

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

✗ **What this form is NOT for**
You cannot use this form to
an alteration of manner of
with accounting requirements

WEDNESDAY



LD5 "L57Q97GB" #16
25/05/2016
COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of
overseas company ①

STARSTONE INSURANCE EUROPE AG

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 *

① 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 ②

LIECHTENSTEIN

② 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

③ Please insert the name of the
appropriate accounting organisation
or body

Name of organisation
or body ③

LIECHTENSTEIN

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 <input type="checkbox"/> No Go to Part 3 'Signature' <input checked="" type="checkbox"/> Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'	① Please insert the name of the appropriate accounting organisation or body
Name of organisation or body ①	KPMG	
A5 Unaudited accounts		
Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box <input type="checkbox"/> No. <input type="checkbox"/> Yes	
Part 3 Signature		
I am signing this form on behalf of the overseas company		
Signature	Signature X <i>E. T...</i> 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 LYNN BULLOCK

Company name STARSTONE INSURANCE

Address 88 LEADENHALL STREET

Post town LONDON

County/Region

Postcode E C 3 A 3 B P

Country UNITED KINGDOM

DX

Telephone 0203 206 8255



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

1 000 66/20



Part of the Enstar Group

StarStone Insurance Europe AG

(Previously Torus Insurance (Europe) AG)

Financial Statements and Appropriation of Retained Earnings

For the year ended 31 December 2015

Company Number: FL-0002.204.512-3

Certified as a true copy of the original

Clare Traxler

Clare Traxler

Company Secretary

Starstone Insurance Europe AG

Date

25/5/2016

WEDNESDAY

LD5
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25/05/2016 #17
COMPANIES HOUSE

STARSTONE INSURANCE EUROPE AG
INDEX TO FINANCIAL STATEMENTS AND REPORTS

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STARSTONE INSURANCE EUROPE AG
DIRECTORS AND OFFICERS
For the year ended 31 December 2015

Directors and Officers

Board of Directors

Donat Marxer
Michael Handler
Gareth Nokes (Resigned 1
September 2015)
Patrick Tiernan
Theo Wilkes (Appointed 20
November 2015)

Management Board

Richard Etridge
Susan Newman
Francesco Dal Piaz (Resigned 1
September 2015)

Company Secretary

Clare Traxler
Siobhan Hextall

Company Number

FL-0002 204 512-3

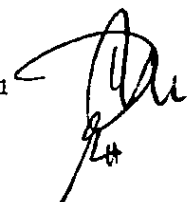
Registered Office

Branches

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

Auditors

KPMG (Liechtenstein) AG
Landstrasse 99
9494 Schaan



STARSTONE INSURANCE EUROPE AG
DIRECTORS' REPORT
For the year ended 31 December 2015

Directors' Report

The Directors present their report and the audited financial statements for StarStone Insurance Europe AG ("the Company") for the year ended 31 December 2015. The Company changed its name from Torus Insurance (Europe) AG on 14 December 2015 in connection with the change in its ultimate parent company noted below.

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 StarStone Insurance Holdings Limited ("SIHL"), previously Torus Insurance Holdings Limited, following the receipt of regulatory approval. Under the terms of the purchase agreement, Enstar owns 60% and Stone Point owns 40% of SIHL, via Bayshore Holdings Limited ("Bayshore"), SIHL's immediate parent company. On 8 May 2014, Dowling Capital Partners I, L.P. ("Dowling") purchased common shares of Bayshore from Enstar and Stone Point (on a pro rata basis in accordance with their respective interests). Following the sale, Enstar, Stone Point and Dowling owned 59.0%, 39.3% and 1.7%, of Bayshore.

Effective 29 December 2015, SIHL merged with StarStone Insurance (Bermuda) Limited ("SIBL"), previously Torus Insurance (Bermuda) Limited and the Company's immediate parent. SIBL is the surviving entity.

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. The Company's functional currency has always been USD.

The result of the Company for the year, as set out on page 7, was a net loss of USD 490,969 (2014: loss USD 2,205,333).

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

Gross premiums written were 38% lower in 2015 as compared to 2014 due mainly to a reduction in premium rates and ceasing to write Space business, partially offset by USD 6.0m of new motor and accident and health business written by the Company from April 2015 related to the Enstar acquisition of Nationale Suisse Belgium and two specialty insurance agencies.

