In accordance with Regulation 32 of the Overseas Companies Regulations 2009

OS AA01

Statement of details of parent law and other information for an overseas company

Companies House

✓ **What this form is for**
You may use this form to accompany your accounts disclosed under parent law

X **What this form is NOT fo[r]**
You cannot use this form t[o] an alteration of manner of [compliance] with accounting requireme[nts]

FRIDAY

L1FI3T08
LD6 17/08/2012 #108
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	Torus Insurance (Europe) AG
	FC 028311
UK establishment number	B R 0 0 9 9 4 2

→ **Filling in this form**
Please complete in typescript or in bold black capitals

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and, if applicable, the legislation under which the accounts have been audited

Legislation ❷ LIECHTENSTEIN

❷ This means the relevant rules or legislation which regulates the preparation and, if applicable, the audit of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box

☐ **No** Go to **Section A3**

☑ **Yes** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3**

Name of organisation or body ❸ LIECHTENSTEIN

❸ Please insert the name of the appropriate accounting organisation or body

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ **No** Go to **Section A5**

☑ **Yes** Go to **Section A4**

OS AA01

Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box ☐ **No** Go to **Part 3 'Signature'** ☑ **Yes** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**	❶ Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ❶	KPMG	

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box ☐ **No** ☐ **Yes**

Part 3 Signature

I am signing this form on behalf of the overseas company

Signature	Signature X R. W. [signature] X

This form may be signed by
~~Director~~, Secretary, ~~Permanent representative~~.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form The contact information you give will be visible to searchers of the public record

Contact name RICHARD RUFFELL

Company name Torus Insurance (UK) Limited

Address 88 Leadenhall street

London

Post town London

County/Region

Postcode E C 3 A 3 B P

Country UK

DX

Telephone 020 3206 8157

Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☑ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☑ You have completed all sections of the form, if appropriate
- ☐ You have signed the form

Important information

Please note that all this information will appear on the public record

Where to send

You may return this form to any Companies House address

England and Wales
The Registrar of Companies, Companies House, Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland
The Registrar of Companies, Companies House, Fourth floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland
The Registrar of Companies, Companies House, Second Floor, The Linenhall, 32-38 Linenhall Street, Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Further information

For further information, please see the guidance notes on the website at www companieshouse gov uk
or email enquiries@companieshouse gov uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk

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Torus Insurance (Europe) AG

Financial Statements and Appropriation of Retained Earnings

For the year ended 31 December 2011

Company Number· FL-0002.204 512-3

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

TORUS INSURANCE (EUROPE) AG
DIRECTORS AND OFFICERS
For the year ended 31 December 2011

Board of Directors

Clive Tobin (Resigned 27 December 2011)

Donat Marxer

Stephen Clarke

Dermot O'Donohoe (Change from Management Board to Board of Directors, effective 9 June 2011)

Management Board

Richard Etridge

Ian Campbell (Resigned 15 February 2012)

Marc van der Veer (Appointed 27 December 2011)

Company Secretary

Robert Mankiewitz

Company Number

FL-0002 204 512-3

Registered Office	**Branches**		
Zollstrasse 82	Genferstrasse 35	88 Leadenhall Street	Spichernstrasse 8
9494 Schaan	8002 Zürich	London EC3A 3BP	50672 Köln
Liechtenstein	Switzerland	United Kingdom	Germany

Auditors

KPMG (Liechtenstein) AG

Landstrasse 99

9494 Schaan

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TORUS INSURANCE (EUROPE) AG
DIRECTORS' REPORT
For the year ended 31 December 2011

The Directors present their report and the audited financial statements for Torus Insurance (Europe) AG (the "Company") for the year ended 31 December 2011

Principal activity

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

Results and performance

The result of the Company for the period, as set out on page 8, shows a loss on ordinary activities before tax of Swiss Francs ("CHF") of 1,658,011 (2010 loss of CHF 2,123,000)

