



Torus Insurance (Europe) AG

Financial Statements and Appropriation of Retained Earnings

For the year ended 31 December 2014

Company Number: FL-0002.204.512-3



TORUS INSURANCE (EUROPE) AG
INDEX TO FINANCIAL STATEMENTS AND REPORTS

	Page
Index	
Directors and Officers	1
Directors' Report	2
Report of the Statutory Auditor	6
Income Statement	7
Balance Sheet	8
Notes to the Financial Statements	10
Appropriation of Retained Earnings	22



TORUS INSURANCE (EUROPE) AG
DIRECTORS AND OFFICERS
For the year ended 31 December 2014

Directors and Officers

Board of Directors

Donat Marxer
Michael Handler (Appointed 25 June 2014)
Gareth Nokes (Appointed 25 June 2014)
Patrick Tiernan (Appointed 25 June 2014)
Stephen Clarke (Resigned 10 November 2014)
Dermot O'Donohoe (Resigned 15 May 2014)

Management Board

Richard Etridge
Susan Newman
Francesco Dal Piaz (Appointed 19 August 2014)
Gert van Middelkoop (Resigned 18 June 2014)

Company Secretary

Clare Traxler (Appointed 1 April 2014)
Siobhan Hextall (Appointed 15 May 2014)
Robert Mankiewitz (Resigned 1 April 2014)

Company Number

FL-0002.204.512-3

Registered Office

Branches

Zollstrasse 82	Genferstrasse 35	88 Leadenhall Street	Spichernstrasse 8	42 Rue de Bassano
9494 Schaan	8002 Zürich	London EC3A 3BP	50672 Köln	75008 Paris
Liechtenstein	Switzerland	United Kingdom	Germany	France

Auditors

KPMG (Liechtenstein) AG
Landstrasse 99
9494 Schaan



TORUS INSURANCE (EUROPE) AG
DIRECTORS' REPORT
For the year ended 31 December 2014

Directors' Report

The Directors present their report and the audited financial statements for Torus Insurance (Europe) AG (the Company) for the year ended 31 December 2014.

Principal activity

The principal activity of the Company is the underwriting of specialty insurance and reinsurance business.

Ultimate Parent Company

On 1 April 2014, Enstar Group Limited (Enstar) and Stone Point Capital LLC (Stone Point) completed the purchase of the entire share capital of Torus Insurance Holdings Limited following the receipt of regulatory approval. Under the terms of the purchase agreement, Enstar own 60% and Stone Point own 40% of TIHL. Effective from 1 April 2014, Enstar is the ultimate parent company of the Company.

Results and performance

During 2014, the Company amended its reporting currency from CHF to USD. All prior periods financial information is shown in USD to conform to current years presentation. The comparative Balance Sheet in USD and CHF as at 31 December 2013 is shown on Page 20. The Company's functional currency is USD and has not changed.

The result of the Company for the year, as set out on page 9, was a net loss of USD 2'205'333 (2013: loss USD 749'391).

The Company's financial performance for the year was negatively impacted by lower net premiums earned that resulted in lower commission income, higher net losses incurred and lower investment income in 2014 as compared to 2013.

Gross premiums written for 2014 were 21% lower than 2013 due mainly to reduction in premium rates. Aviation continued to be the main class of business written by the Company representing 61% of total gross premiums written for the year. Within this class, Airlines had a weighted premium rate reduction of approximately 6.3% during 2014 driven mainly by increased market overcapacity and brokers use of facilities. Aviation Products and General Aviation lines premium rates were also down in the year on average 8.3% and 15% respectively. There were a number of large Airlines losses during 2014 that the Company insured including Malaysian Airlines (MH370 and MH17), TransAsia Airways, Air Algerie and Air Asia Airlines. These loss events had some positive impact to mitigate further premium rate reductions in this line of business during the important peak renewal months of November and December.

Space risks written by the Company include both In-Orbit and Launch risk exposures and in total premiums were marginally lower than 2013. Approximately 80% of the business written was Launch risk and therefore new business and premium rates were down on average 10%. The In-Orbit renewal premiums were also lower by approximately 6.6% driven by favourable loss experience over in recent years. The Company incurred losses on three space launch events that occurred in 2014.

The Company's Marine class includes Hull, Cargo and Liability lines. Overall premium rates for these lines were stable during the year but in total premiums written were lower than 2013. This was due in part to a change in



TORUS INSURANCE (EUROPE) AG
DIRECTORS' REPORT - continued
For the year ended 31 December 2014

strategy at the end of 2013 to focus on small, mid sized accounts rather than the large global placements for the automobile industry.

The Company's casualty classes include Directors and Officers and Professional Indemnity risks written and these represented 7% of the total premiums written by the Company in 2014 at USD 7.4million which was slightly lower than in 2013.

The net loss ratio incurred by the Company was 81.9% in 2014 as compared with 54.4% in 2013 due primarily to the Airlines and Space loss events in 2014 noted above.

