda domiciled subsidiaries would be exempt from such tax until March 31, 2035, pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Company has subsidiaries and branches that operate in various other jurisdictions around the world that are subject to tax in the jurisdictions in which they operate. The jurisdictions in which the Company's subsidiaries and branches are subject to tax are Australia, Belgium, Canada, Germany, Gibraltar, Luxembourg, Malaysia, the Netherlands, Singapore, Sweden, Switzerland, the United Kingdom and the United States.

The total income tax benefit (expense) for the years ended December 31, 2016, 2015, and 2014 consisted of the following:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Current tax (expense):			
U.S. Federal	**$ 2.1**	$ (0.1)	$ (1.9)
State	**(1.6)**	(1.5)	(2.8)
Non-U.S.	**(11.4)**	(9.6)	(43.6)
Total current tax (expense)	**(10.9)**	(11.2)	(48.3)
Deferred tax (expense) benefit:			
U.S. Federal	**16.0**	(21.4)	(12.5)
State	**-**	-	-
Non-U.S.	**2.3**	(14.5)	(10.9)
Total deferred tax benefit (expense)	**18.3**	(35.9)	(23.4)
Total income tax benefit (expense)	**$ 7.4**	$ (47.1)	$ (71.7)

Effective Rate Reconciliation

A reconciliation of taxes calculated using the 22% Swedish statutory rate (the rate at which the majority of Sirius Group's worldwide operations are taxed) to the income tax (expense) benefit on pre-tax income follows:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Tax (expense) at the statutory rate	**$ (16.4)**	$ (76.8)	$ (77.6)
Differences in taxes resulting from:			
Change in valuation allowance including benefit from intercompany debt restructuring	**55.0**	11.3	17.8
Tax rate change enacted in Luxembourg	**(30.6)**	-	-
Foreign tax credits	**6.9**	6.5	30.2
Tax reserve adjustments	**(6.0)**	(5.7)	(7.3)
Withholding taxes	**(1.4)**	(1.9)	(3.2)
Non-Sweden Earnings	**0.2**	20.6	(31.1)
Other, net	**(0.3)**	(1.1)	(0.5)
Total income tax benefit (expense) on pre-tax earnings	**$ 7.4**	$ (47.1)	$ (71.7)

The non-Sweden component of pre-tax income was $103.9 million, $333.4 million, and $271.2 million for the years ended December 31, 2016, 2015, and 2014.

Effective January 1, 2017, Luxembourg decreased its corporate tax rate for 2017 and 2018 from 29.2% to 27.1% and 26.0%, respectively. This resulted in a reduction in the net deferred tax assets in the Luxembourg subsidiaries as of December 31, 2016 in the amount of $30.6 million. This reduction was offset by an increase in Luxembourg tax assets in the amount of $55.0 million primarily attributable to a restructuring of legacy intercompany financing.

The Swedish Tax Authority ("STA") has denied the deduction of interest paid on intra-group debt instruments issued by two of our Swedish subsidiaries for tax years 2012 through 2015. Such subsidiaries are currently in the process of appealing the STA's decision because uncertainty still exists with respect to the interpretation of the legislation. Our reserve for uncertain tax positions has taken into account these developments. If our appeal were ultimately unsuccessful, we would be required to write down some or all of the Swedish deferred tax assets related to intra-group debt instruments.

Tax Payments and Receipts

Net income tax payments to national, state and local governments totaled $8.3 million, $31.7 million, and $8.8 million for the years ended December 31, 2016, 2015, and 2014.

Deferred Tax Inventory

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes. An outline of the significant components of Sirius Group's deferred tax assets and liabilities follows:

	Year Ended December 31,	
Millions	**2016**	2015
Deferred income tax assets related to:		
Non-U.S. net operating loss carryforwards	**$ 270.8**	$ 345.1
U.S. federal net operating loss and capital carryforwards	**40.0**	41.6
Loss reserve discount	**22.0**	27.8
Tax credit carryforwards	**15.2**	14.4
Additional DTA as result of intercompany debt restructuring	**7.4**	-
Incentive compensation and benefit accruals	**6.3**	6.5
Net unrealized investment losses	**3.4**	-
Allowance for doubtful accounts	**2.3**	2.1
Unearned Premiums	**2.0**	5.6
Foreign currency translations on investments and other assets	**2.0**	2.1
Deferred interest	**0.3**	0.3
Other items	**2.6**	1.9
Total gross deferred income tax assets	**374.3**	447.4
Valuation allowance	**(58.1)**	(112.5)
Total adjusted deferred tax asset	**316.2**	334.9
Deferred income tax liabilities related to:		
Safety reserve (See **Note 11**)	**259.7**	279.2
Investment basis differences	**8.7**	9.8
Purchase accounting	**3.5**	4.9
Deferred acquisition costs	**3.4**	8.8
Net unrealized investment gains	-	17.5
Other items	**1.5**	2.6
Total deferred income tax liabilities	**276.8**	322.8
Net deferred tax asset	**$ 39.4**	$ 12.1

Sirius Group's deferred tax assets are net of U.S. federal and non-U.S. valuation allowances and, to the extent they relate to non-U.S. jurisdictions, they are shown at year-end exchange rates.

Of the $39.4 million net deferred tax asset as of December 31, 2016, $85.5 million relates to net deferred tax asset in the U.S. subsidiaries, $188.1 million relates to net deferred tax assets in Luxembourg subsidiaries, $2.7 million relates to net deferred tax assets in United Kingdom and $236.9 million relates to net deferred tax liabilities in Sweden subsidiaries.

Net Operating Loss and Capital Loss Carryforwards

Net operating loss and capital loss carryforwards as of December 31, 2016, the expiration dates and the deferred tax assets thereon are as follows:

Millions	December 31, 2016					
	United States	Luxembourg	Sweden	Netherlands	UK	Total
2017-2021	$ -	$ -	$ -	$ 0.7	$ -	$ 0.7
2022-2034	117.1	-	-	0.4	-	117.5
No expiration date	-	967.9	177.8	-	12.0	1,157.7
Total	117.1	967.9	177.8	1.1	12.0	1,275.9
Gross Deferred Tax Asset	40.0	251.8	16.3	0.3	2.4	310.8
Valuation Allowance	-	(57.7)	-	(0.3)	-	(58.0)
Net Deferred Tax Asset	**$ 40.0**	**$ 194.1**	**$ 16.3**	**$ -**	**$ 2.4**	**$ 252.8**

Sirius Group expects to utilize net operating loss carryforwards in Luxembourg of $763.0 million but does not expect to utilize the remainder as they belong to companies that are not expected to have sufficient income in the future. Included in the U.S. net operating loss carryforwards are losses of $114.3 million subject to an annual limitation on utilization under Internal Revenue Code Section 382. Of these loss carryforwards, $14.0 million will begin to expire in 2022 and $100.3 million will begin to expire in 2030. Sirius Group expects to utilize all of the U.S. net operating loss carryforwards.

As of December 31, 2016, there are U.S. foreign tax credits carryforwards available of $12.2 million, of which $0.1 million expires between 2017 and 2021, and the remaining, which we expect to use, will begin to expire in 2022. As discussed above, a deferred tax valuation allowance of $0.1 million is established against the credits which expire in 2017. As of December 31, 2016, there are alternative minimum tax credit carryforwards of $0.1 million which do not expire.

Valuation Allowance

Sirius Group records a valuation allowance against deferred tax assets if it becomes more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in income tax expense in the period of change. In determining whether or not a valuation allowance, or change therein, is warranted, Sirius Group considers factors such as prior earnings history, expected future earnings, carryback and carryforward periods and strategies that if executed would result in the realization of a deferred tax asset. It is possible that certain planning strategies or projected earnings in certain subsidiaries may not be feasible to utilize the entire deferred tax asset, which could result in material changes to Sirius Group's deferred tax assets and tax expense.

Of the $58.1 million valuation allowance as of December 31, 2016, $57.7 million relates to deferred tax assets on net operating losses in Luxembourg subsidiaries (discussed under "Net Operating Loss and Capital Loss Carryforwards"), $0.1 million relates to other U.S. federal deferred tax benefits, and $0.3 million relates to net operating losses in Netherlands subsidiaries. Of the $112.5 million valuation allowance as of December 31, 2015, $112.2 million relates to deferred tax assets on net operating losses and unrealized gains and losses in Luxembourg subsidiaries (discussed under "Net Operating Loss and Capital Loss Carryforwards"), $0.1 million relates to other U.S. federal deferred tax benefits, and $0.2 million relates to net operating losses in Netherlands subsidiaries.

Luxembourg

During 2016, 2015, and 2014 Sirius Group recorded net tax benefits of $17.3 million, $11.3 million and $14.1 million from the net release of valuation allowances against deferred tax assets in Luxembourg subsidiaries. These companies had built up substantial deferred tax assets due to net operating loss carryforwards. During the fourth quarter of 2016, we completed a restructuring of a legacy intercompany financing transaction involving certain U.S, and Luxembourg subsidiaries. As a result of the restructuring, we recorded a benefit in the amount of $13.3 million from the net release of the valuation allowance against our Luxembourg deferred tax assets.

United States

Sirius Re Holdings, Inc. ("SReHi") has $0.1 million of a valuation allowance on foreign tax credits, which will expire in 2017. SReHi has an additional $12.1 million of foreign tax credits that will expire between the years 2018 and 2025, which are expected to be fully utilized.

Uncertain Tax Positions

Recognition of the benefit of a given tax position is based upon whether a company determines that it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. In evaluating the more likely than not recognition threshold, Sirius Group must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Millions	Permanent Differences [1]	Temporary Differences [2]	Interest and Penalties [3]	Total
Balance at January 1, 2014	$ 9.8	$ 5.9	$ 0.6	$ 16.3
Changes in prior year tax positions	0.3	(0.0)	(0.2)	0.1
Tax positions taken during the current year	5.6	0.8	-	6.4
Lapse in statute of limitations	(0.1)	-	-	(0.1)
Settlements with tax authorities	(0.6)	-	(0.3)	(0.9)
Balance at December 31, 2014	15.0	6.7	0.1	21.8
Changes in prior year tax positions	-	-	-	-
Tax positions taken during the current year	5.0	(0.1)	-	4.9
Lapse in statute of limitations	(0.2)	-	(0.1)	(0.3)
Settlements with tax authorities	-	-	-	-
Balance at December 31, 2015	19.8	6.6	(0.0)	26.4
Changes in prior year tax positions	-	-	-	-
Tax positions taken during the current year	4.4	(2.5)	0.2	2.1
Lapse in statute of limitations	-	-	-	-
Settlements with tax authorities	-	-	-	-
Balance at December 31, 2016	**$ 24.2**	**$ 4.1**	**$ 0.2**	**$ 28.5**

(1) Represents the amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate.

(2) Represents the amount of unrecognized tax benefits that, if recognized would create a temporary difference between the reported amount of an item in the Company's Balance Sheet and its tax basis.

(3) Net of tax benefit.

If Sirius Group determines in the future that its reserves for unrecognized tax benefits on permanent differences and interest and penalties are not needed, the reversal of $24.2 million of such reserves as of December 31, 2016 would be recorded as an income tax benefit and would impact the effective tax rate. If Sirius Group determines in the future that its reserves for unrecognized tax benefits on temporary differences are not needed, the reversal of $4.1 million of such reserves as of December 31, 2016 would not impact the effective tax rate due to deferred tax accounting but would accelerate the payment of cash to the taxing authority. The vast majority of Sirius Group's reserves for unrecognized tax benefits on temporary differences relate to deductions for loss reserves where the timing of the deductions is uncertain. The company does not believe that there will be any significant change to the amount of gross unrecognized tax benefits in the next twelve months.

Sirius Group classifies all interest and penalties on unrecognized tax benefits as part of income tax expense. During the years ended December 31, 2016, 2015, and 2014 Sirius Group recognized $0.2 million, $(0.1) million, and $(0.5) million in interest income (expense), respectively, net of any tax benefit. The balance of accrued interest as of December 31, 2016 and 2015 is $0.2 million, and $0.0 million, net of any tax benefit.

Tax Examinations

With few exceptions, Sirius Group is no longer subject to U.S. federal, state or non-U.S. income tax examinations by tax authorities for years before 2012. In accordance with the sale of Sirius Group to CMIG, White Mountains generally will indemnify us for our additional tax liability for any pre-closing period in excess of our accounting for uncertain tax positions.

NOTE 8. Derivatives

Interest Rate Cap

In May 2007, the Company issued the SIG Preference Shares, with an initial fixed annual dividend rate of 7.506%. In June 2017, the fixed rate will move to a floating rate equal to the greater of (i) 7.506% or (ii) 3-month LIBOR plus 320 bps. In July 2013, the Company executed an interest rate cap for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period (the "Interest Rate Cap"). The Interest Rate Cap economically fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The cost of the Interest Rate Cap was an upfront premium of 395 bps of the $250.0 million notional value, or approximately $9.9 million for the full notional amount.

The Interest Rate Cap does not qualify for hedge accounting. It is recorded in other assets at fair value. Changes in fair value are recognized as unrealized gains or losses and are presented within other revenues. Collateral held is recorded within short-term investments with an equal amount recognized as a liability to return collateral. The fair value of the interest rate cap has been estimated using a single broker quote and accordingly, has been classified as a Level 3 measurement as of December 31, 2016.

The following table summarizes the change in the fair value of the Interest Rate Cap for the year ended December 31, 2016 and 2015:

	December 31,	
Millions	**2016**	2015
Beginning of Period Fair Value	**$ 1.9**	$ 4.1
Net realized and unrealized losses	**(0.2)**	(2.2)
End of Period Fair Value	**$ 1.7**	$ 1.9

Sirius Group does not provide any collateral to the interest rate counterparties. Under the terms of the Interest Rate Cap, Sirius Group holds collateral in respect of future amounts due. Sirius Group's liability to return that collateral is based on the amounts provided by the counterparties and investment earnings thereon. The following table summarizes the Interest Rate Cap collateral balances held by Sirius Group and ratings by counterparty:

	December 31, 2016	
Millions	Collateral Balances Held	S& P Rating [1]
Barclays Bank Plc	$ 1.2	A-
Nordea Bank Findland Plc	0.5	AA-
Total	$ 1.7	

(1) Standard & Poor's ratings as detailed above are: "AA-" (Very Strong, which is the fourth highest of twenty-three creditworthiness ratings) and "A-" (Strong, which is the seventh highest of twenty-three creditworthiness ratings).

Foreign Currency Swaps

On April 28, 2015, Sirius Group executed two foreign currency swaps, each with a notional amount of $50.0 million, maturing on March 20, 2017. Under the first swap, Sirius Group pays Swedish krona and receives U.S. dollars. Under the second swap, Sirius Group pays Euros and receives U.S. dollars. The swaps, which were executed as part of Sirius Group's management of overall foreign currency exposure at Sirius Group, have not been designated or accounted for under hedge accounting. There was no cost to the foreign currency swaps, and no upfront premium. As of December 31, 2016 and 2015, the fair value of the swaps was $5.2 million and $(0.5) million, respectively and were recorded within other assets. Changes in fair value are recognized as realized and unrealized gains or losses and are presented within other revenues. The net realized and unrealized gains (losses) recognized in other revenues for the years ended December 31, 2016 and 2015 were $6.6 million and $(0.1) million, respectively. Sirius Group does not provide or hold any collateral associated with the swaps. The fair value of the foreign currency swaps has been estimated using a single broker quote and accordingly, has been classified as a Level 3 measurement as of December 31, 2016.

Weather Derivatives

For the year ended December 31, 2016 and 2015, Sirius Group recognized $5.2 million and $1.9 million of net gains on its weather and weather contingent derivatives portfolio. The fair values of the assumed contracts are subject to change in the near-term and reflect management's best estimate based on various factors including, but not limited to, observed and forecasted weather conditions, changes in interest or foreign currency exchange rates and other market factors. Estimating the fair value of derivative instruments that do not have quoted market prices requires management's judgment in determining amounts that could reasonably be expected to be received from or paid to a third party to settle the contracts. Such amounts could be materially different from the amounts that might be realized in an actual transaction to settle the contract with a third party. Because of the significance of the unobservable inputs used to estimate the fair value of Sirius Group's weather risk contracts, the fair value measurements of the contracts are deemed to be Level 3 measurements in the fair value hierarchy.

Forward Contracts

During 2015, Sirius Group exited its foreign currency forward contracts positions and as of December 31, 2015, did not hold any notional value of foreign currency forward contracts. All of Sirius Group's forward contracts were traded over-the-counter ("OTC"). The fair value of the contracts has been estimated using OTC quotes for similar instruments and accordingly, the measurements have been classified as Level 2 measurements. The net realized and unrealized derivative (losses) recognized in net realized and unrealized investment gains for the years ended December 31, 2015 and 2014 were $(0.3) million and $0.3 million, respectively.

NOTE 9. Employee Benefit Plans and Compensation Plans

Employee Benefit Plans

Sirius Group operates several retirement plans in accordance with the local regulations and practices. These plans cover substantially all Sirius Group employees and provide benefits to employees in event of death, disability or retirement.

Non-U.S.:

Employees of Sirius International can participate in retirement plans through their branch office. The plans vary due to different government regulations as well as different standards and practices in each country. In Sweden, where a defined benefit pension plan is mandated by the government, Sirius International's employees participate in collective agreements funded by Sirius International. These collective agreements are managed by third party trustees who calculate the pension obligation, invoice Sirius International for additional funding, and invest the funds. Employees in Germany are covered by defined benefit pension plans sponsored by Sirius International called Sirius Rückversicherungs Service GmbH Pension Plan. Employees in the United Kingdom and Belgium are eligible to participate in defined contribution plans. In the United Kingdom, Sirius International contributes 12% of the employee's salary. Contributed funds are invested into an annuity of the employee's choosing. In Belgium, Sirius International contributes 6.6%-8.5% of the employees's salary. Employees in Switzerland are eligible to participate in the industry-sponsored Swisscanto pension plan ("Swisscanto plan"). The Swisscanto plan is a combination of a defined contribution and a defined benefit plan. For the Swisscanto plan, Sirius International incurs 60% of the total premium charges and the employees incur the remaining 40%. As of December 31, 2016 and 2015, the projected benefit obligation of Sirius International's various benefit plans was $15.0 million and $14.4 million, and the funded status was $(3.3) million and $(3.2) million. Sirius International recognized expenses related to these various plans of $7.3 million, $7.0 million, and $9.9 million in 2016, 2015, and 2014.

Sirius International sponsors defined contribution plans for Bermuda Branch employees which cover substantially all of those employees. Under these plans, Sirius International is required to contribute 10% of each participant's salary into an individual account maintained by an independent pension administrator. Employees become vested in the Sirius International contributions after two years of service. Sirius International recognized expenses on Bermuda Branch employees of $0.5 million, $0.5 million, and $0.4 million in 2016, 2015, and 2014.

U.S.:

Sirius International Holding Company, Inc. ("SIHC") sponsors a defined contribution plan (the "401(k) Plan") which offers participants the ability to invest their balances in several different investment options. The option to invest in common shares of White Mountains was discontinued as of September 30, 2016. As of December 31, 2016 the 401(k) Plan did not own any common shares of White Mountains. As of December 31, 2015, the 401(k) Plan owned less than 1% of White Mountains common shares.

The 401(k) Plan provides qualifying employees with matching contributions of 100% up to the first 2% and 50% of the next 4% of salary (subject to U.S. federal limits on allowable contributions in a given year). Total expense for matching contributions to the plan was $0.7 million, $0.5 million, and $0.7 million in 2016, 2015, and 2014. Additionally, all participants in the 401(k) Plan can earn a variable contribution of up to 7% of their salary, subject to the applicable IRS annual covered compensation limits ($265,000 for 2016) and contingent upon Sirius Group's performance. Total expense for variable contributions to the 401(k) Plan was $0.4 million, $0.5 million, and $0.5 million in 2016, 2015, and 2014.

Certain members of senior management participated in the SIHC Deferred Compensation Plan. At the direction of the participants, the trust proceeds were invested in various investment options. During 2016, the trust was discontinued and as of December 31, 2016, no amount was held in a Rabbi Trust for the benefit of the participants in this plan. At December 31, 2015, there was $6.0 million in a Rabbi Trust for the benefit of the participants in this plan. The Rabbi Trust assets were invested in various investment options at the direction of the participants. The deferred compensation liability is recorded at fair value under ASC 825, *Financial Instruments* ("ASC 825") within other liabilities and the corresponding investments held in the Rabbi Trust were recorded at fair value under ASC 825 within other assets on the consolidated balance sheets. In the event of insolvency, the assets of the Rabbi Trust would have been liquidated to satisfy the obligations of SIHC.

Long-Term Incentive Compensation Plans

Sirius Group grants share-based and non-share based incentive awards to certain key employees of Sirius Group and its subsidiaries. This includes awards of restricted shares and phantom shares and performance units. Awards earned are subject to the attainment of pre-specified performance goals at the end of a three-year period or as otherwise determined. Phantom shares and performance units earned are typically paid in cash. For the years ended December 31, 2016, 2015, and 2014, Sirius Group expensed \$6.2 million, \$9.2 million, and \$16.1 million, respectively, for share-based and non-share based incentive awards. Accrued incentive compensation for these plans was \$12.4 million and \$18.6 million at December 31, 2016 and 2015.

Transaction and Retention Bonuses

Under the SPA, bonus arrangements for certain employees of Sirius Group were granted. Certain of these bonus arrangements were paid to bonus recipients around the sale date as compensation for services performed before the sale date (“transaction bonuses”.) In addition, certain employees will receive additional bonus payments under the bonus arrangements after the twelfth month and twentieth month anniversary of the sale date (“retention bonuses.”). Under the SPA, White Mountains agreed to pay Sirius Ltd. shortly after the sale date an amount equal to the transaction bonuses plus the employer-paid portion of employment or similar taxes less tax benefits attributable to the payment. In addition, White Mountains also agreed to pay Sirius Ltd. for the retention bonuses under the same terms as the transaction bonuses shortly after Sirius Group paid those amounts to the employees. During 2016, Sirius Group recorded \$23.8 million in general and administrative expenses in connection with the transaction bonuses. Sirius Ltd. was paid \$30.5 million from White Mountains for the transaction bonuses after employment costs and taxes, which was recorded as paid-in capital. During 2016, Sirius Group recorded \$11.8 million in general and administrative expenses in connection with the retention bonuses. Sirius Ltd. recorded \$14.5 million after employment costs and taxes in paid-in capital for future payments due from White Mountains for the retention bonuses.

NOTE 10. Common Shareholder’s Equity and Non-controlling Interest

Common Shareholder

At December 31, 2016, Sirius Group is an indirect wholly-owned subsidiary of Sirius Ltd. through S.I. Holdings, Ltd., both exempted Bermuda limited liability companies. At December 31, 2016, Sirius Ltd., is a wholly-owned subsidiary of CMIG International through CM Bermuda.

Paid-in Capital

On December 20, 2016 Sirius Ltd. through S.I. Holdings, Ltd. made a contribution of \$20.0 million to Sirius Group which was reflected as paid-in capital.

On April 18, 2016, Sirius Group sold its investment in OneBeacon to White Mountains at fair value in connection with the sale of Sirius Group to CMIG International and recorded \$22.1 million of paid-in capital for the excess of fair value over the equity method carrying value of OneBeacon.

Dividends

During 2016, the Company paid common dividends of \$20.0 million in cash and investments to Sirius Ltd. Sirius Ltd., in turn paid dividends of \$27.0 million to its former parent White Mountains on April 18, 2016. During 2015, the Company paid common dividends of \$48.0 million in cash and investments, to Sirius Ltd. Sirius Ltd. did not pay any dividends to White Mountains during 2015. During 2014, the Company paid common dividends of \$65.4 million in cash and investments, to Sirius Ltd. Sirius Ltd., in turn paid dividends of \$50.0 million to White Mountains in 2014.

Non-controlling interests

Non-controlling interests consist of the ownership interests of non-controlling shareholders in consolidated entities and are presented separately on the balance sheet. At December 31, 2016 and December 31, 2015 Sirius Group’s balance sheet included \$1.3 million and \$0.1 million, respectively, in non-controlling interests.

NOTE 11. Statutory Capital and Surplus

Sirius Group's insurance and reinsurance operations are subject to regulation and supervision in each of the jurisdictions where they are domiciled and licensed to conduct business. Generally, regulatory authorities have broad supervisory and administrative powers over such matters as licenses, standards of solvency, premium rates, policy forms, investments, security deposits, methods of accounting, form and content of financial statements, reserves for unpaid loss and LAE, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, periodic examinations, and annual and other report filings. In general, such regulation is for the protection of policyholders rather than shareholders.

The NAIC uses risk-based capital ("RBC") standards for U.S. property and casualty insurers as a means of monitoring certain aspects affecting the overall financial condition of insurance companies. As of December 31, 2016, Sirius Group's U.S. insurance and reinsurance operating subsidiaries exceeded their respective RBC requirements.

The Insurance Act 1978 of Bermuda and related regulations, as amended ("Insurance Act"), regulates the insurance business of Bermuda-domiciled insurers and reinsurers. Under the Insurance Act, insurers and reinsurers are required to maintain minimum statutory capital and surplus at a level equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR") which is established by reference to either a Bermuda Solvency Capital Requirement ("BSCR") model or an approved internal capital model. The BSCR model is a risk-based capital model that provides a method for determining an insurer's minimum required capital taking into account the risk characteristics of different aspects of the company's business. Generally, the Bermuda Monetary Authority ("BMA") has broad supervisory and administrative powers over such matters as licenses, standards of solvency, investments, methods of accounting, form and content of financial statements, minimum capital and surplus requirements, and annual and other report filings.

Non-U.S.:

SBDA has four Bermuda based insurance subsidiaries: Sirius Bermuda, a Class 4 insurer, White Shoals Re, Alstead Reinsurance Ltd. ("Alstead Re") and Star Re Ltd. ("Star Re"), which are all Class 3A insurers. Each of these Bermuda insurance subsidiaries are registered under the Insurance Act and are subject to regulation and supervision of the BMA. The BSCR for the relevant insurers for the year ended December 31, 2016 has not be filed with the BMA as of April 7, 2017, the date on which the Consolidated Financial Statements were issued. As a result, the required statutory capital and surplus as at December 31, 2016, of $0.2 billion is based on the MSM of all relevant insurers. Actual statutory capital and surplus of the Bermuda based insurance subsidiaries as at December 31, 2016 was $2.6 billion. In addition, the Bermuda based insurance subsidiaries are required to maintain a minimum liquidity ratio. As of December 31, 2016, all liquidity ratio requirements were met.

Sirius International is subject to regulation and supervision in Sweden by the Financial Supervisory Authority ("FSA"). Sirius International's total regulatory capital as of December 31, 2016 was $1.9 billion. In accordance with FSA regulations, Sirius International holds restricted equity of $1.3 billion as a component of Swedish regulatory capital. This restricted equity cannot be paid as dividends.

The financial services industry in the United Kingdom is dual-regulated by the Financial Conduct Authority and the Prudential Regulation Authority (collectively, the "UK Regulators"). The U.K. Regulators regulate insurers, insurance intermediaries and Lloyd's. The UK Regulators and Lloyd's have common objectives in ensuring that the Lloyd's market is appropriately regulated. Lloyd's is required to implement certain rules prescribed by the UK Regulators by the powers it has under the Lloyd's Act of 1982 ("Lloyd's Act") relating to the operation of the Lloyd's market. In addition, each year the UK Regulators require Lloyd's to satisfy an annual solvency test that measures whether Lloyd's has sufficient assets in the aggregate to meet all the outstanding liabilities of its members.

Lloyd's permits its corporate and individual members ("Members") to underwrite insurance risks through Lloyd's syndicates. Members of Lloyd's may participate in a syndicate for one or more underwriting years by providing capital to support the syndicate's underwriting. All syndicates are managed by Lloyd's approved managing agents. Managing agents receive fees and profit commissions in respect of the underwriting and administrative services they provide to the syndicates. Lloyd's prescribes, in respect of its managing agents and Members, certain minimum standards relating to their management and control, solvency and various other requirements.