Business development fell approximately 5 5% short of the annual plan in United States Dollar ("USD") terms although greater in CHF due to exchange rate movements The underlying business showed a fundamental improvement towards the mix and risk quality the Company is targeting Aviation remains a global business, while all other business lines have primarily shifted towards a European focus

Established lines in Aviation, Space and Marine carry its usual expectations in terms of risk selection and business development The expansion of European domiciled business in General Property and Management Liability is very positive as a result of the hard work and distinct marketing the Company has undertaken during the last 18 months The seasoned Aviation portfolio benefits from the diversification between Airlines Operators, Products Manufacturers, Airports and the shorter tail General Aviation which after four years is beginning to mature For high risk accounts, the Company executed a strategy of selectively underwriting accounts within its targeted segment and had continued success of increasing shares on those key accounts The Company benefited from a below expected loss year in 2011 in respect of both frequency and event severity

The Company is not exposed to any passenger liability losses arising from the 2011 aircraft accidents Due to low loss experience in 2011, pricing was below expectations for the key Q4 2011 renewal season, however the medium term pricing outlook is positive and risks continue to benefit from improving operational standards The largest single Aviation event loss was USD 4 1m gross loss to the Company for the Asiana B747 Cargo Aircraft Due to the overall lower loss experience and our risk selection, the underwriting result was better than planned for the Aviation segment

In 2011, written premium for Space business was lower than 2010 due to fewer than planned launch placements coming to market As market pricing came under increasing pressure, the Company made a conscious effort to cut gross lines, broaden the use of reinsurance and thereby reduce volatility within the portfolio 2011 planned income was reached during Q4 2011 albeit this was a reduction of 45% over 2010 Unfortunately, the Company was exposed to all four market loss events, two total losses and two partial losses, but did however manage to yield year end profitability due to efficient line utilisation

The Company continued to expand its General Liability and Management Liability lines cautiously General Liability in Europe remained competitively priced and therefore the Company maintained its firm stance of focusing on Excess Liability placements only and benefiting from the customer relationships, thus leveraging the broader product offering from the local branch network Within the Management Liability portfolio the Company increased its business within the German market, focusing on the mid to large sized commercial Directors & Officer placements, but remained selective towards coverage provided for Financial Institutions

For the Property and Energy books, the first half of 2011 continued to be driven by the Company's re-underwriting efforts A large part of the Energy book was moved to the Torus group's London Energy team and the Company exited some legacy business which did not fit its focus area and underwriting strategy The market continued to be very competitive and coupled with the Company's technical underwriting philosophy and tight underwriting guidelines it was a challenge to meet premium growth plans Whilst the Company was below its premium budget for the full year, the Property and Energy books outperformed profit expectations The actual incurred loss ratio was substantially below plan and despite 2011 being the worst year for catastrophe losses on record for International markets (excluding North America) This was evidence of the Company's very balanced and diversified portfolio with manageable catastrophic loss exposure, bolstering the Company's objective of reducing its volatility and exposure to catastrophic risks 2011 was also a year in which the Company continued to build the Property platform in Europe with the addition of three senior Property underwriting professionals This gives the Company a functioning local presence in two of its key markets in Europe, Germany and France

The Company's Marine account is focused on two main areas, Hull and Cargo business written from Cologne office, and a Terrorism account written from the London office where it benefits from local presence The Hull and Cargo portfolio benefited from increased cargo volume and tonnage, however the rate increases did not materialise The renewal rights aquistion of CV Starr's Continental European business by the Torus group is expected to bring opportunites in 2012 with more risk distribution and critical mass combined with greater experience Within Terrorism, the Company reduced its risk by reducing maximum capacity and purchasing excess of loss reinsurance The Company managed to exceed plan by adding Underwriters to the team, increasing potential business, risk penetration and growing technical reputation