Net investment income was lower in 2014 than 2013 as a result of the continuing low market interest rate environment partially offset by realized gains of USD 0.1million as compared with losses of USD 0.2million in the prior year.

Strategy and Future outlook

Overall, insurance markets in 2014 saw continued reductions in premium rates on most lines of business written by the Company. The Company currently expects some modest improvements in pricing and conditions during the forthcoming year but will continue to maintain its selective underwriting approach during 2015. The Company continues to see opportunities to bring existing Torus London based niche products to the local Continental European market.

The Company will continue to develop relationships with key brokers and agents in the UK and local European markets to take advantage of new business opportunities as they may arise.

Dividends

The Directors have not declared nor proposed any dividends to date.

Directors

The names of the Directors in place during the period and the current Directors are shown on page 1.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Policies are subject to Board approval and ongoing review by management, risk management and internal audit. Compliance with regulation, legal and ethical standards is a high priority for the Company and the compliance team and finance department take on an important oversight role in this regard. The Enstar group's Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.



TORUS INSURANCE (EUROPE) AG
DIRECTORS' REPORT - continued
For the year ended 31 December 2014

Insurance Risk

Risk that policy terms, premiums, reinsurance protection, and claim handling will not be sufficient to cover ultimate loss and expenses and achieve rate of returns expected by shareholders. Key components and associated controls include:

- Catastrophe/Clash Risk - risk arising from a loss event or occurrence involving more than one insured and/or line of business. Key controls include defined risk appetite/tolerance levels, models used to calculate risk levels, catastrophe control reports overseen by the Torus Group Executive Committee and the Company's Board.
- Underwriting Selection Risk - risk of underwriting loss due to poor underwriting selection or errors in terms and conditions on individual accounts. Key controls include defined risk appetite/tolerance levels, formal written and signed underwriting authorities/underwriting guidelines, maximum gross and net line sizes and business plans, peer review and Torus Group Underwriting Committee oversight.
- Underwriting Pricing Risk - risk of underwriting loss due to poor pricing decisions on individual accounts. Key controls include underwriting pricing guidelines, technical pricing tools/management information, peer review process and Torus Group Underwriting Committee oversight.
- Reserving Risk - risk of potential for deterioration in prior accident year reserves. Key controls include case reserve guidelines, IBNR reserving guidelines, peer review process, Independent Opinion Report and Torus Group Executive Committee oversight.
- Outward Reinsurance Risk - risks associated with unexpected loss arising from inadequate or inappropriate reinsurance. Key controls include guidelines and procedures for purchasing treaty and facultative reinsurance, approved reinsurance security, quarterly reports, and Torus Group Underwriting Committee oversight.
- Market Cycle Risk - risk arising from adverse financial loss due to cyclical trends in the industry. Key controls include cycle management tools/monitoring/reports, market intelligence/forecast reports, and Torus Group Underwriting Committee oversight.

Financial Risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities (investment contracts), reinsurance assets and policyholder liabilities. In particular, the key financial risk is that proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk and currency risk), credit risk and liquidity risk. These risks arise from interest rate and currency products, all of which are exposed to general and specific market movements.

The Enstar Group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Market risk is the risk that future changes in market prices may make a financial instrument less valuable. The primary risk is the interest rate risk and its impact on values as the majority of the investments of the Company are bonds, asset and mortgage backed securities and deposits.

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Company is exposed to credit risk include reinsurers' share of insurance liabilities, amounts due from reinsurers in respect of claims already paid, amounts due from insurance contract holders, amounts due from



TORUS INSURANCE (EUROPE) AG
DIRECTORS' REPORT - continued
For the year ended 31 December 2014

insurance intermediaries and amounts due from corporate bond issuers and issuers of collateralised mortgage obligations.

The Company manages the levels of investment credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and to geographical and industry segments. Such guidelines are subject to regular review.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim, the Company remains liable for the payment to the policyholder.

The creditworthiness of reinsurers is considered on a regular basis by reviewing their financial strength. In addition, management assesses the creditworthiness of all reinsurers by reviewing credit grades provided by rating agencies and other publicly available financial information. Exposures to individual policyholders and groups of policyholders are collected within the on-going monitoring of the controls associated with regulatory solvency.

Liquidity Risk is the risk that the Company may be unable to meet payment of obligations when due at a reasonable cost. The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected value of these liabilities is modelled, on a regular basis, using actuarial techniques. The Torus group Board sets the appetite for the minimum proportion of maturing funds available to meet such calls that should be in place to cover anticipated liabilities and unexpected levels of demand.

Operational Risk

Risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The Company maintains a control environment which is subject to risk assessment and a programme of internal audits.

Strategic Risk

Risk of loss associated with inadequate or flawed business planning or strategy setting, including product mix, mergers or acquisitions and market positioning; and unexpected changes within the market or regulatory environment in which the Company operates. Strategic planning incorporates the Company's specific component plan consideration and creation which is subject to Board oversight.