Sirius Group participates in the Lloyd's market through the 100% ownership of Sirius International Corporate Member Ltd. which was formerly known as White Mountains Re Sirius Capital Ltd., a Lloyd's corporate member, which in turn provides underwriting capacity to Syndicate 1945. Syndicate 1945 commenced underwriting on July 1, 2011. Effective July 1, 2014, Sirius Group established its own Lloyd's managing agent, Sirius International Managing Agency, which manages Syndicate 1945. Lloyd's approved net capacity for 2016 is £108.4 million, or approximately $134.3 million (based on the December 31, 2016 GBP to USD exchange rate). Stamp capacity is a measure of the amount of net premium (premiums written less acquisition costs) that a syndicate is authorized by Lloyd's to write.

U.S.:

Sirius America and the insurance subsidiaries of Sirius Global Solutions are subject to regulation and supervision by the National Association of Insurance Commissioners ("NAIC") and the department of insurance in the state of domicile. The NAIC uses risk-based-capital standards for U.S. property and casualty insurers as a means of monitoring certain aspects affecting the overall financial condition of insurance companies.

Sirius America's policyholders' surplus, as reported to regulatory authorities as of December 31, 2016 and 2015, was $544.3 million and $517.6 million. Sirius America's statutory net income for the years ended December 31, 2016, 2015, and 2014 was $82.7 million, $74.7 million, and $56.1 million. The principal differences between Sirius America's statutory amounts and the amounts reported in accordance with GAAP include deferred acquisition costs, deferred taxes, gains recognized under retroactive reinsurance contracts and market value adjustments for debt securities. The minimum policyholders' surplus necessary to satisfy Sirius America's regulatory requirements was $92.1 million as of December 31, 2016, which equals the authorized control level of the NAIC risk-based capital based on Sirius America's policyholders' surplus.

Oakwood Insurance Company ("Oakwood") policyholders' surplus, as reported to regulatory authorities as of December 31, 2016 and 2015 was $28.0 million and $30.3 million. Oakwood's statutory net (loss) income for the years ended December 31, 2016, 2015, and 2014 was $(0.9) million, $0.7 million and $(1.1) million. The minimum policyholders' surplus necessary to satisfy Oakwood's regulatory requirements was $6.7 million as of December 31, 2016, which equals the authorized control level of the NAIC risk-based capital based on Oakwood's policyholders' surplus.

Empire Insurance Company ("Empire") policyholders' surplus, as reported to regulatory authorities as of December 31, 2016 and 2015 was $10.7 million and $10.6 million. Empire's statutory net income for the years ended December 31, 2016, 2015, and 2014 was $0.0 million, $0.1 million and $0.6 million. The minimum policyholders' surplus necessary to satisfy Empire's regulatory requirements was $8.8 million as of December 31, 2016, and the NAIC risk-based capital authorized control level was $1.0 million.

Mount Beacon's policyholders' surplus, as reported to regulatory authorities as of December 31, 2016 and 2015 was $13.6 million and $25.6 million. Mount Beacon's statutory net (loss) for the years ended December 31, 2016, 2015, and 2014 was $(11.1) million, $0.0 million and $(0.2) million. The minimum policyholders' surplus necessary to satisfy Mount Beacon's regulatory requirements was $15.0 million as of December 31, 2016, and the NAIC risk-based capital authorized control level was $1.5 million. On February 22, 2017 a consent order was approved by the Florida Office of Insurance Regulation for an Accelerated Plan of Run-Off that both protects Mount Beacon's policyholders and facilitates the furtherance of the run-off of Mount Beacon's book of business and the transfer of Mount Beacon's policies to Florida Specialty Insurance Company. In conjunction with the Accelerated Plan of Run-Off, Mount Beacon has entered into a Capital Support Agreement with its parent, Sirius Global Solutions under which Sirius Global Solutions commits to providing the necessary capital to maintain Company policyholder surplus of at least $10.0 million until such time as Mount Beacon has been merged into Oakwood.

Dividend Capacity

Sirius Bermuda, has the ability to declare or pay dividends or make capital distributions during any 12-month period without the prior approval of Bermuda regulatory authorities on the condition that any such declaration or payment of dividends or capital distributions does not cause a breach of any of its regulatory solvency and liquidity requirements. During 2017, Sirius Bermuda has the ability to pay dividends or make capital distributions without the prior approval of regulatory authorities, subject to meeting all appropriate liquidity and solvency requirements, of $648.0 million, which is equal to 25% of its December 31, 2016 regulatory capital available for distribution. The amount of dividends available to be paid by Sirius Bermuda in any given year is also subject to cash flow and earnings generated by Sirius Bermuda's business, as well as to dividends received from its subsidiaries, including Sirius International. During 2016, Sirius Bermuda paid $40.0 million of dividends to its immediate parent.

Sirius International has the ability to pay dividends up to Sirius Bermuda subject to the availability of unrestricted equity, calculated in accordance with the Swedish Act on Annual Accounts in Insurance Companies and the FSA. Unrestricted equity is calculated on a consolidated group account basis and on a parent account basis. Differences between the two include but are not limited to accounting for goodwill, subsidiaries (with parent accounts stated at original foreign exchange rates), taxes and pensions. Sirius International's ability to pay dividends is limited to the "lower of" unrestricted equity as calculated within the group and parent accounts. As of December 31, 2016, Sirius International had $440.2 million (based on the December 31, 2016 SEK to USD exchange rate) of unrestricted equity on a parent account basis (the lower of the two approaches) available to pay dividends in 2017. The amount of dividends available to be paid by Sirius International in any given year is also subject to cash flow and earnings generated by Sirius International's business, as well as to dividends received from its subsidiaries. Earnings generated by Sirius International's business that are allocated to the Safety Reserve are not available to pay dividends (see "***Safety Reserve***" on the next page). During 2016, Sirius International paid $297.0 million of dividends to its immediate parent.

Under normal course of business, Sirius America has the ability to pay dividends up to its immediate parent during any twelve-month period without the prior approval of regulatory authorities in an amount set by formula based on the lesser of net investment income, as defined by statute, or 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus and subject to dividends paid in prior periods. Based upon an agreement with its regulators during 2016, Sirius America shall commit to refrain from taking steps to pay any dividends for a period of two years from the date of the sale of Sirius Ltd. from White Mountains to CMIG International. As of December 31, 2016, Sirius America had $544.3 million of statutory surplus and $143.7 million of earned surplus. During 2016, Sirius America did not pay any dividends to its immediate parents.

During 2016, Sirius Group paid $20.0 million in dividends to its immediate parent. Sirius Ltd. paid $27.0 million in dividends to its former parent White Mountains on April 18, 2016. As of December 31, 2016, Sirius Group had $4.5 million of net unrestricted cash, short-term investments, and fixed maturity investments outside of its regulated and unregulated insurance and reinsurance operating subsidiaries.

Capital Maintenance

There is a capital maintenance agreement between Sirius International and Sirius America which obligates Sirius International to make contributions to Sirius America's surplus in order for Sirius America to maintain surplus equal to at least 125% of the company action level risk based capital as defined in the NAIC Property/Casualty Risk-Based Capital Report. The agreement provides for a maximum contribution to Sirius America of $200.0 million. During 2016, Sirius International has not made any contributions to the surplus of Sirius America. During 2016, Sirius International provided Sirius America with accident year stop loss reinsurance, which protected Sirius America's accident year loss and allocated loss adjustment expense ratio in excess of 70%, with a limit of $90.0 million. This stop loss contract has been renewed for all of 2017 with the attachment point in excess of 83% and a limit of $27.0 million. In addition, at November 1, 2016, Sirius America and Sirius International entered into a quota share agreement where Sirius America ceded Sirius International 75% of its reinsurance business on an accident year basis. This quota share agreement is in force through October 31, 2017. During 2016, Sirius America ceded $33.4 million of premiums earned to Sirius International under this quota share agreement.

Safety Reserve

Subject to certain limitations under Swedish law, Sirius International is permitted to transfer pre-tax income amounts into an untaxed reserve referred to as a safety reserve. As of December 31, 2016, Sirius International's safety reserve amounted to SEK 10.7 billion, or $1.2 billion (based on the December 31, 2016 SEK to USD exchange rate). Under GAAP, an amount equal to the safety reserve, net of a related deferred tax liability established at the Swedish tax rate of 22%, is classified as shareholder's equity. Generally, this deferred tax liability is only required to be paid by Sirius International if it fails to maintain prescribed levels of premium writings and loss reserves in future years. As a result of the indefinite deferral of these taxes, Swedish regulatory authorities apply no taxes to the safety reserve when calculating solvency capital under Swedish insurance regulations. Accordingly, under local statutory requirements, an amount equal to the deferred tax liability on Sirius International's safety reserve ($259.7 million as of December 31, 2016) is included in solvency capital. Access to the safety reserve is restricted to coverage of insurance and reinsurance losses. Access for any other purpose requires the approval of Swedish regulatory authorities. Similar to the approach taken by Swedish regulatory authorities, most major rating agencies generally include the $1.2 billion balance of the safety reserve, without any provision for deferred taxes, in Sirius International's regulatory capital when assessing Sirius International's financial strength. Subject to certain limitations under Swedish law, Sirius International is permitted to transfer certain portions of its pre-tax income to its Swedish parent companies to minimize taxes (referred to as a group contribution). During 2016, Sirius International did not transfer any of its 2015 pre-tax income via group contributions to its Swedish parent companies.

NOTE 12. Investments in Unconsolidated Affiliates

Sirius Group's investments in unconsolidated affiliates represent investments in other companies in which Sirius Group has a significant voting and economic interest but does not control the entity.

Symetra

As of February 1, 2016 and December 31, 2015, Sirius Group owned 17,492,800 common shares of Symetra, a 15.1% common share ownership. On February 1, 2016, Symetra closed its merger agreement with Sumitomo Life Insurance Company ("Sumitomo Life") and Sirius Group received proceeds of $559.8 million, or $32.00 per common share.

In August 2015, Symetra announced it had entered into a merger agreement with Sumitomo Life pursuant to which Sumitomo Life would acquire all of the outstanding shares of Symetra. Following the announcement and Symetra shareholders' November 5, 2015 meeting to approve the transaction, White Mountains, relinquished its representation on Symetra's board of directors. As a result, Sirius Group changed its accounting for Symetra common shares from the equity method to fair value. During the fourth quarter of 2015, Sirius Group recognized $218.5 million ($200.8 million after tax) of unrealized investment gains through net income, representing the difference between the carrying value of Symetra common shares under the equity method at the date of change and fair value at December 31, 2015. During the first quarter of 2016, Sirius Group recognized an additional $4.0 million of unrealized investment gains through net income.

As of December 31, 2011, Sirius Group concluded that its investment in Symetra common shares was other-than-temporarily impaired and wrote down the GAAP book value of the investment to its estimated fair value of $261.0 million, or $15 per share. This impairment resulted in a basis difference between the GAAP carrying value of Sirius Group's investment in Symetra common shares and the amount derived by multiplying the percentage of Sirius Group's common share ownership by Symetra's total GAAP equity. As of November 5, 2015, the pre-tax unamortized basis difference was $136.0 million, of which $26.0 million is attributable to equity in earnings of unconsolidated affiliates and $110.0 million is attributable to equity in net unrealized gains of unconsolidated affiliates. As of December 31, 2014, the pre-tax unamortized basis difference was $143.2 million, of which $26.8 million is attributable to equity in earnings of unconsolidated affiliates and $116.4 million is attributable to equity in net unrealized gains of unconsolidated affiliates. The pre-tax basis differences were amortized over a 30-year period, based on estimated future cash flows associated with Symetra's underlying assets and liabilities to which the basis differences were attributed. Sirius Group continued to record its equity in Symetra's earnings and net unrealized gains (losses) under the equity method through November 5, 2015. In addition, Sirius Group recognized the amortization of the basis differences through equity in earnings of unconsolidated affiliates and equity in net unrealized gains (losses) from investments in unconsolidated affiliates consistent with the original attribution of the basis differences between equity in earnings and equity in net unrealized gains (losses). For the period ended November 5, 2015, Sirius Group recognized after-tax amortization of $0.5 million through equity in earnings of unconsolidated affiliates and $6.0 million through equity in net unrealized gains from investments in unconsolidated affiliates. For the period ended December 31, 2014, Sirius Group recognized after-tax amortization of $2.8 million through equity in earnings of unconsolidated affiliates and $11.5 million through equity in net unrealized gains from investments in unconsolidated affiliates. For the period ended December 31, 2013, Sirius Group recognized after-tax amortization of $2.7 million through equity in earnings of unconsolidated affiliates and $10.7 million through equity in net unrealized gains from investments in unconsolidated affiliates.

The following table summarizes amounts recorded by Sirius Group under the equity method relating to its investment in Symetra through November 5, 2015:

Millions		Total
Equity method carrying value of investment in Symetra as of December 31, 2014[1]	$	361.8
Equity in earnings of Symetra[2][3][4]		20.1
Equity in net unrealized gains from Symetra's fixed maturity portfolio[5][6]		(35.4)
Distribution from Prospector Offshore Fund [7]		2.2
Dividends received		(14.5)
Equity method carrying value of investment in Symetra as of November 5, 2015[1][8]	$	334.2

[1] Includes Sirius Groups' equity in net unrealized gains (losses) from Symetra's fixed income portfolio of $3.0 and $32.4 as of November 5, 2015 and December 31, 2014, which excludes tax (expense) benefit of $0.2 and $(2.7)

[2] Equity in earnings for the period ended November 5, 2015 excludes tax expense of $1.6

[3] Equity in earnings for the period ended November 5, 2015 includes $0.6 increases relating to the pre-tax amortization amortization of the Symetra common share basis difference

[4] Equity in earnings for the period ended November 5, 2015 includes $(0.1) loss from the dilutive effect of Symetra's yearly dividend and the issuance of restricted shares by Symetra

[5] Net unrealized gains for the period ended November 5, 2015 includes $6.6 increases relating to the pre-tax amortization of the Symetra common share basis difference

[6] Equity in net unrealized gains (losses) from Symetra's fixed maturiy portfolio excludes tax benefit of $2.9 for the period ended November 5, 2015.

[7] During 2015, pursuant to the redemption of Sirius Group's investments in the Prospector Funds, 92,800 common shares of Symetra were distributed to Sirius Group.

[8] The aggregate value of Sirius Group's investment in common shares of Symetra was $554.0 based upon the quoted market

The following table summarizes financial information for Symetra as of September 30, 2015:

Millions		September 30, **2015**
Symetra balance sheet data:		
Total investments	$	**32,409.2**
Separate account assets		**885.9**
Total assets		**34,962.8**
Policyholder liabilities		**29,492.0**
Long-term debt		**697.5**
Separate account liabilities		**885.9**
Total liabilities		**31,836.7**
Common Shareholders' equity		**3,126.1**

The following table summarizes financial information for Symetra for the nine months ended September 30, 2015 and the year ended December 31, 2014:

Millions		Nine months ended September 30, **2015**		Year ended December 31, 2014
Symetra income statement data:				
Net premiums earned	**$**	**539.3**	$	629.1
Net investment income		**994.3**		1,320.5
Total revenues		**1,605.9**		212.4
Policy benefits		**1,143.7**		1,399.7
Total expenses		**1,543.6**		1,882.5
Net income		**89.6**		254.4
Comprehensive (loss) income		**(234.1)**		397.0

OneBeacon

On April 18, 2016, Sirius Group sold its investment in OneBeacon at fair value to White Mountains for proceeds of $178.3 million in connection with the sale of Sirius Group to CMIG International and recorded $22.1 million of additional paid-in capital for the excess of fair value over the equity method carrying value of OneBeacon. Prior to the sale, Sirius Group accounted for its investment in OneBeacon using the equity method.

During the period ended April 18, 2016 and the year ended December 31, 2015, Sirius Group received cash dividends from OneBeacon of $3.0 million and $12.1 million, respectively, which were accounted as a reduction of Sirius Group's investment in OneBeacon in accordance with equity method accounting.

The following table summarizes amounts recorded by Sirius Group under the equity method relating to its investment in OneBeacon through April 18, 2016:

Millions		Total
Equity method carrying value of investment in OneBeacon as of December 31, 2015	$	151.9
Equity in earnings of OneBeacon		6.6
Dividends received		(3.0)
Other, net		0.7
Proceeds received for the sale of OneBeacon		(178.3)
Excess of fair value received over equity method carrying value of OneBeacon		22.1
Equity method carrying value of investment in OneBeacon as of April 18, 2016	$	-

The following table summarizes financial information for OneBeacon as of March 31, 2016 and December 31, 2015:

		March 31,		December 31,
Millions		**2016**		2015
OneBeacon balance sheet data:				
Total investments	$	**2,562.1**	$	2,591.4
Total assets		**3,529.0**		3,602.6
Policyholder liabilities		**2,236.3**		2,325.2
Long-term debt		**272.9**		272.9
Total liabilities		**2,509.2**		2,598.1
Total non-controlling interests		**3.2**		3.6
Total common shareholders' equity		**1,016.6**		1,000.9

The following table summarizes financial information for OneBeacon for period ended March 31, 2016 and the years ended December 31, 2015 and 2014:

		Three-months ended March 31,	Year Ended December 31,			
Millions		**2016**		2015		2014
OneBeacon income statement data:						
Net premiums earned	**$**	**278.6**	$	1,176.2	$	1,177.1
Net investment income		**14.4**		45.9		43.4
Total revenues		**310.5**		1,186.4		1,266.7
Loss and loss adjustment expenses		**158.8**		700.7		815.1
Total expenses		**272.3**		1,161.1		1,224.4
Net income attributable to OneBeacon common shareholders		**46.4**		36.8		32.9
Comprehensive income attributable to OneBeacon common shareholders		**46.4**		36.8		20.9

NOTE 13. Variable Interest Entities

Alstead Re

During 2016, Sirius Group determined that Alstead Re is a variable interest entity for which Sirius Group is the primary beneficiary and is required to consolidate Alstead Re. Prior to 2015, Alstead Re was not considered to be a variable interest entity. As of December 31 2016, Sirius Group consolidated total assets of $2.5 million and total liabilities of $0.8 million of Alstead Re. In addition, as of December 31, 2016, Sirius Group recorded non-controlling interest of $0.5 million in Alstead Re.

NOTE 14. Fair Value of Financial Instruments

Sirius Group accounts for its financial instruments at fair value with the exception of the 2016 SIG Senior Notes, which are recorded as debt liabilities at face value less unamortized original issue discount.

The following summarizes the fair value and carrying value of financial instruments that are not accounted for at fair value:

Millions	**December 31, 2016** Fair Value	Carrying Value	December 31, 2015 Fair Value	Carrying Value
2016 SIG Senior Notes	**$ 382.4**	**$ 392.5**	$ -	$ -
Old Lyme Note	**$ 3.7**	**$ 3.7**	$ 3.7	$ 3.7
2007 SIG Senior Notes	**$ -**	**$ -**	$ 410.0	$ 399.3

The fair value estimate for the 2016 SIG Senior Notes has been determined by internal pricing and is considered a Level 3 measurement. The fair value estimate of the Old Lyme Note has been determined by internal pricing, based on the expected amount due to the sellers of Old Lyme, and is considered a Level 3 measurement. The fair value estimate for the 2007 SIG Senior Notes has been determined based off indicative broker quotes and is considered a Level 3 measurement.

NOTE 15. Transactions with Related Persons

White Mountains Advisors

White Mountains Advisors ("WMA"), an indirect wholly-owned subsidiary of Sirius Group's former parent White Mountains, provided investment advisory and management services to Sirius Group and its subsidiaries under an Investment Advisory Services Agreement. During 2016, Sirius Group terminated this agreement. Sirius Group incurred $3.1 million, $5.5 million, and $6.3 million of investment fees during 2016, 2015, and 2014, respectively for services provided directly by WMA or through its sub-advisors. As of December 31, 2016, Sirius Group did not owe any amount to WMA under this agreement. At December 31, 2015, Sirius Group owed $1.2 million to WMA under this agreement.

WMA also provided investment advisory and management services to Symetra and OneBeacon. During 2015 and 2014, WMA earned $8.0 million and $18.4 million in fees from Symetra. During 2015 and 2014, WMA earned $3.9 million and $3.8 million in fees from OneBeacon.

NOTE 16. Commitments and Contingencies

Sirius Group leases certain office space under non-cancellable operating leases that expire on various dates. The future annual minimum rental payments required under non-cancellable leases for office space are as follows:

Millions	Future Payments	
2017	$	6.2
2018		6.0
2019		5.3
2020		2.9
2021 and after		8.6
Total	**$**	**29.0**

Total rental expense for the years ended December 31, 2016, 2015, and 2014 was $6.2 million, $6.4 million, and $7.6 million, respectively. Sirius Group also has various other lease obligations, which are not material in the aggregate.

Sirius International is a shareholder in LUC Holdings ("LUC"), a real estate company that leases and sub-leases rental properties in London. Shareholders of LUC are joint and several guarantors of the obligations of LUC. Estimated future fundings of LUC by Sirius International are as follows:

Millions	December 31, 2016	
Due in one year or less	$	0.6
Due in two to three years		-
Due in four to five years		-
Due after five years		-
Total	**$**	**0.6**

Legal Proceedings

Sirius Group and the insurance and reinsurance industry in general, are routinely subject to claims related litigation and arbitration in the normal course of business, as well as litigation and arbitration that do not arise from, or are directly related to, claims activity. Our estimates of the costs of settling matters routinely encountered in claims activity are reflected in the reserves for unpaid loss and LAE. (See **Note 3**).

Sirius Group considers the requirements of ASC 450, *Contingencies* ("ASC 450"), when evaluating its exposure to non-claims related litigation and arbitration. ASC 450 requires that accruals be established for litigation and arbitration if it is probable that a loss has been incurred and it can be reasonably estimated. ASC 450 also requires that litigation and arbitration be disclosed if it is probable that a loss has been incurred or it there is a reasonable possibility that a loss may have been incurred.

Although the ultimate outcome of claims and non-claims related litigation and arbitration, and the amount or range of potential loss at any particular time, is often inherently uncertain, management does not believe that the ultimate outcome of such claims and non-claims related litigation and arbitration will have a material adverse effect on Sirius Group's financial condition, results of operations or cash flows.

The following summarizes one, ongoing non-claims related litigation:

Tribune Company

In June 2011, Deutsche Bank Trust Company Americas, Law Debenture Company of New York and Wilmington Trust Company (collectively referred to as "*Plaintiffs*"), in their capacity as trustees for certain senior notes issued by the Tribune Company ("*Tribune*"), filed lawsuits in various jurisdictions (the "*Noteholder Actions*") against numerous defendants including Sirius Group in their capacity as former shareholders of Tribune seeking recovery of the proceeds from the sale of common stock of Tribune in connection with Tribune's leveraged buyout in 2007 (the "*LBO*"). Tribune filed for bankruptcy in 2008 in the Delaware bankruptcy court (the "*Bankruptcy Court*"). The Bankruptcy Court granted Plaintiffs permission to commence these LBO-related actions, and in 2011, the Judicial Panel on Multidistrict Litigation granted a motion to consolidate the actions for pretrial matters and transferred all such proceedings to the United States District Court for the Southern District of New York. Plaintiffs seek recovery of the proceeds received by the former Tribune shareholders on a theory of constructive fraudulent transfer asserting that Tribune purchased or repurchased its common shares without receiving fair consideration at a time when it was, or as a result of the purchases of shares, was rendered, insolvent. Certain subsidiaries of Sirius Group received approximately $6.1 million for Tribune common stock tendered in connection with the LBO.

The Court granted an omnibus motion to dismiss the Noteholder Actions in September 2013 and Plaintiffs' appealed. On March 29, 2016, a three judge panel of the U.S. Second Circuit Court of Appeals affirmed the dismissal of the Noteholder Action. The Plaintiffs filed a petition for reconsideration or a rehearing en banc of the Second Circuit's decision affirming the dismissal of the state law fraudulent conveyance cases. By order dated July 22, 2016, the Second Circuit denied the petition in full. On September 9, 2016, Plaintiffs filed a petition for a writ of certiorari, seeking U.S. Supreme Court review. The granting of a writ of certiorari requires the affirmative vote of four U.S. Supreme Court justices. In the meantime, the Second Circuit's decision remains in effect.

In addition, Sirius Group in their capacity as former shareholders of Tribune, along with thousands of former Tribune shareholders, have been named as defendants in an adversary proceeding brought by the Official Committee of Unsecured Creditors of the Tribune Company (the "*Committee*"), on behalf of the Tribune Company, which seeks to avoid the repurchase of shares by Tribune in the LBO on a theory of intentional fraudulent transfer (the "Committee Action"). Tribune emerged from bankruptcy in 2012, and a litigation trustee replaced the Committee as plaintiff in the Committee Action. This matter was consolidated for pretrial matters with the Noteholder Actions in the United States District Court for the Southern District of New York and was stayed pending the motion to dismiss in the Noteholder Action. An omnibus motion to dismiss the shareholder defendants in the Committee Action was filed in May 2014. In January, 2017 the Court dismissed the intentional fraudulent transfer claim. The plaintiff is expected to appeal this decision. No amount has been accrued in connection with this matter as of December 31, 2016 and December 31, 2015, as the amount of loss, if any, cannot be reasonably estimated.

NOTE 17. Subsequent Events

Subsequent Events (ASC 855) established general standards for accounting and disclosures of events occurring subsequent to the balance sheet date but prior to issuance of financial statements. The Company has evaluated subsequent events through April 7, 2017, the date on which the Consolidated Financial Statements were issued.

Armada

On April 3, 2017, Sirius Group purchased 100% of ArmadaCorp Capital, LLC ("Armada"), a market leading provider of supplemental healthcare insurance products and administrative services in the United States, from Armada Enterprises LLC ("Seller"). The transaction was implemented by 1) the purchase of 50% of Armada by Sirius Group for $123.7 million, subject to a post-closing purchase price adjustment based on the target net book value of Armada as of March 31, 2017, and 2) the redemption by Armada of the remaining 50% held by Seller for a redemption price based on a three year contingent earn-out mechanism that could result in an additional payment to Seller of up to $125 million.