Aviation continued to be the main class of business written by the Company representing 69% of total gross premiums written for the year. Within this class, Airlines had a weighted premium rate reduction of approximately 15% during 2015 driven mainly by continued market overcapacity and brokers' use of facilities. Aviation Products and General Aviation lines premium rates were also down in the year on average 7% and 15% respectively. There were a number of large Airlines losses that occurred during the first half 2015 that the Company insured including German Wings A321, Asiana Air and Lufthansa. In 2014 Aviation losses included Malaysian Airlines (MH370 and MH17), TransAsia Airways, Air Algerie and Air Asia Airlines.



STARSTONE INSURANCE EUROPE AG
DIRECTORS' REPORT - continued
For the year ended 31 December 2015

Space risks written by the Company include both In-Orbit and Launch risk exposures. The Company decided to stop writing new business following the departure of the underwriting team during 2015 which resulted in a 70% reduction in total premiums written. The Company entered into a reinsurance agreement to cover the majority of the remaining unexpired Space risks. There was one large loss in the year related to a Mexican Government satellite launch failure.

The Company's Marine class includes Hull, Cargo and Liability lines. Overall premium rates for these lines were generally stable during the year but in total premiums written were lower than 2014. This was due to a reduction in the marine liability class related to a change of strategy and also the negative impact of a lower rate of exchange of the Euro against the US dollar.

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 2015 at USD 5.0 million which was lower than in 2014 with a reduction in the German market and general market competition.

The net loss ratio incurred by the Company was 155% in 2015 as compared with 82% in 2014 due primarily to the Airlines and Space loss events in 2015 noted above.

Net investment income was higher in 2015 than 2014 primarily as a result of lower interest expense on the loan from StarStone Insurance Bermuda Limited ("SIBL"), previously Torus Insurance (Bermuda) Limited, as the loan was repaid in March 2015.

Strategy and Future outlook

Overall, insurance markets in 2015 saw continued reductions in premium rates on most lines of business written by the Company. The Company will continue to maintain its selective underwriting approach during 2016 and continues to work with key brokers and agents in all 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.

STARSTONE INSURANCE EUROPE AG
DIRECTORS' REPORT - continued
For the year ended 31 December 2015

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

STARSTONE INSURANCE EUROPE AG
DIRECTORS' REPORT - continued
For the year ended 31 December 2015

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 StarStone 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

Operational risk is the 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

Strategic risk is the 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

Group risk arises 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.



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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

StarStone Insurance Europe AG, Schaan

As statutory auditor, we have audited the financial statements (balance sheet, income statement and notes) and the annual report of StarStone Insurance Europe AG (previously Torus Insurance (Europe AG) for the year ended 31 December 2015

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, 26 February 2016

Enclosures

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

STARSTONE INSURANCE EUROPE AG
INCOME STATEMENT
For the year ended 31 December 2015

	Notes	Year ended 31 December 2015 USD	Year ended 31 December 2014 USD
I Technical account			
1 Net earned premium			
a Gross written premium	1	66,989,301	108,035,981
b Premiums ceded	1	(66,297,384)	(104,012,574)
c Change in unearned premium reserves	1&6	26,966,267	15,921,165
d Change in unearned premium ceded	1&6	(26,401,059)	(15,599,871)
		<u>1,257,125</u>	<u>4,344,701</u>
4 Net claims incurred			
a Claims paid			
aa Gross	1	(83,684,447)	(85,117,826)
bb Ceded	1	<u>80,542,259</u>	<u>82,315,952</u>
		(3,142,188)	(2,801,874)
b Change in outstanding claims reserve			
aa Gross	1&7	1,062,022	3,778,133
bb Ceded	1&7	<u>128,665</u>	<u>(4,536,657)</u>
		<u>1,190,687</u>	<u>(758,524)</u>
7. Expenses for insurance business			
a Acquisition costs	1	(14,608,774)	(17,095,516)
b Administrative expenses	2	(16,577,938)	(22,917,092)
c Commissions received	1	<u>29,710,350</u>	<u>35,618,209</u>
		<u>(1,476,362)</u>	<u>(4,394,399)</u>
10 Technical result		<u>(2,170,738)</u>	<u>(3,610,096)</u>
III. Non-technical result			
3 Investment income			
c Current income from other investments		736,315	588,288
e Realised (losses) gains on investments		(65,991)	101,541
5 Investment management expense			
a Investment management and interest expenses	2	(158,432)	(481,427)
b Amortization of investments		(237,067)	(112,718)
7 Other income		1,415,525	966,515
9 Result from common activity		(480,388)	(2,547,897)
13 Income taxes		(10,581)	342,564
Net loss for the year		<u>(490,969)</u>	<u>(2,205,333)</u>

