



April 27, 2018

AUDITOR'S REPORT

To the Bermuda Monetary Authority
Hamilton, Bermuda

Consolidated Statutory Financial Statements

We have audited the accompanying Consolidated Statutory Financial Statements of Sirius Bermuda Insurance Company Ltd. (the "Company") and its subsidiaries, which comprise the Consolidated Statutory Balance Sheet and Consolidated Statutory Statement of Capital and Surplus as at December 31, 2017, and the related Consolidated Statutory Statement of Income for the year then ended. The Consolidated Statutory Financial Statements have been prepared by management based on the financial reporting provisions of The Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 (the "Legislation"). We have not audited the accompanying Insurer Information Sheet.

Management's responsibility for the Consolidated Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Statutory Financial Statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of Consolidated Statutory Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Consolidated Statutory Financial Statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Statutory Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the Consolidated Statutory Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Statutory Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Consolidated Statutory 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Consolidated Statutory 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 Statutory Financial Statements present fairly, in all material respects, the financial position of the Company and its subsidiaries as at December 31, 2017 and their financial performance for the year then ended in accordance with the financial reporting provisions of the Legislation.

Basis of Accounting

Without modifying our opinion, we note that the Consolidated Statutory Financial Statements have been prepared in accordance with the financial reporting provisions of the Legislation. The Consolidated Statutory Financial Statements which have not been, and were not intended to be, prepared in accordance with generally accepted accounting principles, and this Auditor's Report, are solely for the information and use of the Bermuda Monetary Authority and are not intended to be and should not be used by anyone other than the Bermuda Monetary Authority, or for any other purpose.

PricewaterhouseCoopers Ltd.

Chartered Professional Accountants



April 27, 2018

AUDITOR'S REPORT

To the Bermuda Monetary Authority
Hamilton, Bermuda

Unconsolidated Statutory Financial Statements

We have audited the accompanying Unconsolidated Statutory Financial Statements of Sirius Bermuda Insurance Company Ltd. (the "Company"), which comprise the Unconsolidated Statutory Balance Sheet and Unconsolidated Statutory Statement of Capital and Surplus as at December 31, 2017, and the related Unconsolidated Statutory Statement of Income for the year then ended, and the notes to the Unconsolidated Statutory Financial Statements. The Unconsolidated Statutory Financial Statements have been prepared by management based on the financial reporting provisions of The Insurance Act 1978, amendments thereto and the Insurance Account Rules 2016 (the "Legislation"). We have not audited the accompanying Insurer Information Sheet.

Management's responsibility for the Unconsolidated Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the Unconsolidated Statutory Financial Statements in accordance with the financial reporting provisions of the Legislation, and for such internal control as management determines is necessary to enable the preparation of Unconsolidated Statutory Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Unconsolidated Statutory Financial Statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Unconsolidated Statutory Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Unconsolidated Statutory Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Unconsolidated Statutory Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Unconsolidated Statutory 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Unconsolidated Statutory 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 Unconsolidated Statutory Financial Statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and its financial performance for the year then ended in accordance with the financial reporting provisions of the Legislation.

Basis of Accounting

Without modifying our opinion, we note that the Unconsolidated Statutory Financial Statements have been prepared in accordance with the financial reporting provisions of the Legislation. The Unconsolidated Statutory Financial Statements which have not been, and were not intended to be, prepared in accordance with generally accepted accounting principles, and this Auditor's Report, are solely for the information and use of the Bermuda Monetary Authority and are not intended to be and should not be used by anyone other than the Bermuda Monetary Authority, or for any other purpose.

A handwritten signature in blue ink that reads "PricewaterhouseCoopers Ltd." in a cursive script.

Chartered Professional Accountants

Sirius Bermuda Insurance Company Ltd.

Consolidated Financial Statements

For the years ended December 31, 2017, 2016, and 2015

Sirius Bermuda Insurance Company Ltd.
Consolidated Financial Statements
For the years ended December 31, 2017, 2016, and 2015

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Report of Independent Auditors

To the Board of Directors of Sirius Bermuda Insurance Company Ltd.

We have audited the accompanying consolidated financial statements of Sirius Bermuda Insurance Company Ltd. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive (loss) income, of shareholder's equity and of cash flows for each of the three years in the period ended December 31, 2017.

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 Bermuda Insurance Company Ltd. and its subsidiaries as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

New York, New York
April 26, 2018

Sirius Bermuda Insurance Company Ltd.
Consolidated Balance Sheets
As at December 31, 2017 and 2016

<i>(Expressed in millions of U.S. dollars, except share and per share information)</i>	2017	2016
Assets		
Fixed maturity investments, at fair value	\$ 2,165.3	\$ 2,886.7
Short-term investments, at fair value	587.9	498.8
Common equity securities, at fair value	299.2	118.0
Other long-term investments, at amortized cost and fair value	452.1	124.8
Total investments	3,504.5	3,628.3
Cash	199.2	137.1
Restricted cash	11.4	-
Reinsurance recoverable on unpaid losses	319.7	291.5
Reinsurance recoverable on paid losses	17.5	17.1
Insurance and reinsurance premiums receivable	541.6	394.6
Funds held by ceding companies	153.2	100.0
Deferred acquisition costs	120.9	84.7
Deferred tax asset	277.3	279.1
Ceded unearned insurance and reinsurance premiums	106.6	101.1
Accrued investment income	13.6	19.0
Goodwill	122.7	-
Intangible assets	82.4	5.0
Accounts receivable on unsettled investment sales	0.3	-
Other assets	68.7	38.2
Total assets	\$ 5,539.6	\$ 5,095.7
Liabilities		
Loss and loss adjustment expense reserves	\$ 1,898.5	\$ 1,620.1
Unearned insurance and reinsurance premiums	506.8	398.0
Debt	-	3.7
Deferred tax liability	280.5	239.7
Funds held under reinsurance treaties	73.4	63.4
Ceded reinsurance payable	139.1	99.6
Accounts payable on unsettled investment purchases	0.3	7.6
Other liabilities	92.9	71.7
Total liabilities	2,991.5	2,503.8
Shareholder's equity		
Common shares at \$1.00 par value per share - authorized 120,000 shares; issued and outstanding, 120,000 shares	0.1	0.1
Additional paid-in surplus	1,727.7	1,591.2
Retained earnings	956.0	1,206.5
Accumulated other comprehensive (loss), after-tax: Net unrealized foreign currency translation (losses)	(135.9)	(207.2)
Total shareholder's equity	2,547.9	2,590.6
Non-controlling interests	0.2	1.3
Total equity	2,548.1	2,591.9
Total liabilities and equity	\$ 5,539.6	\$ 5,095.7

See Notes to Consolidated Financial Statements

Sirius Bermuda Insurance Company Ltd.
Consolidated Statements of Operations and Comprehensive (Loss) Income
For the years ended December 31, 2017, 2016, and 2015

(Expressed in millions of U.S. dollars)

	2017	2016	2015
Revenues			
Gross written insurance and reinsurance premiums	\$ 1,439.2	\$ 1,269.0	\$ 1,160.5
Net written insurance and reinsurance premiums	\$ 1,088.6	\$ 938.1	\$ 847.6
Net earned insurance and reinsurance premiums	\$ 997.6	\$ 890.1	\$ 847.0
Net investment income	63.8	55.7	39.4
Net realized investment (losses) gains	(23.6)	288.2	138.6
Net unrealized investment (losses) gains	(23.2)	(238.3)	102.9
Net foreign exchange gains (losses)	9.9	(17.5)	(18.1)
Gain on revaluation of contingent consideration	35.2	-	-
Other revenue	23.9	9.2	(0.2)
Total revenues	1,083.6	987.4	1,109.6
Expenses			
Loss and loss adjustment expenses	791.8	519.3	422.7
Insurance and reinsurance acquisition expenses	222.7	210.3	189.8
Other underwriting expenses	105.9	107.3	107.9
General and administrative expenses	43.5	47.9	11.0
Intangible asset amortization expenses	4.1	-	-
Interest expense on debt	-	0.2	0.3
Total expenses	1,168.0	885.0	731.7
Pre-tax (loss) income	(84.4)	102.4	377.9
Income tax (expense) benefit	(46.5)	7.4	(47.1)
(Loss) income before equity in earnings of unconsolidated affiliates	(130.9)	109.8	330.8
Equity in earnings of unconsolidated affiliates, net of tax	-	6.6	23.9
(Loss) income before income attributable to non-controlling interests	(130.9)	116.4	354.7
Income attributable to non-controlling interests	0.4	(0.5)	-
Net (loss) income attributable to Sirius Bermuda's common shareholder	(130.5)	115.9	354.7
Other comprehensive income (loss), net of tax			
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates, net of tax	-	-	(29.8)
Change in foreign currency translation, net of tax	71.3	(67.3)	(65.4)
Net change in other, net of tax	-	0.8	-
Comprehensive (loss) income attributable to Sirius Bermuda's common shareholder	\$ (59.2)	\$ 49.4	\$ 259.5

See Notes to Consolidated Financial Statements.

Sirius Bermuda Insurance Company Ltd.
Consolidated Statements of Shareholder's Equity
For the years ended December 31, 2017, 2016, and 2015

<i>(Expressed in millions of U.S. dollars)</i>	Common shares	Additional paid-in surplus	Retained earnings	Accumulated Other Comprehensive Income (Loss), after tax	Total shareholder's equity	Non- controlling interests	Total equity
Balances at December 31, 2014	\$ 0.1	\$ 1,559.1	\$ 899.0	\$ (45.5)	\$ 2,412.7	\$ -	\$ 2,412.7
Net income	-	-	354.7	-	354.7	-	354.7
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)
Comprehensive income (loss)	-	-	354.7	(95.2)	259.5	-	259.5
Dividends declared on Common shares	-	-	(123.0)	-	(123.0)	-	(123.0)
Distribution to parent	-	(10.0)	-	-	(10.0)	-	(10.0)
Other, net	-	-	(0.1)	-	(0.1)	0.1	-
Balances at December 31, 2015	0.1	1,549.1	1,130.6	(140.7)	2,539.1	0.1	2,539.2
Net income	-	-	115.9	-	115.9	0.5	116.4
Net change in foreign currency translation	-	-	-	(67.3)	(67.3)	-	(67.3)
Net change in other	-	-	-	0.8	0.8	-	0.8
Comprehensive income (loss)	-	-	115.9	(66.5)	49.4	0.5	49.9
Dividends declared on Common shares	-	-	(40.0)	-	(40.0)	-	(40.0)
Capital contribution from parent	-	20.0	-	-	20.0	-	20.0
Contribution from sale of OneBeacon	-	22.1	-	-	22.1	-	22.1
Other, net	-	-	-	-	-	0.7	0.7
Balances at December 31, 2016	0.1	1,591.2	1,206.5	(207.2)	2,590.6	1.3	2,591.9
Net income	-	-	(130.5)	-	(130.5)	(0.4)	(130.9)
Net change in foreign currency translation	-	-	-	71.3	71.3	-	71.3
Comprehensive income (loss)	-	-	(130.5)	71.3	(59.2)	(0.4)	(59.6)
Dividends declared on Common shares	-	-	(120.0)	-	(120.0)	-	(120.0)
Capital contribution from parent	-	136.5	-	-	136.5	-	136.5
Other, net	-	-	-	-	-	(0.7)	(0.7)
Balances at December 31, 2017	\$ 0.1	\$ 1,727.7	\$ 956.0	\$ (135.9)	\$ 2,547.9	\$ 0.2	\$ 2,548.1

See Notes to Consolidated Financial Statements.

Sirius Bermuda Insurance Company Ltd.
Consolidated Statements of Cash Flows
For the years ended December 31, 2017, 2016, and 2015

<i>(Expressed in millions of U.S. dollars)</i>	2017	2016	2015
Cash flows (used for) provided from operations:			
Net income	\$ (130.5)	\$ 115.9	\$ 354.7
Adjustments to reconcile net income to net cash provided from (used for) operations:			
Net realized and unrealized investment gains	46.8	(49.9)	(241.5)
Amortization of premium on fixed maturity investments	16.7	21.0	22.3
Amortization of intangible assets	4.1	-	-
Depreciation and other amortization	7.9	6.7	5.5
Revaluation of contingent consideration	(35.2)	-	-
Excess of fair value of acquired net assets over cost	-	(4.3)	-
Net gain on sale of consolidated affiliates	-	-	(1.0)
Undistributed equity in earnings of unconsolidated affiliates, after-tax	-	(6.6)	(23.9)
Other operating items:			
Net change in loss and loss adjustment expense reserves	202.5	18.1	(100.7)
Net change in reinsurance recoverable on paid and unpaid losses	(11.1)	(23.6)	24.6
Net change in funds held by ceding companies	(38.9)	(15.1)	(4.8)
Net change in unearned insurance and reinsurance premiums	61.7	60.8	27.4
Net change in ceded reinsurance payable	22.8	11.5	8.4
Net change in ceded unearned insurance and reinsurance premiums	14.4	(1.9)	(18.9)
Net change in insurance and reinsurance premiums receivable	(102.1)	(95.4)	(39.2)
Net change in deferred acquisition costs	(29.9)	(14.2)	(8.6)
Net change in funds held under reinsurance treaties	5.8	13.0	(0.9)
Net change in current and deferred income taxes, net	32.4	(12.0)	12.0
Net change in other assets and liabilities, net	(40.9)	3.5	34.4
Net cash (used for) provided from operations	26.5	27.5	49.8
Cash flows from investing activities:			
Net change in short-term investments	(3.9)	(194.3)	132.3
Sales of fixed maturities and convertible fixed maturity investments	1,385.6	2,300.3	2,123.1
Maturities, calls, and paydowns of fixed maturity and convertible fixed maturity investments	290.6	141.8	178.3
Sales of common equity securities	71.7	844.6	312.6
Distributions and redemptions of other long-term investments	40.6	27.9	13.2
Sales of consolidated subsidiaries and unconsolidated affiliates, net of cash sold	-	173.5	14.3
Contributions to other long-term investments	(376.9)	(73.5)	(10.7)
Purchases of common equity securities	(164.9)	(220.9)	(266.1)
Purchases of fixed maturities and convertible fixed maturity investments	(998.1)	(3,085.7)	(2,359.6)
Purchases and mergers of consolidated and unconsolidated affiliates, net of cash acquired	(115.6)	27.5	-
Net change in unsettled investment purchases and sales	(8.0)	37.2	(11.0)
Other, net	(4.9)	4.3	(9.2)
Net cash provided from investing activities	116.2	(17.3)	117.2
Cash flows from financing activities:			
Capital contribution from parent	64.9	20.0	-
Contribution from sale of OneBeacon	-	22.1	-
Repayment of debt	(3.8)	-	-
Payment of contingent consideration	(30.6)	-	-
Cash dividends paid on common shares	(120.0)	(40.0)	(123.0)
Return of capital from Olympus Re	-	-	(10.0)
Other, net	(0.8)	0.8	-
Net cash provided from (used for) financing activities	(90.3)	2.9	(133.0)
Effect of exchange rate changes on cash	9.7	(9.4)	(4.5)
Net (decrease) increase in cash during year	62.1	3.7	29.5
Cash balance at beginning of year	137.1	133.4	103.9
Cash balance at end of year	\$ 199.2	\$ 137.1	\$ 133.4
Supplemental cash flow information:			
Non-cash financing activities:			
Contribution of The Phoenix common shares and call option	\$ 71.6	\$ -	\$ -

See Notes to Consolidated Financial Statements.