Sirius International Insurance Group, Ltd.
Consolidated Balance Sheets
Unaudited

(Millions, except share and per share amounts)	June 30, 2017	December 31, 2016
Assets		
Fixed maturity investments, at fair value	$ 2,423.3	$ 2,891.6
Short-term investments, at amortized cost (which approximates fair value)	563.5	538.0
Common equity securities, at fair value	217.1	123.0
Other long-term investments	190.1	124.8
Total investments	3,394.0	3,677.4
Cash	139.2	137.1
Reinsurance recoverable on unpaid losses	304.7	291.5
Reinsurance recoverable on paid losses	13.6	17.1
Insurance and reinsurance premiums receivable	558.0	394.6
Funds held by ceding companies	139.0	100.0
Deferred acquisition costs	128.4	84.7
Deferred tax asset	311.5	279.1
Ceded unearned insurance and reinsurance premiums	101.4	101.1
Accrued investment income	13.9	19.0
Goodwill	393.9	-
Intangible assets	229.1	5.0
Other assets	60.2	59.9
Total assets	$ 5,786.9	$ 5,166.5
Liabilities		
Loss and loss adjustment expense reserves	$ 1,659.3	$ 1,620.1
Unearned insurance and reinsurance premiums	576.9	398.0
Debt	392.2	396.2
Deferred tax liability	313.5	239.7
Funds held under reinsurance treaties	60.7	63.4
Ceded reinsurance payable	121.8	99.6
Accounts payable on unsettled investment purchases	8.5	7.6
Other liabilities	251.0	102.5
Total liabilities	3,383.9	2,927.1
Mezzanine equity		
Series A Redeemable preference shares	101.0	-
Common shareholder's equity		
Common shares at $0.01 par value per share - authorized 600,000,000 shares; issued and outstanding, 120,000,000 shares	1.2	1.2
Additional paid-in surplus - common shares	1,194.2	1,184.6
Retained earnings	1,021.4	1,014.5
Accumulated other comprehensive (loss), after-tax:		
Net unrealized foreign currency translation (losses)	(165.0)	(212.2)
Total common shareholder's equity	2,051.8	1,988.1
Non-controlling interests	250.2	251.3
Total equity	2,302.0	2,239.4
Total liabilities, mezzanine equity, and equity	$ 5,786.9	$ 5,166.5

Sirius International Insurance Group, Ltd.
Consolidated Statements of Operations and Comprehensive Income (Loss)
Unaudited

	Six Months Ended June 30,	
Millions	**2017**	**2016**
Revenues		
Gross written insurance and reinsurance premiums	**$ 809.7**	$ 726.9
Net written insurance and reinsurance premiums	**$ 597.1**	$ 532.2
Earned insurance and reinsurance premiums	**$ 467.8**	$ 419.6
Net investment income	**32.1**	24.8
Net realized investment gains (losses)	**(2.5)**	271.6
Net unrealized investment (losses) gains	**(22.5)**	(213.1)
Net foreign exchange gains (losses)	**1.3**	(7.9)
Other revenue	**2.3**	4.5
Total revenues	**478.5**	499.5
Expenses		
Loss and loss adjustment expenses	**255.4**	270.4
Insurance and reinsurance acquisition expenses	**94.0**	105.3
Other underwriting expenses	**57.9**	49.8
General and administrative expenses	**40.7**	57.1
Intangible asset amortization expenses	**2.4**	-
Accretion of fair value adjustment to loss and loss adjustment expense reserves	**0.1**	0.4
Interest expense on debt	**9.6**	13.3
Total expenses	**460.1**	496.3
Pre-tax income	**18.4**	3.2
Income tax expense	**(1.5)**	(2.6)
Income (loss) before equity in earnings of unconsolidated affiliates	**16.9**	0.6
Equity in earnings of unconsolidated affiliates, net of tax	**-**	6.6
Income before income (loss) attributable to non-controlling interests	**16.9**	7.2
Net income attributable to non-controlling interests	**(9.0)**	(9.4)
Net income (loss) attributable to Sirius Group's common shareholder	**7.9**	(2.2)
Other comprehensive income (loss), net of tax		
Change in foreign currency translation, net of tax	**47.2**	(7.2)
Net change in other, net of tax	**-**	1.0
Comprehensive income (loss) attributable to Sirius Group's common shareholder	**$ 55.1**	$ (8.4)

Sirius International Insurance Group, Ltd.
Consolidated Statements of Changes in Equity
Unaudited

	Sirius Group's Shareholder's Equity					
(Millions)	Common shares and paid-in surplus	Retained earnings	AOCI, after-tax	Total shareholder's equity	Non-Controlling Interests	Total Equity
Balances at January 1, 2017	$ 1,185.8	$ 1,014.5	$ (212.2)	$ 1,988.1	$ 251.3	$ 2,239.4
Net income	-	7.9	-	7.9	9.0	16.9
Net change in foreign currency translation	-	-	47.2	47.2	-	47.2
Net change in other	-	-	-	-	-	-
Comprehensive income (loss)	-	7.9	47.2	55.1	9.0	64.1
Capital contribution from former parent	9.6	-	-	9.6	-	9.6
Accrued dividends on Series A Redeemable preference shares	-	(1.0)	-	(1.0)	-	(1.0)
Dividends to former parent	-	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	(9.4)	(9.4)
Other, net	-	-	-	-	(0.7)	(0.7)
Balances at June 30, 2017	**$ 1,195.4**	**$ 1,021.4**	**$ (165.0)**	**$ 2,051.8**	**$ 250.2**	**$ 2,302.0**

	Sirius Group's Shareholder's Equity					
(Millions)	Common shares and paid-in surplus	Retained earnings	AOCI, after-tax	Total shareholder's equity	Non-Controlling Interests	Total Equity
Balances at January 1, 2016	$ 1,096.2	$ 1,009.0	$ (146.1)	$ 1,959.1	$ 250.1	$ 2,209.2
Net income	-	(2.2)	-	(2.2)	9.4	7.2
Net change in foreign currency translation	-	-	(7.2)	(7.2)	-	(7.2)
Net change in other	-	-	0.9	0.9	-	0.9
Comprehensive income (loss)	-	(2.2)	(6.3)	(8.5)	9.4	0.9
Capital contribution from former parent	78.7	-	-	78.7	-	78.7
Accrued dividends on Series A Redeemable preference shares	-	-	-	-	-	-
Dividends to former parent	-	(27.0)	-	(27.0)	-	(27.0)
Dividends to non-controlling interests	-	-	-	-	(9.4)	(9.4)
Other, net	0.1	-	-	0.1	0.7	0.8
Balances at June 30, 2016	$ 1,175.0	$ 979.8	$ (152.4)	$ 2,002.4	$ 250.8	$ 2,253.2

Sirius International Insurance Group, Ltd.
Consolidated Statements of Cash Flows
Unaudited

	Six Months Ended June 30,	
(Millions)	2017	2016
Cash flows from operations:		
Net income	$ 7.9	$ (2.2)
(Credits) charges to reconcile net income to net cash provided from (used for) operations:		
Net realized and unrealized investment gains	25.0	(58.5)
Amortization and depreciation	13.8	7.6
Excess of fair value of acquired net assets over cost	-	(6.7)
Undistributed equity in earnings of unconsolidated affiliates, after-tax	-	(6.6)
Other operating items:		
Net change in loss and loss adjustment expense reserves	(30.7)	5.5
Net change in reinsurance recoverable on paid and unpaid losses	3.3	3.0
Net change in funds held by ceding companies	(28.8)	(5.8)
Net change in unearned insurance and reinsurance premiums	139.4	149.4
Net change in ceded reinsurance payable	13.7	15.3
Net change in ceded unearned insurance and reinsurance premiums	13.8	(34.9)
Net change in insurance and reinsurance premiums receivable	(129.6)	(148.1)
Net change in deferred acquisition costs	(36.3)	(19.4)
Net change in funds held under reinsurance treaties	(5.8)	2.7
Net change in current and deferred income taxes, net	(4.1)	(37.4)
Net change in other assets and liabilities, net	(7.0)	5.7
Net cash used for operations	(25.4)	(130.4)
Cash flows from investing activities:		
Net change in short-term investments	(4.3)	(182.5)
Sales of fixed maturity investments	932.7	1,473.1
Maturities, calls and paydowns of fixed maturity investments	193.7	90.4
Sales of common equity securities	29.1	809.2
Distributions and redemptions of other long-term investments	37.3	18.9
Sales of consolidated subsidiaries and unconsolidated affiliates, net of cash sold	0.8	173.5
Contributions to other long-term investments	(89.3)	(14.4)
Purchases of common equity securities	(107.7)	(177.2)
Purchases of fixed maturity investments	(609.6)	(2,231.6)
Purchases of consolidated affiliates, net of cash acquired	(354.5)	27.5
Net change in unsettled investment purchases and sales	0.7	136.1
Other, net	(3.0)	1.4
Net cash provided from investing activities	25.9	124.4
Cash flows from financing activities:		
Capital contribution from former parent	9.6	56.6
Contribution from sale of OneBeacon	-	22.1
Repayment of debt	(3.7)	-
Collateral provided by interest rate cap counterparties	(0.8)	(1.2)
Cash dividends paid on common shares	-	(27.0)
Cash dividends paid to non-controlling interests	(9.4)	(9.4)
Other, net	(0.9)	0.8
Net cash (used for) provided from financing activities	(5.2)	41.9
Effect of exchange rate changes on cash	6.8	(3.6)
Net increase in cash during the period	2.1	32.3
Cash balance at beginning of year	137.1	143.9
Cash balance at end of period	$ 139.2	$ 176.2

Sirius International Insurance Group, Ltd.

Consolidated Financial Statements
For the years ended
December 31, 2016, 2015, and 2014

Report of Independent Auditors

To the Board of Directors of Sirius International Insurance Group, Ltd.

We have audited the accompanying consolidated financial statements of Sirius International Insurance Group, Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive (loss) income, of shareholders' equity and of cash flows for each of the three years in the period ended December 31, 2016.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sirius International Insurance Group, Ltd. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

Boston Massachusetts
April 7, 2017

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Sirius International Insurance Group, Ltd.
Consolidated Balance Sheets

Millions, except share and per share amounts	December 31, 2016	2015
Assets		
Fixed maturity investments, at fair value	**$ 2,891.6**	$ 2,374.0
Short-term investments, at amortized cost (which approximates fair value)	**538.0**	352.0
Common equity securities, at fair value	**123.0**	730.1
Other long-term investments	**124.8**	78.2
Total investments	**3,677.4**	3,534.3
Cash	**137.1**	143.9
Reinsurance recoverable on unpaid losses	**291.5**	283.1
Reinsurance recoverable on paid losses	**17.1**	10.2
Insurance and reinsurance premiums receivable	**394.6**	323.6
Funds held by ceding companies	**100.0**	90.6
Investments in unconsolidated affiliates	**-**	151.9
Deferred acquisition costs	**84.7**	74.6
Deferred tax asset	**279.1**	275.7
Ceded unearned insurance and reinsurance premiums	**101.1**	87.7
Accrued investment income	**19.0**	16.8
Accounts receivable on unsettled investment sales	**-**	29.0
Other assets	**64.9**	70.5
Total assets	**$ 5,166.5**	$ 5,091.9
Liabilities		
Loss and loss adjustment expense reserves	**$ 1,620.1**	$ 1,644.4
Unearned insurance and reinsurance premiums	**398.0**	342.2
Debt	**396.2**	403.0
Deferred tax liability	**239.7**	263.6
Funds held under reinsurance treaties	**63.4**	52.9
Ceded reinsurance payable	**99.6**	67.1
Accounts payable on unsettled investment purchases	**7.6**	-
Other liabilities	**102.5**	109.5
Total liabilities	**2,927.1**	2,882.7
Shareholders' equity		
Common shares at $0.01 par value per share - authorized 600,000,000 and 12,000 shares; issued and outstanding, 120,000,000 and 12,000 shares	**1.2**	0.1
Additional paid-in surplus	**1,184.6**	1,096.1
Retained earnings	**1,014.5**	1,009.0
Accumulated other comprehensive income (loss), after-tax:		
Net unrealized foreign currency translation losses	**(212.2)**	(144.9)
Other, net	**-**	(1.2)
Total shareholders' equity	**1,988.1**	1,959.1
Non-controlling interests	**251.3**	250.1
Total equity	**2,239.4**	2,209.2
Total liabilities and shareholders' equity	**$ 5,166.5**	$ 5,091.9

See Notes to Consolidated Financial Statements including **Note 16** for Commitments and Contingencies.

Sirius International Insurance Group, Ltd.
Consolidated Statements of Operations and Comprehensive (Loss) Income

Millions	Year Ended December 31, **2016**	2015	2014
Revenues			
Gross written insurance and reinsurance premiums	**$ 1,269.0**	$ 1,160.5	$ 1,136.6
Net written insurance and reinsurance premiums	**$ 938.1**	$ 847.6	$ 882.5
Earned insurance and reinsurance premiums	**$ 890.1**	$ 847.0	$ 873.9
Net investment income	**56.2**	39.9	41.1
Net realized investment gains	**288.3**	138.5	65.0
Net unrealized investment (losses) gains	**(238.2)**	102.5	144.2
Net foreign exchange losses	**(11.0)**	(18.2)	(56.6)
Other revenue	**9.1**	(2.4)	(5.8)
Total revenues	**994.5**	1,107.3	1,061.8
Expenses			
Loss and loss adjustment expenses	**519.3**	422.7	345.3
Insurance and reinsurance acquisition expenses	**210.3**	189.8	193.6
Other underwriting expenses	**107.3**	107.9	129.7
General and administrative expenses	**84.6**	26.4	29.8
Accretion of fair value adjustment to loss and loss adjustment expense reserves	**0.5**	0.7	0.7
Interest expense on debt	**34.6**	26.6	26.3
Total expenses	**956.6**	774.1	725.4
Pre-tax income	**37.9**	333.2	336.4
Income tax benefit (expense)	**7.3**	(47.1)	(71.7)
Income before equity in earnings of unconsolidated affiliates	**45.2**	286.1	264.7
Equity in earnings of unconsolidated affiliates, net of tax	**6.6**	23.9	42.9
Income before income attributable to non-controlling interests	**51.8**	310.0	307.6
Income attributable to non-controlling interests	**(19.3)**	(18.8)	(18.8)
Net income attributable to Sirius Group's common shareholders	**32.5**	291.2	288.8
Other comprehensive income, net of tax			
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates, net of tax	**-**	(29.8)	66.1
Change in foreign currency translation, net of tax	**(67.3)**	(65.4)	(167.9)
Net change in other, net of tax	**1.2**	0.2	(1.5)
Comprehensive (loss) income attributable to Sirius Group's common shareholders	**$ (33.6)**	$ 196.2	$ 185.5

See Notes to Consolidated Financial Statements.

Sirius International Insurance Group, Ltd.
Consolidated Statements of Shareholders' Equity

	Sirius Group's Shareholders' Equity					
Millions	Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-Controlling Interests	Total Equity
Balances at December 31, 2013	$ 1,095.5	$ 479.0	$ 52.2	$ 1,626.7	$ 250.0	$ 1,876.7
Net Income	-	288.8	-	288.8	18.8	307.6
Net change in unrealized investment gains (losses) from investments in unconsolidated affiliates	-	-	66.1	66.1	-	66.1
Net change in foreign currency translation	-	-	(167.9)	(167.9)	-	(167.9)
Net change in other accumulated comprehensive items	-	-	(1.5)	(1.5)	-	(1.5)
Comprehensive income (loss)	-	288.8	(103.3)	185.5	18.8	204.3
Capital contribution from former parent	-	-	-	-	-	-
Dividends to former parent	-	(50.0)	-	(50.0)	-	(50.0)
Dividends to non-controlling interests	-	-	-	-	(18.8)	(18.8)
Other, net	0.5	-	-	0.5	-	0.5
Balances at December 31, 2014	1,096.0	717.8	(51.1)	1,762.7	250.0	2,012.7
Net Income	-	291.2	-	291.2	18.8	310.0
Net change in unrealized investment gains (losses) from investments in unconsolidated affiliates	-	-	(29.8)	(29.8)	-	(29.8)
Net change in foreign currency translation	-	-	(65.4)	(65.4)	-	(65.4)
Net change in other accumulated comprehensive items	-	-	0.2	0.2	-	0.2
Comprehensive income (loss)	-	291.2	(95.0)	196.2	18.8	215.0
Capital contribution from former parent	-	-	-	-	-	-
Dividends to former parent	-	-	-	-	-	-
Dividends to non-controlling interests	-	-	-	-	(18.8)	(18.8)
Other, net	0.2	-	-	0.2	0.1	0.3
Balances at December 31, 2015	1,096.2	1,009.0	(146.1)	1,959.1	250.1	2,209.2
Net Income	-	32.5	-	32.5	19.3	51.8
Net change in unrealized investment gains (losses) from investments in unconsolidated affiliates	-	-	-	-	-	-
Net change in foreign currency translation	-	-	(67.3)	(67.3)	-	(67.3)
Net change in other accumulated comprehensive items	-	-	1.2	1.2	-	1.2
Comprehensive income (loss)	-	32.5	(66.1)	(33.6)	19.3	(14.3)
Capital contribution from former parent	89.6	-	-	89.6	-	89.6
Dividends to former parent	-	(27.0)	-	(27.0)	-	(27.0)
Dividends to non-controlling interests	-	-	-	-	(18.8)	(18.8)
Other, net	-	-	-	-	0.7	0.7
Balances at December 31, 2016	**$ 1,185.8**	**$ 1,014.5**	**$ (212.2)**	**$ 1,988.1**	**$ 251.3**	**$ 2,239.4**

See Notes to Consolidated Financial Statements.

Sirius International Insurance Group, Ltd.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
Millions	**2016**	2015	2014
Cash flows from operations:			
Net income attributable to common shareholders	**$ 32.5**	$ 291.2	$ 288.8
(Credits) charges to reconcile net income to net cash provided from (used for) operations:			
Net realized and unrealized investment gains	**(50.1)**	(241.0)	(209.2)
Amortization and depreciation	**18.4**	27.3	31.5
Excess of fair value of acquired net assets over cost	**(4.3)**	-	-
Net gain on sale of consolidated affiliates	**-**	(1.0)	(1.0)
Undistributed equity in earnings of unconsolidated affiliates, after-tax	**(6.6)**	(23.8)	(46.2)
Other operating items:			
Net change in loss and LAE reserves	**18.1**	(100.7)	(92.5)
Net change in reinsurance recoverable on paid and unpaid losses	**(23.6)**	24.6	(9.8)
Net change in funds held by ceding companies	**(15.1)**	(4.8)	(0.2)
Net change in unearned insurance and reinsurance premiums	**60.8**	27.4	62.0
Net change in ceded reinsurance premiums payable	**11.5**	8.4	34.6
Net change in ceded unearned insurance and reinsurance premiums	**(1.9)**	(18.9)	(17.5)
Net change in insurance and reinsurance premiums receivable	**(95.4)**	(39.2)	(79.2)
Net change in deferred acquisition costs	**(14.2)**	(8.6)	(10.8)
Net change in funds held under reinsurance treaties	**13.0**	(0.9)	4.7
Net change in current and deferred income taxes, net	**(12.0)**	12.0	72.0
Net change in other assets and liabilities, net	**22.1**	57.5	133.1
Net cash (used for) provided from operations	**(46.8)**	9.5	160.3
Cash flows from investing activities:			
Net change in short-term investments	**(202.7)**	109.8	(213.4)
Sales of fixed maturities and convertible fixed maturity investments	**2,454.7**	2,176.5	2,815.5
Maturities, calls and paydowns of fixed maturity and convertible fixed maturity investments	**141.8**	178.3	176.8
Sales of common equity securities	**851.6**	312.6	51.1
Distributions and redemptions of other long-term investments	**27.9**	13.2	38.4
Sales of consolidated subsidiaries and unconsolidated affiliates, net of cash sold	**173.5**	14.3	12.6
Contributions to other long-term investments	**(73.5)**	(10.7)	(22.3)
Purchases of common equity securities	**(232.7)**	(266.1)	(39.1)
Purchases of fixed maturities and convertible fixed maturity investments	**(3,192.3)**	(2,458.0)	(2,837.9)
Purchases of consolidated and unconsolidated affiliates, net of cash acquired	**27.5**	-	(9.1)
Net change in unsettled investment purchases and sales	**38.4**	(12.2)	(17.3)
Other, net	**4.3**	(9.1)	(7.7)
Net cash provided from (used for) investing activities	**18.5**	48.6	(52.4)
Cash flows from financing activities:			
Capital contribution from former parent	**89.6**	-	-
Issuance of debt, net of issuance costs	**392.4**	-	-
Repayment of debt	**(405.6)**	-	-
Collateral provided by interest rate cap counterparties	**(0.5)**	(2.4)	(6.5)
Cash dividends paid to former parent	**(27.0)**	-	(50.0)
Cash dividends paid on preference shares	**(18.8)**	(18.8)	(18.8)
Other, net	**0.8**	-	-
Net cash provided from (used for) financing activities	**30.9**	(21.2)	(75.3)
Effect of exchange rate changes on cash	**(9.4)**	(4.5)	(14.3)
Net (decrease) increase in cash during year	**(6.8)**	32.4	18.3
Cash balance at beginning of year	**143.9**	111.5	93.2
Cash balance at end of year	**$ 137.1**	$ 143.9	$ 111.5

See Notes to Consolidated Financial Statements.

NOTE 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements at December 31, 2016, have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and include the accounts of Sirius International Insurance Group, Ltd. (the "Company") and its subsidiaries (collectively with the Company, "Sirius Group") and other entities required to be consolidated under GAAP. On April 18, 2016, CM International Holding Pte. Ltd ("CMIG International"), a Singapore Holding Company, through its Bermuda holding company CM Bermuda Ltd. ("CM Bermuda"), purchased the Company and its subsidiaries from White Mountains Insurance Group, Ltd. ("White Mountains"). Sirius Group has not elected to apply pushdown accounting after being acquired by CMIG International. The Company is an exempted Bermuda limited liability company whose wholly-owned subsidiaries provide insurance and reinsurance on a worldwide basis. Sirius Group provides insurance and reinsurance products for property, accident and health, aviation and space, trade credit, marine, agriculture and certain other exposures on a worldwide basis through its subsidiaries, Sirius Bermuda Insurance Company Ltd. ("Sirius Bermuda"), Sirius International Insurance Corporation ("Sirius International"), Sirius America Insurance Company ("Sirius America"), and Lloyd's Syndicate 1945 ("Syndicate 1945"). Sirius Group also specializes in the acquisition and management of runoff insurance and reinsurance companies both in the United States and internationally through Sirius Global Solutions Holding Company ("Sirius Global Solutions").

Sirius Bermuda is an insurance and reinsurance company domiciled in Bermuda with its home office in Hamilton, Bermuda.

Sirius International is an insurance and reinsurance company domiciled in Sweden with its home office in Stockholm, Sweden; and branch offices or subsidiaries in London, United Kingdom; Zurich, Switzerland; Singapore; Labuan, Malaysia; Sydney, Australia; Liege, Belgium; Hamburg, Germany; and Hamilton, Bermuda.

Sirius America is an insurance and reinsurance company domiciled in the state of New York with offices in New York, New York; Norwalk, Connecticut; Miami, Florida; and Toronto, Ontario.

Syndicate 1945 is a Lloyd's of London syndicate that Sirius Group sponsors and manages. Syndicate 1945 writes a diverse mix of business, including, accident and health, contingency (which principally covers the occurrence or non-occurrence of insured events, such as event cancellation or prize redemption), bloodstock (which principally covers the value of an animal if it dies as a result of accident, disease or illness), terrorism, marine energy and cargo lines. Syndicate 1945 wrote premiums of $166.7 million, $123.4 million, and $108.9 million during 2016, 2015, and 2014, respectively. Lloyd's approved stamp capacity for Syndicate 1945 in 2017 is £108.4 million, or approximately $134.3 million (based on the December 31, 2016 GBP to USD exchange rate).

Sirius Global Solutions, is a Connecticut-based division of Sirius Group specializing in the acquisition and management of runoff liabilities for insurance and reinsurance companies, both in the United States and internationally. Sirius Group can derive value from these acquisitions not only from the discounted purchase price, but also from the investment income on insurance float, the potential settlement of claims below the carried level of reserves and the harvesting of other embedded assets, including the value of shell companies and licenses. Since its formation in 2000, Sirius Global Solutions has executed 13 transactions involving 18 companies, which have resulted in approximately $185 million of cumulative after-tax income through December 31, 2016.

All significant intercompany transactions have been eliminated in consolidation. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation.

Marketing and Distribution

Sirius Group obtains most of its reinsurance submissions from reinsurance intermediaries that represent the ceding company. During the years ended December 31, 2016, 2015, and 2014, Sirius Group received a large portion of its gross reinsurance premiums written from three major, third-party reinsurance intermediaries as detailed in the following table:

	Year Ended December 31,		
Gross written premium by intermediary	**2016**	2015	2014
AON Re/Benfield	**22%**	24	26
Guy Carpenter	**18**	18	19
Willis Re	**8**	9	10
Total	**48%**	51%	55%

During 2016, Sirius Group obtained $176.5 million, or 14%, of its gross written premiums through International Medical Group, Inc. ("IMG"), which is the largest agent writing medical business on Sirius Group's behalf. During 2015 and 2014, Sirius Group received 15% and 11% of its gross written premiums through IMG, respectively.

Geographic Concentration

The following table shows Sirius Group's net written premiums by geographic region based on the location of the ceding company for the years ended December 31, 2016, 2015, and 2014:

Geographic region	Year Ended December 31,		
Millions	**2016**	2015	2014
United States	**$ 463.0**	$ 397.5	$ 402.6
Europe	**258.9**	241.9	277.7
Canada, the Caribbean, Bermuda and Latin America	**88.3**	101.2	99.8
Asia and Other	**127.9**	107.0	102.4
Total	**$ 938.1**	$ 847.6	$ 882.5

Sirius Group conducts a significant portion of its business outside of the United States. As a result, a significant portion of Sirius Group's assets, liabilities, revenues and expenses are denominated in currencies other than the U.S. dollar and are therefore subject to foreign currency risk. Sirius Group's foreign currency risk cannot be eliminated entirely and significant changes in foreign exchange rates may adversely affect Sirius Group's results of operations and financial condition.

Sirius Group's foreign operations are subject to legal, political, and operational risks that may be greater than those present in the United States. As a result, certain of Sirius Group's operations at these foreign locations could be temporarily or permanently disrupted.

Significant Accounting Policies

Investment Securities

As of December 31, 2016, Sirius Group's invested assets consisted of securities and other investments held for general investment purposes. Sirius Group's portfolio of fixed maturity investments and common equity securities held for general investment purposes are classified as trading and are reported at fair value as of the balance sheet date. Changes in unrealized gains and losses are reported pre-tax in revenues. Realized investment gains and losses are accounted for using the specific identification method and are reported pre-tax in revenues. Premiums and discounts on all fixed maturity investments are amortized and accreted to income over the anticipated life of the investment.

Sirius Group's invested assets that are measured at fair value include fixed maturity investments, common and preferred equity securities, convertible fixed maturity and preferred investments, and other long-term investments, such as interests in hedge funds and private equities. In determining its estimates of fair value, Sirius Group uses a variety of valuation approaches and inputs. Whenever possible, Sirius Group estimates fair value using valuation methods that maximize the use of quoted prices and other observable inputs.

As of both December 31, 2016 and 2015, approximately 96% and 98% of the investment portfolio recorded at fair value was priced based upon quoted market prices or other observable inputs. Investments valued using Level 1 inputs include fixed maturities, primarily investments in U.S. Treasuries, common equities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs comprise fixed maturities including corporate debt, state and other governmental debt, convertible fixed maturity and preferred investments, and mortgage and asset-backed securities. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Level 3 fair value estimates based upon unobservable inputs include Sirius Group's investments in certain debt securities, including asset-backed securities, and equity securities where quoted market prices are unavailable or are not considered reasonable. Sirius Group determines when transfers between levels have occurred as of the beginning of the period. Sirius Group uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, Sirius Group uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services used by Sirius Group have indicated that if no observable inputs are available for a security, they will not provide a price. In those circumstances, Sirius Group estimates the fair value using industry standard pricing models and observable inputs such as benchmark interest rates, market comparables, broker quotes, issuer spreads, bids, offers, credit rating prepayment speeds and other relevant inputs. Sirius Group performs procedures to validate the market prices obtained from the outside pricing sources. Such procedures, which cover substantially all of its fixed maturity investments include, but are not limited to, evaluation of model pricing methodologies and a review of the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from a different independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices, and a review of assumptions utilized by the pricing service for selected measurements on an ad hoc basis throughout the year. Sirius Group also performs back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price on an ad hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and $1.0 million from the expected price based on these procedures are considered outliers. Prices that have not changed from period to period and prices that have trended unusually compared to market conditions are also considered outliers.

In circumstances where the results of Sirius Group's review process do not appear to support the market price provided by the pricing services, Sirius Group challenges the price. During the past year Sirius Group did not issue any challenges with the pricing service. If Sirius Group cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question. The fair values of such securities are considered to be Level 3 measurements.

Sirius Group's investments in debt securities, including asset-backed securities, are generally valued using matrix and other pricing models. Key inputs include benchmark yields, benchmark securities, reported trades, issuer spreads, bids, offers, credit ratings and prepayment speeds. Income on mortgage-backed and asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life.

Short-term investments consist of money market funds, certificates of deposit and other securities which, at the time of purchase, mature or become available for use within one year. Short-term investments are carried at amortized cost, which approximated fair value as of December 31, 2016 and 2015.

Other Long-term Investments

Other long-term investments consist primarily of hedge funds, private equity funds, other investments in limited partnerships and other private equity securities. Sirius Group has taken the fair value option for most of its investments in hedge funds, private equity funds, other limited partnership investments, and other private equity securities. For the investments for which Sirius Group has taken the fair value option, changes in fair value are reported in revenues on a pre-tax basis. For those other long-term investments for which Sirius Group has not made the fair value election, Sirius Group accounts for its interests under the equity method.

Derivative Financial Instruments

Sirius Group holds derivative financial instruments for both risk management and investment purposes. Sirius Group recognizes all derivatives as either assets or liabilities, measured at fair value, in the consolidated balance sheets. Changes in the fair value of derivative instruments are recognized in current period pre-tax income.

