

**REPORT ON EXAMINATION
OF THE
PRAETORIAN SPECIALTY INSURANCE COMPANY
(nka)TORUS SPECIALTY INSURANCE COMPANY**

AS OF

DECEMBER 31, 2007

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
PRAETORIAN SPECIALTY INSURANCE COMPANY
N/K/A TORUS SPECIALTY INSURANCE COMPANY
AS OF
DECEMBER 31, 2007

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

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

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

A handwritten signature in black ink, appearing to read 'Karen Weldin Stewart'.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 22nd day of June, 2009

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

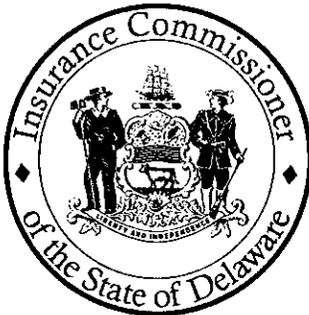
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2007 of the

**Praetorian Specialty Insurance Company
n/k/a Torus Specialty Insurance Company**

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

Attest By: *Sonia C. Harris*

Date: 22 June 2009



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 22nd day of June 2009.



Karen Weldin Stewart, CIR-ML
Insurance Commissioner

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February 27, 2009

Honorable Alfred W. Gross
Chairman, Financial Condition
Committee, NAIC
State Corporation Commission
P. O. Box 1157
Richmond, VA 23218

Honorable Karen Weldin Stewart, CIR-ML
Insurance Commissioner
State of Delaware
841 Silver Lake Blvd.
Dover, DE 19904

Honorable Joel Ario
Secretary, Northeastern Zone (I), NAIC
Pennsylvania Insurance Department
1326 Strawberry Square
Harrisburg, PA 17120

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 08.010, dated January 8, 2008 an examination has been made of the affairs, financial condition and management of the

PRAETORIAN SPECIALTY INSURANCE COMPANY

hereinafter, referred to as "the Company" or "PSIC", incorporated under the laws of the State of Delaware, the statutory home office of which was located at The Corporation Trust Center, 1209 Orange St., Wilmington, DE, 19801. The examination was conducted at 88 Pine Street, 16th Floor, Wall St. Plaza, New York, New York 10005, the Company's main Administrative office.

The report thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last examination of Praetorian Specialty Insurance Company was conducted as of December 31, 2005. This examination covers the period January 1, 2006 through December 31, 2007, and consisted of a general survey of the Company's business policies and practices, management and any corporate matters incident thereto, a verification and evaluation of assets, and a determination of liabilities. Transactions subsequent to the latter date were reviewed where deemed necessary.

The general procedures of the examination were conducted in accordance with the 2007 NAIC Financial Condition Examiners Handbook (guidance for the Handbook was adopted by the NAIC as of December 2006). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used to formulate significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process as defined in the 2007 NAIC Financial Condition Examiners Handbook, Delaware Insurance Laws and Regulations, and generally accepted insurance examination standards.

During the examination of the Company as of December 31, 2007, INS Services, Inc (INS) was engaged to perform an extensive review and assessment of the Information Systems

area. This was a combined engagement with INS reviewing the total PFG/QBE environment. These workpapers, together with recommendations for resolving deficiencies, were made available to the state examiners at the conclusion of the INS audit. INS identified deficiencies in the control environment, formulated recommendations to improve the controls and passed that information to management, which responded to each recommendation within an agreed timeframe. All conclusions by the financial examination staff with respect to the Company's information systems general control environment are the result of that review.