Overall losses incurred were lower in 2011 than plan with gross losses incurred of CHF 94 5 million and an ultimate loss ratio of 54 5% The largest single loss to the Company relate to an Astrium express AM4 satellite, which was declared a total loss during launch on August 19 2011 The Company incurred a gross loss of USD 10 2m which was mitigated by reinsurance The Company experienced seven claims in excess of CHF 2 0m (2010 twelve) Claims development is in accordance with expectations and continues reflects the conservative underwriting and reserving policy

Key developments in the year

During 2011, the Company's parent, Torus Insurance (Bermuda) Limited ("TIBL") provided $10m of additional share capital to support the Company's capital requirements

Strategy and Future outlook

Overall insurance markets remained competitive in 2011, however the year was dominated by the global catastrophe and operating losses, which will exceed US$100Bn for the industry 2012 is expected to bring positive rate movements in many lines of business the Company writes In addition insurance buyers will also carefully manage costs as their businesses recover from the global recession caused by the financial turmoil of 2008

The Torus group's strategy to create a global specialty company with a niche reinsurance platform has seen the group grow and diversify substantially since acquistion, developing a balanced portfolio covering technical property, casualty and speciality insurance diversified by risk class, market segment and geographies The pursuit of this strategy along with careful risk selection is expected to show benefits in 2012

The Torus group continues to develop relationships with key brokers in the UK, US and European markets ensuring an increased flow of new business opportunities Experienced resourcing in underwriting and support teams along with continued development of the systems architecture ensures that Torus is continually improving service levels

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 listed on page 1

Going concern

The Directors consider that it remains appropriate to prepare the financial statements on a going concern basis The rationale for this decision is provided in the Accounting Policies – Basis of preparation – on page 11

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 Torus group Company's Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively

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 Torus Group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on Torus' 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 are

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid,
- amounts due from insurance contract holders,
- amounts due from 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 counterparty, 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 Torus 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 Torus 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, which requires consideration in light of recent economic uncertainty surrounding a number of European countries 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

TORUS INSURANCE (EUROPE) AG
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2011

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

Torus Insurance (Europe) AG, Schaan

As statutory auditor, 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 2011

The board of directors is responsible for the preparation of the financial statements and the annual report Our responsibility is to express an opinion on these financial statements and the annual report based on our audit We confirm that we meet the legal requirements with regards to professional qualification and independence

We conducted our audit in accordance with auditing standards promulgated by the Liechtenstein audit profession Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements and the annual report are free from material misstatement We examined the amounts and the disclosures of the financial statements through analyses and inquiries on a test basis An audit also includes evaluating the appropriateness of the accounting policies used, the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

In our opinion, the financial statements for the year ended 31 December 2011 fairly present in all material aspects the net assets, the financial position and the results of the company in accordance with Liechtenstein law In addition, the financial statements, the annual report as well as 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

Ian Sutcliffe	Hans Vils
Chartered Accountant	*Wirtschaftsprüfer*
Auditor in charge	

Schaan, 23 April 2012

Enclosed
Annual report
Financial statements (balance sheet, income statement and notes)

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TORUS INSURANCE (EUROPE) AG
INCOME STATEMENT
For the year ended 31 December 2011

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
		CHF	CHF
I Technical Account			
1. Net Earned Premium			
a Gross Written Premium	1	167,880,319	246,458,404
b Premiums Ceded	1	(162,628,189)	(236,513,667)
c Change in unearned premium reserves		5,463,988	(13,937,752)
d Change in unearned premium ceded		(4,942,795)	13,725,355
		5,773,323	**9,732,340**
4 Net claims incurred			
a Claims Paid			
aa Gross	1	(92,990,033)	(65,487,623)
bb Ceded	1	89,282,697	62,367,094
		(3,707,336)	**(3,120,529)**
b Change in outstanding claims reserve			
aa Gross		(1,557,219)	(116,452,447)
bb Ceded		2,918,995	107,579,269
		1,361,776	**(8,873,178)**
7 Expenses for insurance business			
a) Acquisition Cost		(20,996,587)	(27,960,194)
b) Administrative Expenses	2	(24,782,981)	(14,775,749)
c) Commissions received		40,905,403	45,936,484
		(4,874,165)	**3,200,541**
10. Technical Result		**(1,446,402)**	**939,174**
II. Non-technical result			
3 Investment Income			
c) Current Income from Other Investments		816,739	73,557
e) Realised Gains on Investments		168,572	-
5 Investment management expense			
a) Investment management and interest expenses		(66,713)	-
b) Amortization of Investments		(265,991)	-
8 Other Expenses		(579,006)	(2,968,568)
9 Result from common activity		**(1,372,802)**	**(1,955,837)**
14 Income taxes		(285,209)	(167,163)
Net loss for the year		**(1,658,011)**	**(2,123,000)**

