REPORT ON EXAMINATION

OF THE

SIRIUS AMERICA INSURANCE COMPANY

AS OF

DECEMBER 31, 2004

I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2004 of the

SIRIUS AMERICA INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

ATTEST BY: Antoinette Handy

DATE: 22 JUNE 2006

In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 22ND DAY OF JUNE 2006.

Insurance Commissioner of the State of Delaware

Matt Denn

Insurance Commissioner

REPORT ON EXAMINATION

OF THE

SIRIUS AMERICAN INSURANCE COMPANY

AS OF

December 31, 2004

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 22ND Day of JUNE 2006.

TABLE OF CONTENTS

SALUTATION

April 10, 2006

Honorable Alfred Gross
Chairman, Financial Condition
Committee, NAIC
Bureau of Insurance
Commonwealth of Virginia
1300 East Main Street
Richmond, VA 23218

Honorable Julie Bowler
Secretary Northeastern Zone
Division of Insurance
State of Massachusetts
One South Station
Boston, MA 02110

Honorable Gary Smith
Secretary Western Zone
Department of Insurance
State of Idaho
700 West State Street
Boise, ID 83720-0043

Honorable Ann Womer Benjamin
Secretary-Treasurer Midwestern Zone
Department of Insurance
State of Ohio
2100 Stella Court
Columbus, OH 43215

Honorable Eleanor Kitzman
Secretary Southeastern Zone
Department of Insurance
State of South Carolina
300 Arbor Lake Drive, Suite 1200
Columbia, SC 29223

Honorable Matthew P. Denn
Insurance Commissioner
State of Delaware
841 Silver Lake Boulevard, Suite 100
Dover, Delaware 19904

Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 05 – 021, an examination has been made of the affairs, financial condition and management of

SIRIUS AMERICA INSURANCE COMPANY

hereinafter referred to as "Company" or "Sirius" incorporated under the laws of the State of Delaware. The examination was conducted at the Company's office located at 120 West 45th Street, New York, New York 10036.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last financial condition examination of the Company covered the period January 1, 1998, to December 31, 2000. This examination of the Company, covered the period from January 1, 2001 through December 31, 2004 and consisted of a general survey of the Company's business policies and practices; management, any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed to the extent deemed necessary.

The format of this report is designed to explain the procedures employed on the examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible personnel and/or officials during the course of the examination.

The general procedure of the examination followed rules established by the National Association of Insurance Commissioners (NAIC) Committee on Financial Condition Examiners Handbook as adopted by the Delaware Insurance Department under Delaware Insurance Code Section 526, and generally accepted statutory insurance examination standards.

In addition to items noted in this report, the following topics were reviewed and are included in the work papers of this examination:

Fidelity bond and other corporate insurance
Corporate records
NAIC ratios
Legal action
Regulatory Agency Correspondence
Compliance with prior examination recommendations
All asset and liability items not mentioned.

HISTORY

The Company was incorporated on November 18, 1977 and commenced business on January 1, 1978. The Company's name was changed on September 23, 1997, from Sirius Reinsurance Corporation to Sirius America Insurance Company, as filed with the Delaware Secretary of State.

Prior to January 1, 2000, the Company acted primarily as a reinsurer under the terms of a management agreement with Gerling Global Reinsurance Corporation of America, (GGRCA) formerly Constitution Reinsurance Corporation, whereby the Company assumed the majority of its business from GGRCA under various quota share agreements. This relationship was terminated on December 31, 1999, at which time the reinsurance agreements with GGRCA were canceled. Most of these agreements were terminated and commuted with a portfolio return of all unearned premiums and loss reserves. Any remaining reinsurance assumed during this relationship is currently in run-off.

Prior to July 15, 2002, the Company was a wholly-owned subsidiary of ABB Holdings, Inc. which is ultimately owned by ABB, Ltd., of Zurich, Switzerland. On July 15, 2002, ownership of the Company was transferred from ABB Holdings, Inc. to Sirius International Insurance Corporation (SIIC), an affiliated company. SIIC is a wholly-owned subsidiary of ABB Financial Services AB, which is in turn owned by ABB AB. Both of these entities are owned 100% by the ultimate parent ABB, Ltd. of Zurich, Switzerland.