Sirius Bermuda Insurance Company Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2017, 2016, and 2015

Note 1. Summary of significant accounting policies

Basis of Presentation

The accompanying consolidated financial statements at December 31, 2017, have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and include the accounts of Sirius Bermuda Insurance Company Ltd. (the "Company" or "Sirius Bermuda") and its subsidiaries (collectively with the Company, "SBDA") and other entities required to be consolidated under GAAP. The Company is a direct wholly owned subsidiary of Sirius International Group, Ltd. ("Sirius Group") and an indirect wholly owned subsidiary of Sirius International Insurance Group, Ltd. ("Sirius Ltd."), each a Bermuda company. 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 Sirius Ltd. and its subsidiaries from White Mountains Insurance Group, Ltd. ("White Mountains" or "former parent"). Sirius Ltd. and its subsidiaries have elected not to apply pushdown accounting after being acquired by CMIG International.

The Company is an exempted Bermuda limited liability company and a Class 4 licensed Bermuda insurer who along with its subsidiaries provide insurance, reinsurance, and insurance services on a worldwide basis. SBDA 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 Sirius Bermuda and its subsidiaries, Sirius International Insurance Corporation ("Sirius International"), Sirius America Insurance Company ("Sirius America"), and Lloyd's Syndicate 1945 ("Syndicate 1945"). SBDA 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"). SBDA through ArmadaGlobal ("Armada"), which was acquired in 2017, provides supplemental healthcare insurance products as well as administration services. (See Note 2).

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, representative offices, or subsidiaries in London, United Kingdom; Zurich, Switzerland; Singapore; Shanghai, China; 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; Glastonbury, Connecticut; Miami, Florida; San Francisco, California; Berwyn, Pennsylvania; and Toronto, Ontario.

Syndicate 1945 is a Lloyd's of London syndicate that SBDA 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 \$129.6 million, \$166.7 million, and \$123.4 million during 2017, 2016, and 2015, respectively. Lloyd's approved stamp capacity for Syndicate 1945 in 2018 is £101.9 million, or approximately \$137.7 million (based on the December 31, 2017 GBP to USD exchange rate).

Sirius Global Solutions, is a Connecticut-based division of SBDA specializing in the acquisition and management of runoff liabilities for insurance and reinsurance companies, both in the United States and internationally. SBDA 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, 2017.

Armada is a Maryland-based division of SBDA that specializes in insurance services and health care technology that creates specialty employee benefit products and serves to strengthen health care coverage and access.

All 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.

Sirius Bermuda Insurance Company Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2017, 2016, and 2015

Marketing and Distribution

SBDA obtains most of its reinsurance submissions from reinsurance intermediaries that represent the ceding company. During the years ended December 31, 2017, 2016, and 2015, SBDA received a majority of its gross reinsurance premiums written from four major, third-party reinsurance intermediaries as detailed in the following table:

Gross written premium by intermediary	2017	2016	2015
AON Corporation and subsidiaries	22%	22%	24%
Guy Carpenter & Company and subsidiaries	18%	18%	18%
WT Butler and Co. Ltd.	10%	8%	7%
Willis Group and subsidiaries	9%	8%	9%
Total	59%	56%	58%

Geographic Concentration

The following table shows SBDA's net written premiums by geographic region based on the location of the ceding company for the years ended December 31, 2017, 2016, and 2015:

<i>(Millions)</i>	2017	2016	2015
United States	\$ 561.5	\$ 463.0	\$ 397.5
Europe	262.3	258.9	241.9
Canada, the Caribbean, Bermuda and Latin America	111.4	88.3	101.2
Asia and Other	153.4	127.9	107.0
Total	\$ 1,088.6	\$ 938.1	\$ 847.6

SBDA conducts a significant portion of its business outside of the United States. As a result, a significant portion of SBDA's assets, liabilities, revenues and expenses are denominated in currencies other than the U.S. dollar and are therefore subject to foreign currency risk. SBDA's foreign currency risk cannot be eliminated entirely and significant changes in foreign exchange rates may adversely affect SBDA's results of operations and financial condition.

SBDA'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 SBDA's operations at these foreign locations could be temporarily or permanently disrupted.

Significant Accounting Policies

Investment Securities

As of December 31, 2017, the majority of SBDA's invested assets consisted of securities and other investments held for general investment purposes. SBDA's invested assets also consist of investments in related-party debt instruments. (See Note 16.) SBDA'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/or accreted to income over the anticipated life of the investment. SBDA's portfolio of investments in related-party debt instruments are classified as held-to-maturity, as SBDA has the ability and positive intent to hold these instruments until maturity. Related-party debt instruments are reported at amortized cost as of the balance sheet date. Interest income received from related-party debt instruments are reported in pre-tax revenues.

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

Sirius Bermuda Insurance Company Ltd.
Notes to Consolidated Financial Statements
For the years ended December 31, 2017, 2016, and 2015

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 SBDA's investments in certain debt securities, including asset-backed securities, and equity securities where quoted market prices are unavailable or are not considered reasonable. SBDA determines when transfers between levels have occurred as of the beginning of the period. SBDA uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, SBDA uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services used by SBDA have indicated that if no observable inputs are available for a security, they will not provide a price. In those circumstances, SBDA 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. SBDA 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. 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 SBDA's review process do not appear to support the market price provided by the pricing services, SBDA challenges the price. During the past year SBDA did not issue any challenges with the pricing service. If SBDA 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.

SBDA'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 carried at fair value.

Other Long-term Investments

Other long-term investments consist primarily of hedge funds, private equity funds, other investments in limited partnerships, other private equity securities and related-party instruments. SBDA has elected the fair value option for valuing most of its investments in hedge funds, private equity funds, other limited partnership investments, and other private equity securities. For the investments for which SBDA has elected 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 SBDA has not made the fair value election, SBDA accounts for its interests at amortized cost or in accordance with equity method accounting.

Derivative Financial Instruments

SBDA holds derivative financial instruments for both risk management and investment purposes. SBDA 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.

Weather Derivatives

SBDA assumes liabilities related to weather and weather contingent risk management products. Weather and weather contingent derivative contracts are entered into with the objective of generating profits in normal climatic conditions. Accordingly, SBDA's weather and weather contingent derivatives are not designed to meet the criteria for hedge accounting under GAAP. SBDA receives payment of premium at the contract inception in exchange for bearing the risk of variations in a quantifiable weather index. Changes in fair value are recognized as unrealized gains or losses and are presented within Other revenue. Management uses available market data and internal pricing models based upon consistent statistical methodologies to estimate the fair value. (See Note 10.)

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.

Restricted Cash

Restricted cash represents cash and cash equivalents that SBDA is a) holding for the benefit of a third party and is legally or contractually restricted as to withdrawal or usage for general corporate purposes; and b) not replaceable by another type of asset other than cash or cash equivalents, under the terms of SBDA's contractual arrangements with such third parties.

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Insurance and Reinsurance Operations

SBDA accounts for insurance and reinsurance policies that it writes in accordance with authoritative guidance. 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. SBDA charges fees on certain of its insurance policies.

In 2017, SBDA changed certain estimates of Gross written insurance and reinsurance premiums to better align the revenue recognition with the substantive nature of the underlying risk exposure and consistently recognize revenue across the Company. The net effect of this change on Net earned insurance and reinsurance premiums and Pre-tax (loss) income was not significant. Premiums relating to reinsurance business written on an excess of loss basis that were previously recorded following the deposit method were changed to record an estimate of premium at the inception of the contract. Premiums that were previously recorded following the deposit method over a 16-month or 24-month period from inception of the contract were changed to the deposit method over a 12-month period from inception of the contract. There was no change to premiums relating to reinsurance business written on a proportional basis; such premiums are recorded following the deposit method over a 12-month period from inception of contract.

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 over the period during which the premiums are earned. Amortization of Deferred acquisition costs are shown net of contractual commissions earned on reinsurance ceded 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 Loss and loss adjustment expense reserves 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 Loss and loss adjustment expense reserves are based primarily on reports received from ceding companies and actuarial projections. Unpaid Loss and loss adjustment expense 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 loss adjustment expense reserves 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.

SBDA enters into ceded reinsurance contracts to protect its businesses from losses due to concentration of risk, to manage its 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. SBDA 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 SBDA 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. SBDA 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. Reinsurance premiums ceded are expensed over the period the reinsurance coverage is provided. Ceded unearned insurance and reinsurance premiums represent the portion of premiums ceded applicable to the unexpired term of policies in force. Funds held by ceding companies represent amounts due to SBDA 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 SBDA and recognized as investment income. Funds held under reinsurance treaties represent contractual payments due from SBDA that are 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 contingent commission arrangements are recorded as Insurance and reinsurance acquisition expenses. 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. SBDA records guaranty fund assessments when it is probable that an assessment will be made and the amount can be reasonably estimated.

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Deferred Software Costs

SBDA 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. SBDA 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, 2017 and 2016, SBDA had unamortized deferred software costs of \$7.6 million and \$8.1 million.

Commission and Other Revenue Recognition

SBDA 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 SBDA's subsidiaries file consolidated tax returns in the United States. SBDA has subsidiaries in various jurisdictions, including but not limited to Sweden, United Kingdom, and Luxembourg, which are subject to applicable taxes in those jurisdictions.

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 SBDA's businesses except for Sirius International, Syndicate 1945, several subsidiaries of IMG, and the Canadian reinsurance operations of Sirius America. SBDA 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 reported in shareholder's equity, in accumulated other comprehensive income or loss. As of December 31, 2017 and 2016, SBDA had Net unrealized foreign currency translation losses of \$135.9 million and \$207.2 million recorded in Accumulated other comprehensive income (loss), after-tax on its consolidated balance sheet.

Assets and liabilities relating to foreign operations are remeasured into the functional currency using current exchange rates; revenues and expenses are remeasured 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.

The following rates of exchange for the U.S. dollar have been used for the most significant operations:

Currency	Closing Rate 2017	Closing Rate 2016
Swedish kronor	8.2051	9.0549
British pound	0.7398	0.8074
Euro	0.8339	0.9479
Canadian dollar	1.2556	1.3432

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A summary of the impact of foreign currency translation on SBDA's consolidated financial results for the years ended December 31, 2017, 2016, and 2015 follows:

<i>(Millions)</i>	2017	2016	2015
Net realized investment (losses) gains - foreign currency ⁽¹⁾	\$ (15.8)	\$ 49.8	\$ 70.6
Net unrealized investment (losses) gains - foreign currency ⁽²⁾	(52.9)	(7.5)	(15.4)
Net realized and unrealized investment (losses) gains - foreign currency	(68.7)	42.3	55.2
Net foreign exchange gains (losses) - foreign currency translation (losses) gains ⁽³⁾	9.9	(17.5)	(18.1)
Income tax expense	3.3	2.4	(0.2)
Total foreign currency remeasurement (losses) gains recognized through net income, after tax	(55.5)	27.2	36.9
Change in foreign currency translation on investments recognized through other comprehensive income, after tax	83.9	(83.1)	(110.7)
Change in foreign currency translation on non-investment net liabilities recognized through other comprehensive income, after tax	(12.6)	15.8	45.3
Total foreign currency translation gains (losses) recognized through other comprehensive income, after tax	71.3	(67.3)	(65.4)
Total foreign currency gains (losses) recognized in comprehensive (loss) income, after tax	\$ 15.8	\$ (40.1)	\$ (28.5)

⁽¹⁾ Component of Net realized investment (losses) gains on the Consolidated Statements of Operations and Comprehensive (Loss) Income

⁽²⁾ Component of Net unrealized investment (losses) gains on the Consolidated Statements of Operations and Comprehensive (Loss) Income

⁽³⁾ Component of Net foreign gains (losses) on the Consolidated Statements of Operations and Comprehensive (Loss) Income

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of an acquisition over the fair value of the identifiable net assets acquired. Goodwill is evaluated for impairment on an annual basis. SBDA initially evaluates goodwill using a qualitative approach to determine whether it is more likely than not that the fair value of goodwill is greater than its carrying value. If the results of the qualitative evaluation indicate that it is more likely than not that the carrying value of goodwill exceeds its fair value, SBDA performs the quantitative test for impairment.

Indefinite-lived intangible assets are evaluated for impairment similar to goodwill. Finite-lived intangible are amortized on a straight-line basis over their estimated useful lives. The amortization periods approximate the period over which SBDA expects to generate future net cash inflows from the use of these assets. All of these assets are subject to impairment testing for the impairment or disposal of long-lived assets when events or conditions indicate that the carrying value of an asset may not be fully recoverable from future cash flows.

If goodwill or intangible assets are impaired, such assets are written down to their fair values with the related expense recorded in SBDA's results of operations. (See Note 7.)

Non-controlling Interests

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

SBDA 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

Short-Duration Contracts

Effective December 31, 2017, SBDA adopted ASU 2015-09, *Disclosures about Short Duration Contracts* (ASC 944), which requires expanded footnote disclosures about Loss and loss adjustment expense reserves. Upon adoption, SBDA modified its footnote disclosures to include loss development tables on a disaggregated basis by accident year and a reconciliation of loss development data to the Loss and loss adjustment expense reserves reflected on the balance sheet. The footnote disclosures have also been expanded to include information about claim frequency data, including a description of how the claims frequency data is measured. Prior year disclosures have been modified to conform to the new disclosures. (See Note 3.)

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Goodwill

Effective December 31, 2017 SBDA elected early adoption of ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The guidance simplifies the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the amendments in this guidance, an entity performs its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. Additionally, an entity should consider income tax effects from any tax deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The guidance also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Therefore, the same impairment assessment applies to all reporting units. An entity is required to disclose the amount of goodwill allocated to each reporting unit with a zero or negative carrying amount of net assets. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary.

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, 2018, with early adoption permitted. SBDA 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, 2018, including interim periods. SBDA 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 December 15, 2020, including interim periods. SBDA 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 SBDA for years beginning after December 15, 2019, including interim periods therein. SBDA is evaluating the expected impact of this new guidance and available adoption methods.

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, 2018. SBDA 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.

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Note 2. Significant transactions

SBDA completed the following transactions:

- On September 14, 2017, Sirius Ltd. entered into a definitive agreement to purchase 4.9% (“Initial Phoenix Shares”) of The Phoenix Holdings, Ltd. (“The Phoenix”) from Delek Group Ltd. (“Delek Group”) for New Israeli Shekel (“NIS”) 208 million in cash (or \$58.8 million on date of purchase). As part of the agreement, Sirius Ltd. purchased the Initial Phoenix Shares on September 19, 2017, and submitted an application to the Israeli Commissioner of Capital Markets, Insurance and Savings (the “Israeli Commissioner of Insurance”) for a permit to control The Phoenix. Sirius Ltd. had an exclusivity period expiring November 23, 2017 to conduct due diligence, during which time Sirius Ltd. exercised the option to purchase all of Delek Group’s remaining shares in The Phoenix (approximately 47.4%) for an additional sum of NIS 2.3 billion in cash (or \$663.1 million using the December 31, 2017 NIS to USD conversion rate), subject to certain adjustments for interest and earnings. During December 2017, Sirius Ltd. contributed The Phoenix common shares and call option to the Company. In January 2018, Phoenix issued an additional 5.249 million shares, which changed the Company’s ownership percentage to 4.85% and the Delek Group ownership percentage to 46.24%. At December 31, 2017 Sirius Ltd. was awaiting regulatory approval from the Israeli Commissioner of Insurance, the Israel Securities Authority, the Tel Aviv Stock Exchange, and the Israel Antitrust Commissioner in connection with the proposed change in control of The Phoenix. At December 31, 2017, the investment in The Phoenix was included in Common equity securities, at fair value at \$67.3 million. The exercised call option to purchase the 46.24% of outstanding shares is valued at a cost of \$4.5 million and is included in Other assets.
- On April 3, 2017, SBDA purchased 100% of ArmadaCorp Capital, LLC (“Armada”) and its subsidiaries from Armada Enterprises LLC (“Seller”). Armada is an insurance services and health care technology business that creates specialty employee benefit products and serves to strengthen health care coverage and access. Total consideration for the acquisition consisted of 1) the purchase of 50% of Armada by SBDA for \$123.4 million, 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 \$125.0 million (“Armada Earnout”), with fair value of \$79.1 million at acquisition date, resulting in a total enterprise value of \$202.5 million. As of the acquisition date, SBDA recognized total assets acquired related to Armada of \$215.8 million, including \$11.6 million of tangible assets, \$122.7 million of goodwill, and \$81.5 million of other intangible assets; and total liabilities assumed of \$13.3 million at their estimated fair values. The goodwill balance is primarily attributed to Armada’s assembled workforce and access to the supplemental healthcare insurance market, and additional synergies to be realized in the future. The goodwill recognized is expected to be deductible for income tax purposes in the future. The contingent consideration is payable if EBITDA of Armada exceeds amounts defined in the redemption agreement. The Armada Earnout can be settled in the Company’s Common shares, subject to certain criteria. At December 31, 2017, the Armada Earnout is carried at \$13.3 million and is reflected within Other liabilities. The Armada Earnout is subject to fair value and quarterly measurement, which is a component of net income each period and reflected in Gain on revaluation of contingent consideration. In December 2017, the Company settled approximately 82% of the Armada Earnout with Armada Enterprise for \$30.6 million. The remaining Armada Earnout liability was remeasured at a fair value of \$13.3 million. As a result of the settlement and remeasurement of the Armada Earnout, SBDA recorded a \$35.2 million gain in 2017.