See accompanying notes to the financial statements on pages 11 to 21

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TORUS INSURANCE (EUROPE) AG
BALANCE SHEET
As at 31 December 2011

Assets

	Notes	31 December 2011 CHF	31 December 2010 CHF
B. Investments			
III Other Investments	5	28,489,148	-
D. Other receivables			
Receivables from insurance business			
1 Receivables from policyholders	9a	121,633,239	143,543,456
II Other reinsurance business receivables		-	-
3 Receivables from other parties		20,407,572	2,522,729
III Other receivables			
1 Receivables from affiliated companies	9b	686,621	52,546
3 Receivables from other parties		169,360	35,195
E. Other assets			
I Tangible assets	8	241,508	508,587
II Cash on hand and at bank		35,976,633	80,559,963
F Accrued items			
I Accrued interest and rent		166,361	333,716
III Other accrued items		131,895	29,372
Total assets		207,902,337	227,585,564

These financial statements were approved by the Board of Directors on 23 April 2012 and signed on their behalf by

Dermot O'Donohoe — Director

Donat Marxer — Director

23 April 2012

See accompanying notes to the financial statements on pages 11 to 21

Actuarial confirmation
The appointed actuary confirms that the reserves have been setup in compliance with law and regulations

Richard Goldfarb

23 April 2012

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TORUS INSURANCE (EUROPE) AG
BALANCE SHEET
As at 31 December 2011

Liabilities and Equity

	Notes	31 December 2011 CHF	31 December 2010 CHF
A Equity	11		
I Called up share capital		31'931'200	22'533'200
II Fund Account - Liechenstein Law		1'126'660	1'126'660
III Statutory reserve		131'000	131'000
V Retained Earnings brought forward		(1'094'943)	1'028'057
VI Net loss for the year		(1'658'011)	(2'123'000)
		30'435'906	22'695'917
D. Technical Reserve			
I Unearned premium reserve	6		
1 Gross		134'935'116	140'675'876
2 Of which Reinsurance Companies		(130'889'091)	(135'212'022)
		4'046'025	5'463'854
III Outstanding claims reserves	7		
1 Gross		191'593'457	196'439'797
2 Of which Reinsurance Companies		(184'823'526)	(188'206'557)
		6'769'931	8'233'240
V Equalisation Reserve (net)*		388'711	-
VI Other technical reserves			
1 Gross		563'880	560'100
F Other provisions			
II Tax provisions		-	382'056
H Other payables			
I Payables from insurance business			
3 Payable to other creditors		3'829'921	2'353'786
II Other reinsurance payables			
1 Payable to affiliated companies	9b	116'191'401	149'391'646
3 Payable to other creditors		38'470'839	34'927'456
V Other liabilities			
I Taxes		7'047	-
II Social Security		93'145	127'371
III Affiliated Companies		4'970'168	1'271'169
IV Other liabilities against third parties		56'574	298'076
VI. Accruals			
Other accruals		2'078'789	1'880'893
Liabilities and Equity Total		207'902'337	227'585'564

*The Equalisation Reserve as at 31 December 2010 of CHF 386,105 net is included within the Outstanding Claims Reserve. (see Note 7)

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 are set out below

Going Concern

The Company has sufficient capital at 31 December 2011 and accordingly Management consider it appropriate to prepare the financial statements on a going concern basis