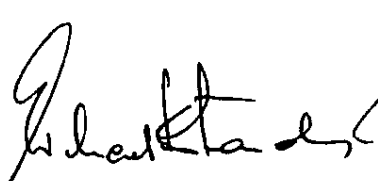

See accompanying notes to the financial statements on pages 11 to 20

STARSTONE INSURANCE EUROPE AG
BALANCE SHEET
As at 31 December 2015

Assets	Notes	31 December 2015 USD	31 December 2014 USD
<u>B. Investments</u>			
III Other investments			
2 Bonds and fixed income securities	5	27,852,492	27,149,339
<u>D. Other receivables</u>			
I Receivables from policyholders	9a	61,541,049	87,065,542
II Other reinsurance business receivables			
3 Receivables from other parties		2,712,628	6,795,179
III Other receivables			
1 Receivables from affiliated companies	9b	1,290,696	2,845,012
3 Receivables from other parties		91,088	170,608
<u>F. Other assets</u>	8		
II Cash on hand and at bank	5	11,993,549	14,486,897
<u>F. Accrued items</u>			
I Accrued interest and rent		148,226	111,974
III Other accrued items	10	8,130,504	11,560,939
Total assets		113,760,232	150,185,490

See accompanying notes to the financial statements on pages 11 to 20

These financial statements were approved by the Board of Directors on 26 February 2016 and signed on their behalf by

Michael Handler
Director

Donat Marxer
Director

STARSTONE INSURANCE EUROPE AG
BALANCE SHEET - continued
As at 31 December 2015

Liabilities and Equity

	Notes	31 December 2015 USD	31 December 2014 USD
A. Equity	14		
I Called up share capital	13	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	5,397,009
IV Retained earnings			
1 Legal reserves		116,279	116,279
V Retained earnings brought forward		2,023,075	4,228,408
VI Net loss for the year		(490,969)	(2,205,333)
		38,045,394	38,536,363
D. Technical reserve			
I Unearned premium reserve	6		
1 Gross		51,254,188	78,220,455
2 Of which reinsurance companies		(49,822,887)	(76,223,946)
		1,431,301	1,996,509
III Outstanding claims reserves	7		
1 Gross		174,521,128	178,950,313
2 Of which reinsurance companies		(169,963,342)	(175,512,149)
		4,557,786	3,438,164
H. Other payables			
II Other reinsurance payables			
1 Payable to affiliated companies	9b	21,567,136	78,747,853
3 Payable to other creditors	11	30,096,871	25,843,361
V Other liabilities			
1 Taxes		-	2,634
2 Social security		9,615	23,707
3 Affiliated companies	9b	15,447,929	-
4 Other liabilities against third parties		861,445	1,178,899
VI Accruals			
1 Other accruals		1,742,755	418,000
Liabilities and equity total		113,760,232	150,185,490

See accompanying notes to the financial statements on pages pages 11 to 20



Building a better
working world

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Actuarial opinion as at December 31, 2015 of StarStone Insurance Europe AG (Previously Torus Insurance (Europe) AG)

According to Art 36c section 1) b) first sentence VersAG (Insurance Supervisory Act) I, Stewart Mitchell certify as responsible actuary per Art 18b VersAG that the actuarial reserves have been calculated correctly and according to accepted actuarial rules and Liechtenstein laws and regulations (especially VersAV (Art 29 Non-Life Insurance / Art 39 Life Insurance / Art 47a Reinsurance)) and have been included as follows