During 2017, Armada’s revenues and net income after acquisitions, inclusive of intangible asset amortization expenses, were \$24.7 million and \$9.7 million, respectively.

- On May 17, 2016, Sirius Global Solutions and Florida Specialty Insurance Company partnered to form Florida Specialty Acquisition LLC (“FSA”). Sirius Global Solutions provided \$15.8 million to acquire 100% of FSA’s common shares. FSA acquired Mount Beacon Holdings, LLC and its subsidiaries including Mount Beacon Insurance Company (“Mount Beacon”).
- On April 18, 2016, SBDA 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 SBDA to CMIG International and recorded \$22.1 million of Additional paid-in surplus for the excess of fair value over the equity method carrying value of OneBeacon. (See Note 14.).
- 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 SBDA from White Mountains.
- On February 1, 2016, SBDA sold its investment in Symetra Financial Corporation (“Symetra”) for proceeds of \$559.8 million, or \$32.00 per share. (See Note 14.).
- 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.

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Note 3. Reserves for unpaid losses and loss adjustment expenses

SBDA establishes loss and LAE reserves that are estimates of future amounts needed to pay claims and related expenses for events that have already occurred. SBDA also obtains reinsurance whereby another reinsurer contractually agrees to indemnify SBDA for all or a portion of the reinsurance risks underwritten by SBDA. Such arrangements, where one reinsurer provides reinsurance to another reinsurer, are usually referred to as “retrocessional reinsurance” arrangements. SBDA 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), SBDA establishes case reserves, including LAE reserves, based upon SBDA’s share of the amount of reserves reported by the insured and SBDA’s independent evaluation of the loss. In cases where available information indicates that reserves reported by a ceding company are inadequate or excessive, SBDA establishes case reserves or incurred but not reported (“IBNR”) in excess of or below its share of the reserves reported by the ceding company. Also, in certain instances, SBDA 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.

Generally, initial actuarial estimates of IBNR reserves not related to a specific event are based on the loss ratio method applied to each class of business. SBDA 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. Estimates of the initial expected ultimate losses involve management judgment and are based on historical information for that class of business, which includes loss ratios, market conditions, changes in pricing and conditions, underwriting changes, changes in claims emergence, and other factors that may influence expected ultimate losses. 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.

The actuarial methods are used to calculate a point estimate of loss and LAE reserves for each company within SBDA. These point estimates are then aggregated to produce an actuarial point estimate for SBDA. Once a point estimate is established, SBDA’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.

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Loss and Loss Adjustment Expense Reserve Summary

The following table summarizes the loss and LAE reserve activities of SBDA for the years ended December 31, 2017, 2016, and 2015:

<i>(Millions)</i>	2017	2016	2015
Gross beginning balance	\$ 1,620.1	\$ 1,644.4	\$ 1,809.8
Less beginning reinsurance recoverable on unpaid losses	(291.5)	(283.1)	(322.2)
Net loss and LAE reserve balance	1,328.6	1,361.3	1,487.6
Loss and LAE reserves acquired ⁽¹⁾	0.1	9.8	-
Losses and LAE incurred relating to:			
Current year losses	792.4	583.0	473.9
Prior years losses	(0.6)	(63.7)	(51.2)
Total net incurred losses and LAE	791.8	519.3	422.7
Accretion of fair value adjustment to net loss and LAE reserves	0.1	0.5	0.7
Foreign currency translation adjustment to net loss and LAE reserves	36.8	(14.0)	(27.2)
Loss and LAE paid relating to:			
Current year losses	203.3	207.6	162.4
Prior years losses	375.3	340.7	360.1
Total loss and LAE payments	578.6	548.3	522.5
Net ending balance	1,578.8	1,328.6	1,361.3
Plus ending reinsurance recoverable on unpaid losses	319.7	291.5	283.1
Gross ending balance	\$ 1,898.5	\$ 1,620.1	\$ 1,644.4

⁽¹⁾ Loss and LAE reserves acquired in 2017 relates to the merger of International Medical Insurance Company, Ltd. (See Note 16); Loss and LAE reserves acquired in 2016 relates to SBDA's purchase of Mount Beacon.

Loss and LAE development - 2017

During the year ended December 31, 2017, SBDA had net favorable loss reserve development of \$0.6 million. During the second quarter of 2017, SBDA strengthened its asbestos loss reserves by \$59.0 million, which was offset by reductions of other runoff claims reserves of \$41.0 million. There were also decreases in prior year loss reserves for the Marine (\$5.4 million), Trade credit (\$4.2 million), Accident and Health (\$4.2 million), and Aviation (\$1.7 million) lines of business.

Loss and LAE development—2016

During the year ended December 31, 2016, SBDA 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, SBDA 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.

Fair value adjustment to loss and LAE reserves

In connection with purchase accounting for acquisitions, SBDA 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 and is recorded within General and administrative expenses. SBDA recognized \$0.1 million, \$0.5 million, and \$0.7 million of such charges during 2017, 2016, and 2015. As of December 31, 2017, the pre-tax un-accreted adjustment was \$2.8 million.

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Asbestos and Environmental Loss and Loss Adjustment Expense Reserve Activity

SBDA'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, SBDA 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.

SBDA'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.

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 portfolios acquired previously, the exposures arise almost entirely from old assumed reinsurance contracts having small limits of liability.

SBDA recorded an increase of \$59.0 million, an increase of \$13.6 million, and a decrease of \$0.5 million of asbestos-related incurred losses and LAE on its asbestos reserves in 2017, 2016, and 2015. The 2017 incurred losses were primarily a result of an in-depth analysis of SBDA's loss reserves undertaken in the second quarter. The 2016 incurred losses were primarily the result of management's monitoring of a variety of metrics including actual paid and reported claims activity.

SBDA recorded \$6.1 million, \$0.4 million, and \$3.0 million of environmental losses in 2017, 2016, and 2015 on its already existing reserves.

SBDA's net reserves for A&E losses were \$220.6 million and \$180.3 million as of December 31, 2017 and 2016, respectively. SBDA's asbestos three-year net paid survival ratio was approximately 10.2 years and 8.8 years as of December 31, 2017 and 2016. SBDA's environmental three-year net paid survival ratio was approximately 4.3 years and 4.8 years as of December 31, 2017 and 2016.

SBDA's reserves for A&E losses as of December 31, 2017 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, SBDA may be subject to asbestos and environmental losses beyond currently estimated amounts. SBDA 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, 2017, 2016, and 2015, respectively:

<i>(Millions)</i>	2017		2016		2015	
	Gross	Net	Gross	Net	Gross	Net
Asbestos:						
Beginning balance	\$ 187.0	\$ 166.4	\$ 193.5	\$ 172.9	\$ 215.8	\$ 192.8
Incurred losses and LAE	96.9	59.0	15.3	13.6	(0.3)	(0.5)
Paid losses and LAE	(24.7)	(20.8)	(21.8)	(20.1)	(22.0)	(19.4)
Ending balance	259.2	204.6	187.0	166.4	193.5	172.9
Environmental:						
Beginning balance	18.5	13.9	21.5	16.8	22.7	17.4
Incurred losses and LAE	2.9	6.1	0.4	0.4	3.0	3.0
Paid losses and LAE	(4.7)	(4.0)	(3.4)	(3.3)	(4.2)	(3.6)
Ending balance	16.7	16.0	18.5	13.9	21.5	16.8
Total asbestos and environmental:						
Beginning balance	205.5	180.3	215.0	189.7	238.5	210.2
Incurred losses and LAE	99.8	65.1	15.7	14.0	2.7	2.5
Paid losses and LAE	(29.4)	(24.8)	(25.2)	(23.4)	(26.2)	(23.0)
Ending balance	\$ 275.9	\$ 220.6	\$ 205.5	\$ 180.3	\$ 215.0	\$ 189.7

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Reconciliation of liabilities for unpaid loss and LAE

The following table summarizes the ending liabilities for unpaid loss and LAE, net of reinsurance for each of SBDA's major lines of business by reportable segment as of December 31, 2017:

<i>(Millions)</i>	As of December 31, 2017
Liabilities for unpaid loss and LAE, net of reinsurance	
Unpaid and allocated LAE reserves, net of reinsurance	
Property – excluding Catastrophe	\$ 432.6
Property - Catastrophe	161.4
Agriculture	45.6
Accident and Health	155.8
Aviation and Space	93.8
Trade credit	39.2
Marine	79.9
Contingency	11.6
Other and Runoff	520.8
Total unpaid and allocated LAE reserves, net of reinsurance	<u>1,540.7</u>
Unallocated LAE	<u>38.1</u>
Total unpaid loss and LAE reserves, net of reinsurance	<u>1,578.8</u>
Reinsurance recoverable on unpaid losses	
Property – excluding Catastrophe	61.0
Property - Catastrophe	40.1
Agriculture	2.8
Accident and Health	45.6
Aviation and Space	22.9
Trade credit	14.0
Marine	17.5
Contingency	2.6
Other and Runoff	113.2
Total reinsurance recoverable on unpaid losses	<u>319.7</u>
Total unpaid loss and LAE reserves	\$ 1,898.5

The following table groupings, reflecting the Property – excluding catastrophe, Property – catastrophe, Agriculture, Accident and health, Aviation and space, Trade credit, Marine, Contingency, and Other and Runoff lines of business include three sections.

The first table (top section of grouping) presents, for each of the previous 10 accident years (1) cumulative total undiscounted incurred loss and allocated LAE, net of reinsurance, as of each of the previous 10 year-end evaluations, (2) total IBNR plus expected development on reported claims as of December 31, 2017, and (3) the cumulative number of reported claims as of December 31, 2017.

The second table (middle section grouping) presents cumulative paid loss and allocated LAE, net of reinsurance for each of the previous 10 accident years, as of each of the previous 10 year-end evaluations. Also included in this table is a calculation of the liability for loss and allocated LAE as of December 31, 2017 which is then included in the reconciliation to the consolidated balance sheet presented above. The liability as of December 31, 2017 is calculated as the cumulative incurred loss and allocated LAE from the first table less the cumulative paid loss and allocated from the second table, plus any outstanding liabilities from accident years prior to 2008.

The third table (bottom section of grouping) is supplementary information about the average historical claims duration as of December 31, 2017. It shows the weighted average annual percentage payout of incurred loss and allocated LAE by accident year as of each age. For example, the first column is calculated as the incremental paid loss and allocated LAE in the first calendar year for each given accident year (e.g. calendar year 2009 for accident year 2009, calendar year 2010 for accident year 2010) divided by the cumulative incurred loss and allocated LAE as of December 31, 2017 for that accident year. The resulting ratios are weighted together using cumulative incurred loss and allocated LAE as of December 31, 2017.

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Property – excluding Catastrophe
(Millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2017		
Accident	Year ended December 31,										Total IBNR liabilities plus Development on reported claims	Cumulative Number of reported claims	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017			
Year	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	2017		
2008	199.9	202.3	179.6	173.6	173.5	173.6	172.8	173.1	172.4	171.7		0.4	NA
2009		117.3	107.7	97.3	93.3	93.2	92.1	94.9	93.7	91.9		0.3	NA
2010			156.0	153.4	144.7	145.6	140.6	139.6	138.8	137.1		1.6	NA
2011				162.3	149.8	140.3	132.3	130.3	130.9	131.0		0.4	NA
2012					166.3	152.4	147.3	142.7	137.9	135.9		2.1	NA
2013						139.7	135.7	124.5	120.7	120.6		0.5	NA
2014							126.7	129.1	126.1	126.6		2.9	NA
2015								145.4	137.0	139.1		2.6	NA
2016									193.3	212.8		15.6	NA
2017										338.8		156.0	NA
										Total	1,605.5		

Property – excluding Catastrophe
(Millions)

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance											
Accident	Year ended December 31,										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Year	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2008	39.1	111.4	143.0	157.1	165.9	170.0	170.5	170.5	170.5	170.5	
2009		22.6	59.9	79.1	85.8	90.0	91.1	90.9	91.6	91.6	
2010			31.0	89.4	116.6	124.5	129.6	131.8	132.3	132.4	
2011				27.4	81.0	105.2	118.3	124.4	126.9	129.6	
2012					20.5	86.7	109.9	118.3	121.7	127.1	
2013						28.0	73.7	99.0	105.7	109.4	
2014							19.4	71.2	98.7	107.5	
2015								31.5	95.3	117.5	
2016									32.1	130.6	
2017										59.3	
									Total	1,175.5	
										All outstanding liabilities before 2008, net of reinsurance	2.6
										Liabilities for loss and loss adjustment expenses, net of reinsurance	432.6

Property – excluding Catastrophe

Average annual percentage payout of incurred losses and allocated LAE by age, net of reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	19.4%	43.2%	19.0%	7.2%	4.0%	2.3%	0.7%	0.2%	0.0%	0.0%

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Property – Catastrophe
(Millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance												December 31, 2017		
Accident	Year ended December 31,										2017	Total IBNR liabilities plus Development on reported claims expected	Cumulative Number of reported claims	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017				
Year	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2008	80.7	82.2	79.1	82.9	81.6	81.5	77.2	77.1	77.2	77.2	77.2		-	NA
2009		51.2	52.1	50.7	49.7	48.8	48.1	47.8	47.8	47.8	47.9		(0.1)	NA
2010			137.8	135.6	133.0	132.1	124.7	123.8	123.3	122.7	122.7		(0.2)	NA
2011				149.1	154.2	143.6	121.8	118.2	117.4	117.3	117.3		0.1	NA
2012					71.5	59.8	53.2	51.2	51.7	51.7	46.8		0.1	NA
2013						78.5	85.2	81.9	81.4	80.5	80.5		0.1	NA
2014							59.5	61.1	58.1	58.0	58.0		0.6	NA
2015								29.0	31.4	29.0	29.0		0.1	NA
2016									51.2	49.0	49.0		3.2	NA
2017										107.4	107.4		46.0	NA
										Total	735.8			

Property – Catastrophe
(Millions)