On December 9, 2003, White Mountains Insurance Group, Ltd. announced that it entered into a definitive agreement with ABB Ltd. to acquire Sirius International Insurance Corporation, Sirius America Insurance Company, and Scandinavian Reinsurance Company Ltd. On April 16, 2004, the transaction was completed with ownership of the Company transferred to Folksamerica Reinsurance Company, which in turn is a wholly-owned subsidiary of Folksamerica Holding

Company, Inc., a wholly-owned subsidiary of White Mountains Re Holding, Inc. The ultimate parent company is White Mountains Insurance Group, LTD.

CAPITALIZATION

At December 31, 2004, as reported in its annual statement, the Company's authorized capital is $4,200,000 consisting of 42,000 issued and outstanding shares of common stock at a par value of $100 per share. The following changes occurred in the capital and surplus accounts since the prior examination.

	Common Capital Stock	Gross Paid-in and Contributed	Unassigned Surplus	Total
December 31, 2000	$ 4,200,000	$ 40,291,259	$ 27,086,586	$ 71,577,845
Operations: (1)				
2001			4,637,451	4,637,451
2002			(5,086,278)	(5,086,278)
2003			7,758,812	7,758,812
2004			141,299	141,299
Capital changes: (2)				
Surplus paid-in 2001		2,556,134		2,556,134
Surplus paid-in 2002		364,544		364,544
Surplus paid-in 2003		247,502		247,502
December 31, 2004	$ 4,200,000	$ 43,459,439	$ 34,537,870	$ 82,197,309

1. Operations is defined as Net income, Change in net unrealized capital gains or (losses), Change in net unrealized foreign exchange capital gain (loss), Change in net deferred income tax, Change in nonadmitted assets and Change in provision for reinsurance.
2. Capital changes were due to surplus contributions by the Company's prior parent Sirius International Insurance Company. The surplus contributions were forgiveness of debt owed by the Company to its parent for its share of federal income taxes payable.

Dividends

The Company paid no dividends during the examination period.

MANAGEMENT AND CONTROL

Pursuant to the General Corporation Law of the State of Delaware as implemented by the Company's Certificate of Incorporation and By-laws all corporate powers and its business, property and affairs are managed by or under the direction of its Board of Directors. The Board shall consist of not less than five (5) or more than Fifteen (15) members.

The members of the Board of Directors serving as of December 31, 2004, were as follows:

Director's Name	Principal Business Affiliation
Steven Elliott Fass *	White Mountains Re Group, Ltd.
William Francis Davis	Sirius America Insurance Company
Donald Aaron Emeigh, Jr.	Folksamerica Reinsurance Company
Michael Edward Maloney	White Mountains Re Group, Ltd
Edward Joseph Stanco	Folksamerica Reinsurance Company
Ronald Charles Stanziale, Jr.	Folksamerica Reinsurance Company
John Raymond Thys	Sirius America Insurance Company
Michael Edward Tyburski	White Mountains Re Group, Ltd.

* Chairman of the Board of Directors

The Company's By-laws provide for the Board to designate one or more committees, each committee to consist of one or more of the directors of the corporation. As of December 31, 2004 the Board of Directors had not appointed any committees.

The By-laws of the Company provide for a Chairman of the Board, a Chairman of the Executive/Finance Committee, a President, a Treasurer, a Secretary and such Vice Presidents, Assistant Treasurers, Assistant Secretaries or other officers and agents as may be elected or appointed by the Board of Directors. At December 31, 2004 the Company's principle officers and their respective titles are as follows:

Officer	Title
Steven E. Fass	Chairman of the Board
William F. Davis	President & Chief Executive Officer
Joseph R. Raia	Sr. VP & Controller
John R. Thys	Sr. VP & Chief Underwriting Officer
James A Crowe	Sr. VP & Chief Information Officer
Jean Marie Cho	VP, General Counsel & Corp. Secretary
Arthur S. Barry	Vice President
John M. Kornobis	Vice President & Treasurer
John Sullivan	Vice President & Audit Manager
David Gartland	Vice President
W. Randall Davison	Vice President
John Duffy	Vice President & Actuary

EMPLOYEE AND AGENT WELFARE

The Company directly employs its personnel. Employment benefits, however, are provided through its parent company, Folksamerica Reinsurance Company ("Folksamerica").

The employees of Sirius are eligible to enroll in various benefits provided by Folksamerica, and the cost is subsequently billed to Sirius.