Interest Rate Cap

Sirius Group entered into an interest rate swap with two financial institutions where the Company paid an upfront premium and in return, will receive a series of quarterly payments based on 3-month LIBOR at time of payment. The Interest Rate Cap does not qualify for hedge accounting. It is recorded in other assets at fair value. Changes in fair value are recognized as unrealized gains or losses and are presented within other revenue. Collateral held is recorded within short-term investments with an equal amount recognized as a liability to return collateral. (See **Note 8.**)

Foreign Currency Swaps

In April 2015, Sirius Group executed two foreign currency swaps, each with a notional amount of $50.0 million, maturing in March, 2017. Under the first swap, Sirius Group pays Swedish krona and receives U.S. dollars. Under the second swap, Sirius Group pays Euros and receives U.S. dollars. The swaps, which were executed as part of Sirius Group's management of overall foreign currency exposure at Sirius Group, have not been designated or accounted for under hedge accounting. (See **Note 8.**)

Weather Derivatives

Sirius Group assumes liabilities related to weather and weather contingent risk management products. All of the products are in the form of derivative financial instruments. Sirius Group enters into weather and weather contingent derivative contracts with the objective of generating profits in normal climatic conditions. Accordingly, Sirius Group’s weather and weather contingent derivatives are not designed to meet the criteria for hedge accounting under GAAP. The majority of Sirius Group’s business consists of receiving a payment or premium at the contract inception in exchange for bearing the risk of variations in a quantifiable weather index. Sirius Group initially recognizes the premium paid or received as an asset or liability, respectively, and recognizes any subsequent changes in fair value, as they occur, in other revenue within the income statement. The fair value for Sirius Group’s derivative financial contracts are based upon quoted market prices, where available. Where quoted market prices are not available, management uses available market data and internal pricing models based upon consistent statistical methodologies to estimate the fair value. (See **Note 8**.)

Cash

Cash includes amounts on hand and demand deposits with banks and other financial institutions. Amounts presented in the statement of cash flows are shown net of balances acquired and sold in the purchase or sale of the Company’s consolidated subsidiaries and exclude changes in amounts of restricted cash. (See **Note 11**.)

Insurance and Reinsurance Operations

Sirius Group accounts for insurance and reinsurance policies that it writes in accordance with ASC 944. Premiums written are recognized as revenues and are earned ratably over the term of the related policy or reinsurance treaty. Unearned premiums represent the portion of premiums written that are applicable to future insurance or reinsurance coverage provided by policies or treaties in force. Sirius Group charges fees on certain of its insurance policies.

Deferred acquisition costs represent commissions, premium taxes, brokerage expenses, and other costs which are directly attributable to and vary with the production of business. These costs are deferred and amortized, to the extent they relate to successful contract acquisitions, over the applicable premium recognition period as insurance and reinsurance acquisition expenses. Amortization of deferred acquisition costs are presented within insurance and reinsurance acquisition expenses. Deferred acquisition costs are limited to the amount expected to be recovered from future earned premiums and anticipated investment income. This limitation is referred to as a premium deficiency. A premium deficiency is recognized if the sum of expected loss and loss adjustment expenses ("LAE"), expected dividends to policyholders, unamortized acquisition costs, and maintenance costs exceeds related unearned premiums and anticipated investment income. A premium deficiency is recognized by charging any unamortized acquisition costs to expense to the extent required in order to eliminate the deficiency. If the premium deficiency exceeds unamortized acquisition costs then a liability is accrued for the excess deficiency.

Losses and LAE are charged against income as incurred. Unpaid insurance losses and LAE are based on estimates (generally determined by claims adjusters, legal counsel and actuarial staff) of the ultimate costs of settling claims, including the effects of inflation and other societal and economic factors. Unpaid reinsurance losses and LAE are based primarily on reports received from ceding companies and actuarial projections. Unpaid loss and LAE reserves represent management's best estimate of ultimate losses and LAE, net of estimated salvage and subrogation recoveries, if applicable. Such estimates are regularly reviewed and updated and any resulting adjustments are reflected in current operations. The process of estimating loss and LAE involves a considerable degree of judgment by management and the ultimate amount of expense to be incurred could be considerably greater than or less than the amounts currently reflected in the financial statements.

Sirius Group enters into ceded reinsurance contracts from time to time to protect its businesses from losses due to concentration of risk, to manage their operating leverage ratios and to limit losses arising from catastrophic events. Such reinsurance contracts are executed through excess of loss treaties and catastrophe contracts under which the reinsurer indemnifies for a specified part or all of certain types of losses over stipulated amounts arising from any one occurrence or event. Sirius Group has also entered into quota share treaties with reinsurers under which all risks meeting prescribed criteria are covered on a pro-rata basis. The amount of each risk ceded by Sirius Group is subject to maximum limits which vary by line of business and type of coverage.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. The collectability of reinsurance recoverables is subject to the solvency of the reinsurers. Sirius Group is selective in regard to its reinsurers, principally placing reinsurance with those reinsurers with a strong financial condition, industry ratings, and underwriting ability. Management monitors the financial condition and ratings of its reinsurers on an ongoing basis.

Reinsurance premiums, commissions, expense reimbursements, and reserves related to reinsured business are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts. Premiums ceded to other companies are reported as a reduction of premiums written. Expense allowances received in connection with reinsurance ceded have been accounted for as a reduction of the related policy acquisition costs and are deferred and amortized accordingly. Funds held by ceding companies represent amounts due to Sirius Group in connection with certain assumed reinsurance agreements in which the ceding company retains a portion of the premium to provide security against future loss payments. The funds held by ceding companies are generally invested by the ceding company and a contractually agreed interest amount is credited to Sirius Group and recognized as investment income. Funds held under insurance and reinsurance contracts represent contractual payments due to Sirius Group that have been retained to secure such obligations. Such amounts are recorded as liabilities in the consolidated financial statements.

Accruals for contingent commission liabilities are established for reinsurance contracts that provide for the stated commission percentage to increase or decrease based on the loss experience of the contract. Changes in the estimated liability for such arrangements are recorded as contingent commissions. Accruals for contingent commission liabilities are determined through the review of the contracts that have these adjustable features and are estimated based on expected loss and LAE.

Insurance-related Assessments

Under existing guaranty fund laws in the United States, insurers licensed to do business in those states can be assessed for certain obligations of insolvent insurance companies to policyholders and claimants. Sirius Group records guaranty fund assessments when it is probable that an assessment will be made and the amount can be reasonably estimated.

Deferred Software Costs

Sirius Group capitalizes costs related to computer software developed for internal use during the application development stage of software development projects. These costs generally consist of certain external, payroll and payroll-related costs. Sirius Group begins amortization of these costs once the project is completed and ready for its intended use. Amortization is on a straight-line basis and over a useful life of three to five years. As of December 31, 2016 and 2015, Sirius Group had unamortized deferred software costs of $8.1 million and $9.7 million.

Commission and Other Revenue Recognition

Sirius Group recognizes agent commissions and other revenues when it has fulfilled all of its obligations necessary to earn the revenue and when it can both reliably estimate the amount of revenue, net of any amounts expected to be uncollectible, and any amounts associated with expected cancellations.

Federal and Foreign Income Taxes

Some of Sirius Group's subsidiaries file consolidated tax returns in the United States. Income earned or losses generated by companies outside the United States are generally subject to an overall effective tax rate lower than that imposed by the United States.

Deferred tax assets and liabilities are recorded when a difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes exists, and for other temporary differences. The deferred tax asset or liability is recorded based on tax rates expected to be in effect when the difference reverses. The deferred tax asset is recognized when it is more likely than not that it will be realized.

Foreign Currency Exchange

The U.S. dollar is the functional currency for Sirius Group's businesses except for Sirius International, Syndicate 1945, and the Canadian reinsurance operations of Sirius America. Sirius Group also invests in securities denominated in foreign currencies. Assets and liabilities recorded in these foreign currencies are translated into U.S. dollars at exchange rates in effect at the balance sheet date, and revenues and expenses are converted using the average exchange rates for the period. Net foreign exchange gains and losses arising from the translation of functional currencies are generally reported in shareholders' equity, in accumulated other comprehensive income or loss.

Assets and liabilities relating to foreign operations are translated into the functional currency using current exchange rates; revenues and expenses are translated into the functional currency using the weighted average exchange rate for the period. The resulting exchange gains and losses are reported as a component of net income in the period in which they arise. As of December 31, 2016 and 2015, Sirius Group had unrealized foreign currency translation losses of $212.2 million and $144.9 million recorded in accumulated other comprehensive income on its consolidated balance sheet.

The following rates of exchange for the U.S. dollar have been used for the most significant operations:

Currency	Opening Rate 2016	Closing Rate 2016	Opening Rate 2015	Closing Rate 2015
Swedish kronor	**8.4247**	**9.0549**	7.7737	8.4247
British pound	**0.6757**	**0.8074**	0.6426	0.6757
Euro	**0.9189**	**0.9479**	0.8245	0.9189
Canadian dollar	**1.3859**	**1.3432**	1.1591	1.3859

A summary of the impact of foreign currency translation on Sirius Group's consolidated financial results for the years ended December 31, 2016, 2015, and 2014 follows:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Net realized investment gains - foreign currency(1)	**$ 50.0**	$ 70.6	$ 25.5
Net unrealized investment (losses) gains - foreign currency(2)	**(7.7)**	(15.4)	125.0
Net realized and unrealized investment gains - foreign currency	**42.3**	55.2	150.5
Other revenue - foreign currency translation (losses) gains	**(17.5)**	(18.1)	(56.6)
Other revenue - currency swaps	**6.5**	(0.1)	-
Income tax expense	**2.4**	(0.2)	(4.0)
Total foreign currency translation gains (losses) recognized through net income, after tax	**33.7**	36.8	89.9
Change in foreign currency translation on investments recognized through other comprehensive income, after tax	**(83.1)**	(110.7)	(274.3)
Change in foreign currency translation on non-investment net liabilities recognized through other comprehensive income, after tax	**15.8**	45.3	106.4
Total foreign currency translation (losses) gains recognized through other comprehensive income, after tax	**(67.3)**	(65.4)	(167.9)
Total foreign currency (losses) gains recognized through comprehensive income, after tax	**$ (33.6)**	$ (28.6)	$ (78.0)

(1) Component of net realized investment gains on the income statement.

(1) Component of net unrealized investment (losses) gains on the income statement.

Intangible Assets

Intangible assets consist solely of insurance licenses with indefinite lives. Intangible assets with indefinite lives are not amortized, but rather are evaluated for impairment on at least an annual basis. Sirius Group did not recognize any impairment losses for intangible assets for any years ended December 31, 2016, 2015, and 2014. The carrying value of intangible assets as of December 31, 2016 and 2015, was $5.0 million and $10.2 million, respectively.

Non-controlling Interest

Non-controlling interests consist of the ownership interests of non-controlling shareholders in consolidated subsidiaries, and are presented separately on the balance sheet. The portion of comprehensive income attributable to non-controlling interests is presented net of related income taxes in the statement of operations and comprehensive income.

Variable Interest Entities

Sirius Group consolidates a variable interest entity ("VIE") when it has both the power to direct the activities of the VIE that most significantly impact its economic performance and either the obligation to absorb losses or the right to receive returns from the VIE that could potentially be significant to the VIE.

Recently Adopted Changes in Accounting Principles

Business Combinations – Measurement Period Adjustments

Effective January 1, 2016, Sirius Group adopted ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments*, which requires adjustments to provisional amounts recorded in connection with a business combination that are identified during the measurement period to be recorded in the reporting period in which the adjustment amounts are determined, rather than as retroactive adjustments to prior periods. Sirius Group has not recognized any adjustments to estimated purchase accounting amounts for the year ended December 31, 2016 and accordingly, there was no effect to Sirius Group's financial statements upon adoption.

Fair Value Measurements

On January 1, 2016, Sirius Group adopted ASU 2015-07, *Fair Value Measurement - Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)* (ASC 820), which eliminates the requirement to disclose the fair value hierarchy level for investments for which fair value is measured at net asset value using the practical expedient in ASC 820. Sirius Group measures the fair value of its investments in hedge funds and private equity funds using this practical expedient. Upon adoption, these fair value measurements are no longer classified within the fair value hierarchy. Prior year amounts have been modified to conform to the current year's disclosures.

Amendments to Consolidation Analysis

On January 1, 2016, Sirius Group adopted ASU 2015-02, *Amendments to the Consolidation Analysis* (ASC 810) which amends the guidance for determining whether an entity is a variable interest entity ("VIE"). ASU 2015-02 eliminates the separate consolidation guidance for limited partnerships and, with it, the presumption that a general partner should consolidate a limited partnership. In addition, ASU 2015-02 changes the guidance for determining if fee arrangements qualify as variable interests and the effect fee arrangements have on the determination of the primary beneficiary. Adoption of ASU 2015-02 did not affect the consolidation analysis for any of Sirius Group's investments.

Share-Based Compensation Awards

On January 1, 2016, Sirius Group adopted ASU 2014-12, *Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period* (ASC 718). The new guidance requires that a performance target that affects vesting and that can be achieved after the requisite service period be treated as a performance condition. Compensation cost is to be recognized in the period when it becomes probable the performance target will be achieved in an amount equal to the compensation cost attributable to the periods for which service has been rendered. Adoption did not have an effect on Sirius Group's financial position, results of operations, cash flows, presentation or disclosures.

Debt Issuance Costs

On January 1, 2016, Sirius Group adopted ASU 2015-03, *Imputation of Interest* (ASC 835), which requires debt issuance costs to be presented as a deduction from the carrying amount of the related debt, consistent with the treatment required for debt discounts. The new guidance requires amortization of debt issuance costs to be classified within interest expense and also requires disclosure to the debt's effective interest rate. Sirius Group has applied the guidance retrospectively and as a result has reclassified $0.5 million of unamortized debt issuance costs from other assets to debt as of December 31, 2015, reflecting these amounts as a reduction from the related debt, and has modified its disclosures to include the required effective interest rate on its debt.

Pushdown Accounting

ASU 2014-17, *Pushdown Accounting*, became effective upon its issuance on November 18, 2014. The new guidance, gives an acquired non-public company the option to apply pushdown accounting in its separate company financial statements in the period in which it is acquired in a change of control transaction. Once pushdown accounting has been applied, the election is irreversible. Acquired entities that chose not to apply pushdown accounting at the time of acquisition may apply pushdown accounting in a subsequent period as a change in accounting principle under ASC 250, *Accounting Changes and Error Corrections*. Sirius Group has not had any acquisitions for which it has elected to apply pushdown accounting since ASU 2014-17 became effective**.** In addition, Sirius Group has not elected to apply pushdown accounting after being acquired by CMIG International.

Recent Accounting Pronouncements

Statement of Cash Flows

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows: Restricted Cash* (ASC 230). The new guidance adds and clarifies the classification and presentation of restricted cash in the statement of cash flows. The standard also requires a description of the nature of the changes in restricted cash and cash equivalents during the periods presented. The updated guidance in ASU 2016-18 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. Sirius Group is evaluating the expected impact of this new guidance.

In August 2016, the FASB issued ASU 2016-15*, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments* (ASC 230). This standard provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows, including among others, debt prepayment and extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims and distributions received from equity method investees. The standard also clarifies that when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use of the underlying cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods. Sirius Group is currently assessing the impact of adoption this guidance will have on future financial statements and disclosures.

Credit Losses

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments* (ASC 326), which establishes new guidance for the recognition of credit losses for financial assets measured at amortized cost. The new ASU, which applies to financial assets that have the contractual right to receive cash, including reinsurance receivables, requires reporting entities to estimate the credit losses expected over the life of a credit exposure using historical information, current information and reasonable and supportable forecasts that affect the collectability of the financial asset. ASU 2016-13 is effective for annual periods beginning after January 1, 2020, including interim periods. Sirius Group is evaluating the expected impact of this new guidance.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASC 842). The new guidance requires lessees to recognize lease assets and liabilities on the balance sheet for both operating and financing leases, with the exception of leases with an original term of 12 months or less. Under existing guidance recognition of lease assets and liabilities is not required for operating leases. The lease assets and liabilities to be recognized are both measured initially based on the present value of the lease payments. The new guidance is effective for Sirius Group for years beginning after December 15, 2018, including interim periods therein. Sirius Group is evaluating the expected impact of this new guidance and available adoption methods.

Financial Instruments - Recognition and Measurement

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASC 825-10). The new guidance requires all equity securities with readily determinable fair values to be measured at fair value with changes therein recognized through current period earnings. In addition, the new ASU requires a qualitative assessment for equity investments without readily determinable fair values to identify impairment, and for impaired equity security investments to be measured at fair value. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Sirius Group has taken the fair value election for its portfolio of equity security investments and, accordingly, does not expect the adoption of ASU 2016-01 to have a significant impact on its financial statements.

Short-Duration Contracts

In May 2015, the FASB issued ASU 2015-09, *Disclosures about Short Duration Contracts* (ASC 944), which requires expanded footnote disclosures about loss and loss adjustment expense ("LAE") reserves. Under the new guidance, some disclosures currently presented outside of Sirius Group's financial statements, such as loss development tables and a reconciliation of loss development data to the loss and LAE reserves reflected on the balance sheet, will become part of the financial statement footnotes. In addition, the loss development tables required to be presented under the new ASU must be presented on a disaggregated basis by accident year rather than by reporting year as currently presented. Some of the expanded disclosures are new requirements, such as the disclosure of reserves for losses incurred but not reported ("IBNR") plus expected development on reported claims, which must be presented by accident year on a disaggregated basis. The new guidance also requires new disclosures about claim frequency data together with descriptions of the approach used to measure that data. Qualitative descriptions of methodologies and assumptions used to develop IBNR estimates must be presented together with the amounts of IBNR to which they relate, along with a discussion of any significant changes in methodology and assumptions and the related effect upon the loss reserves. The new guidance will be effective for annual periods beginning after December 15, 2016 and interim periods within annual periods beginning after December 15, 2017 with retrospective restatement of prior periods required. Sirius Group will modify its financial statement footnote disclosures to conform to the requirements of ASU 2015-09 upon adoption, including revisions to prior year's disclosures.

Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (ASC 606), which modifies the guidance for revenue recognition. The scope of the new ASU excludes insurance contracts but is applicable to certain fee arrangements as well as commissions and other non-insurance revenues. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (ASC 606), which delayed the effective date of ASU 2014-09 to annual and interim reporting periods beginning after December 15, 2017. Sirius Group is in the process of evaluating the new guidance and has not yet determined the potential effect of adoption on its financial position, results of operations, or cash flows, but does not expect the impact of the adoption of ASU 2015-14 to have a significant impact on its financial statements

NOTE 2. Significant Transactions

Sirius Group completed the following transactions:

- On May 17, 2016, Sirius Global Solutions and Florida Specialty Insurance Company partnered to form Florida Specialty Acquisition LLC ("Florida Specialty"). Sirius Global Solutions provided $15.8 million to acquire 100% of Florida Specialty's common shares. Florida Specialty acquired Mount Beacon Holdings, LLC and its subsidiaries including Mount Beacon Insurance Company ("Mount Beacon").

- On April 18, 2016, Sirius Group sold its investment in OneBeacon Insurance Group, Ltd. ("OneBeacon") at fair value to White Mountains for proceeds of $178.3 million in connection with the sale of Sirius Group to CMIG International and recorded $22.1 million of additional paid-in capital for the excess of fair value over the equity method carrying value of OneBeacon. (See **Note 12.**).

- On April 18, 2016, Sirius Global Solutions sold Ashmere Insurance Company to White Mountains for proceeds of $18.5 million in connection of the sale of Sirius Group from White Mountains.

- On February 1, 2016, Sirius Group sold its investment in Symetra Financial Corporation ("Symetra") for proceeds of $559.8 million, or $32.00 per share. (See **Note 12.**).

- On September 24, 2015, Sirius Global Solutions completed the sale of Woodridge to Sojourner Holding Co., which resulted in a gain of $1.0 million recorded in other revenue.

- On December 23, 2014, Sirius Group acquired 100% of Olympus Re for $11.5 million. Olympus Re was a Bermuda-domiciled insurance and reinsurance company that assumed property and marine business mainly from Sirius Group from 2001 to 2007 and has been in runoff since then. At acquisition, Sirius Group recognized total assets acquired of $24.6 million and total liabilities assumed of $13.1 million at their estimated fair values.

- On October 31, 2014, Sirius Global Solutions completed a loss portfolio transfer ("LPT") from the U.S. insurance subsidiary of a major international financial services company. Loss reserves and cash consideration of approximately $37 million were assumed by White Shoals Re.

- On January 2, 2014, Sirius Global Solutions completed the shell sale of Citation Insurance Company to CopperPoint Mutual Insurance Company, which resulted in a gain of $0.7 million recorded in other revenue.

NOTE 3. Reserves for Unpaid Losses and Loss Adjustment Expenses

Sirius Group establishes loss and LAE reserves that are estimates of future amounts needed to pay claims and related expenses for events that have already occurred. Sirius Group also obtains reinsurance whereby another reinsurer contractually agrees to indemnify Sirius Group for all or a portion of the reinsurance risks underwritten by Sirius Group. Such arrangements, where one reinsurer provides reinsurance to another reinsurer, are usually referred to as "retrocessional reinsurance" arrangements. Sirius Group establishes estimates of amounts recoverable from retrocessional reinsurance in a manner consistent with the loss and LAE liability associated with reinsurance contracts offered to its customers (the "ceding companies"), net of an allowance for uncollectible amounts. Net reinsurance loss reserves represent loss and LAE reserves reduced by retrocessional reinsurance recoverable on unpaid losses.

In addition to those risk factors which give rise to inherent uncertainties in establishing insurance loss and LAE reserves, the inherent uncertainties of estimating such reserves are even greater for the reinsurer, due primarily to: (1) the claim-tail for reinsurers and insurers working through managing general underwriters ("MGUs") being further extended because claims are first reported to either the original primary insurance company or the MGU and then through one or more intermediaries or reinsurers, (2) the diversity of loss development patterns among different types of reinsurance treaties, facultative contracts or direct insurance contracts, (3) the necessary reliance on the ceding companies, intermediaries and MGUs for information regarding reported claims and (4) the differing reserving practices among ceding companies and MGUs.

As with insurance reserves, the process of estimating reinsurance reserves involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain. Based on the above, such uncertainty may be larger relative to the reserves for a company that principally writes reinsurance compared to an insurance company, and certainty may take a longer time to emerge.

Upon notification of a loss from an insured (typically a ceding company), Sirius Group establishes case reserves, including LAE reserves, based upon Sirius Group's share of the amount of reserves established by the insured and Sirius Group's independent evaluation of the loss. In cases where available information indicates that reserves established by a ceding company are inadequate, Sirius Group establishes case reserves or incurred but not reported ("IBNR") in excess of its share of the reserves established by the ceding company. Also, in certain instances, Sirius Group may decide not to establish case reserves or IBNR, when the information available indicates that reserves established by ceding companies are not adequately supported. In addition, specific claim information reported by insureds or obtained through claim audits can alert management to emerging trends such as changing legal interpretations of coverage and liability, claims from unexpected sources or classes of business, and significant changes in the frequency or severity of individual claims where customary. Generally, ceding company audits are not customary outside the United States. This information is often used to supplement estimates of IBNR.

Although loss and LAE reserves are initially determined based on underwriting and pricing analyses, Sirius Group regularly reviews the adequacy of its recorded reserves by using a variety of generally accepted actuarial methods, including historical incurred and paid loss development methods. If actual loss activity differs substantially from expectations, an adjustment to recorded reserves may be warranted. As time passes, loss reserve estimates for a given year will rely more on actual loss activity and historical patterns than on initial assumptions based on pricing indications.

The actuarial methods are used to calculate a point estimate of loss and LAE reserves for each company within Sirius Group. These point estimates are then aggregated to produce an actuarial point estimate for Sirius Group. Once a point estimate is established, Sirius Group's actuaries estimate loss reserve ranges to measure the sensitivity of the actuarial assumptions used to set the point estimates. These ranges are calculated from historical variations in loss ratios, payment and reporting patterns by class and type of business. Management then establishes an estimate for the carried loss and LAE reserves shown in the financial statement. The management selection is within the range of loss reserve estimates provided by SBDA's actuaries and typically above the actuarial point estimate.

Loss and Loss Adjustment Expense Reserve Summary

The following table summarizes the loss and LAE reserve activities of Sirius Group for the years ended December 31, 2016, 2015, and 2014:

	Year ended December 31,		
Millions	**2016**	2015	2014
Gross beginning balance	**$ 1,644.4**	$ 1,809.8	$ 2,025.0
Less beginning reinsurance recoverable on unpaid losses	**(283.1)**	(322.2)	(347.9)
Net loss and LAE reserve balance	**1,361.3**	1,487.6	1,677.1
Loss and LAE reserves acquired [(1)]	**9.8**	-	45.4
Losses and LAE incurred relating to:			
Current year losses	**583.0**	473.9	443.3
Prior years losses	**(63.7)**	(51.2)	(98.0)
Total net incurred losses and LAE	**519.3**	422.7	345.3
Accretion of fair value adjustment to net loss and LAE reserves	**0.5**	0.7	0.7
Foreign currency translation adjustment to net loss and LAE reserves	**(14.0)**	(27.2)	(36.0)
Loss and LAE paid relating to:			
Current year losses	**207.6**	162.4	142.7
Prior years losses	**340.7**	360.1	402.2
Total loss and LAE payments	**548.3**	522.5	544.9
Net ending balance	**1,328.6**	1,361.3	1,487.6
Plus ending reinsurance recoverable on unpaid losses	**291.5**	283.1	322.2
Gross ending balance	**$ 1,620.1**	$ 1,644.4	$ 1,809.8

[(1)] Loss and LAE reserves acquired in 2016 relate to Sirius Global Solutions' purchase of Mount Beacon. Loss and LAE reserves acquired in 2014 relate to Sirius Group's purchase of Olympus Re and loss portfolio transfer from a major international financial services company.

Loss and LAE development—2016

During the year ended December 31, 2016, Sirius Group had net favorable loss reserve development of $63.7 million. The major reductions in loss reserve estimates were recognized in the property ($25.1 million), aviation and space ($11.5 million), accident and health ($7.8 million) and marine ($7.2 million) lines. The decrease in property was driven primarily by reductions in the ultimate loss estimates for natural catastrophes that occurred between 2010 and 2015 due to less than expected claims activity. In addition, $5.4 million was due to IBNR reduction, as a write-off of an uncollectible premium balance due from a Venezuela insurer was recognized as a commission expense.

Loss and LAE development—2015

During the year ended December 31, 2015, Sirius Group had net favorable loss reserve development of $51.2 million. The major reductions in loss reserve estimates were recognized in the property ($25.6 million), and casualty and other runoff lines ($13.7 million). The decrease in property was driven primarily by reductions in the ultimate loss estimates for natural catastrophes that occurred between 2010 and 2014 due to less than expected claims activity.

Loss and LAE development – 2014

During the year ended December 31, 2014, Sirius Group had net favorable loss reserve development of $98.0 million. The major reductions in loss reserve estimates were recognized in property ($54.5 million), aviation and space ($12.6 million), accident and health ($13.1 million) lines and casualty ($12.7 million) lines, which included a $9.6 million increase in asbestos and environmental loss reserves. For the property loss estimates decrease, $24.0 million represented reduction of loss reserves previously held above the actuarial central estimate. This amount represented an IBNR provision established between 2010-2012 in response to the large catastrophe events, including the 2010 earthquake in Chile, the 2010/2011 earthquakes in New Zealand, the 2011 earthquake in Japan, and hurricane Sandy in 2012, and the inherent uncertainty associated with deriving initial loss estimates

Fair value adjustment to loss and LAE reserves

In connection with purchase accounting for acquisitions, Sirius Group is required to adjust loss and LAE reserves and the related reinsurance recoverables to fair value on their respective acquired balance sheets. The net reduction to loss and LAE reserves is being recognized through an income statement charge ratably with and over the period the claims are settled. Sirius Group recognized $0.5 million, $0.7 million, and $0.7 million of such charges, recorded as loss and LAE during 2016, 2015, and 2014. As of December 31, 2016, the pre-tax un-accreted adjustment was $2.9 million.