Group Risk

Risks from other group entities which may impact on the operation of the Company's risk in regard to parental influence is managed through the Enstar Group's Board and Audit Committee. The Company's regulatory requirements are maintained by local compliance functions.

Eurozone exposure

The Company does have some exposure to the Eurozone. However this exposure and the risks associated with it are considered minimal and as such it has not been deemed necessary to set out in detail the steps the Company has taken to mitigate this risk.



KPMG (Liechtenstein) AG

Landstrasse 99
LI-9494 Schaan

Telephone +423 237 70 40
Fax +423 237 70 50

Internet www.kpmg.li
HR Nr. FL-0001.548.458-1

Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

Torus Insurance (Europe) AG, Schaan

As statutory auditors under the provisions of the Liechtenstein Persons and Company Act (PGR), we have audited the financial statements (balance sheet, income statement and notes) and the annual report of Torus Insurance (Europe) AG for the year ended 31 December 2014.

These financial statements and the annual report are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Liechtenstein profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements and the annual report are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position and the results of operations in accordance with Liechtenstein law. Furthermore, the financial statements, the annual report and the proposed appropriation of available earnings comply with Liechtenstein law and the company's articles of incorporation.

The annual report is consistent with the financial statements.

We recommend that the financial statements submitted to you be approved.

KPMG (Liechtenstein) AG

Hans Vils
Chartered Accountant
Auditor in Charge

Denise Hämmerle
Chartered Accountant

Schaan, 27 February 2015

Enclosures:

- Financial statements (balance sheet, income statement, notes)
- Annual report
- Proposed appropriation of available earnings



TORUS INSURANCE (EUROPE) AG
INCOME STATEMENT
For the year ended 31 December 2014

Income Statement

	Notes	Year ended 31 December 2014 USD	Year ended 31 December 2013 USD
I. Technical Account			
1. Net Earned Premium			
a. Gross Written Premium	1	108'035'981	136'035'497
b. Premiums Ceded	1	(104'012'574)	(131'443'388)
c. Change in unearned premium reserves	1&6	15'921'165	28'645'688
d. Change in unearned premium ceded	1&6	(15'599'871)	(27'395'315)
		4'344'701	5'842'482
4. Net claims incurred			
a. Claims Paid			
aa. Gross	1	(85'117'826)	(110'480'494)
bb. Ceded	1	82'315'952	106'245'973
		(2'801'874)	(4'234'521)
b. Change in outstanding claims reserve			
aa. Gross	1&7	3'778'133	17'620'452
bb. Ceded	1&7	(4'536'657)	(16'565'117)
		(758'524)	1'055'335
7. Expenses for insurance business			
a. Acquisition Cost	1	(17'095'516)	(18'326'900)
b. Administrative Expenses	2	(22'917'092)	(28'464'674)
c. Commissions received	1	35'618'209	42'044'772
		(4'394'399)	(4'746'802)
9. Change in Equalisation Provision		-	413'610
10. Technical Result		(3'610'096)	(1'669'896)
II. Non-technical result			
3. Investment Income			
c. Current Income from Other Investments		588'288	725'943
e. Realised Gains (Losses) on Investments		101'541	(156'878)
5. Investment management expense			
a. Investment management and interest expenses	2	(481'427)	(233'432)
b. Amortization of Investments		(112'718)	(209'466)
8. Other Expenses		966'515	511'496
9. Result from common activity		(2'547'897)	(1'032'233)
14. Income taxes	10	342'564	282'842
Loss for the year		(2'205'333)	(749'391)

See accompanying notes to the financial statements on pages 10 to 22.



TORUS INSURANCE (EUROPE) AG
BALANCE SHEET
As at 31 December 2014

Balance Sheet

Assets

	Notes	<u>31 December 2014</u> USD	<u>31 December 2013</u> USD
<u>B. Investments</u>			
III Other Investments			
2 Bonds and fixed income securities	5	27'149'339	31'512'984
6 Deposits with banks	5	-	5'390'333
<u>D. Other receivables</u>			
Receivables from insurance business			
I Receivables from policyholders	9a	87'065'542	114'841'805
II Other reinsurance business receivables			
3 Receivables from other parties		6'795'179	3'965'837
III Other receivables			
1 Receivables from affiliated companies	9b	2'845'012	5'324'929
3 Receivables from other parties		170'608	170'608
<u>E. Other assets</u>			
I Tangible assets	8	-	-
II Cash on hand and at bank	5	14'486'897	5'040'224
<u>F. Accrued items</u>			
I Accrued interest and rent		111'974	151'942
III Other accrued items		11'560'939	1'233'252
Total assets		<u>150'185'490</u>	<u>167'631'914</u>

See accompanying notes to the financial statements on pages 10 to 22.

These financial statements were approved by the Board of Directors on 27 February 2015 and signed on their behalf by

Michael Handler
Director

Donat Marxer
Director

Actuarial confirmation:

The appointed actuary confirms that the reserves have been set up in compliance with the relevant law and regulations.