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 in line with the 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

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
(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 Acquistion 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")

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

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 has setup an equalisation provision in order to migitate 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 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 fixed interest deposits with an original maturity date of three months or less

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

C Foreign Currencies

The financial statements of the Company are expressed in CHF pursuant to the VersAG, however the financial ledgers of the Company are kept in USD which is the functional and reporting currency of the ultimate parent Company, Torus Insurance Holdings Limited ("TIHL")

i) Functional Currency

The positions of the Profit and Loss Account are converted from their original currency into the functional currency at monthly average rates Balance Sheet positions kept in original currency are converted at the year end rate Any result from the conversion to the functional currency are recognised in "Other Expenses" in the Non-Technical Result

ii) Financial Statements

For the conversion from the functional currency to CHF the following conversion rates were used

- Assets and liabilities were converted at the closing rate of CHF 0 9398 = 1 USD (2010 0 9335),
- Shareholders equity was converted at the historical rate of 1 0666078 CHF = 1 USD (2010 1 12666) The USD $10m capital increase during 2011 was converted at 0 9398 CHF = 1 USD,
- Profit and Loss account was converted at the average CHF 0 8873 = 1 USD (2010 1 04477),

Gains and losses arising from the revaluation of foreign currency monetary assets and liabilities to USD are included in in "Other Expenses" in the Non-Technical Result An unrealised gain would be offset against a general provision, applying the principle of caution Such a provision would be released in subsequent years and offset against future exchange losses

D. 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

E 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 group 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 fitting	- 3 years
Furnitue	- 5 years
Software and hardware	- 3 years

1 Segment Information

The Company monitors 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 presents written premium, earned premiums and claims incurred by insurance catergory

2011	**Written Premiums Liechtenstein**	**Written Premium Other**	**Earned Premiums**	**Claims Incurred**
	CHF	**CHF**	**CHF**	**CHF**
Casualty and Health Insurance	-	-	-	-
Marine, aviation and Transport	60'986	128'950'412	146'889'132	(84'401'348)
Property		21'612'648	23'596'751	(3'453'940)
Casualty	-	17'256'273	2'858'424	(6'691'963)
Gross	60'986	167'819'333	173'344'307	(94'547'251)
Reinsurer's share	(57'936)	(162'570'253)	(167'570'984)	92'201'692
TOTAL	3'049	5'249'080	5'773'323	(2'345'560)

2010	**Written Premiums Liechtenstein**	**Written Premium Other**	**Earned Premiums**	**Claims Incurred**
	CHF	**CHF**	**CHF**	**CHF**
Casualty and Health Insurance	-	72'208	89'779	(1'519)
Marine, aviation and Transport	-	202'750'770	168'231'926	(118'261'151)
Property	-	41'911'622	63'641'402	(62'988'841)
Casualty	-	1'723'804	557'544	(688'560)
Gross	-	246'458'404	232'520'651	(181'940'071)
Reinsurer's share	-	(236'513'667)	(222'788'311)	169'946'364
TOTAL	-	9'944'737	9'732'340	(11'993'707)

b) The summaries below presentwritten premium by geographical location.

2011	Written Premiums Liechtenstein	Written Premium EEA	Written Premium Other	Total
	CHF	CHF	CHF	CHF
Casualty and Health Insurance	-	-	-	-
Marine, aviation and Transport	60'986	50'031'243	82'543'594	132'635'823
Property	-	15'631'921	5'980'726	21'612'647
Casualty	-	3'307'332	10'324'517	13'631'849
TOTAL	60'986	68'970'496	98'848'837	167'880'319

2010	Written Premiums Liechtenstein	Written Premium EEA	Written Premium Other	Total
	CHF	CHF	CHF	CHF
Casualty and Health Insurance	-	72'208	-	72'208
Marine, aviation and Transport	-	81'621'504	121'129'267	202'750'771
Property	-	15'689'952	26'221'670	41'911'622
Casualty	-	1'041'048	682'755	1'723'803
TOTAL	-	98'424'712	148'033'692	246'458'404