Asbestos and Environmental Loss and Loss Adjustment Expense Reserve Activity

Sirius Group’s reserves include provisions made for claims that assert damages from asbestos and environmental (“A&E”) related exposures primarily at Sirius America. Asbestos claims relate primarily to injuries asserted by those who came in contact with asbestos or products containing asbestos. Environmental claims relate primarily to pollution and related clean-up cost obligations, particularly as mandated by U.S. federal and state environmental protection agencies. In addition to the factors described above regarding the reserving process, Sirius Group estimates its A&E reserves based upon, among other factors, facts surrounding reported cases and exposures to claims, such as policy limits and deductibles, current law, past and projected claim activity and past settlement values for similar claims, as well as analysis of industry studies and events, such as recent settlements and asbestos-related bankruptcies. The cost of administering A&E claims, which is an important factor in estimating loss reserves, tends to be higher than in the case of non-A&E claims due to the higher legal costs typically associated with A&E claims.

Sirius Group's A&E exposure is primarily from reinsurance contracts written between 1974 through 1985 by acquired companies, mainly MONY Reinsurance Company, which was acquired in 1991 and Christiania General Insurance Company, which was acquired in 1996. The exposures are mostly higher layer excess of loss treaty and facultative coverages with relatively low limits exposed for each claim. In 2014, Sirius Group increased its net A&E exposure through the LPT from the U.S. insurance subsidiary of a major international financial services company. The acquisition added $22.9 million in net asbestos reserves and $2.1 million in net environmental reserves in 2014.

The acquisition of companies having modest portfolios of A&E exposure has been typical of several prior Sirius Global Solutions transactions and is likely to be an element of at least some future acquisitions. However, the acquisition of new A&E liabilities is undertaken only after careful due diligence and utilizing conservative reserving assumptions in relation to industry benchmarks. In the case of the portfolios acquired during 2014, the exposures arise almost entirely from old assumed reinsurance contracts having small limits of liability.

Sirius Group recorded an increase of $13.6 million, a decrease of $0.5 million and an increase of $8.0 million of asbestos-related incurred losses and LAE on its asbestos reserves in 2016, 2015, and 2014. The 2016 and 2014 incurred losses were primarily the result of management's monitoring of a variety of metrics including actual paid and reported claims activity as compared to the most recent in-depth analysis performed in 2012, net paid and reported survival ratios, peer comparisons, and industry benchmarks.

Sirius Group recorded $0.4 million, $3.0 million and $1.6 million of environmental losses in 2016, 2015, and 2014 on its already existing reserves.

Sirius Group's net reserves for A&E losses were $180.3 million and $189.7 million as of December 31, 2016 and 2015, respectively. Sirius Group's A&E three-year net paid survival ratio was approximately 8.3 years and 8.9 years as of December 31, 2016 and 2015.

Sirius Group's reserves for A&E losses as of December 31, 2016 represent management's best estimate of its ultimate liability based on information currently available. However, as case law expands, and medical and clean-up costs increase and industry settlement practices change, Sirius Group may be subject to asbestos and environmental losses beyond currently estimated amounts. Sirius Group cannot reasonably estimate at the present time loss reserve additions arising from any such future adverse developments and cannot be sure that allocated loss reserves will be sufficient to cover additional liability arising from any such adverse developments.

The following table summarizes reported A&E loss and LAE reserve activities (gross and net of reinsurance) for the years ended December 31, 2016, 2015, and 2014, respectively:

	2016		2015		2014	
Millions	**Gross**	**Net**	Gross	Net	**Gross**	**Net**
Asbestos:						
Beginning balance	**$ 193.5**	**$ 172.9**	$ 215.8	$ 192.8	$ 207.4	$ 178.7
Losses and LAE acquired	**-**	**-**	-	-	22.9	22.9
Incurred losses and LAE	**15.3**	**13.6**	(0.3)	(0.5)	7.4	8.0
Paid losses and LAE	**(21.8)**	**(20.1)**	(22.0)	(19.4)	(21.9)	(16.8)
Ending balance	**187.0**	**166.4**	193.5	172.9	215.8	192.8
Environmental:						
Beginning balance	**21.5**	**16.8**	22.7	17.4	20.4	15.2
Losses and LAE acquired	**-**	**-**	-	-	2.1	2.1
Incurred losses and LAE	**0.4**	**0.4**	3.0	3.0	1.6	1.6
Paid losses and LAE	**(3.4)**	**(3.3)**	(4.2)	(3.6)	(1.4)	(1.5)
Ending balance	**18.5**	**13.9**	21.5	16.8	22.7	17.4
Total asbestos and environmental:						
Beginning balance	**215.0**	**189.7**	238.5	210.2	227.8	193.9
Losses and LAE acquired	**-**	**-**	-	-	25.0	25.0
Incurred losses and LAE	**15.7**	**14.0**	2.7	2.5	9.0	9.6
Paid losses and LAE	**(25.2)**	**(23.4)**	(26.2)	(23.0)	(23.3)	(18.3)
Ending balance	**$ 205.5**	**$ 180.3**	$ 215.0	$ 189.7	$ 238.5	$ 210.2

NOTE 4. Third Party Reinsurance

In the normal course of business, Sirius Group's subsidiaries seek to limit losses that may arise from catastrophes or other events by reinsuring with third-party reinsurers. Sirius Group remains liable for risks reinsured in the event that the reinsurer does not honor its obligations under reinsurance contracts. The effects of reinsurance on Sirius Group's subsidiaries' written and earned premiums and on losses and LAE were as follows:

	Year ended December 31,		
Millions	**2016**	2015	2014
Written premiums:			
Direct	**$ 368.5**	$ 293.7	$ 208.7
Assumed	**900.5**	866.8	927.9
Gross written premiums	**1,269.0**	1,160.5	1,136.6
Ceded	**(330.9)**	(312.9)	(254.1)
Net written premiums	**$ 938.1**	$ 847.6	$ 882.5
Earned premiums:			
Direct	**$ 351.6**	$ 277.8	$ 200.2
Assumed	**877.7**	868.3	925.4
Gross earned premiums	**1,229.3**	1,146.1	1,125.6
Ceded	**(339.2)**	(299.1)	(251.7)
Net earned premiums	**$ 890.1**	$ 847.0	$ 873.9
Losses and LAE:			
Direct	**$ 216.9**	$ 151.3	$ 117.8
Assumed	**463.8**	391.9	378.1
Gross losses and LAE	**680.7**	543.2	495.9
Ceded	**(161.4)**	(120.5)	(150.6)
Net losses and LAE	**$ 519.3**	$ 422.7	$ 345.3

Sirius Group's reinsurance protection primarily consists of pro-rata and excess of loss protections to cover A&H, aviation, trade credit, energy & marine and property exposures. Attachment points and coverage limits vary by region around the world. Sirius Group's core proportional property reinsurance programs provide protection for parts of the non-proportional treaty accounts written in Europe, the Americas, Asia, the Middle East, and Australia. These reinsurance protections are designed to increase underwriting capacity where appropriate, and to reduce exposure both to large catastrophe losses and to a frequency of smaller loss events.

Sirius Group purchases excess of loss reinsurance protection for its facultative and direct property portfolios. The protection has been renewed at January 1, 2017 for business written in Stockholm and Hamburg, providing $32.5 million of protection in excess of $2.5 million. For the business written in the London branch and Syndicate 1945, an excess of loss reinsurance protection of $13.0 million in excess of two attachment points, one at $2.0 million and one at $4.0 million on a per risk basis is in place through March 31, 2017. For the London branch and Syndicate 1945 business, Sirius Group also has $2.5 million of protection in excess of retention of $7.5 million for the catastrophe exposed business, which is placed for 12 months at June 30, 2016. In excess of this, 85% of a $10.0 million protection for property catastrophe losses was purchased at January 1, 2017. In addition, at January 1, 2017, 85% of a $15.0 million worldwide protection for catastrophe losses is in place for the property and energy & marine business combined.

Sirius Group has in place excess of loss retrocessional coverage for its non-U.S. earthquake-related exposures. This cover was renewed for one year at April 1, 2016, now also including cover for Japanese exposures, providing $40.0 million of reinsurance protection in excess of Sirius Group's retention of $35.0 million and a further $35.0 million of coverage in excess of $75.0 million.

Sirius Group periodically purchases industry loss warranty ("ILW") contracts to augment its overall retrocessional program. Except for the ILW contracts, as described below purchased in conjunction with the CMIG sale, the following ILW contracts are currently in force:

Scope	Limit	Trigger	Expiration Date
European wind & flood	$5 million	$5 billion	March 31, 2017
European wind & flood	$5 million	$7.5 billion	March 31, 2017
European wind & flood	$7.5 million	$7.5 billion	April 30, 2017
European all natural perils	$15 million	$15 billion	May 31, 2017 (second event aggregate excess cover)
European wind & earthquake	$7.5 million	$5 - $7.5 billion	December 31, 2017
United States all natural peril	$5 million	$40 billion	April 20, 2017
United States all natural peril	$2 million	$40 billion	April 27, 2017
United States all natural peril	$3 million	$20 billion	June 30, 2017
United States, European, Japan wind & earthquake	$24 million	$5 - $10 billion	December 31, 2017 (multiple layer covers)

Sirius Group's aviation reinsurance program is intended to reduce exposure to a frequency of small losses, a single large loss, or a combination of both. For the proportional and facultative aviation portfolios, reinsurance protection purchase has been geared to cover losses from events that cause a market loss in excess of $150.0 million up to a full policy limit of $2.0 billion. This program is in place through October 2017. For the non-proportional aviation portfolio, reinsurance protection includes a 15% quota share treaty. In addition, the non-proportional portfolio is protected by ILWs totaling limits of $25.5 million. The ILWs attach at industry loss levels between $400.0 million and $1.0 billion.

For the marine yacht portfolio written by Syndicate 1945, reinsurance coverage is in place for $19.8 million in excess of a retention of $0.3 million. Also, an energy & marine excess of loss coverage for Syndicate 1945 is in place for $13.5 million in excess of retention of $1.5 million protecting both risk and catastrophe losses. For 2017, reinsurance coverage was placed for $6.5 million in excess of $1.0 million for the cargo account written in Syndicate 1945. Furthermore, from January 1, 2016, a new marine whole account protection has been placed for $7.5 million in excess of $7.5 million covering marine, energy, cargo, and terrorism written by Syndicate 1945. On top of the aforementioned whole account protection, an additional whole account coverage was placed in 2016 for $7.5 million in excess of all underlying protections covering property, marine & energy, cargo, and terrorism and this has now been renewed with an increased limit of $15.0 million at January 1, 2017.

For the accident and health account, Sirius Group has excess of loss protection covering personal accident and life of €10.0 million or approximately $10.6 million (based on the December 31, 2016 EUR to USD exchange rate) of protection in excess of a €5.0 million or approximately $5.3 million (based on the December 31, 2016 EUR to USD exchange rate) retention for the Stockholm, Hamburg, Liege and Singapore branches. Only 50% of this protection was placed at January 1, 2016 and the same level applies at January 1, 2017. In addition, Sirius America's direct insurance portfolio includes quota share reinsurance of various percentages.

For 2016, Sirius Group ceded a 60% quota share cession in respect of a specific trade credit acceptance. As of January 1, 2017, the quota share cession has been reduced to 16.6%.

For 2016, Sirius Group also ceded 30% of the direct contingency account written in the London branch and Syndicate 1945 on a proportional basis. The treaty was renewed at January 1, 2017 as well as the 20% variable quota share treaty cession for risks exceeding $10.0 million.

Almost all of Sirius Group's excess of loss reinsurance protections, excluding ILWs which tend to only cover one loss event, includes provisions that reinstate coverage at a cost of 100% or more of the original reinsurance premium.

In connection with the CMIG International acquisition, White Mountains required Sirius Group to purchase ILWs, referred to as the WTM Covers, to mitigate the potential impact of major natural catastrophe events on Sirius Group’s balance sheet pending the close of the sale to CMIG International. The cost and potential economic benefit provided by the WTM Covers inure to White Mountains. All but one of these contracts expired in May or June 2016; the other was a United States second event cover for an industry loss at $15 billion with a limit of $5 million expired on July 15, 2016. Under the Stock Purchase Agreement (“SPA”) between CMIG International and White Mountains, shortly after the sale of the Company, White Mountains paid the Company $16.5 million on a after-tax basis, which the Company recorded as paid-in capital.

The following table summarizes the WTM Covers purchased in connection with the CMIG International acquisition:

Scope	Limit	Industry Loss Trigger
United States first event	$75.0 million	$40.0 billion
United States first event	$22.5 million	$50.0 billion
United States second event	$45.0 million	$15.0 billion
Japan first event	$25.0 million	$12.5 billion

As of December 31, 2016, Sirius Group had $17.1 million of reinsurance recoverables on paid losses and $291.5 million of reinsurance recoverables on unpaid losses that will become recoverable if claims are paid in accordance with current reserve estimates. Because retrocessional reinsurance contracts do not relieve Sirius Group of its obligation to its insureds, the collectability of balances due from Sirius Group's reinsurers is critical to its financial strength. Sirius Group monitors the financial strength and ratings of retrocessionaires on an ongoing basis.

The following table provides a listing of Sirius Group’s gross and net recoverable amounts by the reinsurer’s Standard & Poor’s Financial Services LLC (“Standard & Poor’s”) rating and the percentage of total recoverables at December 31, 2016:

Rating[(1)]	Gross	Collateral	Net	% of Net Total
AA	$ 97.4	$ 1.1	$ 96.3	40%
A	139.7	20.3	119.4	49%
BBB+	3.5	3.2	0.3	0%
BBB or lower	7.3	5.4	1.9	1%
Not rated	60.7	37.1	23.6	10%
Total	$ 308.6	$ 67.1	$ 241.5	100%

(1) Standard & Poor’s ratings as detailed above are: “AA” (Very strong), “A” (Strong), and “BBB+” and “BBB” (Adequate).

NOTE 5. Investment Securities

Net Investment Income

Sirius Group’s net investment income is comprised primarily of interest income associated with Sirius Group’s fixed maturity investments, dividend income from its equity investments, and interest income from its short-term investments.

Pre-tax net investment income for 2016, 2015, and 2014 consisted of the following:

Millions		Year Ended December 31, 2016		2015		2014
Investment income:						
Fixed maturity investments	**$**	**58.0**	$	45.1	$	47.5
Short-term investments		**0.9**		2.2		1.4
Common equity securities		**4.1**		5.9		4.0
Convertible fixed maturity investments		**-**		0.1		0.8
Other long-term investments		**4.9**		(0.3)		1.0
Interest on funds held under reinsurance treaties		**(0.5)**		(0.5)		(0.1)
Total investment income		**67.4**		52.5		54.6
Investment expenses		**(11.2)**		(12.6)		(13.5)
Net investment income, pre-tax	**$**	**56.2**	$	39.9	$	41.1

Net Realized and Unrealized Investment Gains (Losses)

Net realized and unrealized investment gains (losses) for 2016, 2015, and 2014 consisted of the following:

Millions	**Year Ended December 31, 2016**	**2015**	**2014**
Net realized investment gains, pre-tax	$ 288.3	$ 138.5	$ 65.0
Net unrealized investment (losses) gains, pre-tax	(238.2)	102.5	144.2
Net realized and unrealized investment gains, pre-tax	**50.1**	**241.0**	**209.2**
Income taxes attributable to realized and unrealized investment gains	(12.7)	(49.1)	(52.5)
Net realized and unrealized investment gains, after-tax	**$ 37.4**	**$ 191.9**	**$ 156.7**

Net realized investment gains

Net realized investment gains for 2016, 2015, and 2014 consisted of the following:

Millions		**Year Ended December 31, 2016** — **Net realized gains (losses)**		**Net foreign currency gains (losses)**		**Total net realized gains reflected in earnings**
Fixed maturity investments	$	12.7	$	44.7	$	57.4
Common equity securities		227.3		4.6		231.9
Convertible fixed maturity investments		-		-		-
Other long-term investments		(1.7)		0.7		(1.0)
Net realized investment gains (losses), pre-tax		**238.3**		**50.0**		**288.3**
Income taxes attributable to realized investment gains (losses)		(48.1)		(12.9)		(61.0)
Net realized investment gains (losses), after-tax	**$**	**190.2**	**$**	**37.1**	**$**	**227.3**

Millions	Year Ended December 31, 2015 Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains reflected in earnings
Fixed maturity investments	$ 14.6	$ 60.0	$ 74.6
Common equity securities	51.3	9.6	60.9
Convertible fixed maturity investments	0.5	-	0.5
Other long-term investments	1.5	1.0	2.5
Net realized investment gains (losses), pre-tax	**67.9**	**70.6**	**138.5**
Income taxes attributable to realized investment gains (losses)	(19.9)	(16.9)	(36.8)
Net realized investment gains (losses), after-tax	**$ 48.0**	**$ 53.7**	**$ 101.7**

Millions	Year Ended December 31, 2014 Net realized gains (losses)	Net foreign currency gains (losses)	Total net realized gains reflected in earnings
Fixed maturity investments	$ 18.2	$ 21.6	$ 39.8
Common equity securities	9.6	1.4	11.0
Convertible fixed maturity investments	-	-	-
Other long-term investments	11.7	2.5	14.2
Net realized investment gains (losses), pre-tax	**39.5**	**25.5**	**65.0**
Income taxes attributable to realized investment gains (losses)	(11.2)	(8.1)	(19.3)
Net realized investment gains (losses), after-tax	**$ 28.3**	**$ 17.4**	**$ 45.7**

Net unrealized investment (losses) gains

The following table summarizes the net unrealized investment (losses) gains and changes in the carrying value of investments measured at fair value:

Millions	Year Ended December 31, 2016 Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	$ (14.4)	$ (10.6)	$ (25.0)
Common equity securities	(215.0)	0.5	(214.5)
Convertible fixed maturity investments	-	-	-
Other long-term investments	(1.1)	2.4	1.3
Net unrealized investment gains (losses), pre-tax	**(230.5)**	**(7.7)**	**(238.2)**
Income taxes attributable to unrealized investment gains (losses)	46.7	1.6	48.3
Net unrealized investment gains (losses), after-tax	**$ (183.8)**	**$ (6.1)**	**$ (189.9)**

Millions	Year Ended December 31, 2015 Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	$ (33.1)	$ (13.0)	$ (46.1)
Common equity securities	167.6	(4.7)	162.9
Convertible fixed maturity investments	-	-	-
Other long-term investments	(16.6)	2.3	(14.3)
Net unrealized investment gains (losses), pre-tax	**117.9**	**(15.4)**	**102.5**
Income taxes attributable to unrealized investment gains (losses)	(16.3)	4.0	(12.3)
Net unrealized investment gains (losses), after-tax	**$ 101.6**	**$ (11.4)**	**$ 90.2**

Millions	Year Ended December 31, 2014 Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	$ 17.9	$ 112.5	$ 130.4
Common equity securities	7.4	7.1	14.5
Convertible fixed maturity investments	-	-	-
Other long-term investments	(6.1)	5.4	(0.7)
Net unrealized investment gains (losses), pre-tax	**19.2**	**125.0**	**144.2**
Income taxes attributable to unrealized investment gains (losses)	(4.7)	(28.5)	(33.2)
Net unrealized investment gains (losses), after-tax	**$ 14.5**	**$ 96.5**	**$ 111.0**

Sirius Group recognized gross realized investment gains of $310.8 million, $154.3 million, and $75.3 million and gross realized investment losses of $22.4 million, $15.8 million, and $10.3 million on sales of investment securities during 2016, 2015, and 2014.

As of December 31, 2016 Sirius Group reported $7.6 million in accounts payable on unsettled investment purchases. No amount was reported for December 31, 2015.

As of December 31, 2015 Sirius Group reported $29.0 million in accounts receivable on unsettled investment sales. No amount was reported for December 31, 2016.

The following table summarizes the amount of total gains (losses) included in earnings attributable to unrealized investment gains (losses) for Level 3 investments for the years ended December 31, 2016, 2015, and 2014:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Fixed maturity investments	**$ (0.1)**	$ -	$ (0.6)
Common equity securities	**-**	6.6	4.9
Other long-term investments	**2.8**	(0.4)	(1.0)
Total unrealized investment gains, pre-tax - Level 3 investments	**$ 2.7**	$ 6.2	$ 3.3

The components of Sirius Group's net realized and unrealized investment gains (losses), after-tax, as recorded on the statements of operations and comprehensive income were as follows:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates, pre-tax	**$ -**	$ (35.4)	$ 72.0
Income tax benefit (expense)	**-**	2.9	(5.8)
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates, after-tax	**-**	(32.5)	66.2
Change in net unrealized foreign currency losses on investments through accumulated other comprehensive income, after-tax	**(83.1)**	(110.7)	(274.3)
Total investments losses through accumulated other comprehensive income, after-tax	**(83.1)**	(143.2)	(208.1)
Net realized and unrealized investment gains, after-tax	**37.4**	191.9	156.7
Total investment (losses) gains recorded during the period, after-tax	**$ (45.7)**	$ 48.7	$ (51.4)

Investment Holdings

The cost or amortized cost, gross unrealized investment gains (losses), net foreign currency gains (losses), and carrying values of Sirius Group's fixed maturity investments as of December 31, 2016 and 2015, were as follows:

	December 31, 2016				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Fixed maturity investments:					
Debt securities issued by corporations	$ 1,462.1	$ 8.7	$ (12.9)	$ 20.1	$ 1,478.0
Mortgage-backed and asset-backed securities	1,164.4	1.6	(13.9)	13.8	1,165.9
Foreign government, agency and provincial obligations	148.7	0.3	(1.7)	(0.8)	146.5
U.S. Government and agency obligations	84.8	-	(0.6)	5.2	89.4
Preferred stocks	10.2	0.3	-	0.3	10.8
Municipal obligations	1.0	-	-	-	1.0
Total fixed maturity investments	**$ 2,871.2**	**$ 10.9**	**$ (29.1)**	**$ 38.6**	**$ 2,891.6**

	December 31, 2015				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Fixed maturity investments:					
Debt securities issued by corporations	$ 1,170.4	$ 11.7	$ (8.8)	$ 41.0	$ 1,214.3
Mortgage-backed and asset-backed securities	969.0	3.8	(4.1)	15.9	984.6
U.S. Government and agency obligations	125.0	-	(0.1)	0.1	125.0
Foreign government, agency and provincial obligations	44.5	0.1	(0.1)	-	44.5
Preferred stocks	4.2	0.2	-	0.2	4.6
Municipal obligations	1.0	-	-	-	1.0
Total fixed maturity investments	**$ 2,314.1**	**$ 15.8**	**$ (13.1)**	**$ 57.2**	**$ 2,374.0**

The weighted average duration of Sirius Group's fixed income portfolio as of December 31, 2016 was approximately 3.0 years, including short-term investments, and approximately 3.4 years excluding short-term investments.

The cost or amortized cost and carrying value of Sirius Group's fixed maturity investments and convertible fixed maturity investments as of December 31, 2016 is presented below by contractual maturity. Actual maturities could differ from contractual maturities because borrowers may have the right to call or prepay certain obligations with or without call or prepayment penalties.

	December 31, 2016	
Millions	Cost or amortized cost	Carrying value
Due in one year or less	$ 116.3	$ 122.5
Due after one year through five years	1,155.0	1,171.2
Due after five years through ten years	398.4	394.8
Due after ten years	26.9	26.4
Mortgage-backed and asset-backed securities	1,164.4	1,165.9
Preferred stocks	10.2	10.8
Total	**$ 2,871.2**	**$ 2,891.6**

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of Sirius Group's common equity securities and other long-term investments as of December 31, 2016 and 2015, were as follows:

	December 31, 2016				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	$ 125.7	$ 0.1	$ (2.7)	$ (0.1)	**$ 123.0**
Other long-term investments	$ 115.8	$ 4.2	$ (2.1)	$ 6.9	**$ 124.8**

	December 31, 2015				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	$ 515.7	$ 218.5	$ (5.9)	$ 1.8	$ 730.1
Other long-term investments	$ 72.3	$ 8.9	$ (7.7)	$ 4.7	$ 78.2

Proceeds from the sales and maturities of investments, excluding short-term investments, totaled $3,476.0 million, $2,680.6 million, and $3,081.8 million for the years ended December 31, 2016, 2015, and 2014.

Investments Held on Deposit or as Collateral

As of December 31, 2016 and 2015 investments of $406.0 million and $396.1 million, respectively, were held in trusts required to be maintained in relation to various reinsurance agreements. Sirius Group's consolidated reinsurance operations are required to maintain deposits with certain insurance regulatory agencies in order to maintain their insurance licenses. The fair value of such deposits which are included within total investments totaled $413.0 million and $371.0 million as of December 31, 2016 and 2015.

As of December 31, 2016, Sirius Group held $1.4 million of collateral in the form short-term investments associated with interest rate cap agreements. (See **Note 8**.)

Fair value measurements as of December 31, 2016

Fair value measurements are categorized into a hierarchy that distinguishes between inputs based on market data from independent sources ("observable inputs") and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable ("unobservable inputs"). Quoted prices in active markets for identical assets or liabilities have the highest priority ("Level 1"), followed by observable inputs other than quoted prices, including prices for similar but not identical assets or liabilities ("Level 2") and unobservable inputs, including the reporting entity's estimates of the assumptions that market participants would use, having the lowest priority ("Level 3").

Sirius Group used quoted market prices or other observable inputs to determine fair value for 96% of its investment portfolio. Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, common equity securities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs are primarily comprised of fixed maturity investments, which have been disaggregated into classes, including debt securities issued by corporations, municipal obligations, mortgage and asset-backed securities, foreign government obligations and preferred stocks. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Investments valued using Level 2 inputs also include certain ETFs that track U.S. stock indices such as the S&P 500 but are traded on foreign exchanges and that management values using the fund's published NAV to account for the difference in market close times. Level 3 fair value estimates based upon unobservable inputs include Sirius Group's investments in certain debt securities, including asset-backed securities, and equity securities where quoted market prices are unavailable or are not considered reasonable. Sirius Group determines when transfers between levels have occurred as of the beginning of the period.

Sirius Group uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, Sirius Group uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services Sirius Group uses have indicated that they will only provide prices where observable inputs are available. In circumstances where quoted market prices are unavailable or are not considered reasonable, Sirius Group estimates the fair value using industry standard pricing models and observable inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, prepayment speeds, reference data including research publications, and other relevant inputs. Given that many fixed maturity investments do not trade on a daily basis, the outside pricing services evaluate a wide range of fixed maturity investments by regularly drawing parallels from recent trades and quotes of comparable securities with similar features. The characteristics used to identify comparable fixed maturity investments vary by asset type and take into account market convention.

Sirius Group's process to assess the reasonableness of the market prices obtained from the outside pricing sources covers substantially all of its fixed maturity investments and includes, but is not limited to, evaluation of model pricing methodologies, review of the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from different independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices and review of assumptions utilized by the pricing service for selected measurements on an ad hoc basis throughout the year. Sirius Group also performs back-testing of selected sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price on an ad-hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and $1.0 million from the expected price based on these procedures are considered outliers. Also considered outliers are prices that haven’t changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of Sirius Group's review process does not appear to support the market price provided by the pricing services, Sirius Group challenges the price. If Sirius Group cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question.

The valuation process above is generally applicable to all of Sirius Group’s fixed maturity investments. The techniques and inputs specific to asset classes within Sirius Group’s fixed maturity investments for Level 2 securities that use observable inputs are as follow:

Debt securities issued by corporations: The fair value of debt securities issued by corporations is determined from an evaluated pricing model that uses information from market sources and integrates relative credit information, observed market movements, and sector news. Key inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including sector, coupon, credit quality ratings, duration, credit enhancements, early redemption features, and market research publications.

Mortgage and asset-backed securities: The fair value of mortgage and asset-backed securities is determined from an evaluated pricing model that uses information from market sources and leveraging similar securities. Key inputs include benchmark yields, reported trades, underlying tranche cash flow data, collateral performance, plus new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including issuer, vintage, loan type, collateral attributes, prepayment speeds, default rates, recovery rates, cash flow stress testing, credit quality ratings, and market research publications.

Municipal obligations: The fair value of municipal obligations is determined from an evaluated pricing model that uses information from market makers, brokers-dealers, buy-side firms, and analysts along with general market information. Key inputs include benchmark yields, reported trades, issuer financial statements, material event notices and new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including type, coupon, credit quality ratings, duration, credit enhancements, geographic location, and market research publications.