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

In addition to items hereinafter incorporated as part of the written report, the following were examined and made part of the workpapers of this examination:

- Conflicts of Interests
- Fidelity Bond and Other Insurance
- Officers, Employees & Agents Welfare
- Corporate Records
- Legal Actions
- All Asset and Liability Items Not Mentioned

HISTORY

Alea North America Specialty Insurance Company (hereinafter known as Alea or the Company) was incorporated on August 16, 1991, as BT Insurance Corporation, a subsidiary of Bankers Trust (Delaware) and commenced business on November 19, 1991. It was organized

Praetorian Specialty Insurance Company

and chartered under the State of Delaware insurance laws and authorized as a multi-line property and casualty insurance company primarily engaged in the reinsurance of specific casualty business. On December 22, 1998, the Company was acquired by Alea Holdings US Company (formerly RR Holdings (US) Inc.) and its name was changed to Rhine Re Insurance Ltd. On August 31, 2000, the Company's name was changed to Alea North America Reinsurance Company. On December 20, 2001, the stock of the Company was contributed to Alea North America Insurance Company with the approval of both Delaware and New York Insurance Departments. On November 15, 2002, the Company's name was changed to Alea North America Specialty Insurance Company. A certificate reflecting this change was filed with and recorded by the Secretary of the State of Delaware effective January 13, 2003. On September 29, 2006, the Company was acquired by the Praetorian Insurance Company and the Company's name was changed to Praetorian Specialty Insurance Company. Effective May 31, 2007, Praetorian Financial Group, (PFG) and its subsidiaries were sold to QBE Holdings, Inc. (QBE Holdings), a Delaware holding company. There are an additional twelve insurance companies owned by QBE Holdings, and this group of companies is known within the overall QBE holding company structure as “the Americas”.

CAPITALIZATION

The Company's amended Articles of Incorporation authorizes the Company to issue up to 1,000 shares of \$7,000 par value capital common stock. As of December 31, 2007, five-hundred (500) shares have been issued, and all are owned by Praetorian Insurance Company. The following table reflects the activity within the Company's capital and surplus accounts since the last examination:

Praetorian Specialty Insurance Company

<u>Year</u>	<u>Common Capital Stock</u>	<u>Gross Paid-in Contributed Surplus</u>	<u>Unassigned Surplus</u>	<u>Total</u>
December 31, 2005	\$3,500,000	\$26,730,690	\$1,037,045	\$31,267,735
Capital Contributions				
2007		40,000,000		40,000,000
Operations:				
2006			23,901	23,901
2007			(3,223,121)	(3,223,121)
December 31, 2007	<u>\$ 3,500,000</u>	<u>\$66,730,690</u>	<u>\$(2,162,175)</u>	<u>\$68,068,515</u>

- (1) \$40,000,000 Cash contribution from parent
- (2) Operations is defined as Net income, Change in net unrealized capital gains or (losses), Change in net unrealized foreign exchange capital gain (loss), Change in non-admitted assets, Change in net deferred income tax, and Change in provision for reinsurance.

DIVIDENDS TO STOCKHOLDERS

The Company did not pay any dividends during the period under examination.

MANAGEMENT

The Company operates on the proprietary plan with authority and control held by the sole shareholder, Praetorian Insurance Company. Corporate powers and management authority are exercised by an elected Board of Directors.

Praetorian Specialty Insurance Company

Detailed comments on the various proprietary and management bodies follow under separate sub-captions.

Shareholders

As outlined in the Company's bylaws, the annual meeting of shareholders for the election of directors and the transaction of other business shall be held on the second week of March of each year. Written consents were executed in lieu of meetings for the period under review.

Board of Directors

Directors are elected for one-year terms at the annual meeting of the shareholder. The following individuals were duly elected and were serving on the Board of Directors as of December 31, 2007:

<u>Name</u>	<u>Principal Occupation</u>
Timothy M. Kenny	Chief Executive Officer (the Americas)
James J. Fiore	Chief Operating Officer (the Americas)
Laura K. Hinson	Chief Financial Officer
John C. LaCava	Chief Administrative Officer (the Americas)
Susan Rivera	President (Specialty)
Christopher C. Fish	Chief Financial Officer (Specialty and Reinsurance)
Stephen Fitzpatrick	Senior Vice President (Specialty)

Committees

The Company does not have any committees at this time.