2. Net Operating Expenses

	Year ended 31 December 2011	Year ended 31 December 2010
	CHF	CHF
Administrative expenses	24,782,981	14,775,749
Investment Expenses	66,713	-
Other Expenses	579,006	2,968,568
	25,428,701	17,744,317

A material portion of administrative expenses are incurred by the Torus Group's UK services company, Torus Insurance Marketing Limited ("TIML") and are recharged to group companies in line with group policy

Torus Business Solutions Private Limited ("TBSPL"), a company incorporated in India, is an affiliate entity which provides back office support/administrative services to the Group It recharges expenses to the Company in line with group policy

3. Auditors' remuneration

	Year ended 31 December 2011	Year ended 31 December 2010
	CHF	CHF
Audit services	108,000	78,000

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 rental and leasing expiring after five years is CHF 4 1m

5. Investments

By category

As at 31 December	2011 Amortized Cost	2011 Fair Value	2010 Amortized Cost	2010 Fair Value
	CHF	CHF	CHF	CHF
US Government securities	8,336,214	8,446,806	-	-
US Agency securities	6,407,668	6,443,796	-	-
Corporate Securities	11,631,827	11,682,043	-	-
Foreign Government	624,476	635,074	-	-
Asset backed securities	845,314	851,168	-	-
Mortgage backed securities	643,649	635,144	-	-
Total Investments	28,489,148	28,694,031	-	-

By maturity (excluding cash)

As at 31 December	2011 Amortized Cost	2011 Fair Value	2010 Amortized Cost	2010 Fair Value
	CHF	CHF	CHF	CHF
Due in one year or less	-	-	-	-
Due after one through five years	17,491,474	17,657,581	-	-
Due after five through ten years	6,092,470	6,132,841	-	-
Due after ten years	4,905,203	4,903,609	-	-
Total Investments	28,489,148	28,694,031	-	-

In 2010 the Company's investments consisted of cash held at the bank accounts

6 Unearned Premium Reserves

As at 31 December 2011	Gross	Reinsurer's share	Net
	CHF	CHF	CHF
Balance at the beginning of the period	140'675'876	(135'212'022)	5'463'854
Change in reporting period	(5'463'988)	4'942'795	(521'193)
Currency translation	(276'771)	(619'865)	(896'636)
Balance at the end of the period	134'935'117	(130'889'092)	4'046'025

As at 31 December 2010	Gross	Reinsurer's share	Net
	CHF	CHF	CHF
Balance at the beginning of the period	142'575'770	(136'124'398)	6'451'372
Change in reporting period	13'937'752	(13'725'355)	212'397
Currency translation	(15'837'646)	14'637'731	(1'199'915)
Balance at the end of the period	140'675'876	(135'212'022)	5'463'854

7. Claims Reserves

As at 31 December 2011	Gross	Reinsurer's share	Net
	CHF	CHF	CHF
Balance at the beginning of the period	196'439'805	(188'206'565)	8'233'240
Reclass Equalisation Provision	(7'774'223)	7'385'512	(388'711)
Change in reporting period	1'557'218	(2'918'995)	(1'361'777)
Currency translation	1'370'656	(1'083'478)	287'178
Balance at the end of the period	191'593'457	(184'823'526)	6'769'931

As at 31 December 2010	Gross	Reinsurer's share	Net
	CHF	CHF	CHF
Balance at the beginning of the period	104'254'173	(11'643'678)	92'610'495
Change in reporting period	116'452'447	(107'579'269)	8'873'178
Offset of receivables from affiliated companies	-	(86'799'591)	(86'799'591)
Currency translation	(24'266'815)	17'815'973	(6'450'842)
Balance at the end of the period	196'439'805	(188'206'565)	8'233'240

The net Equalisation Reserve of CHF 388,711 net is now presented separately in the 2011 financial statements At 31 December 2010 this was included within Outstanding Claims Reserves.