Foreign government obligations: The fair value of foreign government obligations is determined from an evaluated pricing model that uses feeds from data sources in each respective country, including active market makers and inter-dealer brokers. Key inputs include benchmark yields, reported trades, broker-dealer quotes, two-sided markets, benchmark securities, bids, offers, local exchange prices, foreign exchange rates and reference data including coupon, credit quality ratings, duration, and market research publications.

Preferred stocks: The fair value of preferred stocks is determined from an evaluated pricing model that calculates the appropriate spread over a comparable security for each issue. Key inputs include exchange prices (underlying and common stock of same issuer), benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including sector, coupon, credit quality ratings, duration, credit enhancements, early redemption features, and market research publications.

Level 3 valuations are generated from techniques that use assumptions not observable in the market. These unobservable assumptions reflect Sirius Group's assumptions that market participants would use in valuing the investment. Generally, certain securities may start out as Level 3 when they are originally issued but as observable inputs become available in the market, they may be reclassified to Level 2.

Sirius Group employs a number of procedures to assess the reasonableness of the fair value measurements for its other long-term investments, including obtaining and reviewing the audited annual financial statements of hedge funds and private equity funds and periodically discussing each fund's pricing with the fund manager. However, since the fund managers do not provide sufficient information to evaluate the pricing inputs and methods for each underlying investment, the inputs are considered to be unobservable. Accordingly, the fair values of Sirius Group's investments in hedge funds and private equity funds have been classified as Level 3 measurements. The fair value of Sirius Group's investments in hedge funds and private equity funds has been determined using net asset value.

Fair Value Measurements by Level

The following tables summarize Sirius Group's fair value measurements for investments as of December 31, 2016 and 2015 by level. The major security types were based on the legal form of the securities. Sirius Group has disaggregated its fixed maturity investments based on the issuing entity type, which impacts credit quality, with debt securities issued by U.S. government entities carrying minimal credit risk, while the credit and other risks associated with other issuers, such as corporations, foreign governments, municipalities or entities issuing asset-backed securities vary depending on the nature of the issuing entity type. Sirius Group further disaggregates debt securities issued by corporations and equity securities by industry sector because investors often reference commonly used benchmarks and their subsectors to monitor risk and performance. Accordingly, Sirius Group has further disaggregated these asset classes into subclasses based on the similar sectors and industry classifications it uses to evaluate investment risk and performance against commonly used benchmarks, such as the Barclays Intermediate Aggregate and S&P 500 indices.

	December 31, 2016			
Millions	**Fair value**	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Fixed maturities:				
U.S. Government and agency obligations	$ 89.4	$ 86.2	$ 3.2	$ -
Debt securities issued by corporations:				
Consumer	340.0	-	340.0	-
Financials	557.8	-	557.8	-
Industrial	145.9	-	145.9	-
Communications	116.5	-	116.5	-
Energy	168.9	-	168.9	-
Health Care	-	-	-	-
Utilities	57.8	-	57.8	-
Materials	22.8	-	22.8	-
Technology	68.3	-	68.3	-
Total debt securities issued by corporations:	1,478.0	-	1,478.0	-
Mortgage-backed and asset-backed securities	1,165.9	-	1,147.5	18.4
Foreign government, agency and provincial obligations	146.5	18.1	128.4	-
Preferred stocks	10.8	-	1.8	9.0
Municipal obligations	1.0	-	1.0	-
Total fixed maturity investments	2,891.6	104.3	2,759.9	27.4
Short-term investments	538.0	498.7	39.3	-
Common equity securities:				
Financials	5.4	5.4	-	-
Exchange Traded Funds	117.6	117.6	-	-
Total common equity securities	123.0	123.0	-	-
Convertible fixed maturity investments	-	-	-	-
Other long-term investments	39.4	-	-	39.4
Total investments	**$ 3,592.0**	**$ 726.0**	**$ 2,799.2**	**$ 66.8**

(1) Excludes carrying value of $85.4 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

Millions	December 31, 2015 Fair value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Fixed maturities:				
U.S. Government and agency obligations	$ 125.0	$ 125.0	$ -	$ -
Debt securities issued by corporations:				
Consumer	314.3	-	314.3	-
Financials	202.4	-	202.4	-
Industrial	137.9	-	137.9	-
Communications	163.4	-	163.4	-
Energy	129.8	-	129.8	-
Health Care	117.1	-	117.1	-
Utilities	82.1	-	82.1	-
Materials	44.6	-	44.6	-
Technology	22.7	-	22.7	-
Total debt securities issued by corporations:	1,214.3	-	1,214.3	-
Mortgage-backed and asset-backed securities	984.6	-	984.6	-
Foreign government, agency and provincial obligations	44.5	16.2	28.3	-
Preferred stocks	4.6	-	1.6	3.0
Municipal obligations	1.0	-	1.0	-
Total fixed maturity investments	2,374.0	141.2	2,229.8	3.0
Short-term investments	352.0	350.1	1.9	-
Common equity securities:				
Financials	557.6	557.6	-	-
Exchange Traded Funds	172.5	172.5	-	-
Total common equity securities	730.1	730.1	-	-
Convertible fixed maturity investments	-	-	-	-
Other long-term investments[(1) (2)]	28.6	-	-	28.6
Total investments	**$ 3,484.7**	**$ 1,221.4**	**$ 2,231.7**	**$ 31.6**

(1) Excludes carrying value of $3.8 associated with other long-term investment limited partnerships accounted for using the equity method.

(2) Excludes carrying value of $45.8 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

Debt Securities Issued by Corporations

The following table summarizes the ratings and fair value of the corporate debt securities held in Sirius Group's investment portfolio as of December 31, 2016 and 2015:

	Fair Value at December 31,	
Millions	**2016**	2015
AA	$ 370.4	$ 124.0
A	478.1	368.4
BBB	620.2	713.0
Other	9.3	8.9
Debt securities issued by corporations (1)	**$ 1,478.0**	$ 1,214.3

(1) Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's Investor Service ("Moodys").

Mortgage-backed, Asset-backed Securities

Sirius Group purchases commercial mortgage-backed securities ("CMBS") and residential mortgage-backed securities ("RMBS") with the goal of maximizing risk adjusted returns in the context of a diversified portfolio. Sirius Group considers sub-prime mortgage-backed securities as those that have underlying loan pools that exhibit weak credit characteristics, or those that are issued from dedicated sub-prime shelves or dedicated second-lien shelf registrations (i.e., Sirius Group considers investments backed primarily by second-liens to be sub-prime risks regardless of credit scores or other metrics).

Sirius Group categorizes mortgage-backed securities as "non-prime" (also called "Alt A" or "A-") if they are backed by collateral that has overall credit quality between prime and sub-prime based on Sirius Group's review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. Sirius Group's non-agency residential mortgage-backed portfolio is generally moderate-term and structurally senior. Sirius Group does not own any collateralized loan obligations. Sirius Group does not own any collateralized debt obligations, with the exception of $16.8 million of non-agency residential mortgage resecuritization tranches, each a senior tranche in its own right and each collateralized by a single earlier vintage Super Senior or Senior non-agency residential mortgage backed security.

Millions	December 31, 2016 Fair Value	Level 2	Level 3	December 31, 2015 Fair Value	Level 2	Level 3
Mortgage-backed securities:						
Agency:						
GNMA	$ 77.3	$ 77.3	$ -	$ 68.4	$ 68.4	$ -
FNMA	287.2	287.2	-	2.5	2.5	-
FHLMC	88.2	88.2	-	11.7	11.7	-
Total Agency[1]	452.7	452.7	-	82.6	82.6	-
Non-agency:						
Residential	82.0	82.0	-	113.8	113.8	-
Commercial	163.4	157.0	6.4	183.5	183.5	-
Total Non-agency	245.4	239.0	6.4	297.3	297.3	-
Total mortgage-backed securities	698.1	691.7	6.4	379.9	379.9	-
Asset-backed securities:						
Credit card receivables	99.1	99.1	-	205.3	205.3	-
Vehicle receivables	260.6	260.6	-	235.6	235.6	-
Other	108.1	96.1	12.0	163.8	163.8	-
Total asset-backed securities	467.8	455.8	12.0	604.7	604.7	-
Total mortgage and asset-backed securities	**$ 1,165.9**	**$ 1,147.5**	**$ 18.4**	$ 984.6	$ 984.6	$ -

[1] Represents publicly traded mortgage-backed securities which carry the full faith and credit guaranty of the U.S. government (i.e., GNMA) or are guaranteed by a government sponsored entity (i.e., FNMA, FHLMC).

Non-agency Mortgage-backed Securities

The security issuance years of Sirius Group's investments in non-agency RMBS and non-agency CMBS securities as of December 31, 2016 are as follows:

		Security Issuance Year												
Millions	**Fair Value**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
Non-agency RMBS	$ 82.0	$ 13.0	$ 11.7	$ 3.0	$ -	$ 5.3	$ -	$ 11.3	$ 1.5	$ 4.3	$ 6.1	$ 25.8	$ -	$ -
Non-agency CMBS	$ 163.4	-	-	-	6.6	-	-	3.5	-	30.6	22.7	66.8	23.1	10.1
Total	**$ 245.4**	**$ 13.0**	**$ 11.7**	**$ 3.0**	**$ 6.6**	**$ 5.3**	**$ -**	**$ 14.8**	**$ 1.5**	**$ 34.9**	**$ 28.8**	**$ 92.6**	**$ 23.1**	**$ 10.1**

Non-agency Residential Mortgage-backed Securities

The classification of the underlying collateral quality and the tranche levels of Sirius Group non-agency RMBS securities are as follows as of December 31, 2016:

Millions	Fair Value		Super Senior [1]		Senior [2]		Subordinate [3]	
Prime	$	82.0	$	50.4	$	23.4	$	8.2
Total	**$**	**82.0**	**$**	**50.4**	**$**	**23.4**	**$**	**8.2**

(1) At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch Ratings ("Fitch") and were senior to other "AAA" or "Aaa" bonds. There were no Super Senior tranche levels that are classified as Non-prime or Sub-prime at December 31, 2016.

(2) At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's "Aaa" by Moody's or "AAA" by Fitch and were senior to non-"AAA" or non-"Aaa" bonds. There were no Senior tranche levels classified as Non-prime or Sub-prime at December 31, 2016.

(3) At issuance, Subordinate were not rated "AAA" by Standard & Poor's , "Aaa" by Moody's or "AAA" by Fitch and were junior

Non-agency Commercial Mortgage-backed Securities

Sirius Group's non-agency CMBS portfolio is generally short-term and structurally subordinate, with more than 30 points of subordination on average for both fixed rate CMBS and floating rate CMBS as of December 31, 2016. In general, subordination represents the percentage principal loss on the underlying collateral that would be absorbed by other securities lower in the capital structure before the more senior security incurs a loss. As of December 31, 2016, on average less than 1% of the underlying loans were reported as non-performing for all non-agency CMBS held by Sirius Group.

The amount of fixed and floating rate securities and their tranche levels of Sirius Group's non-agency CMBS securities are as follows as of December 31, 2016:

Millions	Fair Value		Super Senior [1]		Senior [2]		Subordinate [3]	
Fixed rate CMBS	$	111.8	$	44.5	$	51.1	$	16.2
Floating rate CMBS		28.2		-		-		28.2
Interest Only CMBS		23.4		-		23.4		-
Total	**$**	**163.4**	**$**	**44.5**	**$**	**74.5**	**$**	**44.4**

(1) At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's, "Aaa" by Moody's or "AAA" by Fitch and were senior to other "AAA" or "Aaa" bonds.

(2) At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated "AAA" by Standard & Poor's "Aaa" by Moody's or "AAA" by Fitch and were senior to non-"AAA" or non-"Aaa" bonds.

(3) At issuance, Subordinate were not rated "AAA" by Standard & Poor's , "Aaa" by Moody's or "AAA" by Fitch and were

Other Long-term Investments

Other long-term investments consist of the following as of December 31, 2016 and 2015:

	Fair Value at			
Millions	**December 31, 2016**		**December 31, 2015**	
Hedge funds and private equity funds [1]	**$**	**85.4**	$	45.8
Limited liability companies and private equity securities [1]		**39.4**		28.6
Partnership investments accounted for under the equity method		-		3.8
Total other-long term investments	**$**	**124.8**	$	78.2

(1) See *Fair Value Measurements by Level* table.

Hedge Funds and Private Equity Funds

Sirius Group holds investments in hedge funds and private equity funds, which are included in other long-term investments. The fair value of these investments has been estimated using the net asset value of the funds. As of December 31, 2016, Sirius Group held investments in 6 hedge funds and 25 private equity funds. The largest investment in a single fund was $24.2 million as of December 31, 2016 and $7.0 million as of December 31, 2015.

The following table summarizes investments in hedge funds and private equity interests by investment objective and sector as of December 31, 2016 and 2015:

Millions	December 31, 2016 Fair Value	December 31, 2016 Unfunded Commitments	December 31, 2015 Fair Value	December 31, 2015 Unfunded Commitments
Hedge funds				
Long/short credit & distressed	$ -	$ -	$ 7.2	$ -
Other	3.7	-	3.9	-
Total hedge funds	3.7	-	11.1	-
Private equity funds				
Energy infrastructure & services	50.7	60.0	15.8	4.8
Multi-sector	8.9	1.5	9.9	1.9
Healthcare	19.4	24.4	3.8	0.4
Private equity secondaries	1.8	1.1	2.2	1.0
Real estate	0.3	-	0.4	0.1
International multi-sector, Europe	-	-	0.2	-
Venture capital	0.2	-	0.2	-
Manufacturing/Industrial	0.4	19.6	2.2	-
Total private equity funds	81.7	106.6	34.7	8.2
Total hedge and private equity funds included in other long-term investments	**$ 85.4**	**$ 106.6**	$ 45.8	$ 8.2

Redemption of investments in certain hedge funds is subject to restrictions including lock-up periods where no redemptions or withdrawals are allowed, restrictions on redemption frequency, and advance notice periods for redemptions. Amounts requested for redemptions remain subject to market fluctuations until the redemption effective date, which generally falls at the end of the defined redemption period.

The following summarizes the December 31, 2016 fair value of hedge funds subject to restrictions on redemption frequency and advance notice period requirements for investments in active hedge funds:

Millions Redemption Frequency	Notice Period 30-59 days notice	60-89 days notice	90-119 days notice	120+ days notice	Total
Monthly	$ -	$ -	$ -	$ -	$ -
Quarterly	1.0	-	-	-	1.0
Semi-annual	-	1.3	-	-	1.3
Annual	-	-	1.3	0.1	1.4
Total	**$ 1.0**	**$ 1.3**	**$ 1.3**	**$ 0.1**	**$ 3.7**

Certain of the hedge fund and private equity fund investments in which Sirius Group is invested are no longer active and are in the process of disposing of their underlying investments. Distributions from such funds are remitted to investors as the fund's underlying investments are liquidated. As of December 31, 2016, no distributions were outstanding from these investments.

Sirius Group also submits redemption requests for certain of its investments in active hedge funds. As of December 31, 2016, there were no redemptions outstanding that would be subject to market fluctuations. Redemptions are recorded as receivables when the investment is no longer subject to market fluctuations.

Investments in private equity funds are generally subject to a "lock-up" period during which investors may not request a redemption. Distributions prior to the expected termination date of the fund may be limited to dividends or proceeds arising from the liquidation of the fund's underlying investments. In addition, certain private equity funds provide an option to extend the lock-up period at either the sole discretion of the fund manager or upon agreement between the fund and the investors.

As of December 31, 2016, investments in private equity funds were subject to lock-up periods as follows:

Millions	1 – 3 years	3 – 5 years	5 – 10 years	Total
Private Equity Funds - expected lock up period remaining	$ 6.5	$ 7.4	$ 67.8	$ 81.7

Rollforward of Fair Value Measurements by Level

Sirius Group uses quoted market prices where available as the inputs to estimate fair value for its investments in active markets. Such measurements are considered to be either Level 1 or Level 2 measurements, depending on whether the quoted market price inputs are for identical securities (Level 1) or similar securities (Level 2). Level 3 measurements for fixed maturity investments, common equity securities, and other long-term investments as of December 31, 2016 and 2015 consist of securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities.

The following tables summarize the changes in Sirius Group's fair value measurements by level for the years ended December 31, 2016 and 2015:

Millions	Level 1 Investments	Level 2 Investments	Level 3 Investments: Fixed Maturities	Level 3 Investments: Common equity securities	Level 3 Investments: Other long-term investments	Hedge Funds and Private Equity Funds measured at NAV	Total	
Balance at January 1, 2016	$ 871.4	$ 2,229.8	$ 3.1	$ -	$ 28.3	$ 45.9	$ 3,178.5	(1) (2)
Total realized and unrealized gains	22.3	18.2	(0.1)	-	2.7	1.5	44.6	
Foreign currency losses through OCI	(14.6)	(66.8)	-	-	(0.8)	(2.3)	(84.5)	
Accretion	(0.6)	(21.1)	-	-	-	-	(21.7)	
Purchases	801.4	2,629.3	26.9	-	10.6	62.7	3,530.9	
Sales	(1,452.6)	(2,031.8)	-	-	(1.7)	(22.3)	(3,508.4)	
Transfers in	-	2.2	-	-	-	-	2.2	
Transfers out	-	-	(2.2)	-	-	-	(2.2)	
Balance at December 31, 2016	$ 227.3	$ 2,759.8	$ 27.7	$ -	$ 39.1	$ 85.5	$ 3,139.4	(2)

(1) Excludes carrying value of $3.8 associated with other long-term investment limited partnerships accounted for using the equity method.

(2) Excludes carrying value of $352.0 and $538.0 at January 1, 2016 and December 31, 2016 classified as short-term investments.

Millions	Level 1 Investments	Level 2 Investments	Level 3 Investments: Fixed Maturities	Level 3 Investments: Common equity securities	Level 3 Investments: Other long-term investments	Hedge Funds and Private Equity Funds measured at NAV	Total	
Balance at January 1, 2015	$ 275.7	$ 2,265.1	$ 0.5	$ 36.1	$ 24.1	$ 82.0	$ 2,683.5	(1) (2)
Total realized and unrealized gains	145.0	15.8	-	6.6	(0.5)	(10.7)	156.2	
Foreign currency losses through OCI	(3.9)	(90.1)	(0.4)	-	0.3	(3.0)	(97.1)	
Accretion	(0.4)	(21.9)	-	-	-	-	(22.3)	
Purchases	1,117.3	1,985.6	43.7	-	4.9	5.5	3,157.0	
Sales	(662.3)	(1,965.4)	-	(42.7)	(0.5)	(27.9)	(2,698.8)	
Transfers in	-	40.7	-	-	-	-	40.7	
Transfers out	-	-	(40.7)	-	-	-	(40.7)	
Balance at December 31, 2015	$ 871.4	$ 2,229.8	$ 3.1	$ -	$ 28.3	$ 45.9	$ 3,178.5	(2) (3)

(1) Excludes carrying value of $5.2 associated with other long-term investment limited partnerships accounted for using the equity method.

(2) Excludes carrying value of $489.7 and $352.0 at January 1, 2015 and December 31, 2015 classified as short-term investments.

(3) Excludes carrying value of $3.8 associated with other long-term investment limited partnerships accounted for using the equity method.

Fair Value Measurements – transfers between levels

During 2016, one fixed maturity security classified as Level 3 measurements in the prior period was recategorized as a Level 2 measurement because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available as of December 31, 2016. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $2.2 million for the period ended December 31, 2016

During 2015, six fixed maturity securities classified as Level 3 measurements in the prior period were recategorized as Level 2 measurements because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available as of December 31, 2015. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $40.7 million for the period ended December 31, 2015.

Significant Unobservable Inputs

The following summarizes significant unobservable inputs used in estimating the fair value of investment securities classified within Level 3 other than hedge funds and private equities as of December 31, 2016 and December 31, 2015. The fair value of investments in hedge funds and private equity funds, which are classified within Level 3, are estimated using the net asset value of the funds.

($ in Millions)	December 31, 2016					
Description	Rating [1]	Valuation Technique(s)	Fair Value		Unobservable Input	
Private equity securities [2]	NR	Multiple of GAAP book value	$	16.1	Book value multiple	1.0X
Private equity securities [2]	NR	Multiple of GAAP book value	$	10.5	Book value multiple	1.0X
Common stock warrant [2]	NR	Average fair value	$	0.5	Discount rate rage	14-17%
Preferred stock [2]	NR	Average fair value	$	3.0	Average share price	86.3
Preferred stock [2]	NR	Average fair value	$	6.0	Average share price	0.6
Private debt instrument [2]	NR	Share price of recent transaction	$	9.0	Purchase price	$9.0
Private debt instrument [2]	NR	Share price of recent transaction	$	3.3	Purchase price less pay down	$3.3
Asset-backed securities [3]	AAA	Broker pricing	$	18.4	Purchase price	$18.4

(1) Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's.
(2) As of December 31, 2016 each asset type consists of one security.
(3) As of December 31, 2016 each asset type consists of two securities.

($ in Millions)	December 31, 2015					
Description	Rating [1]	Valuation Technique(s)	Fair Value		Unobservable Input	
Private equity securities [2]	NR	Multiple of GAAP book value	$	15.1	Book value multiple	1.0X
Private equity securities [2]	NR	Multiple of GAAP book value	$	9.1	Book value multiple	1.0X
Common stock warrant [2]	NR	Average fair value	$	0.5	Discount rate range	14-17%
Preferred stock [2]	NR	Average share price	$	3.0	Average share price	86.3
Private debt instrument [2]	NR	Share price of recent transaction	$	3.9	Purchase price less pay down	$3.9

(1) Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's.
(2) As of December 31, 2015 each asset type consists of one security.

NOTE 6. Debt and Standby Letters of Credit Facilities

Sirius Group's debt outstanding as of December 31, 2016 and 2015 consisted of the following:

Millions		December 31, 2016	Effective Rate (1)		December 31, 2015	Effective Rate (1)
SIG 2016 Senior Notes, at face value	$	400.0	4.7%	$	-	
Unamortized original issue discount		(3.1)			-	
Unamortized original issuance costs		(4.4)			-	
SIG 2016 Senior Notes, carrying value		392.5			-	
Old Lyme Note		3.7	3.6%		3.7	3.4%
SIG 2007 Senior Notes, at face value		-			400.0	6.5%
Unamortized original issue discount		-			(0.2)	
Unamortized original issuance costs		-			(0.5)	
SIG 2007 Senior Notes, carrying value		-			399.3	
Total debt	$	396.2		$	403.0	

(1) Effective rate considers the effect of the debt issuance costs.

A schedule of contractual repayments of Sirius Group's debt as of December 31, 2016 follows:

Millions		December 31, 2016
Due in one year or less	$	3.7
Due in one to three years		-
Due in three to five years		-
Due after five years		400.0
Total	$	403.7

2016 SIG Senior Notes

In November 2016, SIG issued $400.0 million face value of senior unsecured notes ("2016 SIG Senior Notes") at an issue price of 99.209% for net proceeds of $392.4 million after taking into effect both deferrable and non-deferrable issuance costs. The SIG Senior Notes were issued in an offering that was exempt from the registration requirements of the Securities Act of 1933. The 2016 SIG Senior Notes bear an annual interest rate of 4.600%, payable semi-annually in arrears on May 1, and November 1, until maturity in November 2026.

SIG incurred $4.4 million in expenses related to the issuance of the 2016 SIG Senior Notes (including $3.4 million in underwriting fees), which have been deferred and are being recognized into interest expense over the life of the 2016 SIG Senior Notes.

Taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, the 2016 SIG Senior Notes yield an effective rate of approximately 4.7% per annum. Sirius Group recorded $3.2 million of interest expense, inclusive of amortization of issuance costs on the 2016 SIG Senior Notes for the year ended December 31, 2016.

2007 SIG Senior Notes

During 2016, using the funds received from the issuance of the 2016 SIG Senior Notes, SIG retired the $400.0 million face value of senior unsecured notes that were issued in 2007 ("2007 SIG Senior Notes"). The repurchase of the 2007 SIG Senior Notes resulted in a $5.7 million loss recorded in interest expense, which includes the write-off of the remaining $0.1 million in unamortized deferred costs and original issue discount at the time of repurchase.

In anticipation of the issuance of the 2007 SIG Senior Notes, SIG entered into an interest rate lock agreement to hedge its interest rate exposure from the date of the agreement until the pricing of the SIG Senior Notes. The agreement was terminated on March 15, 2007 with a loss of $2.4 million, which was recorded in other comprehensive income. The loss was reclassified from accumulated other comprehensive income over the life of the 2007 SIG Senior Notes using the interest method and is included in interest expense until it was retired in 2016. When the 2007 SIG Senior Notes were retired, the remaining $0.1 million loss remaining in accumulated other comprehensive income was reclassified to interest expense.

Prior to repurchase, taking into effect the amortization of the original issue discount and all underwriting and issuance expenses, including the interest rate lock agreement, the 2007 SIG Senior Notes yielded an effective rate of approximately 6.5% per annum. Sirius Group recorded $31.2 million, $26.3 million, and $26.3 million of interest expense, inclusive of loss on repurchase, amortization of issuance costs and the interest rate lock agreement, on the 2007 SIG Senior Notes for each of the years ended December 31, 2016, 2015, and 2014.

Old Lyme Note

On December 30, 2011 Sirius Group acquired the runoff loss reserve portfolio of Old Lyme. As part of the acquisition, Sirius Group entered into a five-year $2.1 million purchase note with a maturity date of December 30, 2016. The principal amount of the purchase note is subject to upward adjustments for favorable loss reserve development (up to 50% of $6.0 million) and downward adjustments for any adverse loss reserve development. From inception, Sirius Group has had favorable loss reserve development of $3.2 million on the Old Lyme loss reserve position that has resulted in an increase of $1.6 million on the Old Lyme Note. Payment of the note is expected in early 2017.

Stand By Letter of Credit Facilities

On November 25, 2014, Sirius International entered into two stand by letter of credit facility agreements totaling $200 million to provide capital support for its Lloyds Syndicate 1945. One letter of credit is a $125 million facility from Nordea Bank Finland plc (the "Nordea facility"), $100 million of which is issued on an unsecured basis. The second letter of credit is a $75 million facility with Lloyds Bank plc (the "Lloyds Bank facility"), $25 million of which is issued on an unsecured basis. As of December 31, 2016, both letter of credit facilities remained issued and outstanding.

The unsecured portions of the Nordea facility and the Lloyds Bank facility are subject to various affirmative, negative and financial covenants that Sirius Group considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards.

Sirius International, Sirius America, and Sirius Bermuda have other secured letter of credit and trust arrangements with various financial institutions to support its insurance operations.

As of December 31, 2016 and 2015, Sirius International's secured letter of credit and trust arrangements were collateralized by pledged assets and assets in trust of SEK 1.8 billion and SEK 1.6 billion, or $203.0 million and $188.4 million (based on the December 31, 2016 and 2015 SEK to USD exchange rate). As of December 31, 2016 and 2015, Sirius America's trust arrangements were collateralized by pledged assets and assets in trust of $18.8 million and $20.9 million. As of December 31 2016 and 2015, Sirius Bermuda did not have any trust arrangements that were collateralized by assets and assets in trust.

Debt and Standby Letter of Credit Facility Covenants

As of December 31, 2016, Sirius Group was in compliance with all of the covenants under the 2016 SIG Senior Notes, the Nordea facility and the Lloyd's Bank facility.

Interest

Total interest expense which includes the loss on repurchase of the 2007 SIG Senior Notes, incurred by Sirius Group for its indebtedness was $34.6 million, $26.6 million, and $26.3 million in 2016, 2015, and 2014. Total interest paid, which includes the loss on repurchase of the 2007 SIG Senior Notes, by Sirius Group for its indebtedness was $31.6 million, $25.5 million, and $25.5 million in 2016, 2015, and 2014, respectively.

NOTE 7. Income Taxes

The Company and its Bermuda domiciled subsidiaries are not subject to Bermuda income tax under current Bermuda law. In the event there is a change in the current law such that taxes are imposed, the Company and its Bermuda domiciled subsidiaries would be exempt from such tax until March 31, 2035, pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Company has subsidiaries and branches that operate in various other jurisdictions around the world that are subject to tax in the jurisdictions in which they operate. The jurisdictions in which the Company's subsidiaries and branches are subject to tax are Australia, Belgium, Canada, Germany, Gibraltar, Luxembourg, Malaysia, the Netherlands, Singapore, Sweden, Switzerland, the United Kingdom and the United States.