Officers

Praetorian Specialty Insurance Company

In accordance with the Company's bylaws, the following Officers were elected and were serving at December 31, 2007:

<u>Name</u>	<u>Principal Occupation</u>
Timothy M. Kenny	Chief Executive Officer
Susan Rivera	President
James J. Fiore	Chief Operating Officer
John C. LaCava	Chief Administrative Officer
Stephen T. Fitzpatrick	Senior Vice President Underwriting
Christopher C. Fish	Chief Financial Officer
Bruce D. Carlino	Chief Claims Officer
Peter T. Maloney	General Counsel & Corporate Secretary

The Company's bylaws provide for the formation of Committees. Individuals serving on Committees are to be appointed by the Board of Directors from among its own membership.

HOLDING COMPANY SYSTEM

The Company is wholly-owned by Praetorian Insurance Company, which is wholly owned by Praetorian Financial Group (PFG). Effective May 31, 2007, PFG and its subsidiaries were sold to QBE Holdings, Inc. (QBE Holdings), a Delaware holding company.

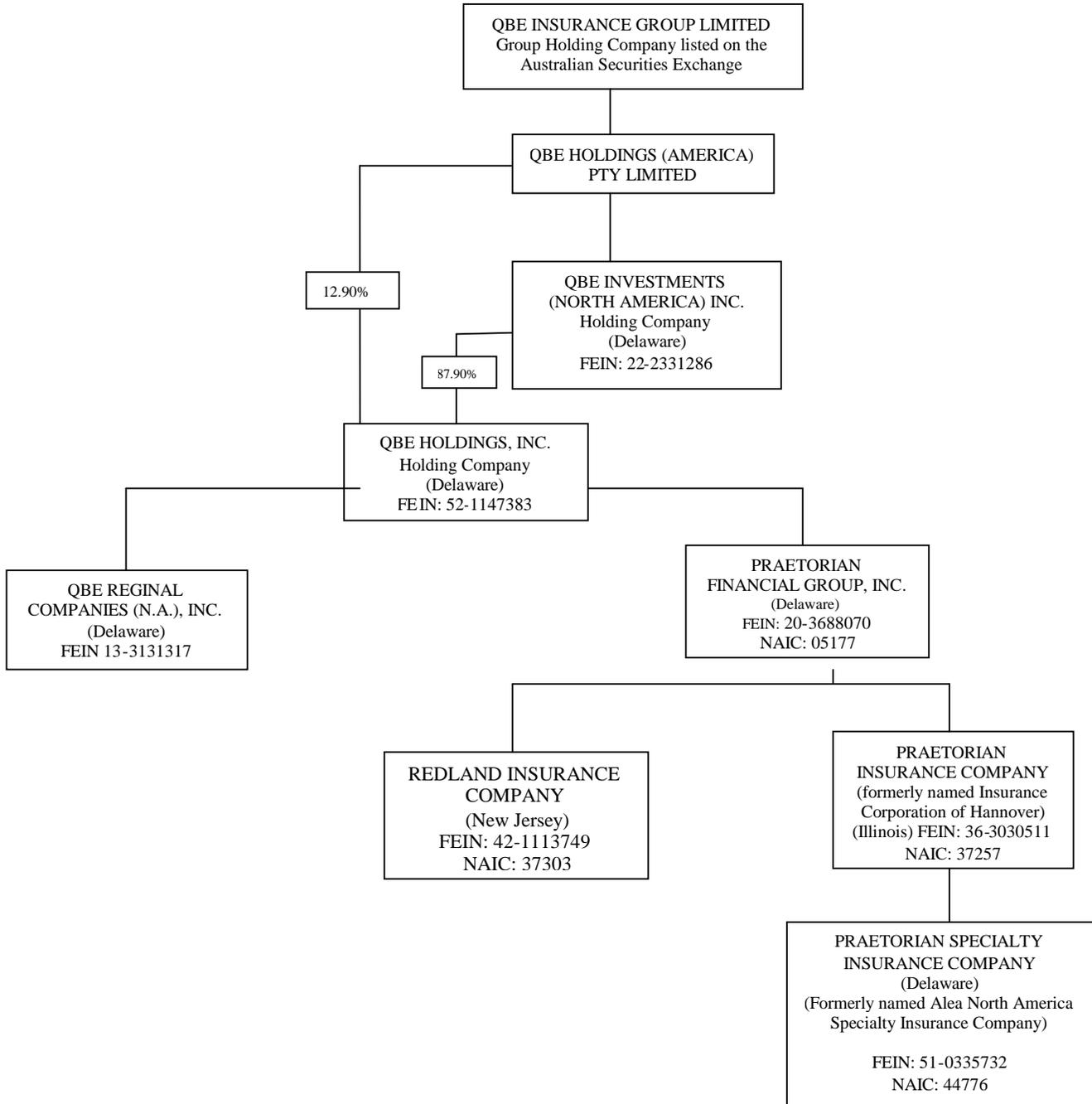
QBE Holdings is under the upstream ownership of QBE RE Services PTY. [Proprietary Limited Company (Australian legal business structure)] Limited, an Australian Holding Company. The ultimate controlling entity of the system is QBE Insurance Group Limited, a group holding company listed on the Australian Securities Exchange.