	31 December 2015
	USD
<u>D. Technical Reserve</u>	
I Unearned premium reserve	
1 Gross	51,254,188
2 Of which Reinsurance Companies	(49,822,887)
	<u>1,431,301</u>
III Outstanding claims reserves	
1 Gross	174,521,128
2 Of which Reinsurance Companies	(169,963,342)
	<u>4,557,786</u>

StarStone Insurance Europe AG writes insurance business that provides the following coverages, property and casualty, motor physical damage, accident and health, aerospace, marine and energy and losses arising from war and terror events. The Company is protected by a quota share reinsurance program provided by its parent company, StarStone Insurance Bermuda Limited (Previously "Torus Insurance (Bermuda) Limited"). Under the reinsurance agreement, 95% is ceded for continuing lines of business and 100% for discontinued lines of business. It has branch offices in Cologne, Germany, Zurich, Switzerland, London, England and Paris, France.

Solvency requirements have been met at December 31, 2015

Stewart Mitchell

February 23, 2016

STARSTONE INSURANCE EUROPE AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

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.

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 implemented during 2014, net earned premiums, acquisition costs and losses for the year ended 31 December 2015 relate to premiums written from 1 December 2014 to 30 November 2015. For the year ended 31 December 2014, net earned premiums, acquisition costs and losses relate to premiums written from 1 January 2014 to 30 November 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
- (b) It is reasonably possible that the reinsurer may realise a significant loss from the transaction.

STARSTONE INSURANCE EUROPE AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

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 implemented during 2014, reported claims and related reinsurance recoveries for the year ended 31 December 2015 relate to the period 1 December 2014 to 30 November 2015. For the year ended 31 December 2014, they relate to 1 January 2014 to 30 November 2014. However, net claims incurred are based upon estimates of the ultimate cost of settling claims through to 31 December of each year and include IBNR reserves. Therefore there is no impact on net claims incurred as a result of this change. Gross claims paid, prior to reinsurance recoveries, for the month of December 2015 and 2014 of were USD 8.0 million and USD 11.4 million respectively are included as an asset in the Balance Sheet with 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 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 includes 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.

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For the year ended 31 December 2015

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 loss 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.

Loss 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

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.

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.

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

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"Other Income" 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 Income" 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 used for each asset category range from 3 to 5 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



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For the year ended 31 December 2015

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

2015	Written premium	Earned premiums	Claims incurred	Acquisition costs
	USD	USD	USD	USD
Marine, aviation and transport	59'633'504	88'811'504	(62'659'611)	(11'266'135)
Property	(4'809'792)	(4'091'071)	1'451'320	54'335
Motor	4'184'549	1'503'411	(962'183)	(1'614'499)
Accident and health	1'415'533	1'019'708	(627'448)	(714'616)
Casualty and other	6'565'507	6'712'016	(19'824'503)	(1'067'859)
Gross	66'989'301	93'955'568	(82'622'425)	(14'608'774)
Reinsurer's share	(66'297'384)	(92'698'443)	80'670'924	29'710'350
TOTAL	691'917	1'257'125	(1'951'501)	15'101'576

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

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1 Segment Information (Continued)

b) The summaries below present written premium by geographical location

2015	Written premium Liechtenstein	Written premium EEA	Written premium other	Total
	USD	USD	USD	USD
Marine, aviation and transport	48'341	24'127'379	35'457'784	59'633'504
Property	-	(4'851'695)	41'903	(4'809'792)
Motor	-	4'184'549	-	4'184'549
Accident and health	-	1'415'533	-	1'415'533
Casualty and other	-	5'736'362	829'145	6'565'507
TOTAL	48'341	30'612'128	36'328'832	66'989'301

2014	Written premium Liechtenstein	Written premium EEA	Written premium other	Total
	USD	USD	USD	USD
Marine, aviation and transport	59'975	33'386'535	61'100'275	94'546'785
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

2 Net Operating Expenses

The majority of the Company's administrative expenses are incurred by an affiliated entity, StarStone Insurance Services Limited ("SISL") in London that provides administrative services to the Company. Expenses are recharged to the Company in line with group policy.