The total income tax benefit (expense) for the years ended December 31, 2016, 2015 and 2014 consisted of the following:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Current tax (expense):			
U.S. Federal	**$ 2.1**	$ (0.1)	$ (1.9)
State	**(1.7)**	(1.5)	(2.8)
Non-U.S.	**(11.4)**	(9.6)	(43.6)
Total current tax (expense)	**(11.0)**	(11.2)	(48.3)
Deferred tax (expense) benefit:			
U.S. Federal	**16.0**	(21.4)	(12.5)
State	**-**	-	-
Non-U.S.	**2.3**	(14.5)	(10.9)
Total deferred tax benefit (expense)	**18.3**	(35.9)	(23.4)
Total income tax benefit (expense)	**$ 7.3**	$ (47.1)	$ (71.7)

Effective Rate Reconciliation

A reconciliation of taxes calculated using the 22% Swedish statutory rate (the rate at which the majority of Sirius Group's worldwide operations are taxed) to the income tax (expense) benefit on pre-tax income follows:

	Year Ended December 31,		
Millions	**2016**	2015	2014
Tax (expense) at the statutory rate	**$ (8.3)**	$ (73.3)	$ (74.1)
Differences in taxes resulting from:			
Change in valuation allowance including benefit from intercompany debt restructuring	**55.0**	11.3	17.8
Tax rate change enacted in Luxembourg	**(30.6)**	-	-
Non-Sweden Earnings	**(8.0)**	17.1	(34.6)
Foreign tax credits	**6.9**	6.5	30.2
Tax reserve adjustments	**(6.0)**	(5.7)	(7.3)
Withholding taxes	**(1.4)**	(1.9)	(3.2)
Other, net	**(0.3)**	(1.1)	(0.5)
Total income tax benefit (expense) on pre-tax earnings	**$ 7.3**	$ (47.1)	$ (71.7)

The non-Sweden component of pre-tax income was $67.3 million, $317.6 million, and $255.8 million for the years ended December 31, 2016, 2015, and 2014.

Effective January 1, 2017, Luxembourg decreased its corporate tax rate for 2017 and 2018 from 29.2% to 27.1% and 26.0%, respectively. This resulted in a reduction in the net deferred tax assets in the Luxembourg subsidiaries as of December 31, 2016 in the amount of $30.6 million. This reduction was offset by an increase in Luxembourg tax assets in the amount of $55.0 million primarily attributable to a restructuring of legacy intercompany financing.

The Swedish Tax Authority ("STA") has denied the deduction of interest paid on intra-group debt instruments issued by two of our Swedish subsidiaries for tax years 2012 through 2015. Such subsidiaries are currently in the process of appealing the STA's decision because uncertainty still exists with respect to the interpretation of the legislation. Our reserve for uncertain tax positions has taken into account these developments. If our appeal were ultimately unsuccessful, we would be required to write down some or all of the Swedish deferred tax assets related to intra-group debt instruments.

Tax Payments and Receipts

Net income tax payments to national, state and local governments totaled $8.3 million, $31.7 million, and $8.8 million for the years ended December 31, 2016, 2015, and 2014.

Deferred Tax Inventory

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes. An outline of the significant components of Sirius Group's deferred tax assets and liabilities follows:

	Year Ended December 31,	
Millions	**2016**	2015
Deferred income tax assets related to:		
Non-U.S. net operating loss carryforwards	**$ 270.8**	$ 345.1
U.S. federal net operating loss and capital carryforwards	**40.0**	41.6
Loss reserve discount	**22.0**	27.8
Tax credit carryforwards	**15.2**	14.4
Additional DTA as result of intercompany debt restructuring	**7.4**	-
Incentive compensation and benefit accruals	**6.3**	6.5
Net unrealized investment losses	**3.4**	-
Allowance for doubtful accounts	**2.3**	2.1
Unearned Premiums	**2.0**	5.6
Foreign currency translations on investments and other assets	**2.0**	2.1
Deferred interest	**0.3**	0.3
Other items	**2.6**	1.9
Total gross deferred income tax assets	**374.3**	447.4
Valuation allowance	**(58.1)**	(112.5)
Total adjusted deferred tax asset	**316.2**	334.9
Deferred income tax liabilities related to:		
Safety reserve (See **Note 11**)	**259.7**	279.2
Investment basis differences	**8.7**	9.8
Purchase accounting	**3.5**	4.9
Deferred acquisition costs	**3.4**	8.8
Net unrealized investment gains	**-**	17.5
Other items	**1.5**	2.6
Total deferred income tax liabilities	**276.8**	322.8
Net deferred tax asset	**$ 39.4**	$ 12.1

Sirius Group's deferred tax assets are net of U.S. federal and non-U.S. valuation allowances and, to the extent they relate to non-U.S. jurisdictions, they are shown at year-end exchange rates.

Of the $39.4 million net deferred tax asset as of December 31, 2016, $85.5 million relates to net deferred tax asset in the U.S. subsidiaries, $188.1 million relates to net deferred tax assets in Luxembourg subsidiaries, $2.7 million relates to net deferred tax assets in United Kingdom and $236.9 million relates to net deferred tax liabilities in Sweden subsidiaries.

Net Operating Loss and Capital Loss Carryforwards

Net operating loss and capital loss carryforwards as of December 31, 2016, the expiration dates and the deferred tax assets thereon are as follows:

Millions	December 31, 2016					
	United States	**Luxembourg**	**Sweden**	**Netherlands**	**UK**	**Total**
2017-2021	$ -	$ -	$ -	$ 0.7	$ -	$ 0.7
2022-2034	117.1	-	-	0.4	-	117.5
No expiration date	-	967.9	177.8	-	12.0	1,157.7
Total	117.1	967.9	177.8	1.1	12.0	1,275.9
Gross Deferred Tax Asset	40.0	251.8	16.3	0.3	2.4	310.8
Valuation Allowance	-	(57.7)	-	(0.3)	-	(58.0)
Net Deferred Tax Asset	**$ 40.0**	**$ 194.1**	**$ 16.3**	**$ (0.0)**	**$ 2.4**	**$ 252.8**

Sirius Group expects to utilize net operating loss carryforwards in Luxembourg of $763.0 million but does not expect to utilize the remainder as they belong to companies that are not expected to have sufficient income in the future. Included in the U.S. net operating loss carryforwards are losses of $114.3 million subject to an annual limitation on utilization under Internal Revenue Code Section 382. Of these loss carryforwards, $14.0 million will begin to expire in 2022 and $100.3 million will begin to expire in 2030. Sirius Group expects to utilize all of the U.S. net operating loss carryforwards.

As of December 31, 2016, there are U.S. foreign tax credits carryforwards available of $12.2 million, of which $0.1 million expires between 2017 and 2021, and the remaining, which we expect to use, will begin to expire in 2022. As discussed above, a deferred tax valuation allowance of $0.1 million is established against the credits which expire in 2017. As of December 31, 2016, there are alternative minimum tax credit carryforwards of $0.1 million which do not expire.

Valuation Allowance

Sirius Group records a valuation allowance against deferred tax assets if it becomes more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in income tax expense in the period of change. In determining whether or not a valuation allowance, or change therein, is warranted, Sirius Group considers factors such as prior earnings history, expected future earnings, carryback and carryforward periods and strategies that if executed would result in the realization of a deferred tax asset. It is possible that certain planning strategies or projected earnings in certain subsidiaries may not be feasible to utilize the entire deferred tax asset, which could result in material changes to Sirius Group's deferred tax assets and tax expense.

Of the $58.1 million valuation allowance as of December 31, 2016, $57.7 million relates to deferred tax assets on net operating losses in Luxembourg subsidiaries (discussed under "Net Operating Loss and Capital Loss Carryforwards"), $0.1 million relates to other U.S. federal deferred tax benefits, and $0.3 million relates to net operating losses in Netherlands subsidiaries. Of the $112.5 million valuation allowance as of December 31, 2015, $112.2 million relates to deferred tax assets on net operating losses and unrealized gains and losses in Luxembourg subsidiaries (discussed under "Net Operating Loss and Capital Loss Carryforwards"), $0.1 million relates to other U.S. federal deferred tax benefits, and $0.2 million relates to net operating losses in Netherlands subsidiaries.

Luxembourg

During 2016, 2015, and 2014 Sirius Group recorded net tax benefits of $17.3 million, $11.3 million and $14.1 million from the net release of valuation allowances against deferred tax assets in Luxembourg subsidiaries. These companies had built up substantial deferred tax assets due to net operating loss carryforwards. During the fourth quarter of 2016, we completed a restructuring of a legacy intercompany financing transaction involving certain U.S. and Luxembourg subsidiaries. As a result of the restructuring, we recorded a benefit in the amount of $13.3 million from the net release of the valuation allowance against our Luxembourg deferred tax assets.

United States

Sirius Re Holdings, Inc. ("SReHi") has $0.1 million of a valuation allowance on foreign tax credits, which will expire in 2017. SReHi has an additional $12.1 million of foreign tax credits that will expire between the years 2018 and 2025, which are expected to be fully utilized.

Uncertain Tax Positions

Recognition of the benefit of a given tax position is based upon whether a company determines that it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. In evaluating the more likely than not recognition threshold, Sirius Group must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Millions	Permanent Differences [1]	Temporary Differences [2]	Interest and Penalties [3]	Total
Balance at January 1, 2014	$ 9.8	$ 5.9	$ 0.6	$ 16.3
Changes in prior year tax positions	0.3	(0.0)	(0.2)	0.1
Tax positions taken during the current year	5.6	0.8	-	6.4
Lapse in statute of limitations	(0.1)	-	-	(0.1)
Settlements with tax authorities	(0.6)	-	(0.3)	(0.9)
Balance at December 31, 2014	15.0	6.7	0.1	21.8
Changes in prior year tax positions	-	-	-	-
Tax positions taken during the current year	5.0	(0.1)	-	4.9
Lapse in statute of limitations	(0.2)	-	(0.1)	(0.3)
Settlements with tax authorities	-	-	-	-
Balance at December 31, 2015	19.8	6.6	(0.0)	26.4
Changes in prior year tax positions	-	-	-	-
Tax positions taken during the current year	4.4	(2.5)	0.2	2.1
Lapse in statute of limitations	-	-	-	-
Settlements with tax authorities	-	-	-	-
Balance at December 31, 2016	**$ 24.2**	**$ 4.1**	**$ 0.2**	**$ 28.5**

[1] Represents the amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate.

[2] Represents the amount of unrecognized tax benefits that, if recognized would create a temporary difference between the reported amount of an item in the Company's Balance Sheet and its tax basis.

[3] Net of tax benefit.

If Sirius Group determines in the future that its reserves for unrecognized tax benefits on permanent differences and interest and penalties are not needed, the reversal of $24.2 million of such reserves as of December 31, 2016 would be recorded as an income tax benefit and would impact the effective tax rate. If Sirius Group determines in the future that its reserves for unrecognized tax benefits on temporary differences are not needed, the reversal of $4.1 million of such reserves as of December 31, 2016 would not impact the effective tax rate due to deferred tax accounting but would accelerate the payment of cash to the taxing authority. The vast majority of Sirius Group's reserves for unrecognized tax benefits on temporary differences relate to deductions for loss reserves where the timing of the deductions is uncertain. The company does not believe that there will be any significant change to the amount of gross unrecognized tax benefits in the next twelve months.

Sirius Group classifies all interest and penalties on unrecognized tax benefits as part of income tax expense. During the years ended December 31, 2016, 2015, and 2014 Sirius Group recognized $0.2 million, $(0.1) million, and $(0.5) million in interest income (expense), respectively, net of any tax benefit. The balance of accrued interest as of December 31, 2016 and 2015 is $0.2 million, and $0.0 million, net of any tax benefit.

Tax Examinations

With few exceptions, Sirius Group is no longer subject to U.S. federal, state or non-U.S. income tax examinations by tax authorities for years before 2012. In accordance with the sale of Sirius Group to CMIG, White Mountains generally will indemnify us for our additional tax liability for any pre-closing period in excess of our accounting for uncertain tax positions.

NOTE 8. Derivatives

Interest Rate Cap

In May 2007, the Company issued the SIG Preference Shares, with an initial fixed annual dividend rate of 7.506%. In June 2017, the fixed rate will move to a floating rate equal to the greater of (i) 7.506% or (ii) 3-month LIBOR plus 320 bps. In July 2013, the Company executed an interest rate cap for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period (the "Interest Rate Cap"). The Interest Rate Cap economically fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The cost of the Interest Rate Cap was an upfront premium of 395 bps of the $250.0 million notional value, or approximately $9.9 million for the full notional amount.

The Interest Rate Cap does not qualify for hedge accounting. It is recorded in other assets at fair value. Changes in fair value are recognized as unrealized gains or losses and are presented within other revenues. Collateral held is recorded within short-term investments with an equal amount recognized as a liability to return collateral. The fair value of the interest rate cap has been estimated using a single broker quote and accordingly, has been classified as a Level 3 measurement as of December 31, 2016.

The following table summarizes the change in the fair value of the Interest Rate Cap for the year ended December 31, 2016 and 2015:

	December 31,	
Millions	**2016**	2015
Beginning of Period Fair Value	**$ 1.9**	$ 4.1
Net realized and unrealized losses	**(0.2)**	(2.2)
End of Period Fair Value	**$ 1.7**	$ 1.9

Sirius Group does not provide any collateral to the interest rate counterparties. Under the terms of the Interest Rate Cap, Sirius Group holds collateral in respect of future amounts due. Sirius Group's liability to return that collateral is based on the amounts provided by the counterparties and investment earnings thereon. The following table summarizes the Interest Rate Cap collateral balances held by Sirius Group and ratings by counterparty:

	December 31, 2016	
Millions	**Collateral Balances Held**	**S& P Rating (1)**
Barclays Bank Plc	**$ 1.2**	A-
Nordea Bank Findland Plc	**0.5**	AA-
Total	**$ 1.7**	

(1) Standard & Poor's ratings as detailed above are: "AA-" (Very Strong, which is the fourth highest of twenty-three creditworthiness ratings) and "A-" (Strong, which is the seventh highest of twenty-three creditworthiness ratings).

Foreign Currency Swaps

On April 28, 2015, Sirius Group executed two foreign currency swaps, each with a notional amount of $50.0 million, maturing on March 20, 2017. Under the first swap, Sirius Group pays Swedish krona and receives U.S. dollars. Under the second swap, Sirius Group pays Euros and receives U.S. dollars. The swaps, which were executed as part of Sirius Group's management of overall foreign currency exposure at Sirius Group, have not been designated or accounted for under hedge accounting. There was no cost to the foreign currency swaps, and no upfront premium. As of December 31, 2016 and 2015, the fair value of the swaps was $5.2 million and $(0.5) million, respectively and were recorded within other assets. Changes in fair value are recognized as realized and unrealized gains or losses and are presented within other revenues. The net realized and unrealized gains (losses) recognized in other revenues for the years ended December 31, 2016 and 2015 were $6.6 million and $(0.1) million, respectively. Sirius Group does not provide or hold any collateral associated with the swaps. The fair value of the foreign currency swaps has been estimated using a single broker quote and accordingly, has been classified as a Level 3 measurement as of December 31, 2016.

Weather Derivatives

For the year ended December 31, 2016 and 2015, Sirius Group recognized $5.2 million and $1.9 million of net gains on its weather and weather contingent derivatives portfolio. The fair values of the assumed contracts are subject to change in the near-term and reflect management’s best estimate based on various factors including, but not limited to, observed and forecasted weather conditions, changes in interest or foreign currency exchange rates and other market factors. Estimating the fair value of derivative instruments that do not have quoted market prices requires management’s judgment in determining amounts that could reasonably be expected to be received from or paid to a third party to settle the contracts. Such amounts could be materially different from the amounts that might be realized in an actual transaction to settle the contract with a third party. Because of the significance of the unobservable inputs used to estimate the fair value of Sirius Group’s weather risk contracts, the fair value measurements of the contracts are deemed to be Level 3 measurements in the fair value hierarchy.

Forward Contracts

During 2015, Sirius Group exited its foreign currency forward contracts positions and as of December 31, 2015, did not hold any notional value of foreign currency forward contracts. All of Sirius Group’s forward contracts were traded over-the-counter (“OTC”). The fair value of the contracts has been estimated using OTC quotes for similar instruments and accordingly, the measurements have been classified as Level 2 measurements. The net realized and unrealized derivative (losses) recognized in net realized and unrealized investment gains for the years ended December 31, 2015 and 2014 were $(0.3) million and $0.3 million, respectively.

NOTE 9. Employee Benefit Plans and Compensation Plans

Employee Benefit Plans

Sirius Group operates several retirement plans in accordance with the local regulations and practices. These plans cover substantially all Sirius Group employees and provide benefits to employees in event of death, disability or retirement.

Non-U.S.:

Employees of Sirius International can participate in retirement plans through their branch office. The plans vary due to different government regulations as well as different standards and practices in each country. In Sweden, where a defined benefit pension plan is mandated by the government, Sirius International's employees participate in collective agreements funded by Sirius International. These collective agreements are managed by third party trustees who calculate the pension obligation, invoice Sirius International for additional funding, and invest the funds. Employees in Germany are covered by defined benefit pension plans sponsored by Sirius International called Sirius Rückversicherungs Service GmbH Pension Plan. Employees in the United Kingdom and Belgium are eligible to participate in defined contribution plans. In the United Kingdom, Sirius International contributes 12% of the employee's salary. Contributed funds are invested into an annuity of the employee's choosing. In Belgium, Sirius International contributes 6.6%-8.5% of the employees's salary. Employees in Switzerland are eligible to participate in the industry-sponsored Swisscanto pension plan ("Swisscanto plan"). The Swisscanto plan is a combination of a defined contribution and a defined benefit plan. For the Swisscanto plan, Sirius International incurs 60% of the total premium charges and the employees incur the remaining 40%. As of December 31, 2016 and 2015, the projected benefit obligation of Sirius International's various benefit plans was $15.0 million and $14.4 million, and the funded status was $(3.3) million and $(3.2) million. Sirius International recognized expenses related to these various plans of $7.3 million, $7.0 million, and $9.9 million in 2016, 2015, and 2014.

Sirius International sponsors defined contribution plans for Bermuda Branch employees which cover substantially all of those employees. Under these plans, Sirius International is required to contribute 10% of each participant's salary into an individual account maintained by an independent pension administrator. Employees become vested in the Sirius International contributions after two years of service. Sirius International recognized expenses on Bermuda Branch employees of $0.5 million, $0.5 million, and $0.4 million in 2016, 2015, and 2014.

U.S.:

Sirius International Holding Company, Inc. ("SIHC") sponsors a defined contribution plan (the "401(k) Plan") which offers participants the ability to invest their balances in several different investment options. The option to invest in common shares of White Mountains was discontinued as of September 30, 2016. As of December 31, 2016 the 401(k) Plan did not own any common shares of White Mountains. As of December 31, 2015, the 401(k) Plan owned less than 1% of White Mountains common shares.

The 401(k) Plan provides qualifying employees with matching contributions of 100% up to the first 2% and 50% of the next 4% of salary (subject to U.S. federal limits on allowable contributions in a given year). Total expense for matching contributions to the plan was $0.7 million, $0.5 million, and $0.7 million in 2016, 2015, and 2014. Additionally, all participants in the 401(k) Plan can earn a variable contribution of up to 7% of their salary, subject to the applicable IRS annual covered compensation limits ($265,000 for 2016) and contingent upon Sirius Group's performance. Total expense for variable contributions to the 401(k) Plan was $0.4 million, $0.5 million, and $0.5 million in 2016, 2015, and 2014.

Certain members of senior management participated in the SIHC Deferred Compensation Plan. At the direction of the participants, the trust proceeds were invested in various investment options. During 2016, the trust was discontinued and as of December 31, 2016, no amount was held in a Rabbi Trust for the benefit of the participants in this plan. At December 31, 2015, there was $6.0 million in a Rabbi Trust for the benefit of the participants in this plan. The Rabbi Trust assets were invested in various investment options at the direction of the participants. The deferred compensation liability is recorded at fair value under ASC 825, *Financial Instruments* ("ASC 825") within other liabilities and the corresponding investments held in the Rabbi Trust were recorded at fair value under ASC 825 within other assets on the consolidated balance sheets. In the event of insolvency, the assets of the Rabbi Trust would have been liquidated to satisfy the obligations of SIHC.

Long-Term Incentive Compensation Plans

Sirius Group grants share-based and non-share based incentive awards to certain key employees of Sirius Group and its subsidiaries. This includes awards of restricted shares and phantom shares and performance units. Awards earned are subject to the attainment of pre-specified performance goals at the end of a three-year period or as otherwise determined. Phantom shares and performance units earned are typically paid in cash. For the years ended December 31, 2016, 2015, and 2014, Sirius Group expensed $16.6 million, $18.9 million, and $24.4 million, respectively, for share-based and non-share based incentive awards. Accrued incentive compensation for these plans was $30.2 million and $34.4 million at December 31, 2016 and 2015. During 2016, under the SPA, White Mountains paid Sirius Group for the Phantom shares that the Company paid to its employees, with $5.4 million recorded as paid-in capital.

Transaction and Retention Bonuses

Under the SPA, bonus arrangements for certain employees of Sirius Group were granted. Certain of these bonus arrangements were paid to bonus recipients around the sale date as compensation for services performed before the sale date ("transaction bonuses".) In addition, certain employees will receive additional bonus payments under the bonus arrangements after the twelfth month and twentieth month anniversary of the sale date ("retention bonuses."). Under the SPA, White Mountains agreed to pay the Company shortly after the sale date an amount equal to the transaction bonuses plus the employer-paid portion of employment or similar taxes less tax benefits attributable to the payment. In addition, White Mountains also agreed to pay the Company for the retention bonuses under the same terms as the transaction bonuses shortly after Sirius Group paid those amounts to the employees. During 2016, Sirius Group recorded $36.9 million in general and administrative expenses in connection with the transaction bonuses. The Company was paid $30.5 million from White Mountains for the transaction bonuses after employment costs and taxes, which was recorded as paid-in capital. During 2016, Sirius Group recorded $17.6 million in general and administrative expenses in connection with the retention bonuses. The Company recorded $14.5 million after employment costs and taxes in paid-in capital for future payments due from White Mountains for the retention bonuses.

NOTE 10. Common Shareholder's Equity and Non-controlling Interest

Common Shareholder

At December 31, 2016, the Company is an indirect wholly-owned subsidiary of CMIG international, a Singapore Holding Company, through its Bermuda holding company through CM Bermuda, an exempted Bermuda limited liability company. On April 27, 2016, the Company split its common shares by a multiple of 10,000 resulting in 120,000,000 common shares and changed the par value of the common shares from $1.00 per share to $0.01 per share. On November 16, 2016, the Company approved to increase its authorized share capital from $1.2 million to $6.0 million by the creation of an additional 480,000,000 common shares with a par value of $0.01 per share. The increase was effective as of December 12, 2016.

Paid-in Capital

During 2016, White Mountains made contributions totaling $89.6 million to Sirius Group which was reflected as paid-in capital. The following table summarizes the contributions made to Sirius Group:

Millions	2016
Reimbursement for ILW parent covers	$ 16.5
Excess of fair value received over equity method carrying value of OneBeacon	22.1
Reimbursement for transaction bonuses	30.5
Reimbursement for performance shares	5.4
Reimbursement for retention bonuses	14.5
Other	0.6
Total paid-in capital	$ 89.6

Dividends

The Company paid common dividends of $27.0 million in cash and investments to its former parent White Mountains on April 18, 2016. The Company did not pay any dividends to White Mountains during 2015. The Company paid common dividends of $50.0 million to White Mountains during 2014.

Non-controlling interests

Non-controlling interests consist of the ownership interests of non-controlling shareholders in consolidated entities and are presented separately on the balance sheet. At December 31, 2016 and December 31, 2015 Sirius Group's balance sheet included $251.3 million and $250.1 million, respectively, in non-controlling interests.

Preference Shares

On May 24, 2007, Sirius International Group, Ltd. ("SIG") issued $250.0 million in non-cumulative perpetual preference shares with a $1,000 per share liquidation preference (the "SIG Preference Shares"), and received $245.7 million of proceeds, net of $4.3 million of issuance costs and commissions. These shares were issued in an offering that was exempt from the registration requirements of the Securities Act of 1933. Holders of the SIG Preference Shares receive dividends semi-annually on a non-cumulative basis, when and if declared by SIG on June 30 and December 31 of each year. The holders of the SIG Preference Shares have the right to elect two directors to SIG's board in the event of non-payment of dividends for six quarterly dividend periods. The right ceases upon the payment of dividends for four quarterly periods or the redemption of the SIG Preference Shares. In addition, SIG may not declare or pay dividends on its common shares (other than stock dividends and dividends paid for purposes of any employee benefit plans of SIG and its subsidiaries) unless it is current on its most recent dividend period. The dividend rate is fixed at an annual rate of 7.506% until June 30, 2017. After June 30, 2017, the dividend rate will be paid at a floating annual rate, equal to the greater of 3-month LIBOR plus 320 basis points or 7.506%. The SIG Preference Shares are redeemable solely at the discretion of SIG on or after June 30, 2017 at their liquidation preference of $1,000 per share, plus any declared but unpaid dividends.

In July 2013, SIG executed a 5-year forward LIBOR cap (the "Interest Rate Cap") for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period. The Interest Rate Cap economically fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The Interest Rate Cap is recorded in other assets at fair value. Changes in fair value are recorded in other revenue.

Prior to June 30, 2017, SIG may elect to redeem the SIG Preference Shares at an amount equal to the greater of 1) the aggregate liquidation preference of the shares to be redeemed and 2) the sum of the present values of the aggregate liquidation preference of the shares to be redeemed and the remaining scheduled dividend payments on the shares to be redeemed (excluding June 30, 2017), discounted to the redemption date on a semi-annual basis at a rate equal to the rate on a comparable treasury issue plus 45 basis points.

In the event of liquidation of SIG, the holders of the SIG Preference Shares would have preference over the common shareholders and would receive a distribution equal to the liquidation preference per share, subject to availability of funds.

NOTE 11. Statutory Capital and Surplus

Sirius Group's insurance and reinsurance operations are subject to regulation and supervision in each of the jurisdictions where they are domiciled and licensed to conduct business. Generally, regulatory authorities have broad supervisory and administrative powers over such matters as licenses, standards of solvency, premium rates, policy forms, investments, security deposits, methods of accounting, form and content of financial statements, reserves for unpaid loss and LAE, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, periodic examinations, and annual and other report filings. In general, such regulation is for the protection of policyholders rather than shareholders.

The NAIC uses risk-based capital ("RBC") standards for U.S. property and casualty insurers as a means of monitoring certain aspects affecting the overall financial condition of insurance companies. As of December 31, 2016, Sirius Group's U.S. insurance and reinsurance operating subsidiaries exceeded their respective RBC requirements.

The Insurance Act 1978 of Bermuda and related regulations, as amended ("Insurance Act"), regulates the insurance business of Bermuda-domiciled insurers and reinsurers. Under the Insurance Act, insurers and reinsurers are required to maintain minimum statutory capital and surplus at a level equal to the greater of a minimum solvency margin ("MSM") and the Enhanced Capital Requirement ("ECR") which is established by reference to either a Bermuda Solvency Capital Requirement ("BSCR") model or an approved internal capital model. The BSCR model is a risk-based capital model that provides a method for determining an insurer's minimum required capital taking into account the risk characteristics of different aspects of the company's business. Generally, the Bermuda Monetary Authority ("BMA") has broad supervisory and administrative powers over such matters as licenses, standards of solvency, investments, methods of accounting, form and content of financial statements, minimum capital and surplus requirements, and annual and other report filings.