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance														
Accident	Year ended December 31,										2017			
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017				
Year	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2008	25.1	54.9	65.7	73.4	76.7	76.8	77.0	77.1	77.1	77.1	77.2			
2009		7.4	32.4	41.1	44.1	45.2	45.5	45.6	45.8	45.8	45.8			
2010			50.1	91.4	104.2	109.4	112.9	115.4	119.3	119.3	119.2			
2011				15.9	54.6	96.3	115.5	115.9	116.4	117.3	117.3			
2012					2.8	26.7	36.4	41.1	42.0	43.9	43.9			
2013						11.7	51.6	65.0	70.2	71.6	71.6			
2014							9.9	38.0	44.5	50.4	50.4			
2015								1.8	9.9	17.9	17.9			
2016									10.4	26.0	26.0			
2017										13.3	13.3			
										Total	582.6			
													8.2	
														161.4

Property – Catastrophe

Average annual percentage payout of incurred losses and allocated LAE by age, net of reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	20.2%	39.8%	19.3%	9.3%	2.2%	1.3%	1.4%	0.1%	0.0%	0.1%

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Agriculture
(Millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2017	
Accident Year	Year ended December 31,										Total IBNR liabilities plus expected Development on reported claims	Cumulative Number of reported claims
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
2008	21.4	26.0	25.8	25.8	25.8	26.3	26.3	26.2	26.2	26.2	-	NA
2009		11.9	9.9	8.7	8.7	8.5	8.5	8.5	8.5	8.5	-	NA
2010			12.9	10.9	11.0	10.8	10.8	10.8	10.8	10.8	(0.3)	NA
2011				21.6	21.6	21.8	21.8	21.7	21.7	21.7	-	NA
2012					41.0	45.8	45.8	45.7	47.0	47.0	(0.3)	NA
2013						9.2	11.0	13.1	13.2	13.0	(0.1)	NA
2014							9.7	8.2	8.4	8.9	0.2	NA
2015								7.1	9.2	9.6	0.1	NA
2016									34.1	31.5	2.2	NA
2017										51.3	33.4	NA
									Total	228.5		

Agriculture
(Millions)

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance											
Accident Year	Year ended December 31,										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
2008	1.8	25.3	25.8	25.8	25.8	26.4	26.3	26.2	26.2	26.2	
2009		2.2	9.0	8.6	8.6	8.4	8.5	8.5	8.5	8.5	
2010			0.5	10.7	10.9	10.7	10.7	10.7	10.8	10.7	
2011				1.1	21.4	21.7	21.7	21.7	21.7	21.7	
2012					19.0	45.4	45.7	45.6	47.0	47.0	
2013						7.1	10.8	12.9	13.2	13.0	
2014							6.5	8.1	8.8	8.8	
2015								1.5	8.1	9.2	
2016									10.2	28.8	
2017										9.6	
									Total	183.5	
										All outstanding liabilities before 2008, net of reinsurance	0.6
										Liabilities for loss and loss adjustment expenses, net of reinsurance	45.6

Agriculture

Average annual percentage payout of incurred losses and allocated LAE by age, net of reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	26.1%	66.3%	3.2%	0.0%	0.7%	0.6%	0.0%	(0.2)%	(0.1)%	0.0%

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Accident and Health
(Millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2017		
Accident	Year ended December 31,										Total IBNR liabilities plus Development on reported claims expected	Cumulative Number of reported claims	
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017			
Year	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	2017		
2008	76.5	86.6	84.1	80.7	80.0	79.9	79.8	79.8	79.9	79.8	79.8	-	NA
2009		86.6	84.4	81.5	79.3	79.1	79.1	79.1	79.2	79.1	79.1	0.1	NA
2010			118.7	126.2	123.8	123.0	122.7	122.7	122.7	122.7	122.6	(0.2)	NA
2011				161.6	177.4	173.0	172.4	172.3	172.3	172.3	172.2	(0.6)	NA
2012					164.3	161.1	148.8	148.1	147.8	147.8	147.7	(0.7)	NA
2013						126.5	124.3	119.8	119.2	118.6	118.6	0.7	NA
2014							131.6	132.7	131.1	131.0	131.0	2.3	NA
2015								154.4	150.2	146.7	146.7	2.3	NA
2016									177.2	177.4	177.4	16.4	NA
2017										159.4	159.4	62.8	NA
										Total	1,334.5		

Accident and Health
(Millions)

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance												
Accident	Year ended December 31,											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
Year	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2008	30.9	65.7	74.2	77.1	78.3	79.5	79.6	79.6	79.7	79.7		
2009		27.7	67.9	76.4	77.9	78.8	78.9	78.9	79.1	79.1		
2010			53.3	102.7	119.8	122.0	122.3	122.4	122.5	122.5		
2011				71.4	139.6	166.5	171.5	171.9	172.1	172.0		
2012					72.5	137.0	147.0	147.4	147.6	147.6		
2013						54.7	104.5	115.0	116.4	117.7		
2014							59.5	111.7	125.3	127.0		
2015								76.0	130.8	142.3		
2016									98.5	117.5		
2017										77.2		
										Total	1,182.6	
											All outstanding liabilities before 2008, net of reinsurance	3.9
											Liabilities for loss and loss adjustment expenses, net of reinsurance	155.8

Accident and Health

Average annual percentage payout of incurred losses and allocated LAE by age, net of reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	46.9%	37.6%	10.7%	1.8%	0.6%	0.3%	0.0%	0.1%	0.0%	0.0%

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Aviation and Space
(Millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2017	
Accident Year	Year ended December 31,										Total IBNR liabilities plus expected Development on reported claims	Cumulative Number of reported claims
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
2008	19.0	30.4	33.4	34.1	35.0	34.7	34.1	33.6	33.5	33.4	(0.3)	NA
2009		30.9	34.1	35.4	37.3	35.6	35.5	34.6	32.2	32.3	(0.5)	NA
2010			42.7	47.9	47.6	45.1	43.6	42.7	42.5	42.0	(1.1)	NA
2011				47.0	42.5	38.1	36.1	34.8	34.7	35.9	(1.1)	NA
2012					35.7	34.4	30.3	28.4	28.6	29.7	(1.0)	NA
2013						40.7	36.6	33.6	32.3	33.2	0.1	NA
2014							36.0	38.6	35.4	34.6	4.0	NA
2015								39.8	36.2	40.3	2.7	NA
2016									32.4	32.9	4.3	NA
2017										34.2	14.9	NA
									Total	348.5		

Aviation and Space
(Millions)

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance											
Accident Year	Year ended December 31,										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
2008	5.7	10.7	18.4	25.3	27.8	30.1	31.3	31.5	33.1	33.4	
2009		7.9	16.6	21.6	26.6	27.8	28.8	31.9	31.4	32.3	
2010			12.0	22.3	31.9	36.6	38.2	39.3	40.2	40.4	
2011				10.2	22.8	28.7	31.7	32.9	34.2	35.0	
2012					7.6	18.5	22.7	24.7	27.4	28.4	
2013						13.6	20.0	24.2	26.9	28.7	
2014							8.1	18.1	23.9	26.5	
2015								10.6	21.4	27.4	
2016									7.9	19.9	
2017										9.1	
									Total	281.1	
										All outstanding liabilities before 2008, net of reinsurance	26.4
										Liabilities for loss and loss adjustment expenses, net of reinsurance	93.8

Aviation and Space

Average annual percentage payout of incurred losses and allocated LAE by age, net of reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	26.6%	27.5%	17.2%	11.2%	5.4%	3.8%	4.2%	0.0%	3.6%	0.7%

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Trade credit
(Millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2017	
Accident Year	Year ended December 31,										Total IBNR liabilities plus expected Development on reported claims	Cumulative Number of reported claims
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
2008	9.5	14.3	15.4	15.4	15.3	14.8	15.0	14.8	14.8	14.9	(0.1)	NA
2009		9.4	10.0	9.8	9.6	9.4	9.4	9.3	9.2	9.3	(0.1)	NA
2010			14.7	12.8	9.9	10.1	10.2	10.0	10.0	10.1	(0.1)	NA
2011				30.3	30.1	28.4	28.1	28.1	27.5	27.4	(0.1)	NA
2012					35.8	35.0	33.1	33.3	32.9	32.9	(1.2)	NA
2013						30.7	29.2	28.2	28.0	28.6	0.1	NA
2014							23.6	23.5	24.3	22.2	1.8	NA
2015								20.9	20.4	19.8	0.5	NA
2016									16.0	13.6	2.1	NA
2017										19.7	10.0	NA
									Total	198.5		

Trade credit
(Millions)

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance											
Accident Year	Year ended December 31,										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
2008	2.6	7.5	13.3	14.1	14.5	14.5	14.7	14.8	14.8	14.9	
2009		3.4	7.8	8.7	9.0	9.1	9.2	9.3	9.3	9.3	
2010			1.8	5.4	8.0	8.9	9.3	9.4	9.7	9.7	
2011				6.7	18.0	24.3	25.5	26.5	26.8	26.6	
2012					15.3	27.6	31.9	32.7	33.1	32.9	
2013						12.0	20.5	23.6	24.8	25.2	
2014							8.1	14.1	18.3	19.7	
2015								4.7	12.6	16.2	
2016									4.7	9.2	
2017										3.1	
									Total	166.8	
										All outstanding liabilities before 2008, net of reinsurance	7.5
										Liabilities for loss and loss adjustment expenses, net of reinsurance	39.2

Trade credit

Average annual percentage payout of incurred losses and allocated LAE by age, net of reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	31.4%	35.4%	18.6%	4.6%	2.1%	0.5%	0.3%	0.4%	0.2%	0.5%

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Marine
(Millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2017	
Accident Year	Year ended December 31,										Total IBNR liabilities plus expected Development on reported claims	Cumulative Number of reported claims
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2008	46.2	52.5	56.0	50.9	49.9	48.2	47.8	47.8	47.1	46.9	-	NA
2009		27.9	25.7	24.6	24.3	23.9	23.9	24.0	23.6	23.9	-	NA
2010			32.7	35.5	33.0	32.7	32.8	32.4	31.1	30.8	0.4	NA
2011				37.3	33.3	30.9	31.5	32.5	31.8	32.0	(0.3)	NA
2012					27.7	33.8	36.4	37.8	38.2	37.1	0.9	NA
2013						23.8	20.9	19.7	18.6	18.4	0.2	NA
2014							23.7	21.9	19.9	18.6	0.9	NA
2015								30.2	32.5	30.2	0.9	NA
2016									28.7	29.7	5.0	NA
2017										38.1	20.2	NA
									Total	305.7		

Marine
(Millions)

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance											
Accident Year	Year ended December 31,										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	
2008	11.5	26.0	37.8	41.4	43.3	45.1	45.4	45.8	45.9	46.2	
2009		3.6	12.6	17.7	20.1	22.0	22.9	23.1	23.3	23.3	
2010			5.1	12.4	17.4	19.8	21.6	27.0	27.8	28.8	
2011				4.4	14.6	21.9	25.4	28.2	29.0	29.5	
2012					5.3	14.9	24.4	27.3	29.4	31.3	
2013						2.9	9.5	12.8	14.3	14.7	
2014							4.2	10.4	14.0	15.3	
2015								4.4	12.0	22.4	
2016									6.9	17.7	
2017										7.4	
									Total	236.6	
										All outstanding liabilities before 2008, net of reinsurance	10.8
										Liabilities for loss and loss adjustment expenses, net of reinsurance	79.9

Marine

Average annual percentage payout of incurred losses and allocated LAE by age, net of reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	18.2%	30.6%	23.5%	8.5%	5.8%	6.4%	1.3%	1.5%	0.3%	0.6%

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Contingency
(Millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2017	
Accident Year	Year ended December 31,										Total IBNR liabilities plus expected Development on reported claims	Cumulative Number of reported claims
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
2008	3.6	4.3	3.7	3.8	3.8	3.8	3.8	3.7	3.7	3.7	-	NA
2009		6.9	6.4	6.3	6.3	6.3	6.3	6.3	6.3	6.4	-	NA
2010			5.7	6.1	4.7	4.6	4.4	4.2	4.2	4.2	-	NA
2011				8.0	7.3	6.8	6.7	6.8	6.8	6.8	0.1	NA
2012					9.9	8.8	8.9	8.7	8.5	8.3	(0.1)	NA
2013						5.5	4.3	3.6	3.6	3.6	0.2	NA
2014							4.2	7.1	5.3	4.8	0.2	NA
2015								10.1	9.8	9.2	0.3	NA
2016									18.6	19.0	1.1	NA
2017										9.9	4.2	NA
									Total	75.9		

Contingency
(Millions)

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance												
Accident Year	Year ended December 31,											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
2008	2.1	3.3	3.5	3.6	3.6	3.6	3.6	3.7	3.6	3.7		
2009		4.9	5.9	6.2	6.2	6.2	6.2	6.3	6.3	6.4		
2010			1.9	3.5	3.6	3.6	4.0	4.2	4.2	4.2		
2011				2.1	5.9	6.7	6.6	6.7	6.7	6.7		
2012					5.5	7.4	8.7	8.7	8.5	8.3		
2013						1.9	3.1	3.3	3.3	3.3		
2014							1.7	3.7	4.5	4.6		
2015								2.9	7.3	7.9		
2016									12.6	16.1		
2017										3.1		
									Total	64.3		
											All outstanding liabilities before 2008, net of reinsurance	-
											Liabilities for loss and loss adjustment expenses, net of reinsurance	11.6

Contingency

Average annual percentage payout of incurred losses and allocated LAE by age, net of reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	50.8%	31.5%	8.9%	0.5%	0.9%	0.0%	0.6%	0.5%	0.6%	0.7%

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Other and Runoff

(Millions)

Incurred losses and allocated loss adjustment expenses, net of reinsurance											December 31, 2017		
Year ended December 31,											Total IBNR liabilities plus expected		Cumulative
Accident	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Development on reported claims	Number of reported claims	
Year	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited			
2008	620.0	610.0	593.9	588.9	587.4	587.5	587.3	587.7	589.5	588.3	5.2	NA	
2009		528.0	521.2	510.7	510.2	510.4	511.0	511.8	512.9	512.1	8.5	NA	
2010			390.8	391.9	391.2	392.5	393.4	394.7	395.3	395.4	4.7	NA	
2011				306.9	308.0	309.2	309.7	310.2	311.0	310.5	6.2	NA	
2012					3.8	4.2	4.5	4.7	4.6	4.5	1.6	NA	
2013						1.7	0.6	0.6	0.6	0.7	-	NA	
2014							0.6	0.6	0.9	1.0	0.1	NA	
2015								10.0	16.5	18.0	0.6	NA	
2016									12.0	12.4	0.9	NA	
2017										10.3	9.6	NA	
										Total	1,853.2		

Other and Runoff

(Millions)

Cumulative paid losses and allocated loss adjustment expenses, net of reinsurance												
Year ended December 31,												
Accident	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017		
Year	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited		
2008	331.1	453.5	498.5	545.1	553.4	560.6	565.3	569.9	574.0	579.0		
2009		289.2	402.6	480.4	483.9	488.5	492.3	495.4	496.7	499.2		
2010			225.7	370.5	372.8	377.0	380.2	384.0	385.9	387.8		
2011				291.8	293.8	296.2	298.0	299.7	301.8	303.3		
2012					0.3	1.4	1.8	2.4	2.6	2.5		
2013						0.7	0.2	0.4	0.5	0.6		
2014							-	0.3	0.5	0.7		
2015								5.4	10.5	15.7		
2016									6.2	10.2		
2017										0.4		
										Total	1,799.4	
											All outstanding liabilities before 2008, net of reinsurance	467.0
											Liabilities for loss and loss adjustment expenses, net of reinsurance	520.8

Other and Runoff

Average annual percentage payout of incurred losses and allocated LAE by age, net of reinsurance										
Years	1	2	3	4	5	6	7	8	9	10
	61.2%	21.3%	7.3%	3.1%	1.0%	0.9%	0.6%	0.5%	0.6%	0.8%

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Note 4. Third party reinsurance

In the normal course of business, SBDA's subsidiaries seek to limit losses that may arise from catastrophes or other events by reinsuring with third-party reinsurers. SBDA remains liable for risks reinsured in the event that the reinsurer does not honor its obligations under reinsurance contracts. The effects of reinsurance on SBDA's subsidiaries' written and earned premiums and on losses and LAE were as follows:

<i>(Millions)</i>	2017	2016	2015
Written premiums:			
Direct	\$ 449.7	\$ 368.5	\$ 293.7
Assumed	989.5	900.5	866.8
Gross written premiums	1,439.2	1,269.0	1,160.5
Ceded	(350.6)	(330.9)	(312.9)
Net written premiums	\$ 1,088.6	\$ 938.1	\$ 847.6
Earned premiums:			
Direct	\$ 405.7	\$ 351.6	\$ 277.8
Assumed	942.2	877.7	868.3
Gross earned premiums	1,347.9	1,229.3	1,146.1
Ceded	(350.3)	(339.2)	(299.1)
Net earned premiums	\$ 997.6	\$ 890.1	\$ 847.0
Losses and LAE:			
Direct	\$ 294.9	\$ 216.9	\$ 151.3
Assumed	701.2	463.8	391.9
Gross losses and LAE	996.1	680.7	543.2
Ceded	(204.3)	(161.4)	(120.5)
Net losses and LAE	\$ 791.8	\$ 519.3	\$ 422.7

SBDA's reinsurance protection primarily consists of pro-rata and excess of loss protections to cover accident and health, aviation, trade credit, energy, marine, and property exposures. Attachment points and coverage limits vary by region around the world. SBDA'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.