Stewart Mitchell



TORUS INSURANCE (EUROPE) AG
BALANCE SHEET
As at 31 December 2014

Liabilities and Equity

	Notes	31 December <u>2014</u> USD	31 December <u>2013</u> USD
<u>A. Equity</u>			
I. Called up share capital	12	30'000'000	30'000'000
II Fund Account - Liechtenstein Law		1'000'000	1'000'000
III. Additional paid in capital		5'397'009	5'000'000
IV. Retained Earnings			
1. Legal Reserves		116'279	116'279
V. Retained Earnings brought forward		4'228'408	4'977'799
VI. Net Loss for the year		(2'205'333)	(749'391)
		38'536'363	40'344'687
<u>D. Technical Reserve</u>			
I. Unearned premium reserve	6		
1. Gross		78'220'455	94'141'620
2. Of which: Reinsurance Companies		(76'223'946)	(91'823'817)
		1'996'509	2'317'803
III. Outstanding claims reserves			
1. Gross	7	178'950'313	185'931'483
2. Of which: Reinsurance Companies	7	(175'512'149)	(178'471'571)
		3'438'164	7'459'912
<u>H. Other payables</u>			
II. Other reinsurance payables			
1. Payable to affiliated companies	9b	78'747'853	80'376'410
3. Payable to other creditors		25'843'361	34'044'193
<u>V. Other liabilities</u>			
I. Taxes	10	2'634	334'699
II. Social Security		23'707	20'150
III. Affiliated Companies	9b	-	86'107
IV. Other liabilities against third parties		1'178'899	373'585
<u>VI. Accruals</u>			
Other accruals		418'000	2'274'368
Liabilities and Equity Total		150'185'490	167'631'914

See accompanying notes to the financial statements on pages pages 10 to 22.



TORUS INSURANCE (EUROPE) AG
APPROPRIATION OF RETAINED EARNINGS
For the year ended 31 December 2014

Notes to the Financial Statements

Basis of Preparation

The accounting policies of the Company have been established in conformity with the Liechtenstein personal and company law ("PGR") as well as the Act dated 6 December 1995 governing insurance company regulations (Insurance Regulatory Act; "VersAG") and the related Decree (insurance regulatory Decree; "VersAV") dated 17 December 1996. A summary of the principal accounting policies is set out below.

Principal Accounting Policies

A. Insurance Operations

Written Premiums – Premiums are recognised as written upon inception of the policy. Any subsequent adjustments to written premiums are recognised in the period in which they are determined.

Even where the Company has written policies which are greater than one year in duration and the premium is payable in annual instalments, the total premium under the policy is recognised as written premium at the policy inception date and earned as noted below.

Where there is a long term agreement in place and policies are subject to annual re-signing, these policies will be recognised as written premium when the policy is re-signed.

Earned Premiums – Premiums are earned as revenue over the period of the contract in proportion to the level of protection provided. Generally this is on a pro-rata basis over the term of the policies to which they relate. Where the amount of insurance protection varies according to a predetermined schedule, the premium is earned over the period of cover in line with the underwriter's assessment of the level of protection provided.

Due to early financial reporting requirements of the Company's ultimate holding company, there are no net earned premiums, acquisition costs and related losses recorded for premiums written in the month of December 2014.

Reinsurance – Ceded reinsurance premiums are recognised in the same accounting period as the related insurance. Reinsurance premiums ceded are expensed over the period under which the coverage is provided. For contracts written on a 'losses occurring during basis', the reinsurance premiums are earned on a pro-rata basis over the term of the contract. For contracts written on a 'risk attaching basis', the reinsurance premiums are earned based on the terms of the underlying contracts.

Reinsurance reinstatement premiums – Where a mandatory reinstatement premium is payable under the contract terms after a loss event has occurred, the reinstatement premiums are recorded as written and fully earned at the date of the loss.

Risk transfer – With respect to ceded business, reinsurance accounting is only applied on reinsurance contracts where the risk transfer requirements have been met including the following key conditions:

- (a) The reinsurer assumes significant insurance risk under the reinsured portions of the underlying insurance contracts; and



TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

- (b) It is reasonably possible that the reinsurer may realise a significant loss from the transaction.

Acquisition Costs – Acquisition costs comprise those costs that are incurred in the acquisition of new and renewed insurance contracts. These consist of commissions, premium taxes, underwriting costs and other costs, which vary with and are primarily related to, the acquisition of premiums. Acquisition costs are expensed as incurred.

Unexpired risk provision – Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risk provision. The expected claims are calculated based on information available at the balance sheet date. Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises.

Unpaid losses – A liability for unpaid losses is established where the insured event has occurred on or before the balance sheet date. The reserve for the unpaid losses is established by management based on the estimated ultimate cost of settling the claim and includes provisions for both reported claims (“case reserves”) and estimates relating to incurred but not reported claims (“IBNR”).