Non-U.S.:

SBDA has four Bermuda based insurance subsidiaries: Sirius Bermuda, a Class 4 insurer, White Shoals Re, Alstead Reinsurance Ltd. ("Alstead Re") and Star Re Ltd. ("Star Re"), which are all Class 3A insurers. Each of these Bermuda insurance subsidiaries are registered under the Insurance Act and are subject to regulation and supervision of the BMA. The BSCR for the relevant insurers for the year ended December 31, 2016 has not be filed with the BMA as of April 7, 2017, the date on which the Consolidated Financial Statements were issued. As a result, the required statutory capital and surplus as at December 31, 2016, of $0.2 billion is based on the MSM of all relevant insurers. Actual statutory capital and surplus of the Bermuda based insurance subsidiaries as at December 31, 2016 was $2.6 billion. In addition, the Bermuda based insurance subsidiaries are required to maintain a minimum liquidity ratio. As of December 31, 2016, all liquidity ratio requirements were met.

Sirius International is subject to regulation and supervision in Sweden by the Financial Supervisory Authority ("FSA"). Sirius International's total regulatory capital as of December 31, 2016 was $1.9 billion. In accordance with FSA regulations, Sirius International holds restricted equity of $1.3 billion as a component of Swedish regulatory capital. This restricted equity cannot be paid as dividends.

The financial services industry in the United Kingdom is dual-regulated by the Financial Conduct Authority and the Prudential Regulation Authority (collectively, the "UK Regulators"). The U.K. Regulators regulate insurers, insurance intermediaries and Lloyd's. The UK Regulators and Lloyd's have common objectives in ensuring that the Lloyd's market is appropriately regulated. Lloyd's is required to implement certain rules prescribed by the UK Regulators by the powers it has under the Lloyd's Act of 1982 ("Lloyd's Act") relating to the operation of the Lloyd's market. In addition, each year the UK Regulators require Lloyd's to satisfy an annual solvency test that measures whether Lloyd's has sufficient assets in the aggregate to meet all the outstanding liabilities of its members.

Lloyd's permits its corporate and individual members ("Members") to underwrite insurance risks through Lloyd's syndicates. Members of Lloyd's may participate in a syndicate for one or more underwriting years by providing capital to support the syndicate's underwriting. All syndicates are managed by Lloyd's approved managing agents. Managing agents receive fees and profit commissions in respect of the underwriting and administrative services they provide to the syndicates. Lloyd's prescribes, in respect of its managing agents and Members, certain minimum standards relating to their management and control, solvency and various other requirements.

Sirius Group participates in the Lloyd's market through the 100% ownership of Sirius International Corporate Member Ltd. which was formerly known as White Mountains Re Sirius Capital Ltd., a Lloyd's corporate member, which in turn provides underwriting capacity to Syndicate 1945. Syndicate 1945 commenced underwriting on July 1, 2011. Effective July 1, 2014, Sirius Group established its own Lloyd's managing agent, Sirius International Managing Agency, which manages Syndicate 1945. Lloyd's approved net capacity for 2016 is £108.4 million, or approximately $134.3 million (based on the December 31, 2016 GBP to USD exchange rate). Stamp capacity is a measure of the amount of net premium (premiums written less acquisition costs) that a syndicate is authorized by Lloyd's to write.

U.S.:

Sirius America and the insurance subsidiaries of Sirius Global Solutions are subject to regulation and supervision by the National Association of Insurance Commissioners ("NAIC") and the department of insurance in the state of domicile. The NAIC uses risk-based-capital standards for U.S. property and casualty insurers as a means of monitoring certain aspects affecting the overall financial condition of insurance companies.

Sirius America's policyholders' surplus, as reported to regulatory authorities as of December 31, 2016 and 2015, was $544.3 million and $517.6 million. Sirius America's statutory net income for the years ended December 31, 2016, 2015, and 2014 was $82.7 million, $74.7 million, and $56.1 million. The principal differences between Sirius America's statutory amounts and the amounts reported in accordance with GAAP include deferred acquisition costs, deferred taxes, gains recognized under retroactive reinsurance contracts and market value adjustments for debt securities. The minimum policyholders' surplus necessary to satisfy Sirius America's regulatory requirements was $92.1 million as of December 31, 2016, which equals the authorized control level of the NAIC risk-based capital based on Sirius America's policyholders' surplus.

Oakwood Insurance Company ("Oakwood") policyholders' surplus, as reported to regulatory authorities as of December 31, 2016 and 2015 was $28.0 million and $30.3 million. Oakwood's statutory net (loss) income for the years ended December 31, 2016, 2015, and 2014 was $(0.9) million, $0.7 million and $(1.1) million. The minimum policyholders' surplus necessary to satisfy Oakwood's regulatory requirements was $6.7 million as of December 31, 2016, which equals the authorized control level of the NAIC risk-based capital based on Oakwood's policyholders' surplus.

Empire Insurance Company ("Empire") policyholders' surplus, as reported to regulatory authorities as of December 31, 2016 and 2015 was $10.7 million and $10.6 million. Empire's statutory net income for the years ended December 31, 2016, 2015, and 2014 was $0.0 million, $0.1 million and $0.6 million. The minimum policyholders' surplus necessary to satisfy Empire's regulatory requirements was $8.8 million as of December 31, 2016, and the NAIC risk-based capital authorized control level was $1.0 million.

Mount Beacon's policyholders' surplus, as reported to regulatory authorities as of December 31, 2016 and 2015 was $13.6 million and $25.6 million. Mount Beacon's statutory net (loss) for the years ended December 31, 2016, 2015, and 2014 was $(11.1) million, $0.0 million and $(0.2) million. The minimum policyholders' surplus necessary to satisfy Mount Beacon's regulatory requirements was $15.0 million as of December 31, 2016, and the NAIC risk-based capital authorized control level was $1.5 million. On February 22, 2017 a consent order was approved by the Florida Office of Insurance Regulation for an Accelerated Plan of Run-Off that both protects Mount Beacon's policyholders and facilitates the furtherance of the run-off of Mount Beacon's book of business and the transfer of Mount Beacon's policies to Florida Specialty Insurance Company. In conjunction with the Accelerated Plan of Run-Off, Mount Beacon has entered into a Capital Support Agreement with its parent, Sirius Global Solutions under which Sirius Global Solutions commits to providing the necessary capital to maintain Company policyholder surplus of at least $10.0 million until such time as Mount Beacon has been merged into Oakwood.

Dividend Capacity

Sirius Bermuda, has the ability to declare or pay dividends or make capital distributions during any 12-month period without the prior approval of Bermuda regulatory authorities on the condition that any such declaration or payment of dividends or capital distributions does not cause a breach of any of its regulatory solvency and liquidity requirements. During 2017, Sirius Bermuda has the ability to pay dividends or make capital distributions without the prior approval of regulatory authorities, subject to meeting all appropriate liquidity and solvency requirements, of $648.0 million, which is equal to 25% of its December 31, 2016 regulatory capital available for distribution. The amount of dividends available to be paid by Sirius Bermuda in any given year is also subject to cash flow and earnings generated by Sirius Bermuda's business, as well as to dividends received from its subsidiaries, including Sirius International. During 2016, Sirius Bermuda paid $40.0 million of dividends to its immediate parent.

Sirius International has the ability to pay dividends up to Sirius Bermuda subject to the availability of unrestricted equity, calculated in accordance with the Swedish Act on Annual Accounts in Insurance Companies and the FSA. Unrestricted equity is calculated on a consolidated group account basis and on a parent account basis. Differences between the two include but are not limited to accounting for goodwill, subsidiaries (with parent accounts stated at original foreign exchange rates), taxes and pensions. Sirius International's ability to pay dividends is limited to the "lower of" unrestricted equity as calculated within the group and parent accounts. As of December 31, 2016, Sirius International had $440.2 million (based on the December 31, 2016 SEK to USD exchange rate) of unrestricted equity on a parent account basis (the lower of the two approaches) available to pay dividends in 2017. The amount of dividends available to be paid by Sirius International in any given year is also subject to cash flow and earnings generated by Sirius International's business, as well as to dividends received from its subsidiaries. Earnings generated by Sirius International's business that are allocated to the Safety Reserve are not available to pay dividends (see "***Safety Reserve***" on the next page). During 2016, Sirius International paid $297.0 million of dividends to its immediate parent.

Under normal course of business, Sirius America has the ability to pay dividends up to its immediate parent during any twelve-month period without the prior approval of regulatory authorities in an amount set by formula based on the lesser of net investment income, as defined by statute, or 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus and subject to dividends paid in prior periods. Based upon an agreement with its regulators during 2016, Sirius America shall commit to refrain from taking steps to pay any dividends for a period of two years from the date of the sale of the Company from White Mountains to CMIG International. As of December 31, 2016, Sirius America had $544.3 million of statutory surplus and $143.7 million of earned surplus. During 2016, Sirius America did not pay any dividends to its immediate parents.

During 2016, Sirius Group paid $20.0 million in dividends to its immediate parent. The Company paid $27.0 million in dividends to its former parent White Mountains on April 18, 2016. As of December 31, 2016, Sirius Group had $47.8 million of net unrestricted cash, short-term investments, and fixed maturity investments outside of its regulated and unregulated insurance and reinsurance operating subsidiaries.

Capital Maintenance

There is a capital maintenance agreement between Sirius International and Sirius America which obligates Sirius International to make contributions to Sirius America's surplus in order for Sirius America to maintain surplus equal to at least 125% of the company action level risk based capital as defined in the NAIC Property/Casualty Risk-Based Capital Report. The agreement provides for a maximum contribution to Sirius America of $200.0 million. During 2016, Sirius International has not made any contributions to the surplus of Sirius America. During 2016, Sirius International provided Sirius America with accident year stop loss reinsurance, which protected Sirius America's accident year loss and allocated loss adjustment expense ratio in excess of 70%, with a limit of $90.0 million. This stop loss contract has been renewed for all of 2017 with the attachment point in excess of 83% and a limit of $27.0 million. In addition, at November 1, 2016, Sirius America and Sirius International entered into a quota share agreement where Sirius America ceded Sirius International 75% of its reinsurance business on an accident year basis. This quota share agreement is in force through October 31, 2017. During 2016, Sirius America ceded $33.4 million of premiums earned to Sirius International under this quota share agreement.

Safety Reserve

Subject to certain limitations under Swedish law, Sirius International is permitted to transfer pre-tax income amounts into an untaxed reserve referred to as a safety reserve. As of December 31, 2016, Sirius International's safety reserve amounted to SEK 10.7 billion, or $1.2 billion (based on the December 31, 2016 SEK to USD exchange rate). Under GAAP, an amount equal to the safety reserve, net of a related deferred tax liability established at the Swedish tax rate of 22%, is classified as shareholder's equity. Generally, this deferred tax liability is only required to be paid by Sirius International if it fails to maintain prescribed levels of premium writings and loss reserves in future years. As a result of the indefinite deferral of these taxes, Swedish regulatory authorities apply no taxes to the safety reserve when calculating solvency capital under Swedish insurance regulations. Accordingly, under local statutory requirements, an amount equal to the deferred tax liability on Sirius International's safety reserve ($259.7 million as of December 31, 2016) is included in solvency capital. Access to the safety reserve is restricted to coverage of insurance and reinsurance losses. Access for any other purpose requires the approval of Swedish regulatory authorities. Similar to the approach taken by Swedish regulatory authorities, most major rating agencies generally include the $1.2 billion balance of the safety reserve, without any provision for deferred taxes, in Sirius International's regulatory capital when assessing Sirius International's financial strength.Subject to certain limitations under Swedish law, Sirius International is permitted to transfer certain portions of its pre-tax income to its Swedish parent companies to minimize taxes (referred to as a group contribution). During 2016, Sirius International did not transfer any of its 2015 pre-tax income via group contributions to its Swedish parent companies.

NOTE 12. Investments in Unconsolidated Affiliates

Sirius Group's investments in unconsolidated affiliates represent investments in other companies in which Sirius Group has a significant voting and economic interest but does not control the entity.

Symetra

As of February 1, 2016 and December 31, 2015, Sirius Group owned 17,492,800 common shares of Symetra, a 15.1% common share ownership. On February 1, 2016, Symetra closed its merger agreement with Sumitomo Life Insurance Company ("Sumitomo Life") and Sirius Group received proceeds of $559.8 million, or $32.00 per common share.

In August 2015, Symetra announced it had entered into a merger agreement with Sumitomo Life pursuant to which Sumitomo Life would acquire all of the outstanding shares of Symetra. Following the announcement and Symetra shareholders' November 5, 2015 meeting to approve the transaction, White Mountains, relinquished its representation on Symetra's board of directors. As a result, Sirius Group changed its accounting for Symetra common shares from the equity method to fair value. During the fourth quarter of 2015, Sirius Group recognized $218.5 million ($200.8 million after tax) of unrealized investment gains through net income, representing the difference between the carrying value of Symetra common shares under the equity method at the date of change and fair value at December 31, 2015. During the first quarter of 2016, Sirius Group recognized an additional $4.0 million of unrealized investment gains through net income.

As of December 31, 2011, Sirius Group concluded that its investment in Symetra common shares was other-than-temporarily impaired and wrote down the GAAP book value of the investment to its estimated fair value of $261.0 million, or $15 per share. This impairment resulted in a basis difference between the GAAP carrying value of Sirius Group's investment in Symetra common shares and the amount derived by multiplying the percentage of Sirius Group's common share ownership by Symetra's total GAAP equity. As of November 5, 2015, the pre-tax unamortized basis difference was $136.0 million, of which $26.0 million is attributable to equity in earnings of unconsolidated affiliates and $110.0 million is attributable to equity in net unrealized gains of unconsolidated affiliates. As of December 31, 2014, the pre-tax unamortized basis difference was $143.2 million, of which $26.8 million is attributable to equity in earnings of unconsolidated affiliates and $116.4 million is attributable to equity in net unrealized gains of unconsolidated affiliates. The pre-tax basis differences were amortized over a 30-year period, based on estimated future cash flows associated with Symetra's underlying assets and liabilities to which the basis differences were attributed. Sirius Group continued to record its equity in Symetra's earnings and net unrealized gains (losses) under the equity method through November 5, 2015. In addition, Sirius Group recognized the amortization of the basis differences through equity in earnings of unconsolidated affiliates and equity in net unrealized gains (losses) from investments in unconsolidated affiliates consistent with the original attribution of the basis differences between equity in earnings and equity in net unrealized gains (losses). For the period ended November 5, 2015, Sirius Group recognized after-tax amortization of $0.5 million through equity in earnings of unconsolidated affiliates and $6.0 million through equity in net unrealized gains from investments in unconsolidated affiliates. For the period ended December 31, 2014, Sirius Group recognized after-tax amortization of $2.8 million through equity in earnings of unconsolidated affiliates and $11.5 million through equity in net unrealized gains from investments in unconsolidated affiliates. For the period ended December 31, 2013, Sirius Group recognized after-tax amortization of $2.7 million through equity in earnings of unconsolidated affiliates and $10.7 million through equity in net unrealized gains from investments in unconsolidated affiliates.

The following table summarizes amounts recorded by Sirius Group under the equity method relating to its investment in Symetra through November 5, 2015:

Millions		Total
Equity method carrying value of investment in Symetra as of December 31, 2014(1)	$	361.8
Equity in earnings of Symetra(2)(3)(4)		20.1
Equity in net unrealized gains from Symetra's fixed maturity portfolio(5)(6)		(35.4)
Distribution from Prospector Offshore Fund (7)		2.2
Dividends received		(14.5)
Equity method carrying value of investment in Symetra as of November 5, 2015(1)(8)	$	334.2

(1) Includes Sirius Groups' equity in net unrealized gains (losses) from Symetra's fixed income portfolio of $3.0 and $32.4 as of November 5, 2015 and December 31, 2014, which excludes tax (expense) benefit of $0.2 and $(2.7)

(2) Equity in earnings for the period ended November 5, 2015 excludes tax expense of $1.6

(3) Equity in earnings for the period ended November 5, 2015 includes $0.6 increases relating to the pre-tax amortization amortization of the Symetra common share basis difference

(4) Equity in earnings for the period ended November 5, 2015 includes $(0.1) loss from the dilutive effect of Symetra's yearly dividend and the issuance of restricted shares by Symetra

(5) Net unrealized gains for the period ended November 5, 2015 includes $6.6 increases relating to the pre-tax amortization of the Symetra common share basis difference

(6) Equity in net unrealized gains (losses) from Symetra's fixed maturiy portfolio excludes tax benefit of $2.9 for the period ended November 5, 2015.

(7) During 2015, pursuant to the redemption of Sirius Group's investments in the Prospector Funds, 92,800 common shares of Symetra were distributed to Sirius Group.

(8) The aggregate value of Sirius Group's investment in common shares of Symetra was $554.0 based upon the quoted market

The following table summarizes financial information for Symetra as of September 30, 2015:

Millions		September 30, 2015
Symetra balance sheet data:		
Total investments	$	**32,409.2**
Separate account assets		**885.9**
Total assets		**34,962.8**
Policyholder liabilities		**29,492.0**
Long-term debt		**697.5**
Separate account liabilities		**885.9**
Total liabilities		**31,836.7**
Common Shareholders' equity		**3,126.1**

The following table summarizes financial information for Symetra for the nine months ended September 30, 2015 and the year ended December 31, 2014:

Millions		Nine months ended September 30, 2015		Year ended December 31, 2014
Symetra income statement data:				
Net premiums earned	**$**	**539.3**	$	629.1
Net investment income		**994.3**		1,320.5
Total revenues		**1,605.9**		212.4
Policy benefits		**1,143.7**		1,399.7
Total expenses		**1,543.6**		1,882.5
Net income		**89.6**		254.4
Comprehensive (loss) income		**(234.1)**		397.0

OneBeacon

On April 18, 2016, Sirius Group sold its investment in OneBeacon at fair value to White Mountains for proceeds of $178.3 million in connection with the sale of Sirius Group to CMIG International and recorded $22.1 million of additional paid-in capital for the excess of fair value over the equity method carrying value of OneBeacon. Prior to the sale, Sirius Group accounted for its investment in OneBeacon using the equity method.

During the period ended April 18, 2016 and the year ended December 31, 2015, Sirius Group received cash dividends from OneBeacon of $3.0 million and $12.1 million, respectively, which were accounted as a reduction of Sirius Group's investment in OneBeacon in accordance with equity method accounting.

The following table summarizes amounts recorded by Sirius Group under the equity method relating to its investment in OneBeacon through April 18, 2016:

Millions	Total
Equity method carrying value of investment in OneBeacon as of December 31, 2015	$ 151.9
Equity in earnings of OneBeacon	6.6
Dividends received	(3.0)
Other, net	0.7
Proceeds received for the sale of OneBeacon	(178.3)
Excess of fair value received over equity method carrying value of OneBeacon	22.1
Equity method carrying value of investment in OneBeacon as of April 18, 2016	**$ -**

The following table summarizes financial information for OneBeacon as of March 31, 2016 and December 31, 2015:

	March 31,	December 31,
Millions	**2016**	2015
OneBeacon balance sheet data:		
Total investments	$ **2,562.1**	$ 2,591.4
Total assets	**3,529.0**	3,602.6
Policyholder liabilities	**2,236.3**	2,325.2
Long-term debt	**272.9**	272.9
Total liabilities	**2,509.2**	2,598.1
Total non-controlling interests	**3.2**	3.6
Total common shareholders' equity	**1,016.6**	1,000.9

The following table summarizes financial information for OneBeacon for period ended March 31, 2016 and the years ended December 31, 2015 and 2014:

	Three-months ended March 31,	Year Ended December 31,	
Millions	**2016**	2015	2014
OneBeacon income statement data:			
Net premiums earned	**$ 278.6**	$ 1,176.2	$ 1,177.1
Net investment income	**14.4**	45.9	43.4
Total revenues	**310.5**	1,186.4	1,266.7
Loss and loss adjustment expenses	**158.8**	700.7	815.1
Total expenses	**272.3**	1,161.1	1,224.4
Net income attributable to OneBeacon common shareholders	**46.4**	36.8	32.9
Comprehensive income attributable to OneBeacon common shareholders	**46.4**	36.8	20.9

NOTE 13. Variable Interest Entities

Alstead Re

During 2016, Sirius Group determined that Alstead Re is a variable interest entity for which Sirius Group is the primary beneficiary and is required to consolidate Alstead Re. Prior to 2015, Alstead Re was not considered to be a variable interest entity. As of December 31 2016, Sirius Group consolidated total assets of $2.5 million and total liabilities of $0.8 million of Alstead Re. In addition, as of December 31, 2016, Sirius Group recorded non-controlling interest of $0.5 million in Alstead Re.

NOTE 14. Fair Value of Financial Instruments

Sirius Group accounts for its financial instruments at fair value with the exception of the 2016 SIG Senior Notes, which are recorded as debt liabilities at face value less unamortized original issue discount.

The following summarizes the fair value and carrying value of financial instruments that are not accounted for at fair value:

	December 31, 2016		December 31, 2015	
Millions	**Fair Value**	**Carrying Value**	**Fair Value**	**Carrying Value**
2016 SIG Senior Notes	**$ 382.4**	**$ 392.5**	$ -	$ -
Old Lyme Note	**$ 3.7**	**$ 3.7**	$ 3.7	$ 3.7
Preference Shares	**$ 252.8**	**$ 250.0**	$ 255.0	$ 250.0
2007 SIG Senior Notes	**$ -**	**$ -**	$ 410.0	$ 399.3

The fair value estimate at December 31, 2016, for the 2016 SIG Senior Notes and Preference Shares have been determined by internal pricing and are considered a Level 3 measurement. The fair value estimate of the Old Lyme Note has been determined by internal pricing, based on the expected amount due to the sellers of Old Lyme, and is considered a Level 3 measurement. The fair value estimate at December 31, 2015 for the Preference Shares and 2007 SIG Senior Notes has been determined based off indicative broker quotes and is considered a Level 3 measurement.

NOTE 15. Transactions with Related Persons

White Mountains Advisors

White Mountains Advisors ("WMA"), an indirect wholly-owned subsidiary of Sirius Group's former parent White Mountains, provided investment advisory and management services to Sirius Group and its subsidiaries under an Investment Advisory Services Agreement. During 2016, Sirius Group terminated this agreement. Sirius Group incurred $3.1 million, $5.5 million, and $6.3 million of investment fees during 2016, 2015, and 2014, respectively for services provided directly by WMA or through its sub-advisors. As of December 31, 2016, Sirius Group did not owe any amount to WMA under this agreement. At December 31, 2015, Sirius Group owed $1.2 million to WMA under this agreement.

WMA also provided investment advisory and management services to Symetra and OneBeacon. During 2015 and 2014, WMA earned $8.0 million and $18.4 million in fees from Symetra. During 2015 and 2014, WMA earned $3.9 million and $3.8 million in fees from OneBeacon.

NOTE 16. Commitments and Contingencies

Sirius Group leases certain office space under non-cancellable operating leases that expire on various dates. The future annual minimum rental payments required under non-cancellable leases for office space are as follows:

Millions	**Future Payments**
2017	$ 6.2
2018	6.0
2019	5.3
2020	2.9
2021 and after	8.6
Total	**$ 29.0**

Total rental expense for the years ended December 31, 2016, 2015, and 2014 was $6.2 million, $6.4 million, and $7.6 million, respectively. Sirius Group also has various other lease obligations, which are not material in the aggregate.

Sirius International is a shareholder in LUC Holdings ("LUC"), a real estate company that leases and sub-leases rental properties in London. Shareholders of LUC are joint and several guarantors of the obligations of LUC. Estimated future fundings of LUC by Sirius International are as follows:

Millions	**December 31, 2016**
Due in one year or less	$ 0.6
Due in two to three years	-
Due in four to five years	-
Due after five years	-
Total	**$ 0.6**

Legal Proceedings

Sirius Group and the insurance and reinsurance industry in general, are routinely subject to claims related litigation and arbitration in the normal course of business, as well as litigation and arbitration that do not arise from, or are directly related to, claims activity. Our estimates of the costs of settling matters routinely encountered in claims activity are reflected in the reserves for unpaid loss and LAE. (See **Note 3**).

Sirius Group considers the requirements of ASC 450, *Contingencies* ("ASC 450"), when evaluating its exposure to non-claims related litigation and arbitration. ASC 450 requires that accruals be established for litigation and arbitration if it is probable that a loss has been incurred and it can be reasonably estimated. ASC 450 also requires that litigation and arbitration be disclosed if it is probable that a loss has been incurred or it there is a reasonable possibility that a loss may have been incurred.

Although the ultimate outcome of claims and non-claims related litigation and arbitration, and the amount or range of potential loss at any particular time, is often inherently uncertain, management does not believe that the ultimate outcome of such claims and non-claims related litigation and arbitration will have a material adverse effect on Sirius Group's financial condition, results of operations or cash flows.

The following summarizes one, ongoing non-claims related litigation:

Tribune Company

In June 2011, Deutsche Bank Trust Company Americas, Law Debenture Company of New York and Wilmington Trust Company (collectively referred to as "*Plaintiffs*"), in their capacity as trustees for certain senior notes issued by the Tribune Company ("*Tribune*"), filed lawsuits in various jurisdictions (the "*Noteholder Actions*") against numerous defendants including Sirius Group in their capacity as former shareholders of Tribune seeking recovery of the proceeds from the sale of common stock of Tribune in connection with Tribune's leveraged buyout in 2007 (the "*LBO*"). Tribune filed for bankruptcy in 2008 in the Delaware bankruptcy court (the "*Bankruptcy Court*"). The Bankruptcy Court granted Plaintiffs permission to commence these LBO-related actions, and in 2011, the Judicial Panel on Multidistrict Litigation granted a motion to consolidate the actions for pretrial matters and transferred all such proceedings to the United States District Court for the Southern District of New York. Plaintiffs seek recovery of the proceeds received by the former Tribune shareholders on a theory of constructive fraudulent transfer asserting that Tribune purchased or repurchased its common shares without receiving fair consideration at a time when it was, or as a result of the purchases of shares, was rendered, insolvent. Certain subsidiaries of Sirius Group received approximately $6.1 million for Tribune common stock tendered in connection with the LBO.

The Court granted an omnibus motion to dismiss the Noteholder Actions in September 2013 and Plaintiffs' appealed. On March 29, 2016, a three judge panel of the U.S. Second Circuit Court of Appeals affirmed the dismissal of the Noteholder Action. The Plaintiffs filed a petition for reconsideration or a rehearing en banc of the Second Circuit's decision affirming the dismissal of the state law fraudulent conveyance cases. By order dated July 22, 2016, the Second Circuit denied the petition in full. On September 9, 2016, Plaintiffs filed a petition for a writ of certiorari, seeking U.S. Supreme Court review. The granting of a writ of certiorari requires the affirmative vote of four U.S. Supreme Court justices. In the meantime, the Second Circuit's decision remains in effect.

In addition, Sirius Group in their capacity as former shareholders of Tribune, along with thousands of former Tribune shareholders, have been named as defendants in an adversary proceeding brought by the Official Committee of Unsecured Creditors of the Tribune Company (the "*Committee*"), on behalf of the Tribune Company, which seeks to avoid the repurchase of shares by Tribune in the LBO on a theory of intentional fraudulent transfer (the "Committee Action"). Tribune emerged from bankruptcy in 2012, and a litigation trustee replaced the Committee as plaintiff in the Committee Action. This matter was consolidated for pretrial matters with the Noteholder Actions in the United States District Court for the Southern District of New York and was stayed pending the motion to dismiss in the Noteholder Action. An omnibus motion to dismiss the shareholder defendants in the Committee Action was filed in May 2014. In January, 2017 the Court dismissed the intentional fraudulent transfer claim. The plaintiff is expected to appeal this decision. No amount has been accrued in connection with this matter as of December 31, 2016 and December 31, 2015, as the amount of loss, if any, cannot be reasonably estimated.

NOTE 17. Subsequent Events

Subsequent Events (ASC 855) established general standards for accounting and disclosures of events occurring subsequent to the balance sheet date but prior to issuance of financial statements. The Company has evaluated subsequent events through April 7, 2017, the date on which the Consolidated Financial Statements were issued.

Armada

On April 3, 2017, Sirius Group purchased 100% of ArmadaCorp Capital, LLC ("Armada"), a market leading provider of supplemental healthcare insurance products and administrative services in the United States, from Armada Enterprises LLC ("Seller"). The transaction was implemented by 1) the purchase of 50% of Armada by Sirius Group for $123.7 million, subject to a post-closing purchase price adjustment based on the target net book value of Armada as of March 31, 2017, and 2) the redemption by Armada of the remaining 50% held by Seller for a redemption price based on a three year contingent earn-out mechanism that could result in an additional payment to Seller of up to $125 million.

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