The following benefits are available to the employees of Sirius:

- Medical, prescription and dental benefits by PERFORMAX
- Voluntary group term life (up to $500,000)
- Short term disability plan (pay difference between State disability benefit and salary)
- Group long term disability insurance (percentage of monthly salary, max $15,000)
- 401 savings and investment plan
- Long term care insurance

The Company does not have a written contractual agreement with Folksamerica to provide the above benefits.

It is recommended that the Company enter into a written contractual agreement with Folksamerica, formalizing this arrangement and that this agreement be submitted, as required to the Delaware Department of Insurance for approval.

INTERCOMANY MANAGEMENT AND EXPENSE SHARING AGREEMENTS

Tax Allocation Agreement

Effective December 1, 2004, the Company entered into a tax allocation agreement along with members of the consolidated group. Under the agreement, the affiliated group exercises the privileges granted under Section 1501 of the Code and files a consolidated return. Each company's tax liability is calculated based upon its respective share of consolidated income. The agreement further provides that each member shall receive reimbursement to the extent that their losses and other credits result in a reduction of the current year's consolidated tax liability, not to exceed their liability as if filed on an individual basis.

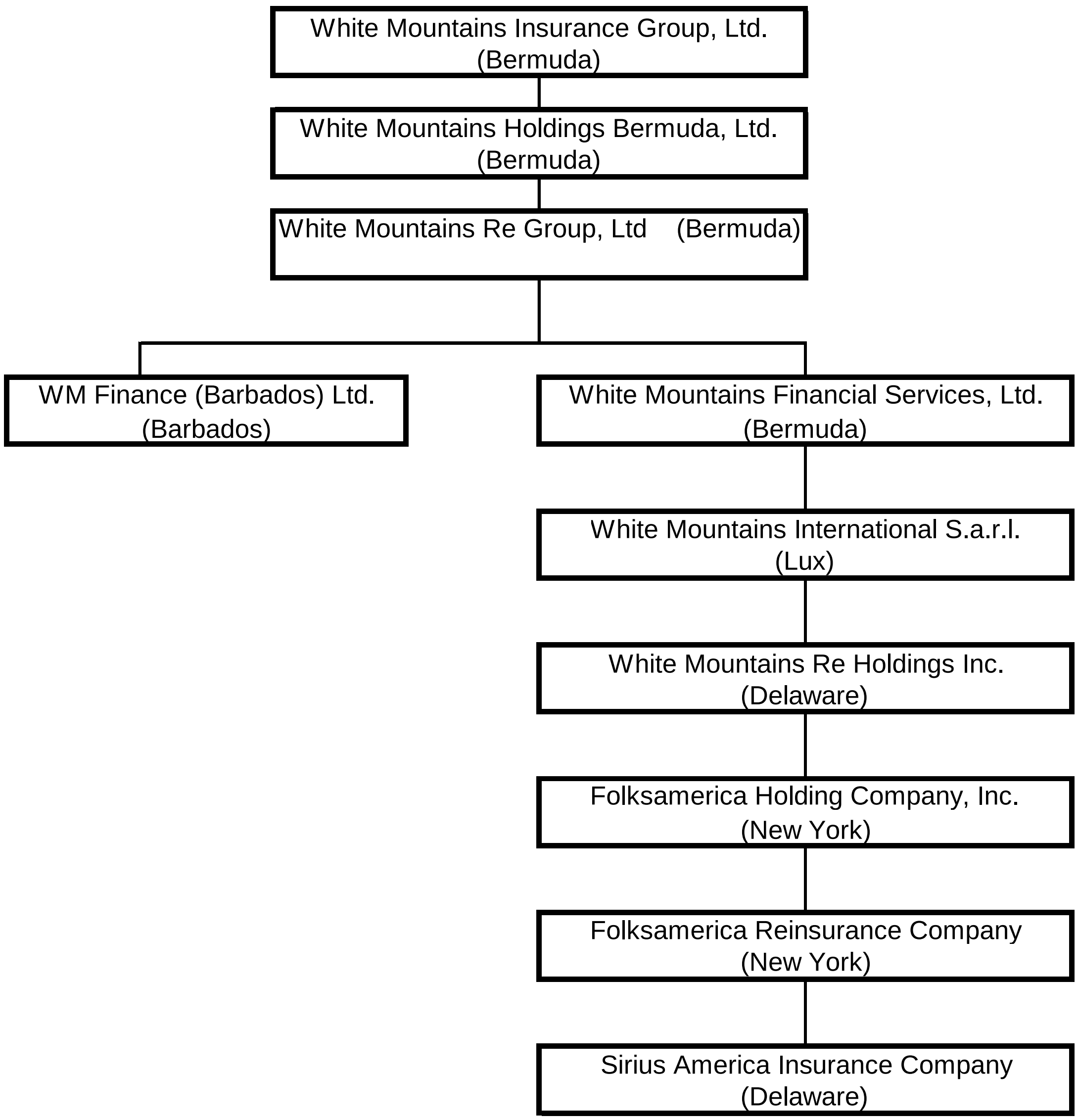
Investment Management Agreement

The Company entered into an investment agreement with White Mountains Advisors LLC effective May 28, 2004. The agreement calls for White Mountains Advisors LLC to manage on a continuous basis, the Company's investment account in accordance with the investment objectives communicated in writing by Company management.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of an Insurance Holding Company System under the ultimate parent company, White Mountains Insurance Group, Ltd. White Mountains is traded on the New York Stock Exchange under the ticker symbol "WTM". White Mountains conducts insurance and reinsurance business globally in all segments of the property/casualty industries. For the year ending 2004 White Mountain reported assets of approximately $19.4 billion and stockholders equity of $3.8 billion.

The following chart, of which Sirius America Insurance Company is part, identifies the relationships between its parent, affiliates and subsidiaries as of December 31, 2004.



<u>TERRITORY AND PLAN OF OPERATION</u>

<u>Territory:</u>

The Company is licensed to transact business in all 50 sates and the District of Columbia.

The Company wrote 42% of it business in New York and 15% of its business in California during 2004.

Plan of Operation:

Per underwriting guidelines established by the Company, it participates in various program business written through general agents and managing general agents in the United States. General agents provide services, such as, but not limited to: billing and collection of premiums, policy accounting, audit for additional premiums, pay various management expenses, premium financing, policy termination, and other ancillary services related to the business produced and managed.

Program Business:

The following table lists the five largest programs by 2004 premiums with a brief description of the each program following.

Program	Gross Prem Written	Coverage	Territory
Inter-Reco, Inc.	$101,333,000	Contractors Liability	NY
UCA General Insurance Services	40,779,000	Commercial Property, Business Owners Property (BOP)	CA, NV, AZ, WA, OR
Seaboard Underwriters, Inc.	35,137,000	Trucking	Midwest and Southwest
International Medical Group Inc.	27,420,000	Group Stop Loss Accident and Health	Various
G & G	26,214,000	Commercial Property, Business Owners Property (BOP)	NJ, PA

Inter-Reco was formed as a Managing General Agent and Underwriting manager of General Liability and Property business in 1992 by Inter-Cas. (Inter-Cas was formed to act as a specialty underwriting manager to produce, underwrite and process umbrella and excess liability business). Inter-Reco markets their products to approximately 40 insurance wholesalers. The wholesalers, in turn, market to local insurance producers. Inter-Reco writes general liability business in New York. Presently their entire written premium is derived from the five boroughs and Long Island.

UCA General Insurance Services is a Managing General Agency that was formed to assist Asian insurance agents to market their products. The original programs designed for the Asian business community were Hotels/Motels, Restaurants and Grocery Stores. Today UCA has over 200 active agents. The agents write Commercial Multi-Peril business in California, Nevada, Arizona, Washington, Utah and Idaho.

Seaboard Underwriters, Inc. has two offices, the Financial/Administrative headquarters and Eastern seaboard underwriting department in Burlington, NC and the Midwestern underwriting department in Council Bluffs, IA. The current program written through Seaboard covers liability coverages for commercial auto policies in all states in which Sirius is licensed.

International Medical Group, Inc. (IMG) markets two products Specific Stop Loss and Aggregate Stop Loss. The Specific stop loss limits the financial risk for any one individual that may incur claims under a self funded employee health plan. The Aggregate stop loss product limits the employer's exposure for all individuals in the plan. The product is marketed to Third Party Administrators who use it in self-insurance programs.

G & G is located in New Jersey and writes small to medium sized commercial accounts primarily in the state. The two key lines of business that G & G markets are package policies that combine both property and casualty, written typically on a BOP form and Commercial Auto. The products are marketed through a network of over 90 independent agents.