Companies within "the Americas" were additionally organized under 4 Pillars. The Company is a part of the Specialty Pillar, along with its subsidiary PSIC and its affiliates RIC,

Praetorian Specialty Insurance Company

QBE Insurance Corporation, and QBE Specialty Insurance Corporation. All entities under the Specialty Pillar write a form of program business.

All required holding company forms were filed with the Delaware Insurance Department during the period under review. The organization chart of the holding company group is below:



TERRITORY AND PLAN OF OPERATION

The Company is currently licensed as a property and casualty insurer only in the State of Delaware. It is an eligible surplus lines insurer in an additional forty- four (44) states and the District of Columbia.

As of December 31, 2007, the Company actively writes specialized small to mid-size program business. Current active programs include employment agencies, fine art, and habitational and livestock mortality. The program business is marketed through retail and general agents, generally in conjunction with Program Administrators.

Program administrators are appointed to produce and process business. Generally, program administrators will appoint retail subagents or the program administrators will produce business directly through employed retail agents with the exception of the Animal Mortality and Fine Arts Programs, which are underwritten and processed by Company underwriters with business produced through appointed retail agents. All programs are underwritten by the Company, with only limited underwriting authority delegated to program administrators as applicable.

INTER-COMPANY AGREEMENTS

Service Agreement

Effective September 5, 2002, QBE Reinsurance Corporation (QBE Re), QBE Insurance Corporation (QBEIC) entered into a service agreement with QBE Specialty

Praetorian Specialty Insurance Company

Insurance Corporation. This agreement was subsequently amended effective as of May 30, 2007 to include the Company, PFG, RIC and PSIC along with QBESIC as Participating Companies. Under the terms of this agreement, QBE Re and QBEIC will perform such services as requested by the Participating Companies, including but not limited to coordinating activities, coordinating the development of corporate plans, and providing consulting, accounting, actuarial, underwriting, claims and other services. The charge and allocation procedures are to be in conformity with SSAP 70 and the related Issue Papers, with at least an annual re-evaluation to be made of employee activities and workloads. This agreement has been approved by the Delaware Department of Insurance.

Tax Allocation Agreement

Effective August 8, 2002, a tax allocation agreement was entered into between QBE Investments (North America) Inc., (the parent), and QBE Investments Inc., QBE Holdings, Inc., QBE Management, Inc., QBE Reinsurance Corporation, QBE Insurance Corporation, and QBE Specialty Insurance (the subsidiaries), all collectively known as QBE the Americas. This agreement was then amended effective May 31, 2007, to include the Company, PFG, RIC and PSIC. The agreement provides for the participants to file a consolidated tax return, with the parent taking the primary responsibility for the filing and all related correspondence. Each subsidiary computes its federal income tax liability as if the subsidiary was filing a separate return and settles such amounts with a designated Remittance Agent. This agreement has been approved by the Delaware Department of Insurance.