3 Auditors' remuneration

	Year ended 31 December 2015	Year ended 31 December 2014
	USD	USD
Audit services	138'740	121'767

Auditors remuneration relates only to fees for the audit of the financial statements and reporting to the Financial Market Authority.

4 Operating lease rentals

The Company leases offices in various countries. The total rental and leasing commitments are USD 842,820 (2014: USD 1,760,086) that all relate to lease commitments between 1-5 years.

STARSTONE INSURANCE EUROPE AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

5 Investments

By category

As at 31 December	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	<u>Amortized cost</u> USD	<u>Fair value</u> USD	<u>Amortized cost</u> USD	<u>Fair value</u> USD
US government securities	3,665,993	3,666,000	6,657,059	6,671,727
US agency securities	419,514	421,197	4,852,596	4,891,534
Corporate securities	15,942,095	15,958,979	10,753,586	10,855,961
Foreign government	153,347	153,965	349,506	356,329
Municipals	135,921	136,628	281,380	282,211
Asset backed securities	491,561	491,930	2,217,677	2,220,060
Mortgage backed securities	<u>7,044,061</u>	<u>7,070,254</u>	<u>2,037,535</u>	<u>2,037,535</u>
Total investments	<u>27,852,492</u>	<u>27,898,953</u>	<u>27,149,339</u>	<u>27,315,357</u>

By maturity

As at 31 December	<u>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
	<u>Amortized cost</u> USD	<u>Fair value</u> USD	<u>Amortized cost</u> USD	<u>Fair value</u> USD
Due in one year or less	1,429,476	1,429,622	1,601,296	1,607,595
Due after one through five years	17,191,897	17,211,466	20,104,166	20,230,550
Due after five through ten years	2,033,533	2,033,930	1,081,319	1,088,845
Due after ten years	<u>7,197,586</u>	<u>7,223,935</u>	<u>4,362,558</u>	<u>4,388,367</u>
Total investments	<u>27,852,492</u>	<u>27,898,953</u>	<u>27,149,339</u>	<u>27,315,357</u>

Deposits with banks and Cash on hand and at bank include assets of USD 3,578,822 (2014 USD 6'192'000) that were pledged as collateral for letters of credit issued in relation to insurance business written

6. Unearned Premium Reserves

As at 31 December 2015	<u>Gross</u>	<u>Reinsurer's share</u>	<u>Net</u>
	USD	USD	USD
Balance at the beginning of the period	78'220'455	(76'223'946)	1'996'509
Change in reporting period	<u>(26'966'267)</u>	<u>26'401'059</u>	<u>(565'208)</u>
Balance at the end of the period	<u>51'254'188</u>	<u>(49'822'887)</u>	<u>1'431'301</u>
As at 31 December 2014	<u>Gross</u>	<u>Reinsurer's share</u>	<u>Net</u>
	USD	USD	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>

STARSTONE INSURANCE EUROPE AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

7. Claims Reserves

As at 31 December 2015	<u>Gross</u> USD	<u>Reinsurer's share</u> USD	<u>Net</u> USD
Balance at the beginning of the period	178'950'313	(175'512'149)	3'438'164
Change in reporting period	(1'062'022)	(128'665)	(1'190'687)
Currency translation	(3'367'163)	5'677'472	2'310'309
Balance at the end of the period	<u>174'521'128</u>	<u>(169'963'342)</u>	<u>4'557'786</u>
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	(3'203'037)	120'522	(3'082'515)
Balance at the end of the period	<u>178'950'313</u>	<u>(175'512'149)</u>	<u>3'438'164</u>

8 Other assets

All fixed assets have been fully depreciated

The Insured value of the assets as at 31 December 2015 was USD 832,842 (2014 USD 880,200)

9 Receivables and payables

a Receivables and payables from insurance activities

	<u>Year ended</u> <u>31 December 2015</u> USD	<u>Year ended</u> <u>31 December 2014</u> USD
Receivable from policyholders	67'141'049	87'665'542
Provision for bad debt on policyholders	<u>(5'600'000)</u>	<u>(600'000)</u>
	<u>61'541'049</u>	<u>87'065'542</u>

b Receivables and payables to affiliated companies

	<u>Year ended</u> <u>31 December 2015</u> USD	<u>Year ended</u> <u>31 December 2014</u> USD
Other reinsurance receivables	1'290'696	2'845'012
Reinsurance companies share of unearned premiums	26'601'600	50'756'564
Reinsurance companies share of claims reserves	125'030'294	129'678'920
Other reinsurance payables	(21'567'136)	(78'747'853)
Other liabilities	<u>(15'447'929)</u>	<u>-</u>
	<u>115'907'525</u>	<u>104'532'643</u>