Claims Administration

For each program the Company participates in, a separate agreement is entered into with a third party administrator (TPA) to pay claims. The TPA is generally responsible for the processing, investigating, adjusting, compromising, defending, litigating, supervising, and paying of claims as well as the pursuing and collecting of subrogation and salvage recoveries for claims according to generally accepted procedures normally followed in the insurance claims business. The Company imposes claim settlement limitations on the TPA and requires notification of claims over a specific dollar amount immediately. In addition, the TPA's are required to report various accounting information on a monthly basis. Depending on the program business, Company TPA's may or may not be associated with the MGA's. The chart below lists the Company's TPA's, the claim coverages they manage and their association, if any, with the MGA's discussed under Program Business.

TPA	Claim Coverage	MGA Association
UTC Risk Management Services, Inc.	Contractors Liability	Inter-Reco Inc.
Precision Risk Management, Inc	Commercial Property, Business Owners Property	UCA General Insurance Services
Criterion Claims Solutions, Inc.	Trucking	None
International Medical Administrators	Accident and Health Stop Loss	International Medical Group
North American Risk Services, Inc.	Commercial Property, Business Owners Property	None

GROWTH OF THE COMPANY

The following information was obtained from the Company's filed Annual Statements and covers the period from the prior examination to December 31, 2004, and reflects changes made for the current examination:

Year	Net Written Premiums	Net Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2000*	$5,312,585	$95,957,891	$24,380,047	$71,577,844	$3,669,591
2001	20,249,539	139,383,430	60,612,001	78,771,429	3,114,693
2002	96,514,014	196,992,751	122,943,056	74,049,695	(6,274,619)
2003	104,161,306	243,449,155	161,393,145	82,056,010	5,464,754
2004*	105,954,188	287,899,980	205,702,670	82,197,309	2,536,247

* Amounts per examination

- Net income decreased between 2001 and 2002 when gross premium written increased during the same period, to some degree due to a significant net underwriting loss reflected in 2002, and smaller investment gains as compared with prior years.
- Net Income decreased between 2003 and 2004 despite the increase in gross premiums written. Decrease was due, in part, to a net underwriting loss for the period. This loss combined with a significant decrease in total other income for the period noted, resulting in the net income decline.

The growth over the examination period has taken the form of the following:

- A 200% increase in admitted assets
- A 744% increase in liabilities
- A 1,894% increase in net premiums written
- A 14.84% increase in surplus as regards policyholders

REINSURANCE

A schedule of the Company's premiums follows:

Direct		$269,043,760
Assumed:		
Affiliates	0	
Non-affiliates	5,794,701	
Total assumed		5,794,701
Ceded:		
Affiliates	38,037,264	
Non-Affiliates	130,847,009	
Total ceded		168,884,273
Total net premium written		$105,954,188

Assumed

As of December 31, 2004 the Company did not have any significant assumed reinsurance contracts. Prior to 2000, the Company's business consisted primarily of reinsurance assumed under management and program agreements with Gerling Global Reinsurance Corporation of America, formerly Constitution Reinsurance Corporation.

Ceded

The Company cedes, per various quota share policies, and facultative policies amounts up to 100% of the original amount on policies written up to a limit of $25,000,000.

The Company also has the following various corporate catastrophe covers:

Period July 1, 2002 through June 30, 2003

1st Layer XOL 90% of $4,000,000 xs $3,500,000
2nd Layer XOL 90% of $7,500,000 xs of $7,500,000

Period July 1, 2003 through June 30, 2004

1st Layer XOL 90% of $4,000,000 xs of $3,500,000
2nd Layer XOL 90% of $10,000,000 xs of $7,500,000

January 1, 2004 continuous with 12 months cancellation notice

Corporate Aggregate XOL Cover
Retention 70% Subject to Net Earned Premium Income; Limit $20 million

Terrorism Coverage

Period February 1, 2003 through May 31, 2004
$9 million xs $1 million per occurrence.

ACCOUNTS AND RECORDS

The accounts and records reviewed included an evaluation of the Company's operation and organization controls. The areas evaluated included computer systems, accounting systems, organization structure and the processing structure. The Company operates in a computer dominated environment. The company uses "Great Plains" software for the general ledger application. The Great Plains software consists of multiple modules including accounts payable and general ledger Integration Management as well as other financial reports including a trial balance report that is utilized by the Company. The Company utilizes SICSnt (storebrand International Contracts System) to capture all insurance related transactions for direct, reinsurance and ceded business.