SBDA 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, 2017, providing \$40.0 million of reinsurance protection in excess of SBDA's retention of \$35.0 million and a further \$35.0 million of coverage in excess of \$75.0 million.

SBDA 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 & flood	\$7.5 million	\$7.5 billion	April 30, 2018
European all natural perils	\$15.0 million	\$15.0 billion	May 31, 2018 ⁽¹⁾
United States all natural peril, excluding North East	\$5.0 million	\$40.0 billion	June 30, 2018
United States, European, Japan wind & earthquake	\$18.0 million	\$5.0-\$10.0 billion	December 31, 2018 ⁽²⁾

⁽¹⁾ Second event aggregate excess cover

⁽²⁾ Multiple layer covers

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In connection with the CMIG International acquisition, White Mountains required SBDA to purchase ILWs, referred to as the WTM Covers, to mitigate the potential impact of major natural catastrophe events on SBDA'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 Sirius Ltd., White Mountains paid Sirius Ltd. \$16.5 million on an after-tax basis, which Sirius Ltd. recorded as paid-in surplus.

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

At December 31, 2017, SBDA had reinsurance recoverables on paid losses of \$17.5 million and reinsurance recoverables of \$319.7 million on unpaid losses. At December 31, 2016, SBDA had reinsurance recoverables on paid losses of \$17.1 million and reinsurance recoverables of \$291.5 million on paid unpaid losses. Because retrocessional reinsurance contracts do not relieve SBDA of its obligation to its insureds, the collectability of balances due from SBDA's reinsurers is important to its financial strength. SBDA monitors the financial strength and ratings of retrocessionaires on an ongoing basis. Uncollectible amounts historically have not been significant.

The following table provides a listing of SBDA'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, 2017:

Rating ⁽¹⁾	Gross	Collateral	Net	% of Net Total
AA	\$ 116.9	\$ 1.0	\$ 115.9	43%
A	153.9	27.9	126.0	46%
BBB or lower	13.4	12.5	0.9	1%
Not rated	53.0	23.9	29.1	10%
Total	\$ 337.2	\$ 65.3	\$ 271.9	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

SBDA's net investment income is comprised primarily of interest income associated with SBDA's fixed maturity investments, dividend income from its equity investments, and interest income from its short-term investments.

Pre-tax net investment income for the years ended December 31, 2017, 2016, and 2015 consisted of the following:

(Millions)	2017	2016	2015
Investment income:			
Fixed maturity investments	\$ 50.2	\$ 57.4	\$ 44.6
Short-term investments	1.5	0.7	2.2
Common equity securities	5.0	4.1	5.9
Convertible fixed maturity investments	-	-	0.1
Other long-term investments	16.9	4.8	(0.3)
Interest on funds held under reinsurance treaties	-	(0.5)	(0.5)
Total investment income	73.6	66.5	52.0
Investment expenses	(9.8)	(10.8)	(12.6)
Net investment income, pre-tax	\$ 63.8	\$ 55.7	\$ 39.4

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Net Realized and Unrealized Investment (Losses) Gains

Net realized and unrealized investment gains (losses) for the years ended December 31, 2017, 2016, and 2015 consisted of the following:

<i>(Millions)</i>	2017	2016	2015
Net realized investment (losses) gains, pre-tax	\$ (23.6)	\$ 288.2	\$ 138.6
Net unrealized investment (losses) gains, pre-tax	(23.2)	(238.3)	102.9
Net realized and unrealized investment (losses) gains, pre-tax	(46.8)	49.9	241.5
Income taxes attributable to realized and unrealized investment (losses) gains	12.9	(12.7)	(49.1)
Net realized and unrealized investment (losses) gains, after-tax	\$ (33.9)	\$ 37.2	\$ 192.4

Net realized investment (losses) gains

Net realized investment gains for the years ended December 31, 2017, 2016, and 2015 consisted of the following:

<i>(Millions)</i>	2017		
	Net realized (losses) gains	Net foreign currency (losses) gains	Total net realized (losses) gains reflected in earnings
Fixed maturity investments	\$ (7.6)	\$ (7.6)	\$ (15.2)
Common equity securities	-	-	-
Other long-term investments	(0.2)	(8.2)	(8.4)
Net realized investment (losses) gains, pre-tax	(7.8)	(15.8)	(23.6)
Income taxes attributable to realized investment (losses) gains	1.8	2.1	3.9
Net realized investment (losses) gains, after-tax	\$ (6.0)	\$ (13.7)	\$ (19.7)

<i>(Millions)</i>	2016		
	Net realized (losses) gains	Net foreign currency (losses) gains	Total net realized (losses) gains reflected in earnings
Fixed maturity investments	\$ 13.1	\$ 44.5	\$ 57.6
Common equity securities	227.0	4.6	231.6
Other long-term investments	(1.7)	0.7	(1.0)
Net realized investment (losses) gains, pre-tax	238.4	49.8	288.2
Income taxes attributable to realized investment (losses) gains	(48.1)	(12.9)	(61.0)
Net realized investment (losses) gains, after-tax	\$ 190.3	\$ 36.9	\$ 227.2

<i>(Millions)</i>	2015		
	Net realized (losses) gains	Net foreign currency (losses) gains	Total net realized (losses) gains reflected in earnings
Fixed maturity investments	\$ 14.8	\$ 60.0	\$ 74.8
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 (losses) gains, pre-tax	68.0	70.6	138.6
Income taxes attributable to realized investment (losses) gains	(19.9)	(16.9)	(36.8)
Net realized investment (losses) gains, after-tax	\$ 48.1	\$ 53.7	\$ 101.8

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Net unrealized investment (losses) gains

The following table summarizes the net unrealized investment (losses) gains and changes in fair value for the years ended December 31, 2017, 2016, and 2015:

<i>(Millions)</i>	2017		
	Net unrealized gains (losses)	Net foreign currency (losses) gains	Total net unrealized (losses) gains reflected in earnings
Fixed maturity investments	\$ 6.9	\$ (47.9)	\$ (41.0)
Common equity securities	14.9	(2.7)	12.2
Other long-term investments	7.9	(2.3)	5.6
Net unrealized investment (losses) gains, pre-tax	29.7	(52.9)	(23.2)
Income taxes attributable to unrealized investment (losses) gains	(4.1)	13.1	9.0
Net unrealized investment (losses) gains, after-tax	\$ 25.6	\$ (39.8)	\$ (14.2)

<i>(Millions)</i>	2016		
	Net unrealized gains (losses)	Net foreign currency gains (losses)	Total net unrealized (losses) gains reflected in earnings
Fixed maturity investments	\$ (14.6)	\$ (10.6)	\$ (25.2)
Common equity securities	(215.1)	0.5	(214.6)
Other long-term investments	(1.1)	2.6	1.5
Net unrealized investment (losses) gains, pre-tax	(230.8)	(7.5)	(238.3)
Income taxes attributable to unrealized investment (losses) gains	46.6	1.7	48.3
Net unrealized investment (losses) gains, after-tax	\$ (184.2)	\$ (5.8)	\$ (190.0)

<i>(Millions)</i>	2015		
	Net unrealized gains (losses)	Net foreign currency (losses) gains	Total net unrealized (losses) gains reflected in earnings
Fixed maturity investments	\$ (32.8)	\$ (13.0)	\$ (45.8)
Common equity securities	167.8	(4.8)	163.0
Other long-term investments	(16.7)	2.4	(14.3)
Net unrealized investment (losses) gains, pre-tax	118.3	(15.4)	102.9
Income taxes attributable to unrealized investment (losses) gains	(16.3)	4.0	(12.3)
Net unrealized investment (losses) gains, after-tax	\$ 102.0	\$ (11.4)	\$ 90.6

SBDA recognized gross realized investment gains of \$23.6 million, \$310.1 million, and \$154.4 million and gross realized investment losses of \$47.2 million, \$21.9 million, and \$15.8 million on sales of investment securities during 2017, 2016, and 2015.

As of December 31, 2017 and 2016 SBDA reported \$0.3 million and \$7.6 million, respectively, in Accounts payable on unsettled investment purchases.

As of December 31, 2017, SBDA reported \$0.3 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, 2017, 2016, and 2015:

<i>(Millions)</i>	2017	2016	2015
Fixed maturity investments	\$ (0.2)	\$ (0.1)	\$ -
Common equity securities	0.1	-	6.6
Other long-term investments	(0.6)	1.2	(0.4)
Total unrealized investment (losses) gains, pre-tax - Level 3 investments	\$ (0.7)	\$ 1.1	\$ 6.2

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The components of SBDA's net realized and unrealized investment gains (losses), after-tax, as recorded on the statements of operations and comprehensive income for the years ended December 31, 2017, 2016, and 2015 were as follows:

<i>(Millions)</i>	2017	2016	2015
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates, pre-tax	\$ -	\$ -	\$ (35.4)
Income tax benefit (expense)	-	-	2.9
Change in equity in net unrealized (losses) gains from investments in unconsolidated affiliates, after-tax	-	-	(32.5)
Change in net unrealized foreign currency gains (losses) on investments through accumulated other comprehensive income, after-tax	83.9	(83.1)	(110.7)
Total investments gains (losses) through accumulated other comprehensive income, after tax	83.9	(83.1)	(143.2)
Net realized and unrealized investment gains (losses), after-tax	(33.9)	37.2	192.4
Total investment gains (losses) recorded during the period, after-tax	\$ 50.0	\$ (45.9)	\$ 49.2

Investment Holdings

Fixed maturity investments

The cost or amortized cost, gross unrealized investment gains (losses), net foreign currency gains (losses), and fair value of SBDA's fixed maturity investments as of December 31, 2017 and 2016, were as follows:

<i>(Millions)</i>	2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Fair value
Fixed maturity investments:					
Debt securities issued by corporations	\$ 1,017.0	\$ 3.1	\$ (4.8)	\$ (0.8)	\$ 1,014.5
Mortgage-backed and asset-backed securities	959.5	1.2	(9.7)	(4.2)	946.8
Foreign government, agency and provincial obligations	106.8	0.1	(0.9)	1.2	107.2
U.S. Government and agency obligations	84.2	-	(0.7)	(0.2)	83.3
Preferred stocks	9.2	0.3	-	0.2	9.7
Municipal obligations	3.8	-	-	-	3.8
Total fixed maturity investments	\$ 2,180.5	\$ 4.7	\$ (16.1)	\$ (3.8)	\$ 2,165.3

<i>(Millions)</i>	2016				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Fair 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
U.S. Government and agency obligations	148.7	0.3	(1.7)	(0.8)	146.5
Foreign government, agency and provincial 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

The weighted average duration of SBDA's fixed income portfolio as of December 31, 2017 was approximately 2.0 years, including short-term investments, and approximately 2.3 years excluding short-term investments.

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The cost or amortized cost and carrying value of SBDA's fixed maturity investments and convertible fixed maturity investments as of December 31, 2017 and 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.

<i>(Millions)</i>	2017	
	Cost or amortized cost	Fair value
Due in one year or less	\$ 106.3	\$ 106.5
Due after one year through five years	1,007.4	1,004.9
Due after five years through ten years	71.2	70.8
Due after ten years	26.9	26.6
Mortgage-backed and asset-backed securities	959.5	946.8
Preferred stocks	9.2	9.7
Total	\$ 2,180.5	\$ 2,165.3

<i>(Millions)</i>	2016	
	Cost or amortized cost	Fair 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

Debt Securities Issued by Corporations

The following table summarizes the ratings and fair value of the corporate debt securities held in SBDA's investment portfolio as of December 31, 2017 and 2016:

<i>(Millions)</i>	2017	2016
AAA	\$ 146.4	\$ 150.8
AA	164.9	219.6
A	361.7	478.1
BBB	308.4	620.2
Other	33.1	9.3
Debt securities issued by corporations⁽¹⁾	\$ 1,014.5	\$ 1,478.0

⁽¹⁾ Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's Investor Service ("Moody's").

Mortgage-backed, Asset-backed Securities

SBDA 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. SBDA 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., SBDA considers investments backed primarily by second-liens to be sub-prime risks regardless of credit scores or other metrics).

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SBDA 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 SBDA’s review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios. SBDA’s non-agency residential mortgage-backed portfolio is generally moderate-term and structurally senior. SBDA does not own any collateralized loan obligations or any collateralized debt obligations.

<i>(Millions)</i>	2017				2016			
	Fair Value	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3
Mortgage-backed securities:								
Agency:								
Government National Mortgage Association	\$ 0.1	\$ -	\$ 0.1	\$ -	\$ 77.3	\$ -	\$ 77.3	\$ -
Federal National Mortgage Association	96.7	-	96.7	-	282.1	-	282.1	-
Federal Home Loan Mortgage Corporation	137.8	-	137.8	-	88.2	-	88.2	-
Total Agency⁽¹⁾	234.6	-	234.6	-	447.6	-	447.6	-
Non-agency:								
Residential	12.7	-	12.7	-	82.0	-	82.0	-
Commercial	224.1	-	224.1	-	163.4	-	157.0	6.4
Total Non-agency	236.8	-	236.8	-	245.4	-	239.0	6.4
Total Mortgage-backed Securities	471.4	-	471.4	-	693.0	-	686.6	6.4
Asset-backed Securities:								
Credit Card Receivables	53.0	-	53.0	-	99.1	-	99.1	-
Vehicle Receivables	314.6	-	314.6	-	260.6	-	260.6	-
Other	107.8	-	107.8	-	108.3	-	96.3	12.0
Total Asset-Backed Securities	475.4	-	475.4	-	468.0	-	456.0	12.0
Total Mortgage and Asset-backed Securities	\$ 946.8	\$ -	\$ 946.8	\$ -	\$ 1,161.0	\$ -	\$ 1,142.6	\$ 18.4

⁽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).