Due to the early financial reporting requirements of the Company’s ultimate holding company, there are no reported claims and related reinsurance recoveries recorded for the month of December 2014. Net claims incurred is based upon estimates of the ultimate cost of settling claims through to 31 December 2014 and include IBNR reserves. Therefore there is no impact on net claims incurred as a result of this change. Claims paid not accrued for the month of December 2014 of USD11.4 million are included as an asset in the Balance Sheet within other accrued items.

IBNR is generally subject to a greater degree of uncertainty than reported claims. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Company uses a variety of estimation techniques. In the initial years, the estimation of the claims will be based on pricing assumptions and comparison to industry benchmarks. Once adequate data is available, the estimation is generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Company processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- any movements in industry benchmarks.



TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Company has regard to the claim circumstance as reported, any information available from loss adjusters and any available information on the cost of settling claims with similar characteristics.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distorting effect of the development and incidence of these large claims.

Where possible the Company adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Provisions are calculated net of any estimated amounts of salvage and subrogation recoveries, but gross of any reinsurance recoveries. No benefit has been taken for discounting the reserves.

Equalisation Provision - The Company's policy is to establish an equalisation provision as may be required in order to mitigate exceptionally high volatility of future losses.

Loss adjustment expenses – A liability is established for all costs expected to be incurred in connection with the settlement of unpaid claims. These include the direct cost relating to the investigation of the claims and other costs which cannot be associated with specific claims but are related to claims paid or in the process of settlement such as internal costs of the claims functions.

Reinsurance recoverable on unpaid losses – Reinsurance recoverables are balances due from reinsurance companies for paid and unpaid losses and loss expenses that are expected to be recoverable from reinsurers under the terms of the reinsurance agreements.

Reinsurance recoverable will be stated net of a reserve for uncollectable reinsurance. This reserve will be calculated based on management's estimate of any amounts that the Company would be unable to recover from the reinsurer due to insolvency or known liquidity issues, contractual dispute or any other reason which in management's judgement is likely to warrant a reserve against a particular reinsurer.

In the determination of the reserve for uncollectable reinsurance, the Company will consider the recoverable balance by reinsurer net of any collateral held. The definition of collateral for this purpose is generally limited to assets held in trust, letters of credit and liabilities held by the Company with the same legal entity for which the Company believes there is a legal right of offset.

B. Investments

All investments are stated at amortized cost. Cash includes cash in hand and readily available at bank accounts.

Investment Return - Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest payable on financial liabilities carried at cost, using the effective interest method.



TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

C. Foreign Currencies

The functional and reporting currency of the Company is U.S Dollars (“USD”). The reporting currency of the Company was amended from CHF to USD during 2014. USD is the reporting currency of the Company’s ultimate parent Company. All prior period amounts have been restated to USD.

Monetary assets and liabilities that are denominated in currencies other than the functional currency are revalued at the period end rates of exchange. The gains and losses arising from the revaluation are included in “Other Expenses” in the Income Statement. Unearned premium reserve and deferred acquisition costs are non-monetary assets and liabilities.

Revenues and expenses that are denominated in foreign currencies are translated at the average rates of exchange for the period.

Realised gains and losses from non-functional currencies that arise from the settlement of transactions at rates of exchange that differ from those prevailing when the transaction was originally recorded are also included in “Other Expenses” in the Income Statement.

D. Fixed Assets

Cost – Tangible assets are capitalised and depreciated by equal annual instalments over their estimated useful lives.

Depreciation – The lives of assets used in computing depreciation are based on the estimate of the period over which the asset will provide useful economic benefit to the Company. All assets are depreciated using the straight line method. The useful economic life to be used for each asset category is as below :

Fixtures and fittings	3 years
Furniture	5 years
Software and hardware	3 years

E. Operating Leases

The rental cost associated with operating leases is charged to the profit and loss account on a straight line basis over the life of the lease.

F. Taxes

Current tax expense is charged or credited in the Income Statement based upon amounts payable or recoverable as a result of taxable income or loss for its operations in each country in the current period. Deferred tax asset or liability is recognised for the tax effect of all material timing differences between the carrying value of assets and liabilities for financial reporting purposes and that used for tax purposes. Deferred tax is calculated at the rates at which it is expected that the tax will arise. A valuation allowance is established against any portion of a deferred tax asset that management believes will not be realized. Deferred tax balances are not discounted.



TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. Segment Information

The Company records premium income by both class of business and geographical segment and underwriting results by class of business. This analysis is presented below.

a) The summaries below present written premium, earned premiums, claims incurred, and acquisition costs by class of business, as well as reinsurers share that includes ceding commission.