An external accounting firm audits the statutory financial statement of the Company annually. The Company's external firm reviewed its internal control structure in order to establish the necessary audit procedures required to express an opinion. No significant or qualifying deficiencies were found to exist in the design or operation of the Company's internal control structure.

Based on the examination review of the filed Annual Statements, observations and subsequent discussions with management, the accounting systems and procedures were found to conform to insurance accounting practices and requirements.

FINANCIAL STATEMENTS

The following financial statements as determined by this examination are presented herein:

Analysis of Assets as of December 31, 2004
Liabilities, Surplus and Other Funds as of December 31, 2004
Underwriting and Investment Exhibit – Statement of Income For the Year Ended December 31, 2004
Capital and Surplus Account for the one year period ended December 31, 2004
Summary of Examination Adjustments

Analysis of Assets
As of December 31, 2004

	Assets	Nonadmitted Assets	Net Admitted Assets	Note
Bonds	$ 193,244,245	$ -	$ 193,244,245	1
Common stocks			-	
Cash , cash equivalents and short-term investments	41,842,980		41,842,980	
Receivable for securities	9,625		9,625	
Investment income due and accrued	1,703,534		1,703,534	
Premiums and considerations:				
Uncollected premiums and agents balances in course of collection	11,324,412	262,271	11,062,141	
Deferred premiums, agents balances and installments booked but deferred and not yet due	24,789,018		24,789,018	
Reinsurance:				
Amounts recoverable from reinsurer	9,784,428		9,784,428	
Funds held or deposited with reinsured companies	477,839		477,839	
Net deferred tax asset	7,944,539	2,958,369	4,986,170	
Furniture and equipment including health care			-	
delivery assets	242,648	242,648	-	
Other assets nonadmitted	386,939	386,939	-	
Totals	$ 291,750,207	$ 3,850,227	$ 287,899,980	

Liabilities, Surplus and Other Funds

			Note
Losses	$	98,075,274	2
Reinsurance payable on paid loss and loss adjustment expenses		1,117	
Loss adjustment expenses		11,128,447	2
Commissions payable		1,968,210	
Other expenses		1,616,477	
Taxes, licenses and fees		2,450,036	
Current federal and foreign income taxes		250,913	
Unearned premiums		52,128,779	
Ceded reinsurance premiums payable		20,451,787	
Funds held by company under reinsurance treaties		2,345,179	
Amounts withheld or retained by company for account of others		3,399,558	
Provision for reinsurance		2,174,968	
Drafts outstanding		4,041,475	
Payable to parent, subsidiaries and affiliates		257,080	
Payabe for securities		5,413,372	
	$	205,702,671	
Common capital stock		4,200,000	
Gross paid in and contributed surplus		43,459,439	
Unassigned funds (surplus)		34,537,870	
Surplus as regards policyholders	$	82,197,309	
Total	$	287,899,980	

Underwriting and Investment Exhibit: Statement of Income
For the Year Ended December 31, 2004

Underwriting Income			Note
Premiums earned	$	103,834,062	
Deductions:			
Losses incurred	$	59,608,759	
Loss expenses incurred		11,061,761	
Other underwriting expenses incurred		34,645,077	
Aggregate write-ins for underwriting deductions		30,893	
Total underwriting deductions	$	105,346,490	
Net underwriting gain or (loss)	$	(1,512,428)	
Investment Income			
Net investment earned	$	4,516,955	
Net realized capital gains or (losses)		3,470,063	
Net investment gain (loss)	$	7,987,018	
Other Income			
Net gain or (loss) from agents' or premium balances charged off	$	(913,443)	
Finance and service charges no included in premiums		33,827	
Aggregate write-ins for miscellaneous income		(58,297)	
Total other income	$	(937,913)	
Net income before federal income taxes	$	5,536,677	
Federal and foreign income taxes		3,000,430	
Net income	$	2,536,247	

Capital and Surplus Account

Surplus as regards policyholders December 31, 2003	$	82,056,010
Net income	$	2,536,247
Change in net unrealized capital gains or (losses)		(3,197,268)
Change in net deferred income tax		2,271,652
Change in nonadmitted assets		(759,293)
Change in provision for reinsurance		(710,039)
Change in surplus as regards policyholders for the year	$	141,299
Surplus as regards policyholders, December 31, 2004	$	82,197,309

SUMMARY OF EXAMINATION ADJUSTMENTS

Based on the results of the examination no financial examination changes were made.