STARSTONE INSURANCE EUROPE AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

9 Receivables and payables (Continued)

The quota share reinsurance agreement with StarStone Insurance Bermuda Limited ("SIBL"), previously Torus Insurance (Bermuda) Limited, remained in force during 2015. Under this agreement 95% of the Company's continuing business and 100% of discontinued lines of business was ceded to SIBL 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. SIBL pays a ceding commission to the Company of 22% (2014: 22%).

During 2013, the Company entered into a loan agreement (the "agreement") with its parent, SIBL, to provide access to additional liquidity. The facility was for \$25m and allowed the Company to drawdown on this total in increments at any time between 1 January 2013 and 31 December 2015. The loan balance of USD 18,935,000 as at 31 December 2014 was repaid in March 2015. The interest charged on the outstanding balance was 3 month USD LIBOR plus 2.5% per annum. Interest charged to the income statement in 2015 was USD 89,146 (2014: USD 378,704).

10 Other accrued items

	Year ended 31 December 2015	Year ended 31 December 2014
	USD	USD
Claims paid early cut off	7,964,274	11,375,201
Prepaid expenses	<u>166,230</u>	<u>185,738</u>
	<u>8,130,504</u>	<u>11,560,939</u>

11 Reinsurance payables other creditors

	Year ended 31 December 2015	Year ended 31 December 2014
	USD	USD
Reinsurance premiums payable	29,501,851	25,001,810
Unearned ceding commission	<u>595,020</u>	<u>841,551</u>
	<u>30,096,871</u>	<u>25,843,361</u>

12. Taxation

The Company had income tax expense of USD 10,581 for 2015 (2014: Credit USD 360,798 that related to a reduction in its tax liability).

13 Share Capital

A Equity

	31 December 2015	31 December 2014
	USD	USD
I Called up share capital: 30'000 registered shares, each with fully paid-up nominal value of USD 1'000 (2014: 30'000 registered shares of USD 1'000)	<u>30'000'000</u>	<u>30'000'000</u>



STARSTONE INSURANCE EUROPE AG
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

14 Reconciliation of movements in shareholders' funds

A Equity

	31 December 2015	31 December 2014
	USD	USD
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	5'397'009
IV Retained earnings		
1 Legal reserves	116'279	116'279
V Retained earnings brought forward	2'023'075	4'228'408
VI Net loss for the year	(490'969)	(2'205'333)
	<u>38'045'394</u>	<u>38'536'363</u>

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

15 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

16. Employees

In 2015, the Company employed 20 people (2014 27)

17. 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 StarStone Insurance Holdings Limited ("SIHL"), previously 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 SIHL, via Bayshore Holdings Limited ("Bayshore"), SIHL's immediate parent company. On 8 May 2014, Dowling Capital Partners I, L P ("Dowling") purchased common shares of Bayshore from Enstar and Stone Point (on a pro rata basis in accordance with their respective interests). Following the sale Enstar, Stone Point and Dowling owned 59.0%, 39.3% and 1.7%, of Bayshore.

Effective 29 December 2015, SIHL merged with StarStone Insurance (Bermuda) Limited ("SIBL"), previously Torus Insurance (Bermuda) Limited and the Company's immediate parent. SIBL is the surviving entity.

Effective from 1 April 2014, Enstar is the ultimate parent company of the Company.

STARSTONE INSURANCE EUROPE AG
APPROPRIATION OF RETAINED EARNINGS
For the year ended 31 December 2015

The Supervisory board recommendation for the 2015 appropriation of retained earnings is as follows

	Year ended 31 December 2015	Year ended 31 December 2014
	USD	USD
Balance at the beginning of the period	2'023'075	4'228'408
Net loss for the financial year	(490'969)	(2'205'333)
Balance at the end of the period	1'532'106	2'023'075