2014	Written Premium	Earned Premiums	Claims Incurred	Acquisition Costs
	USD	USD	USD	USD
Marine, Aviation and Transport	94'546'785	108'348'834	(78'553'815)	(15'239'245)
Property	5'635'303	7'698'567	(2'516'060)	(650'201)
Casualty	7'509'417	7'008'139	(1'246'479)	(1'103'418)
Other Lines	344'476	901'606	976'661	(102'652)
Gross	108'035'981	123'957'146	(81'339'693)	(17'095'516)
Reinsurer's share	(104'012'574)	(119'612'445)	77'779'295	35'618'209
TOTAL	4'023'407	4'344'701	(3'560'398)	18'522'693

2013	Written Premium	Earned Premiums	Claims Incurred	Acquisition Costs
	USD	USD	USD	USD
Marine, Aviation and Transport	115'094'683	134'599'723	(82'872'945)	(16'877'265)
Property	12'094'722	15'476'412	(6'872'869)	(202'716)
Casualty	7'849'391	7'562'732	(2'598'876)	(1'169'866)
Other Lines	996'701	7'042'318	(515'352)	(77'053)
Gross	136'035'497	164'681'185	(92'860'042)	(18'326'900)
Reinsurer's share	(131'443'388)	(158'838'703)	89'680'856	42'044'772
TOTAL	4'592'109	5'842'482	(3'179'186)	23'717'872



TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

1. Segment Information - continued

b) The summaries below present written premium by geographical location.

2014	Written Premiums Liechtenstein	Written Premium EEA	Written Premium Other	Total
	USD	USD	USD	USD
	Marine, Aviation and Transport	59'975	33'386'535	61'100'275
Property	-	2'975'495	2'659'808	5'635'303
Casualty and other	-	7'504'062	349'831	7'853'893
TOTAL	59'975	43'866'092	64'109'914	108'035'981

2013	Written Premiums Liechtenstein	Written Premium EEA	Written Premium Other	Total
	USD	USD	USD	USD
	Marine, Aviation and Transport	55'865	43'792'408	71'246'410
Property	-	8'160'962	3'933'762	12'094'724
Casualty and other	-	8'258'812	587'278	8'846'090
TOTAL	55'865	60'212'182	75'767'450	136'035'497

2. Net Operating Expenses

The majority of the Company's administrative expenses are incurred by affiliated companies, Torus Insurance Marketing Limited ("TIML") in London and Torus Business Solutions Private Limited ("TBSPL") in India, that provide back office support and administrative services to the Company. Both entities recharge expenses to the Company in line with group policy.

3. Auditors' remuneration

	Year ended 31 December 2014	Year ended 31 December 2013
	USD	USD
Audit services	121'767	114'089

Except the fees for the audit of the Statutory accounts and the reporting to the Financial Market Authority no other fees have been paid.

4. Operating lease rentals

The Company leases offices in various countries. The total rental and leasing commitments is USD 1'760'086 that all relate to lease commitments between 1-5 years.



TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

5. Investments

As at 31 December	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
	USD	USD	USD	USD
US Government Securities	6'657'059	6'671'727	5'128'374	5'135'064
US Agency Securities	4'852'596	4'891'534	2'004'698	2'013'364
Corporate Securities	10'753'586	10'855'961	15'664'291	15'905'809
Foreign Government Municipals	349'506	356'329	-	-
Asset Backed Securities	281'380	282'211	473'087	473'181
Mortgage Backed Securities	2'217'677	2'220'060	2'974'493	2'981'552
	<u>2'037'535</u>	<u>2'037'535</u>	<u>5'268'041</u>	<u>5'290'125</u>
Total Investments	<u>27'149'339</u>	<u>27'315'357</u>	<u>31'512'984</u>	<u>31'799'095</u>

By maturity

As at 31 December	<u>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
	USD	USD	USD	USD
Due in one year or less	1'601'296	1'607'595	2'013'369	2'021'874
Due after one through five years	20'104'166	20'230'550	23'988'532	24'244'052
Due after five through ten years	1'081'319	1'088'845	778'308	790'944
Due after ten years	<u>4'362'558</u>	<u>4'388'367</u>	<u>4'732'775</u>	<u>4'742'225</u>
Total Investments	<u>27'149'339</u>	<u>27'315'357</u>	<u>31'512'984</u>	<u>31'799'095</u>

Deposits with banks and Cash on hand and at bank include assets of USD 6'192'000 (2013: USD 6'495'000) that were pledged as collateral for letters of credit issued in relation to insurance business written.



TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

6. Unearned Premium Reserves

As at 31 December 2014	<u>Gross</u> USD	<u>Reinsurer's share</u> USD	<u>Net</u> USD
Balance at the beginning of the period	94'141'620	(91'823'817)	2'317'803
Change in reporting period	<u>(15'921'165)</u>	<u>15'599'871</u>	<u>(321'294)</u>
Balance at the end of the period	<u>78'220'455</u>	<u>(76'223'946)</u>	<u>1'996'509</u>

As at 31 December 2013	<u>Gross</u> USD	<u>Reinsurer's share</u> USD	<u>Net</u> USD
Balance at the beginning of the period	122'787'308	(119'219'132)	3'568'176
Change in reporting period	<u>(28'645'688)</u>	<u>27'395'315</u>	<u>(1'250'373)</u>
Balance at the end of the period	<u>94'141'620</u>	<u>(91'823'817)</u>	<u>2'317'803</u>

7. Claims Reserves

As at 31 December 2014	<u>Gross</u> USD	<u>Reinsurer's share</u> USD	<u>Net</u> USD
Balance at the beginning of the period	185'931'483	(178'471'571)	7'459'912
Change in reporting period	(3'778'133)	4'536'657	758'524
Endorsement of group reinsurance agreement	-	(1'697'757)	(1'697'757)
Currency translation	<u>(3'203'037)</u>	<u>120'522</u>	<u>(3'082'515)</u>
Balance at the end of the period	<u>178'950'313</u>	<u>(175'512'149)</u>	<u>3'438'164</u>

As at 31 December 2013	<u>Gross</u> USD	<u>Reinsurer's share</u> USD	<u>Net</u> USD
Balance at the beginning of the period	203'115'806	(195'788'297)	7'327'509
Change in reporting period	(17'620'452)	16'565'117	(1'055'335)
Currency translation	<u>436'129</u>	<u>751'609</u>	<u>1'187'738</u>
Balance at the end of the period	<u>185'931'483</u>	<u>(178'471'571)</u>	<u>7'459'912</u>

8. Other assets

All fixed assets were fully depreciated in 2012.

The Insured value of the assets as at 31 December 2014 was USD 880'200 (2013: USD 631'920).



TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

9. Receivables and payables

a. Receivables and payables from insurance activities:

	<u>Year ended</u> <u>31 December 2014</u>	<u>Year ended</u> <u>31 December 2013</u>
	USD	USD
Receivable from policyholders	87'665'542	115'441'805
Provision for bad debt on policyholders	<u>(600'000)</u>	<u>(600'000)</u>
	<u>87'065'542</u>	<u>114'841'805</u>

b. Receivables and payables to affiliated companies:

	<u>Year ended</u> <u>31 December 2014</u>	<u>Year ended</u> <u>31 December 2013</u>
	USD	USD
Other reinsurance receivables	2'845'012	5'324'929
Reinsurance companies share of unearned premiums	50'756'564	57'219'774
Reinsurance companies share of claims reserves	129'678'920	125'528'878
Other reinsurance business payables	(78'747'853)	(80'376'410)
Other liabilities	-	<u>(86'107)</u>
	<u>104'532'643</u>	<u>107'611'064</u>

The quota share reinsurance agreement with Torus Insurance (Bermuda) Limited ("TIBL") remained in force during 2014. Under this agreement 95% of the Company's continuing business and 100% of discontinued lines of business was ceded to TIBL in order to minimise underwriting risks. There was an endorsement to this agreement effective 1 January 2014 to increase the amount ceded from 95% to 100% for the discontinued lines. TIBL pays a ceding commission to the Company of 22% (2013: 22%).

During 2013, the Company entered into a loan agreement (the "agreement") with its parent, TIBL, to provide access to additional liquidity. The facility was for \$25m and allows the Company to drawdown on this total in increments at any time between 1 January 2013 and 31 December 2015. As at 31 December 2014 the amount outstanding was USD 18'935'000 (2013: USD 13'981'000). The interest charged on the outstanding balance is 3 month USD LIBOR plus 2.5% per annum. Interest is added to the total amount borrowed and repaid no later than the end of the agreement. Interest charged to the income statement in 2014 was USD 378'704 (2013: USD 126'783).

10. Taxation

The Company recognised an income tax credit of USD 360'798 (2013: USD 282'842) in respect of a reduction in its tax liability.



TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

11. Share Capital

	<u>31 December</u> <u>2014</u>	<u>31 December</u> <u>2013</u>
	USD	USD
A. Equity		
I. Called up share capital: 30'000 registered shares, each with fully paid-up nominal value of USD 1'000 (2013: 30'000 registered shares of USD 1'000)	<u>30'000'000</u>	<u>30'000'000</u>

12. Reconciliation of movements in shareholders' funds

	<u>31 December</u> <u>2014</u>	<u>31 December</u> <u>2013</u>
	USD	USD
A. Equity		
I. Called up share capital: 30'000 registered shares, each with fully paid-up nominal value of USD 1'000	30'000'000	30'000'000
II Fund Account - Liechtenstein Law	1'000'000	1'000'000
III. Additional paid in capital	5'397'009	5'000'000
IV. Retained Earnings		
1. Legal Reserves	116'279	116'279
V. Retained Earnings brought forward	4'228'408	4'977'799
VI. Net Loss for the year	<u>(2'205'333)</u>	<u>(749'391)</u>
	<u>38'536'363</u>	<u>40'344'687</u>

During the 2014 the Company received an additional capital contribution from Torus Insurance Holdings Limited of USD 397'009 in respect of certain group compensation expenses incurred by the Company.