Common equity securities and Other long-term investments

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of SBDA’s common equity securities and other long-term investments as of December 31, 2017 and 2016, were as follows:

<i>(Millions)</i>	2017				
	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)	Carrying value
Common equity securities	\$ 275.1	\$ 29.3	\$ (5.1)	\$ (0.1)	\$ 299.2
Other long-term investments	\$ 438.1	\$ 14.2	\$ (4.1)	\$ 3.9	\$ 452.1

<i>(Millions)</i>	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

Other long-term investments consist of the following as of December 31, 2017 and 2016:

<i>(Millions)</i>	2017 Carrying Value	2016 Carrying Value
Hedge funds and private equity funds	\$ 205.3	\$ 85.4
Limited liability companies and private debt and equity securities	55.2	39.4
Related-party debt instruments (See Note 16)	191.6	-
Total other long-term investments	\$ 452.1	\$ 124.8

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Hedge Funds and Private Equity Funds

SBDA 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, 2017, SBDA held investments in 6 hedge funds and 29 private equity funds. The largest investment in a single fund was \$31.4 million as of December 31, 2017 and \$24.2 million as of December 31, 2016.

The following table summarizes investments in hedge funds and private equity interests by investment objective and sector as of December 31, 2017 and 2016:

<i>(Millions)</i>	2017		2016	
	Carrying Value	Unfunded Commitments	Carrying Value	Unfunded Commitments
Hedge funds:				
Long/short credit & distressed	\$ 31.5	\$ -	\$ -	\$ -
Other	3.2	-	3.7	-
Total hedge funds	34.7	-	3.7	-
Private equity funds:				
Energy infrastructure & services	73.5	56.4	50.7	60.0
Multi-sector	35.0	1.0	8.9	1.5
Healthcare	23.4	28.6	19.4	24.4
Life settlement	21.5	-	-	-
Manufacturing/Industrial	15.9	5.1	0.4	19.6
Private equity secondaries	1.1	1.0	1.8	1.1
Real estate	0.2	-	0.3	-
Venture capital	-	-	0.2	-
Total private equity funds	170.6	92.1	81.7	106.6
Total hedge and private equity funds included in other long-term investments	\$ 205.3	\$ 92.1	\$ 85.4	\$ 106.6

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, 2017 fair value of hedge funds subject to restrictions on redemption frequency and advance notice period requirements for investments in active hedge funds:

Redemption Frequency <i>(Millions)</i>	Notice Period				Total
	30-59 days notice	60-89 days notice	90-119 days notice	120+ days notice	
Monthly	\$ -	\$ 31.5	\$ -	\$ -	\$ 31.5
Quarterly	1.0	-	-	-	1.0
Semi-annual	-	1.0	-	-	1.0
Annual	-	-	1.1	0.1	1.2
Total	\$ 1.0	\$ 32.5	\$ 1.1	\$ 0.1	\$ 34.7

Certain of the hedge fund and private equity fund investments in which SBDA 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, 2017, no distributions were outstanding from these investments.

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, 2017, investments in private equity funds were subject to lock-up periods as follows:

<i>(Millions)</i>	1 - 3 years	3 - 5 years	5 - 10 years	Total
Private Equity Funds – expected lock up period remaining	\$ 7.1	\$ 6.1	\$ 157.4	\$ 170.6

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Investments Held on Deposit or as Collateral

As of December 31, 2017 and 2016 investments of \$548.2 million and \$406.0 million, respectively, were held in trusts required to be maintained in relation to various reinsurance agreements. SBDA'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 \$548.4 million and \$413.0 million as of December 31, 2017 and 2016.

Note 6. Fair value measurements

Fair value measurements as of December 31, 2017

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").

As of both December 31, 2017 and 2016, approximately 98% and 96% of the investment portfolio, excluding investments accounted for at net asset value as a practical expedient for fair value and related-party debt instruments held at amortized cost, was recorded at fair value was priced based upon quoted market prices or other observable inputs. 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. 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. 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 SBDA's investments in certain debt securities, including asset-backed securities, and equity securities where quoted market prices are unavailable or are not considered reasonable. SBDA determines when transfers between levels have occurred as of the beginning of the period.

SBDA uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, SBDA uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services SBDA 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, SBDA 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.

SBDA'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. 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 SBDA's review process does not appear to support the market price provided by the pricing services, SBDA challenges the price. If SBDA 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 SBDA's fixed maturity investments. The techniques and inputs specific to asset classes within SBDA's fixed maturity investments for Level 2 securities that use observable inputs are as follows:

U.S. Government and agency obligations

The fair value of U.S. Government and agency 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, 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.

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.

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Mortgage-backed 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, agency, and provincial 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 SBDA'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.

SBDA 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 SBDA's investments in hedge funds and private equity funds have been classified as Level 3 measurements. The fair value of SBDA's investments in hedge funds and private equity funds has been determined using net asset value.

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Fair Value Measurements by Level

The following tables summarize SBDA's financial assets and liabilities measured at fair value as of December 31, 2017 and 2016 by level:

<i>(Millions)</i>	2017			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Assets measured at fair value				
Fixed Maturities:				
U.S. Government and agency obligations	\$ 83.3	\$ 81.7	\$ 1.6	\$ -
Debt securities issued by corporations	1,014.5	-	1,014.5	-
Mortgage-backed and asset-backed securities	946.8	-	946.8	-
Foreign government, agency and provincial obligations	107.2	94.8	12.4	-
Preferred stocks	9.7	-	1.7	8.0
Municipal obligations	3.8	-	3.8	-
Total fixed maturity investments	2,165.3	176.5	1,980.8	8.0
Short-term investments	587.9	529.1	58.8	-
Common equity securities	299.2	298.6	0.6	-
Other long-term investments ⁽¹⁾	55.2	-	-	55.2
Total investments	\$ 3,107.6	\$ 1,004.2	\$ 2,040.2	\$ 63.2
Derivative instruments	4.2	-	-	4.2
Total assets measured at fair value	\$ 3,111.8	\$ 1,004.2	\$ 2,040.2	\$ 67.4
Liabilities measured at fair value				
Contingent consideration liabilities	\$ 13.3	\$ -	\$ -	\$ 13.3
Total liabilities measured at fair value	\$ 13.3	\$ -	\$ -	\$ 13.3

⁽¹⁾ Excludes carrying value of \$396.9 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient and related-party debt instruments at amortized cost.

<i>(Millions)</i>	2016			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Assets measured at fair value				
Fixed Maturities:				
U.S. Government and agency obligations	\$ 89.4	\$ 86.2	\$ 3.2	\$ -
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	498.8	459.6	39.2	-
Common equity securities	118.0	118.0	-	-
Other long-term investments ⁽¹⁾	29.1	-	-	29.1
Total investments	\$ 3,532.6	\$ 681.9	\$ 2,794.2	\$ 56.5
Derivative instruments	5.8	-	-	5.8
Total assets measured at fair value	\$ 3,538.4	\$ 681.9	\$ 2,794.2	\$ 62.3
Liabilities measured at fair value				
Contingent consideration liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities measured at fair value	\$ -	\$ -	\$ -	\$ -

⁽¹⁾ Excludes carrying value of \$95.7 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

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Rollforward of Level 3 Fair Value Measurements

The following tables present changes in Level 3 for financial instruments measured at fair value for the years ended December 31, 2017 and 2016:

<i>(Millions)</i>	2017			
	Fixed Maturities	Other long-term investments ⁽¹⁾	Derivative instruments assets & (liabilities)	Contingent consideration liabilities
Balance at January 1, 2017	\$ 27.7	\$ 29.1	\$ 5.8	\$ -
Total realized and unrealized gains	(4.9)	(0.5)	(1.5)	35.2
Foreign currency losses through Other Comprehensive Income	(0.1)	1.0	-	-
Purchases	4.7	27.0	-	79.1
Sales/Settlements	(1.0)	(1.4)	-	30.6
Transfers out ⁽²⁾	(18.3)	-	-	-
Balance at December 31, 2017	\$ 8.1	\$ 55.2	\$ 4.3	\$ 13.3

⁽¹⁾ Excludes carrying value of \$396.9 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient and related-party debt instruments at amortized cost.

⁽²⁾ Transfer from Level 3 to Level 2

<i>(Millions)</i>	2016			
	Fixed Maturities	Other long-term investments ⁽¹⁾	Derivative instruments assets & (liabilities)	Contingent consideration liabilities
Balance at January 1, 2016	\$ 3.0	\$ 19.7	\$ (1.5)	\$ -
Total realized and unrealized gains	(0.1)	1.1	5.2	-
Foreign currency losses through Other Comprehensive Income	-	(0.2)	-	-
Purchases	26.7	9.1	-	-
Sales/Settlements	-	(0.6)	2.1	-
Transfers out ⁽²⁾	(2.2)	-	-	-
Balance at December 31, 2016	\$ 27.4	\$ 29.1	\$ 5.8	\$ -

⁽¹⁾ Excludes carrying value of \$95.7 associated with hedge funds and private equity funds which fair value is measured at net asset value using the practical expedient.

⁽²⁾ Transfer from Level 3 to Level 2

Fair Value Measurements – transfers between levels

During 2017, two fixed maturity security classified as Level 3 measurements in the prior period was reclassified 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, 2017. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of \$18.3 million for the period ended December 31, 2017

During 2016, one fixed maturity security classified as Level 3 measurements in the prior period was reclassified 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

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Significant Unobservable Inputs

The table below presents information about the significant unobservable inputs used for recurring fair value measurements for certain Level 3 instruments as of December 31, 2017 and December 31, 2016, and includes only those instruments for which information about the inputs is reasonably available to us, such as data from independent third-party valuation service providers and from internal valuation models.

<i>(Millions)</i>		2017			
Description	Rating ⁽¹⁾	Valuation Technique(s)	Fair Value	Unobservable Input	
Private equity securities ⁽²⁾	NR	Share price of recent transaction	\$25.0	Purchase price	\$31.25
Private equity securities ⁽²⁾	NR	Multiple of GAAP book value	\$17.2	Book value multiple	1.0X
Private debt instrument ⁽²⁾	NR	Purchase price of recent transaction	\$9.0	Purchase price	\$9.0
Preferred stock ⁽²⁾	NR	Purchase price of recent transaction	\$6.0	Average share price	\$0.6
Private debt instrument ⁽²⁾	NR	Internal valuation model	\$2.5	Purchase price less pay down	\$2.5
Preferred stock ⁽²⁾	NR	Share price of recent transaction	\$2.0	Average share price	\$11.79
Private debt instrument ⁽²⁾	NR	Purchase price of recent transaction	\$1.5	Purchase price	\$1.5

⁽¹⁾ Credit ratings are assigned based on the following hierarchy: 1) Standard & Poor's and 2) Moody's.

⁽²⁾ As of December 31, 2017 each asset type consists of one security.

<i>(Millions)</i>		2016			
Description	Rating ⁽¹⁾	Valuation Technique(s)	Fair Value	Unobservable Input	
Asset-backed securities ⁽²⁾	AAA	Broker pricing	\$18.4	Purchase price	\$18.4
Private equity securities ⁽³⁾	NR	Multiple of GAAP book value	\$16.1	Book value multiple	1.0X
Private debt instrument ⁽³⁾	NR	Purchase price of recent transaction	\$9.0	Purchase price	\$9.0
Preferred stock ⁽³⁾	NR	Purchase price of recent transaction	\$6.0	Average share price	0.6
Private debt instrument ⁽³⁾	NR	Purchase price of recent transaction	\$3.3	Purchase price less pay down	\$3.3
Preferred stock ⁽³⁾	NR	Average fair value	\$3.0	Average share price	86.3
Common stock warrant ⁽³⁾	NR	Average fair value	\$0.5	Discount rate range	14-17%

⁽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 two securities.

⁽³⁾ As of December 31, 2016 each asset type consists of one security.

Financial instruments disclosed, but not carried at fair value

SBDA uses various financial instruments in the normal course of its business. The carrying values of Cash, Accrued investment income, certain other assets, Accounts payable on unsettled investment purchases, certain other liabilities, and other financial instruments not included in the table below approximated their fair values at December 31, 2017, due to their respective short maturities. As these financial instruments are not actively traded, their respective fair values are classified within Level 3. The following table includes financial instruments for which the carrying value differs from the estimated fair values at December 31, 2017 and 2016:

<i>(Millions)</i>	December 31, 2017		December 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets:				
IMG Term Note and Credit Facility	\$ 118.6	\$ 111.6	\$ -	\$ -
SAHC2 Note	\$ 79.1	\$ 80.0	\$ -	\$ -
Liabilities:				
Old Lyme Note	\$ -	\$ -	\$ 3.7	\$ 3.7

The fair value estimates at December 31, 2017 for the IMG Term Note and Credit Facility and the SAHC2 Note were determined by internal pricing and are considered a Level 3 measurement. The fair value estimate at December 31, 2016 for the Old Lyme Note was determined by internal pricing, based on the expected amount due to the sellers of Old Lyme, and is considered a Level 3 measurement.

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NOTE 7. Goodwill and intangible assets

Goodwill represents the excess of the amount paid to acquire subsidiaries over the fair value of identifiable net assets at the date of acquisition. Intangible assets consist primarily of policyholder relationships, distribution relationships, trade names, customer relationships, information technology, and insurance licenses. Finite-life intangible assets are measured at their acquisition date fair values, are amortized over their economic lives, and presented net of accumulated amortization on the balance sheet.

Goodwill is not amortized, but rather is evaluated for impairment on an annual basis, or whenever indications of potential impairment exist. In the absence of any indications of potential impairment, the evaluation of goodwill is performed during the fourth quarter of each year. SBDA uses widely accepted valuation techniques to determine the fair value of its reporting units used in its annual goodwill impairment analysis. SBDA's valuation is primarily based on qualitative and quantitative assessments regarding the fair value of the reporting unit relative to its carrying value. SBDA models the fair value of the reporting unit based on projected earnings and cash flows of the reporting unit.

Intangible assets with finite lives are evaluated for impairment at least annually and when events or changes in circumstances indicate that it is more likely than not that the asset is impaired.

The following table shows the change in goodwill, intangible assets with an indefinite life, and intangible assets with a finite life during years ended December 31, 2017 and 2016:

<i>(Millions)</i>	Goodwill	Intangible assets with an indefinite life	Intangible assets with a finite life	Total
Net balance at December 31, 2015	\$ -	\$ 5.0	\$ -	\$ 5.0
Additions	-	-	-	-
Amortization	-	-	-	-
Net balance at December 31, 2016	-	5.0	-	5.0
Additions	122.7	-	81.5	204.2
Amortization	-	-	(4.1)	(4.1)
Net balance at December 31, 2017	\$ 122.7	\$ 5.0	\$ 77.4	\$ 205.1

We estimate that the annual amortization expense for our total intangible assets with a finite life will be approximately \$5.4 million per year in 2018 through 2022. The estimated remaining useful lives of these assets range from 7.5 to 22.5 years.

Note 8. Debt and standby letters of credit facilities

SBDA's debt outstanding as of December 31, 2017 and 2016 consisted of the following:

<i>(Millions)</i>	December 31, 2017	Effective Rate ⁽¹⁾	December 31, 2016	Effective Rate ⁽¹⁾
Old Lyme Note	\$ -		\$ 3.7	3.6%
Total debt	\$ -		\$ 3.7	

⁽¹⁾ Effective rate considers the effect of the debt issuance costs.