NOTES TO THE FINANCIAL STATEMENTS

Note 1
Bonds **$193,244,245**

Investments in bonds are reported at values (amortized cost) adopted and approved by the Securities Valuation Office (SVO) of the NAIC. Bonds owned by the Company are as follows:

US Government	$123,576,039
Special revenue	34,814,897
Public utilities	4,998,513
Industrial and miscellaneous	18,473,766
Industrial and miscellaneous other countries	11,381,029
Total	$193,244,245

Bonds are designated by the SVO with the highest quality being “1” and lowest being “6”. The bond designations are as follows:

1	$ 158,390,936
1FE	24,665,045
2FE	10,188,264
	$193,244,245

Bonds with carrying values of $7,104,395 were on deposit with various states, or governmental insurance departments in compliance with insurance laws.

The Company did not have any securities on loan.

Note 2	
Loss Reserves	**$98,075,274**
Loss Adjustment Expense Reserves	**11,128,447**

Loss and loss adjustment expense reserves represent 53% of the Company's liabilities as of December 31, 2004. Incurred but not reported reserves (IBNR) constituted 59% of loss reserves at year-end 2004.

INS Consultants, Inc. (INS) was retained by the Delaware Insurance Department to conduct a review of the Company's reserve methodologies and adequacy. INS evaluated the Company's book of business by line of business for loss and allocated loss adjustment expenses. The conclusions reached by INS are largely based upon information supplied by the Company's staff, which included an in-depth actuarial analysis. The INS reserve analysis was performed on both a gross and net basis of reinsurance and did not address the collectibility of reinsurance recoverables. The INS reserve review found the Company's combined net loss and loss adjustment expense reserves were adequate to support the business underwritten.

The underlying data was tested through a review of open and paid claim files and actual payments made with no exceptions noted. The aggregated actuarial data provided by the Company was verified and reconciled to Schedule P of the Company's filed annual statement.

Loss and LAE reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the valuation date are dependent on future contingent events which cannot always be anticipated. The possible occurrence of such events, as well as the inherent uncertainty associated with statistical estimates, allows no guarantee that the actual ultimate liabilities will be the same as the reserve levels described in this examination report. As a result of this study, the reserves were accepted.

SUMMARY OF RECOMMENDATIONS

Based on the findings of this examination the following recommendations are made.

It is recommended that the Company enter into a written contractual agreement with Folksamerica, formalizing this arrangement and that this agreement be submitted as required to the Delaware Department of Insurance for approval (p. 6).

CONCLUSION

As a result of this examination, the financial condition of the Sirius America Insurance Company, as of December 31, 2004, was determined as follows:

Description	12/31/04 Current Examination	12/31/00 Prior Examination	Changes Increase (Decrease)
Assets	$ 287,899,980	$ 95,957,891	$191,942,089
Liabilities	$ 205,702,671	$ 24,380,046	$ 181,322,625
Common capital stock	4,200,000	4,200,000	0
Gross Paid in and contributed capital	43,459,439	40,291,259	3,168,180
Unassigned funds (surplus)	34,537,870	27,086,586	7,451,284
Total surplus as regards policyholders	$ 82,197,309	$ 71,577,845	$10,619,464
Totals	$ 287,899,980	$ 95,957,891	$ 191,942,089

Since the last examination, the Company's assets have increased $191,942,089 liabilities have increased $ 181,322,325 and capital and surplus increased $10,619,464. In addition to the undersigned, acknowledgement is made of the assistance provided by the Delaware Insurance Department, INS Consultants Inc. and INS Insurance Services.

Respectfully submitted,

Richard Randour

____

Richard Randour, CFE
Examiner In-charge
State of Delaware

SUBSEQUENT EVENTS

The Company has disclosed reinsurance recoverables in dispute since 2004 and 2005. The reinsurance recoverables in question are associated with losses on business written through Capital Bonding Corporation from April through December 2002. The business was written in seven states wherein Capital Bonding Corporation administered criminal court bond bail bond business. In 2004 the Company disclosed in the Notes to Financial Statements, Reinsurance Recoverables in dispute in the amount of $11,413,000. As of December 31, 2005, the amount in dispute was approximately $11,093,000. To date, the Company has reached settlement with two reinsurers. The Company's two remaining arbitrators are scheduled for third quarter 2006 and first quarter 2007.