13. Remuneration of the supervisory board members and executives

Pursuant to Art.1092 (9) lit.d PGR, the Company has decided not to disclose the total remuneration of the supervisory board members and executives given that such data enables the establishment of the remuneration for a given member.

14. Employees

In 2014, the Company employed 27 people (2013: 26).



TORUS INSURANCE (EUROPE) AG
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2014

15. Ultimate parent company

On 1 April 2014, Enstar Group Limited (Enstar) and Stone Point Capital LLC (Stone Point) completed the purchase of the entire share capital of Torus Insurance Holdings Limited following the receipt of regulatory approval. Under the terms of the purchase agreement, Enstar own 60% and Stone Point own 40% of TIHL. Effective from 1 April 2014, Enstar was the ultimate parent company of the Company.

16. Subsequent events

On 6 February 2015, Enstar announced the proposed acquisition of Nationale Suisse Belgium, a Belgium-based Insurance company writing non-life specialty insurance and life insurance. In connection with this, Torus Insurance Marketing Limited will acquire two specialty insurance agencies in Belgium writing sports club, luxury car and other specialist insurance products. The acquisition is subject to regulatory approval. It is expected that renewal of insurance policies for this business will be written by the Company during the second half of 2015.

17. Prior period information

The Balance Sheet at 31 December 2013 is shown below in the current reporting currency of USD with the corresponding values in CHF which was reporting currency in 2013.

Assets

	Notes	31 December 2013 USD	31 December 2013 CHF
<u>B. Investments</u>			
III Other Investments			
2 Bonds and fixed income securities	5	31'512'984	28'175'759
6 Deposits with banks	5	5'390'333	4'819'497
<u>D. Other receivables</u>			
Receivables from insurance business			
I Receivables from policyholders	9a	114'841'805	102'680'058
II Other reinsurance business receivables			
3 Receivables from other parties		3'965'837	3'545'855
III Other receivables			
1 Receivables from affiliated companies	9b	5'324'929	4'761'019
3 Receivables from other parties		170'608	152'541
<u>E. Other assets</u>			
I Tangible assets	8	-	-
II Cash on hand and at bank		5'040'224	4'506'464
<u>F. Accrued items</u>			
I Accrued interest and rent		151'942	135'851
III Other accrued items		1'233'252	1'102'650
Total assets		167'631'914	149'879'694

TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2014

17. Prior period information - continued

Liabilities and Equity

	Notes	31 December 2013 USD	31 December 2013 CHF
A. Equity			
I. Called up share capital	12	30'000'000	31'931'200
II Fund Account - Liechtenstein Law		1'000'000	1'126'660
III. Additional paid in capital		5'000'000	4'566'500
IV. Retained Earnings			
1. Legal Reserves		116'279	131'000
V. Retained earnings brought forward		4'977'799	(224'139)
VI. Net Loss for the year		(749'391)	(1'459'040)
		40'344'687	36'072'181
D. Technical Reserve			
I. Unearned premium reserve	6		
1. Gross		94'141'620	84'172'022
2. Of which: Reinsurance Companies		(91'823'817)	(82'099'675)
		2'317'803	2'072'347
III. Outstanding claims reserves			
1. Gross	7	185'931'483	166'241'339
2. Of which: Reinsurance Companies	7	(178'471'571)	(159'571'431)
		7'459'912	6'669'908
H. Other payables			
II. Other reinsurance payables			
1. Payable to affiliated companies	9b	80'376'410	71'864'548
3. Payable to other creditors		34'044'193	30'438'913
V. Other liabilities			
I. Taxes	10	334'699	299'258
II. Social Security		20'150	18'016
III. Affiliated Companies	9b	86'107	76'989
IV. Other liabilities against third parties		373'585	334'023
VI. Accruals			
Other accruals		2'274'368	2'033'511
Liabilities and Equity Total		167'631'914	149'879'694

The retained earnings brought forward at 31 December 2013 was a deficit of CHF (224'139) as a result of all capital components of shareholders equity which were received in USD being converted to CHF at historical exchange rates prevailing when such amounts were received, the Balance Sheet net assets at period end exchange rates and the net income or loss for the previous years at average exchange rates. By reporting the capital components at the original USD amounts and the net income or loss for the previous years at their USD values, the retained earnings brought forward at 31 December 2013 is calculated as positive USD 4'977'799.



TORUS INSURANCE (EUROPE) AG
APPROPRIATION OF RETAINED EARNINGS
For the year ended 31 December 2014

Appropriation of Retained Earnings

The Supervisory board recommendation for the 2014 appropriation of retained earnings is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
	USD	USD
Balance at the beginning of the period	4'228'408	4'977'799
Loss for the financial year	<u>(2'205'333)</u>	<u>(749'391)</u>
Balance at the end of the period	<u>2'023'075</u>	<u>4'228'408</u>