Old Lyme Note

On April 25, 2017, SBDA made a payment of \$3.8 million to retire the Old Lyme Note that was issued as part of the acquisition of the runoff loss reserve portfolio of Old Lyme Insurance Company Ltd. As part of the acquisition, SBDA entered into a five-year \$2.1 million purchase note that was 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, SBDA had favorable loss reserve development of \$3.4 million on the Old Lyme loss reserve position that resulted in an increase of \$1.7 million on the Old Lyme Note.

Stand By Letter of Credit Facilities

On November 8, 2017, Sirius International entered into four stand by letter of credit facility agreements totaling \$215 million to provide capital support for Lloyds Syndicate 1945. The first letter of credit is a renewal of a \$125 million facility with Nordea Bank Finland plc, \$100 million of which is issued on an unsecured basis. The second letter of credit is a \$25 million secured facility with Lloyds Bank plc. Lloyds Bank plc had previously participated on this program but at a different capacity. The third letter of credit agreement is a \$30 million unsecured facility with Barclays Bank plc. The fourth letter of credit agreement is a \$35 million facility with DNB Bank ASA London Branch, \$25 million of which is issued on an unsecured basis. Each facility is renewable annually. The above referenced facilities are subject to various affirmative, negative and financial covenants that the Company considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards.

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Sirius International has other secured letter of credit and trust arrangements with various financial institutions to support its insurance operations. As of December 31, 2017 and December 31, 2016, these secured letter of credit and trust arrangements were collateralized by pledged assets and assets in trust of SEK 2.1 billion and SEK 1.8 billion, or \$261.2 million and \$203.0 million (based on the December 31, 2017 and December 31, 2016 SEK to USD exchange rates). As of December 31, 2017 and December 31, 2016, Sirius America's trust arrangements were collateralized by pledged assets and assets in trust of \$55.8 million and \$18.8 million. As of December 31, 2017, Sirius Bermuda's trust arrangements were collateralized by pledged assets and assets in trust of \$123.3 million. At December 31, 2016, Sirius Bermuda did not have any trust arrangements that were collateralized by pledged assets and assets in trust.

Debt and Standby Letter of Credit Facility Covenants

As of December 31, 2017, SBDA was in compliance with all of the covenants under the 2016 SIG Senior Notes, 2017 SEK Subordinated Notes, the Nordea facility, the Lloyd's Bank facility, Barclays Bank facility, and the DNB Bank ASA London Branch facility.

Interest

SBDA did not incur any interest expense in 2017. Total interest expense incurred by SBDA for its indebtedness was \$0.2 million and \$0.3 million in 2016 and 2015, respectively. Total interest paid by SBDA for its indebtedness was \$0.7 million during 2017. No interest was paid by SBDA for its indebtedness during 2016 and 2015.

Note 9. 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.

SBDA's net (loss) income before income taxes for the years ended December 31, 2017, 2016, and 2015 was generated in the following domestic and foreign jurisdictions:

<i>(Millions)</i>	2017	2016	2015
Domestic:			
Bermuda	\$ (79.8)	\$ 59.7	\$ 45.9
Foreign:			
U.S.	(13.1)	(25.3)	68.9
U.K.	(26.0)	(7.0)	(3.5)
Sweden	(26.1)	(29.5)	15.6
Luxembourg	43.4	105.3	250.9
Netherlands	18.2	(0.1)	(0.1)
Other	(1.0)	(0.7)	0.2
Total (loss) income before income taxes	\$ (84.4)	\$ 102.4	\$ 377.9

The total income tax benefit (expense) for the years ended December 31, 2017, 2016 and 2015 consisted of the following:

<i>(Millions)</i>	2017	2016	2015
Current tax (expense):			
U.S. Federal	\$ (0.4)	\$ 2.1	\$ (0.1)
State	(1.5)	(1.6)	(1.5)
Non-U.S.	(3.7)	(11.4)	(9.6)
Total current tax (expense)	(5.6)	(10.9)	(11.2)
Deferred tax (expense) benefit:			
U.S. Federal	(31.5)	16.0	(21.4)
State	-	-	-
Non-U.S.	(9.4)	2.3	(14.5)
Total deferred tax (expense) benefit	(40.9)	18.3	(35.9)
Total income tax (expense) benefit	\$ (46.5)	\$ 7.4	\$ (47.1)

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Effective Rate Reconciliation

A reconciliation of taxes calculated using the 22% Swedish statutory rate (the rate at which the majority of SBDA's worldwide operations are taxed) to the income tax (expense) benefit on pre-tax income follows:

<i>(Millions)</i>	2017	2016	2015
Tax benefit (expense) at the statutory rate	\$ 18.6	\$ (22.5)	\$ (83.2)
Differences in taxes resulting from:			
Tax rate change enacted in the United States	(45.6)	-	-
Non-Sweden Earnings	(17.6)	6.3	27.0
Foreign tax credits	2.2	6.9	6.5
Change in valuation allowance including benefit from intercompany debt restructuring	1.4	55.0	11.3
Tax reserve adjustments	(1.2)	(6.0)	(5.7)
Withholding taxes	(0.8)	(1.4)	(1.9)
Tax rate change enacted in Luxembourg	0.4	(30.6)	-
Other, net	(3.9)	(0.3)	(1.1)
Total income tax (expense) benefit on pre-tax earnings	\$ (46.5)	\$ 7.4	\$ (47.1)

The non-Sweden component of Pre-tax (loss) income was \$(58.3) million, \$131.9 million, and \$362.5 million for the years ended December 31, 2017, 2016, and 2015.

On December 22, 2017, Tax Cuts and Jobs Act (the "TCJA") was enacted into law. Substantially all of the provisions of the TCJA are effective for taxable years beginning after December 31, 2017. The TCJA includes significant changes to the Internal Revenue Code of 1986 (as amended, the Code), including amendments which significantly change the taxation of individuals and business entities. Among numerous other changes, the corporate federal income tax rate was reduced from 35% to 21%, effective January 1, 2018. The tax effects of changes in tax laws must be recognized in the period in which the law is enacted, and deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, the Company's deferred taxes were remeasured on December 31, 2017, based upon the 21% federal income tax rate which resulted in a \$45.6 million reduction in the net deferred tax assets. Of this amount, \$28.0 million was primarily related to net operating loss carryforwards and book-tax timing differences in its US subsidiaries and \$17.6 million was related to net operating loss carryforwards in one of the Luxembourg subsidiaries, which is re-measured in part by reference to the U.S. tax rate. The \$45.6 million reduction in net deferred tax assets was recorded through income from operations.

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 based on applicable law. 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 \$16.0 million, \$8.3 million, and \$31.7 million for the years ended December 31, 2017, 2016, and 2015.

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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 SBDA's deferred tax assets and liabilities follows:

<i>(Millions)</i>	2017	2016
Deferred income tax assets related to:		
Non-U.S. net operating loss carry forwards	\$ 305.0	\$ 270.8
U.S. federal net operating loss and capital carry forwards	34.7	40.0
Tax credit carry forwards	18.3	15.2
Loss reserve discount	8.9	22.0
Incentive compensation and benefits accruals	1.8	6.3
Net unrealized investment losses	1.8	3.4
Unearned Premiums	1.5	2.0
Allowance for doubtful accounts	1.3	2.3
Deferred interest	0.2	0.3
Additional DTA as result of intercompany debt restructuring	-	7.4
Foreign currency translations on investments and other assets	-	2.0
Other items	3.4	2.6
Total gross deferred income tax assets	376.9	374.3
Valuation allowance	(71.8)	(58.1)
Total adjusted deferred tax asset	305.1	316.2
Deferred income tax liabilities related to:		
Safety Reserve (See Note 13)	286.6	259.7
Intangible assets	8.7	-
Foreign currency translations on investments and other assets	7.3	-
Purchase accounting	2.4	3.5
Deferred acquisition costs	1.2	3.4
Investment basis differences	1.1	8.7
Other items	1.0	1.5
Total deferred income tax liabilities	308.3	276.8
Net deferred tax (liability) asset	\$ (3.2)	\$ 39.4

SBDA'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 \$3.2 million net deferred tax liability as of December 31, 2017, \$53.0 million relates to net deferred tax assets in U.S. subsidiaries, \$189.8 million relates to net deferred tax assets in Luxembourg subsidiaries, \$11.2 million relates to net deferred tax assets in United Kingdom subsidiaries and \$257.2 million relates to net deferred tax liabilities in Sweden subsidiaries.

As a result of the acquisition of Armada, a net deferred tax liability of \$8.7 million related to intangible assets was recorded as of December 31, 2017. Of the \$8.7 million, \$9.8 million relates to a deferred tax liability related to the re-measurement at fair value of the Armada Earnout post-acquisition and \$1.1 million relates to a deferred tax asset for Armada's distribution relationships, trade name, and technology.

Net Operating Loss and Capital Loss Carryforwards

Net operating loss and capital loss carryforwards as of December 31, 2017, the expiration dates and the deferred tax assets thereon are as follows:

<i>(Millions)</i>	2017					
	United States	Luxembourg	Sweden	Netherlands	UK	TOTAL
2018-2022	\$ 0.6	\$ -	\$ -	\$ 1.0	\$ -	\$ 1.6
2022-2037	166.7	-	-	0.4	-	167.1
No expiration date	-	1,043.3	220.3	-	56.3	1,319.9
Total	167.3	1,043.3	220.3	1.4	56.3	1,488.6
Gross Deferred Tax Asset	35.1	271.4	22.5	0.3	10.8	340.1
Valuation Allowance	-	(71.9)	-	(0.3)	-	(72.2)
Net Deferred Tax Asset	\$ 35.1	\$ 199.5	\$ 22.5	\$ -	\$ 10.8	\$ 267.9

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SBDA expects to utilize net operating loss carryforwards in Luxembourg of \$821.8 million but does not expect to utilize the remainder as they belong to companies that are not expected to have sufficient taxable income in the future. Included in the U.S. net operating loss carryforwards are losses of \$120.1 million subject to an annual limitation on utilization under Internal Revenue Code Section 382. Of these loss carryforwards, \$14 million will expire between 2022 and 2025, \$104.5 million will expire between 2030 and 2032, and \$48.8 million will begin to expire in 2036. SBDA expects to utilize all of the U.S. net operating loss carryforwards.

As of December 31, 2017, there are U.S. foreign tax credits carryforwards available of \$13.7 million, of which a de minimis amount expires between 2018 and 2019, and the remaining, which we expect to use, will begin to expire in 2022. As of December 31, 2017, there are alternative minimum tax credit carryforwards of \$0.1 million which do not expire and are expected to become fully refundable beginning in the 2021 tax year under the TCJA.

Valuation Allowance

SBDA 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, SBDA 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 SBDA's deferred tax assets and tax expense.

Of the \$71.8 million valuation allowance as of December 31, 2017, \$72.2 million relates to net operating loss carryforwards in Luxembourg and Netherlands subsidiaries (discussed under "Net Operating Loss and Capital Loss Carryforwards"), \$(0.4) million relates to other deferred tax assets in Luxembourg, Swedish, and United States subsidiaries.

United States

Sirius Re Holdings, Inc. ("SReHi") has a de minimis valuation allowance on foreign tax credits, which will expire in 2018 and 2019. SReHi has an additional \$13.7 million of foreign tax credits that will expire between the years 2020 and 2027, 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, SBDA 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:

<i>(Millions)</i>	Permanent Differences ⁽¹⁾	Temporary Differences ⁽²⁾	Interest and Penalties ⁽³⁾	Total
Balance at January 1, 2015	\$ 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
Changes in prior year tax positions	0.2	(0.1)	0.1	0.2
Tax positions taken during the current year	3.8	(2.2)	-	1.6
Lapse in statute of limitations	(0.5)	-	-	(0.5)
Settlements with tax authorities	(0.3)	-	(0.2)	(0.5)
Balance at December 31, 2017	\$ 27.4	\$ 1.8	\$ 0.1	\$ 29.3

⁽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.

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If SBDA determines in the future that its reserves for unrecognized tax benefits on permanent differences and interest and penalties are not needed, the reversal of \$27.4 million of such reserves as of December 31, 2017 would be recorded as an income tax benefit and would impact the effective tax rate. If SBDA determines in the future that its reserves for unrecognized tax benefits on temporary differences are not needed, the reversal of \$1.8 million of such reserves as of December 31, 2017 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 SBDA'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.

SBDA classifies all interest and penalties on unrecognized tax benefits as part of income tax expense. During the years ended December 31, 2017, 2016, and 2015 SBDA recognized \$(0.1) million, \$0.2 million, and \$(0.1) million in interest income (expense), respectively, net of any tax benefit. The balance of accrued interest as of December 31, 2017 and 2016 is \$0.1 million, and \$0.2 million, net of any tax benefit.

Tax Examinations

With few exceptions, SBDA is no longer subject to U.S. federal, state or non-U.S. income tax examinations by tax authorities for years before 2013. In accordance with the sale of SBDA to CMIG International, White Mountains generally will indemnify the Company for our additional tax liability in excess of our accounting for uncertain tax positions for tax expense occurring before the sale of SBDA to CMIG International.

Note 10. Derivatives

Weather Derivatives

For the year ended December 31, 2017 and 2016, SBDA recognized \$(1.5) million and \$5.2 million of net (losses) gains on its weather and weather contingent derivatives portfolio. As of December 31, 2017 and 2016, the fair value of the weather and weather contingent derivatives portfolio of \$4.2 million and \$5.8 million, respectively. 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 SBDA's weather risk contracts, the fair value measurements of the contracts are deemed to be Level 3 measurements in the fair value hierarchy. SBDA does not provide or hold any collateral associated with the weather derivatives.

Note 11. Employee benefit plans and compensation plans

Employee Benefit Plans

SBDA operates several retirement plans in accordance with the local regulations and practices. These plans cover substantially all SBDA 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 6.5%-8.5% of the employee'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%-70% of the total premium charges and the employees incur the remaining 30-40%. As of December 31, 2017 and 2016, the projected benefit obligation of Sirius International's various benefit plans was \$17.4 million and \$15.0 million, and the funded status was \$(1.3) million and \$(3.3) million. Sirius International recognized expenses related to these various plans of \$4.9 million, \$7.3 million, and \$7.0 million in 2017, 2016, and 2015.

Sirius Bermuda sponsors defined contribution plans which cover substantially all of the employees of Sirius Bermuda. Under these plans, Sirius Bermuda 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 Bermuda contributions after two years of service. Sirius Bermuda recognized expenses of \$0.4 million in 2017. In previous years, employees of Sirius Bermuda were covered by Sirius International sponsored plans and Sirius International incurred expenses of \$0.5 million and \$0.5 million in 2016 and 2015, respectively.

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U.S.

Within the U.S., SBDA sponsors several defined contribution plans for employees that provide for pre-tax salary reduction contributions by employees.

Sirius International Holding Company, Inc. (“SIHC”) sponsors a defined contribution plan (the “SIHC 401(k) Plan”) which offers participants the ability to invest their balances in several different investment options. The SIHC 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 \$1.3 million, \$0.7 million, and \$0.5 million in 2017, 2016, and 2015. Additionally, all participants in the SIHC 401(k) Plan can earn a variable contribution of up to 7% of their salary, subject to the applicable IRS annual covered compensation limits (\$0.3 million for 2017) and contingent upon SBDA’s performance. Total expense for variable contributions to the SIHC 401(k) Plan was \$0.3 million, \$0.4 million, and \$0.5 million in 2017, 2016, and 2015.

Armada maintains a qualified 401(k) plan (the “Armada 401(k) Plan”). Under provisions of the Armada 401(k) Plan, Armada may make discretionary, matching contributions. Matching contributions into the Armada 401(k) Plan totaled \$0.1 million for 2017 from the date of acquisition to December 31, 2017.