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TORUS INSURANCE (EUROPE) AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2011

8. Other assets

	Hardware CHF	Furniture CHF	Fixtures & Fittings CHF	Total CHF
Cost				
At beginning of year	348,389	477,950	488,760	1,315,099
Additions	2,351	49,642	13,701	65,694
At end of year	350,740	527,592	502,461	1,380,793
Depreciation				
At beginning of year	(260,897)	(212,016)	(333,599)	(806,512)
Charge for the year	(89,843)	(164,835)	(78,095)	(332,773)
At end of year	(350,740)	(376,851)	(411,694)	(1,139,285)
Net Book Value				
As at 31 December 2010	87,492	265,934	155,161	508,587
As at 31 December 2011	-	150,741	90,767	241,508

The insured value of the assets was CHF 430,502 (2010 CHF 1,020,200)

9. Receivables and payables

a. Receivables and payables from insurance activities

	Year ended 31 December 2011 CHF	Year ended 31 December 2010 CHF
Receivable from policyholders	121,633,239	143,543,456

b. Receivables and payables to affiliated companies.

	Year ended 31 December 2011	Year ended 31 December 2010
	CHF	CHF
Other reinsurance receivables	686,621	52,546
Reinsurance companies share of unearned premiums	97,692,737	108,088,189
Reinsurance companies share of claims reserves	136,014,212	135,098,257
Other reinsurance business payables	(116,191,401)	(149,391,646)
Other liabilities	(4,970,168)	(1,271,169)
	113,232,000	92,576,177

The quota share reinsurance agreement with TIBL remained in force during 2011 Under this agreement, 95% (2010 95%) of the Company's business written is ceded to TIBL in order to minimise underwriting risks TIBL pays a ceding commission of 14% (2010 13%)

10. Share Capital

	31 December 2011	31 December 2010
	CHF	CHF
A. Equity		
I Called up share capital 30,000 registered shares, each with fully paid-up nominal value of USD 1,000 (2010 20,000 registered shares of USD 1,000)	31,931,200	22,533,200
	31,931,200	22,533,200

11. Reconciliation of movements in shareholders' funds

	31 December 2011	31 December 2010
	CHF	CHF
A Equity		
I Called up share capital. 30,000 registered shares, each with fully paid-up nominal value of USD 1,000 (2010 20,000 registered shares of USD 1,000)	31,931,200	22,533,200
II Fund Account - Liechstenstein Law	1,126,660	1,126,660
III Statutory Reserve	131,000	131,000
V Retained Earnings brought forward	(1,094,943)	1,028,057
VI Net loss for the year	(1,658,011)	(2,123,000)
	30,435,906	22,695,917

12. 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

13. Employees

In 2011, the Company employed 32 people (2010 48) During 2011, the contracts of the Underwriters of the London branch of the Company have been transferred to Torus Insurance Marketing Limited, an affiliated Company and a Financial Services Authority approved broker.

14. Ultimate parent company

The only shareholder of the Company is Torus Insurance (Bermuda) Limited The Directors regard Torus Insurance Holdings Limited (TIHL), a company incorporated in Bermuda, as the ultimate parent company and ultimate controlling party. Copies of the consolidated financial statements of TIHL can be obtained from The Secretary, Torus Insurance Holdings Limited, Clarendon House, 2 Church Street, Hamilton, HM11 Bermuda

15. Subsequent events

There are no subsequent events requiring disclosure

TORUS INSURANCE (EUROPE) AG
APPROPRIATION OF RETAINED EARNINGS
For the year ended 31 December 2011

Appropriation of retained earnings

The Supervisory board recommendation for the 2011 appropriation of retained earnings is as follows.

	Year ended 31 December 2011	Year ended 31 December 2010
	CHF	CHF
Balance at the beginning of the period	(1,094,943)	1,028,057
Loss for the financial year	(1,658,011)	(2,123,000)
Balance at the end of the period	(2,752,954)	(1,094,943)