Long-Term Incentive Compensation Plans

SBDA grants share-based and non-share based incentive awards to certain key employees of SBDA and its subsidiaries. This includes awards that primarily consist of 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, 2017, 2016, and 2015, SBDA expensed \$1.7 million, \$6.2 million, and \$9.2 million, respectively, for share-based and non-share based incentive awards. Accrued incentive compensation for these plans was \$6.6 million and \$12.4 million at December 31, 2017 and 2016.

Transaction and Retention Bonuses

Under the SPA, bonus arrangements for certain employees of SBDA were granted. Certain of these bonus arrangements were paid to bonus recipients as compensation for services performed before the sale date (“transaction bonuses.”) In addition, certain employees received 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. 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 SBDA paid those amounts to the employees. During 2016, SBDA recorded \$23.8 million in general and administrative expenses in connection with the transaction bonuses. Sirius Ltd. was paid \$25.3 million and \$30.5 million in 2017 and 2016, respectively, from its former parent for the transaction and retention bonuses after employment costs and taxes, which was recorded as Additional paid-in surplus. During 2017 and 2016, respectively, SBDA recorded \$9.3 million and \$11.8 million in general and administrative expenses in connection with the retention bonuses.

Note 12. Common shareholder’s equity and non-controlling interest

Common Shareholder

At December 31, 2017, Sirius Bermuda is a wholly-owned subsidiary of Sirius Group. Sirius Group is an indirect wholly-owned subsidiary of Sirius Ltd., an exempted Bermuda limited liability company. At December 31, 2017, Sirius Ltd., is a wholly-owned subsidiary of CMIG International through CM Bermuda.

Additional paid-in surplus

On December 28, 2017 Sirius Ltd. through Sirius Group contributed The Phoenix common shares and call option that resulted in \$71.6 million of Additional paid-in surplus to SBDA. On December 6, 2017, Sirius Group made a contribution of \$64.9 million to the Company, which was reflected as Additional paid-in surplus. On December 20, 2016 Sirius Group made a contribution of \$20.0 million to the Company which was reflected as Additional paid-in surplus.

On April 18, 2016, SBDA sold its investment in OneBeacon to White Mountains at fair value in connection with the sale of Sirius Ltd. and its subsidiaries to CMIG International and recorded \$22.1 million of Additional paid-in surplus for the excess of fair value over the equity method carrying value of OneBeacon.

Dividends

The Company paid common dividends of \$120.0 million, \$40.0 million, and \$123.0 million to Sirius Group during 2017, 2016, and 2015, respectively.

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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, 2017 and December 31, 2016 SBDA's balance sheet included \$0.2 million and \$1.3 million, respectively, in non-controlling interests.

Note 13. Statutory capital and surplus

SBDA'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.

Non-U.S.

The Insurance Act 1978 of Bermuda and related regulations, as amended ("Insurance Act"), regulates the insurance business of Bermuda-domiciled insurers and reinsurers. The Insurance Act imposes solvency and liquidity standards on Bermuda insurance companies, as well as auditing and reporting requirements. The Bermuda Monetary Authority ("BMA"), a Solvency II-equivalent regulatory regime, has also confirmed that it will act as the primary group supervisor effective July 1, 2016 and has designated Sirius Bermuda as the designated insurer. Therefore, SBDA is subject to the BMA's group supervision and solvency rules. 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. As of December 31, 2017, the eligible capital for SBDA exceeded the required capital as measured by the BSCR model.

Management has also evaluated the group and principal operating subsidiaries' ability to maintain adequate levels of statutory capital, liquidity and rating agency capital and believes they will be able to do so. In performing this analysis, management has considered the most recent statutory capital position of each of the principal operating subsidiaries as well as the group overall, through its holding companies as a result of BMA group regulation. In addition, management has evaluated the ability of the holding companies to allocate capital and liquidity around the group as and when needed.

SBDA has two Bermuda based insurance subsidiaries: Sirius Bermuda, a Class 4 insurer, and Alstead Reinsurance Ltd. ("Alstead Re"), a Class 3A insurer. 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, 2017 has not been filed with the BMA as of April 26, 2018, the date on which the Consolidated Financial Statements were issued. As a result, the required statutory capital and surplus as at December 31, 2017, 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, 2017 was \$2.5 billion. In addition, the Bermuda based insurance subsidiaries are required to maintain a minimum liquidity ratio. As of December 31, 2017, 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. Under Solvency II, the FSA also acts as the European Economic Area group supervisor, with Sirius International UK Holding Ltd ("SIUK") serving as the highest European entity subject to the FSA's group supervision. Solvency II regulation in Europe gives the FSA the option to waive European-level group supervision if certain legal requirements are met. As of December 31, 2017, the FSA has not exercised this option.

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.

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SBDA participates in the Lloyd's market through the 100% ownership of Sirius International Corporate Member Ltd., a Lloyd's corporate member, which in turn provides underwriting capacity to Syndicate 1945. SBDA has its own Lloyd's managing agent, Sirius International Managing Agency, which manages Syndicate 1945. Lloyd's approved net capacity for 2018 is £101.9 million, or approximately \$137.7 million (based on the December 31, 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 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 NAIC and the department of insurance in the state of domicile. The National Association of Insurance Commissioners ("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, 2017, the available capital of SBDA's U.S. insurance and reinsurance operating subsidiaries exceeded their respective RBC requirements.

Sirius America's policyholders' surplus, as reported to regulatory authorities as of December 31, 2017 and 2016, was \$521.8 million and \$544.3 million. Sirius America's statutory net (loss) income for the years ended December 31, 2017, 2016, and 2015 was \$(6.4) million, \$82.7 million, and \$74.7 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 \$94.1 million as of December 31, 2017, 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, 2017 and 2016 was \$41.4 million and \$41.6 million. Oakwood's statutory net income (loss) for the years ended December 31, 2017, 2016, and 2015 was \$0.5 million, \$(12.0) million and \$0.7 million. The minimum policyholders' surplus necessary to satisfy Oakwood's regulatory requirements was \$5.8 million as of December 31, 2017, which equals the authorized control level of the NAIC risk-based capital based on Oakwood's policyholders' surplus. During 2017, Mount Beacon was merged into Oakwood.

Empire Insurance Company ("Empire") policyholders' surplus, as reported to regulatory authorities as of December 31, 2017 and 2016 was \$10.5 million and \$10.7 million. Empire's statutory net (loss) income for the years ended December 31, 2017, 2016, and 2015 was \$(0.3) million, \$0.0 million and \$0.1 million. The minimum policyholders' surplus necessary to satisfy Empire's regulatory requirements was \$8.8 million as of December 31, 2017, and the NAIC risk-based capital authorized control level was \$1.0 million.

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 2018, 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 \$636.7 million, which is equal to 25% of its December 31, 2017 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 2017, Sirius Bermuda paid \$120.0 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, 2017, Sirius International had \$391.6 million (based on the December 31, 2017 SEK to USD exchange rate) of unrestricted equity on a parent account basis (the lower of the two approaches) available to pay dividends in 2018. 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, the maintenance of adequate solvency capital ratios for Sirius International and the consolidated SIUK group, as well as to dividends received from its subsidiaries, including Sirius America. 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 2017, Sirius International declared \$102.5 million and paid \$20.0 million of dividends.

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 its former parent to CMIG International. As of December 31, 2017, Sirius America had \$521.8 million of statutory surplus and \$121.0 million of earned surplus. During 2017, Sirius America did not pay any dividends to its immediate parent.

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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 2017, Sirius International had not made any contributions to the surplus of Sirius America. In 2017, Sirius International provided Sirius America with an accident year stop loss cover, with an attachment point in excess of 83% and a limit of \$27.0 million. This accident year loss reinsurance was not renewed in 2018. 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 was in force through March 31, 2018. During 2017 and 2016, Sirius America ceded \$115.0 million and \$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, 2017, Sirius International's Safety Reserve amounted to SEK 10.7 billion, or \$1.3 billion (based on the December 31, 2017 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 (\$286.6 million as of December 31, 2017) 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 \$1.3 billion balance of the Safety Reserve, without any provision for deferred taxes, in Sirius International's regulatory capital when assessing Sirius International and SBDA'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 2017, Sirius International did not transfer any of its 2016 pre-tax income via group contributions to its Swedish parent companies.

Note 14. Investments in unconsolidated affiliates

SBDA's investments in unconsolidated affiliates represent investments in other companies in which SBDA has a significant voting and economic interest but does not control the entity.

Symetra

SBDA's investment in Symetra represented an investment in which SBDA had a significant voting and economic interest but did not control the entity.

In August 2015, Symetra announced it had entered into a definitive merger agreement with Sumitomo Life Insurance Company ("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, the Company's former parent relinquished its representation on Symetra's board of directors. As a result, SBDA changed its accounting for Symetra common shares from the equity method to fair value. During the fourth quarter of 2015, SBDA 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. On February 1, 2016, Symetra closed its definitive merger agreement with Sumitomo Life and SBDA received proceeds of \$559.8 million, or \$32.00 per common share. SBDA recognized \$4.0 million in pre-tax net investment gains associated with Symetra in the first quarter of 2016.

OneBeacon

On April 18, 2016, SBDA sold its investment in OneBeacon Insurance Group, Ltd. ("OneBeacon") at fair value to its former parent for proceeds of \$178.3 million in connection with the sale of SBDA to CMIG International and recorded \$22.1 million of additional paid-in surplus for the excess of fair value over the equity method carrying value of OneBeacon.

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The following table summarizes amounts recorded by SBDA under the equity method relating to its investment in OneBeacon for the period January 1, 2016 until April 18, 2016:

<i>(Millions)</i>	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	\$ -

Note 15. Variable interest entities

SBDA consolidates all voting interest entities (“VOEs”) in which it has a controlling financial interest and all VIEs in which it is considered to be the primary beneficiary.

Alstead Re

During 2017, SBDA determined that Alstead Re is a variable interest entity for which SBDA is the primary beneficiary and is required to consolidate it. As of December 31, 2017, SBDA consolidated total assets of \$12.6 million and total liabilities of \$7.8 million of Alstead Re. As of December 31, 2017, SBDA recorded non-controlling interest of \$0.2 million in Alstead Re.

Note 16. Transactions with related parties

International Medical Group and Sirius Acquisitions Holding Company II (US)

On May 26, 2017, Sirius Ltd., through Sirius Acquisitions Holding Company II (US) (“SAHC2”), acquired 100% ownership of International Medical Group Acquisition, Inc. and its subsidiaries (“IMG”), a leading provider of global travel medical insurance products and assistance services. To facilitate and help fund the purchase of IMG, SAHC2 entered into a note with Sirius Bermuda and received \$80.0 million (“SAHC2 Note”). The SAHC2 Note bears interest payable to Sirius Bermuda on the principal amount at a floating rate equal to the applicable LIBOR for the relevant interest period plus a 4.25% margin, payable quarterly on March 31, June 30, September 30, and December 31 in each year, until maturity on May 31, 2022.

Prior to its acquisition by SAHC2, IMG had a term note and revolving credit facility with an unrelated third-party. As part of the acquisition of IMG, Sirius Bermuda and Sirius International bought the term note and revolving credit facility for \$129.5 million from the unrelated third-party (“IMG Term Note and Credit Facility”). The term note requires quarterly installments of principal of \$0.3 million, plus interest computed at a variable rate with a floor of 7.50%. During 2017, IMG paid down a portion of the note that is owned by Sirius Bermuda. At December 31, 2017, \$108.1 million was outstanding on the term note and payable to Sirius Bermuda and Sirius International. Total borrowings under the revolving credit facility cannot exceed \$10.0 million. At December 31, 2017, \$3.5 million was outstanding on the revolving credit facility. Interest on the revolving credit facility is based on variable rates with a floor of 7.50%. The credit agreement also allows for additional borrowings based on certain financial ratios.

At December 31, 2017, the SAHC2 Note and IMG Term Note and Credit Facility are included in Other long-term investments on the balance sheet at amortized cost.

On December 29, 2017, International Medical Insurance Company, Ltd., a Bermuda exempted company, was merged with and into the Company.

During 2017, SBDA obtained \$152.2 million, or 11%, of its gross written premiums through IMG. During 2016 and 2015, Sirius Group received 14% and 15% of its gross written premiums through IMG, respectively.

Certus

On May 26, 2017, IMG sold IMG – Stop Loss to Certus Management Group, Inc. (“Certus”) for \$10.0 million. Certus paid IMG \$1.0 million in cash and obtained \$9.0 million in financing from IMG in the form of a secured promissory note payable. The promissory note is secured by a pledge of the shares of IMG – Stop Loss by Certus. SBDA has determined that Certus and IMG – Stop Loss are VIEs to Sirius Ltd. and its subsidiaries that SBDA does not have to consolidate as it does not have the power to direct the activities of either company.

Sirius America and IMG – Stop Loss have continued the Program Management Agreement that was in place prior to the purchase of IMG under amended terms. The amended agreement gives Sirius America rights of first refusal to act as insurance carrier for IMG – Stop Loss but does not give SBDA controlling power or impede IMG – Stop Loss from functioning as an independent entity.

White Mountains Advisors

White Mountains Advisors (“WMA”), an indirect wholly-owned subsidiary of SBDA’s former parent, provided investment advisory and management services to SBDA and its subsidiaries under an Investment Advisory Services Agreement. During 2016, SBDA terminated this agreement. SBDA incurred \$3.0 million and \$5.5 million of investment fees during 2016 and 2015, respectively, for services provided directly by WMA or through its sub-advisors. As of December 31, 2017 and 2016, SBDA did not owe any amount to WMA under this agreement.

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Note 17. Commitments and contingencies

SBDA 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:

<i>(Millions)</i>	Future Payments
2018	\$ 8.4
2019	7.2
2020	4.1
2021	3.6
2022 and after	8.3
Total	\$ 31.6

Total rental expense for the years ended December 31, 2017, 2016, and 2015 was \$8.9 million, \$6.2 million, and \$6.4 million, respectively. SBDA also has various other lease obligations, which are not material in the aggregate.

The Phoenix

At December 31, 2017 SBDA had a commitment to purchase approximately 46.24% of shares in The Phoenix from Delek Group for an additional sum of NIS 2.3 billion in cash (or \$663.1 million using the December 31, 2017 NIS to USD conversion rate), subject to certain adjustments for interest and earnings. (See Note 2). If regulatory approval is received, SBDA expects the acquisition to be completed during 2018.

Legal Proceedings

SBDA 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).

SBDA 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 SBDA'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 SBDA 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 (the "SDNY"). 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 SBDA 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.

In addition, SBDA 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 SDNY and was stayed pending the motion to dismiss in the Noteholder Actions.

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An omnibus motion to dismiss the shareholder defendants in the Committee Action was filed in May 2014, and was granted on January 6, 2017. The plaintiff moved to amend its fifth amended complaint to add a constructive fraudulent conveyance claim against the shareholder defendants. On August 24, 2017 the SDNY denied the plaintiff's motion without prejudice. However, on March 8, 2018, the plaintiff moved to renew its request to amend the complaint based on the Supreme Court's decision in *Merit Mgmt Grp. LP. v. FTI Consulting, Inc.*, holding that the safe harbor protections of Section 546(e) (which prevent the bankruptcy trustee from unwinding certain transactions) did not apply where a transfer is conducted through a financial institution that is neither the debtor, nor the transferee, but serves only as a conduit.

No amount has been accrued in connection with this matter as of December 31, 2017 and December 31, 2016, as the amount of loss, if any, cannot be reasonably estimated.

Note 18. 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 26, 2018, the date on which the Consolidated Financial Statements were issued.