Investment Management Agreement

Effective June 1, 2007, the Company entered into an Investment Management Agreement

Praetorian Specialty Insurance Company

with QBE Management Services PTY Limited (QBE Mgmt). The duties performed by QBE management, however, were noted to have been delegated to Minster Group Asset Management PTY, Ltd (Minster), also an affiliate. Per the terms of this agreement, Minster is to act as an investment manager of the Company's portfolio and may manage, invest, realize and/or reinvest all or any part of the portfolio based upon the terms of the agreement. These actions are subject to Company provided Investment Guidelines and Corporate Resolutions and Instructions. Compensation paid to Minster is calculated by applying varying basis points to the assets under management.

REINSURANCE

Assumed Reinsurance

The Company does not assume reinsurance.

Ceded Reinsurance

The Company cedes 90% of business to its direct parent Praetorian Insurance Company and is a participant in the corporate covers as follows:

Casualty Umbrella

The Company also maintains a casualty umbrella quota share contract for certain programs for the first \$5M of excess umbrella policy limit per occurrence per policy. The coverage is placed 80%

Property Excess of Loss

Praetorian Specialty Insurance Company

The Company's retention is \$1M with layers covering risks up to \$20M. There are four layers of coverage: \$2M in excess of \$1M; \$2M in excess of \$3M; \$5M in excess of \$5M; and \$10M in excess of \$10M. The first layer was placed 80%. The remaining layers were placed 100%.

Corporate Catastrophe Excess of Loss

The Company's retention is \$20M with layers covering risks up to \$340M. There are five layers of coverage: \$30M in excess of \$20M; \$50M in excess of \$50M; \$50M in excess of \$100M; \$100M in excess of \$150M; and \$90M in excess of \$250M. The layers are placed 100%.

The Company also has a reinstatement premium protection reinsurance contract for catastrophe reinstatement premiums.

Retroactive Reinsurance

As a result of the stock purchase agreement dated May 25, 2006 between Alea North America Insurance Company, (former parent of PSIC) and Insurance Corporation of Hannover, Alea North America Specialty Insurance Company (now PSIC) entered into a reinsurance agreement with Alea (Bermuda) Ltd. The agreement amended and terminated certain prior agreements with respect to certain policies on a cut-off basis and the reinsurer assumed 100% of all remaining liabilities under insurance and reinsurance contracts entered into by PSIC.

Also, retroactive reinsurance in the amount \$1,984,582 was reported by PSIC. Article II Section 2.3 covers the loss portfolio transfer related to the retroactive reinsurance. The initial payment in 2006 was \$2,019,565 and periodic changes are posted to the balance. Alea (Bermuda) Ltd. and PSIC entered into a trust agreement with Brown Brothers Harriman as trustee.

GROWTH OF THE COMPANY

The following information obtained from the Company's filed Annual Statements; reflect the Company's growth since its last examination:

Year	Admitted Assets	Gross Written Premium	Net Written Premium	Net Income	Surplus as Regards Policyholder
2007	\$ 121,464,769	\$ 224,428,028	\$ 22,435,436	\$(3,309,638)	\$68,068,515
2006	33,876,798	(168,082)	91,759	(323,842)	31,291,635
2005	40,79,893	15,127,121	2,697,762	432,211	31,267,735

The increase in premiums was the result of the Company resuming the underwriting of business as of January 1, 2007 for the first time since the former parent put it in runoff as of December 31, 2005.

ACCOUNTS AND RECORDS

The administrative and service agreement (described in the "Management and Service Agreements" sub-section of this report) allows the Company to utilize the personnel and electronic data processing equipment of Praetorian Company to handle the recording of its daily business activities and to maintain its accounting records. Bank accounts are reconciled monthly, and reinsurance activity recorded quarterly. The Company makes use of applicable NAIC accounting literature and guidelines to prepare its financial reports and to produce other necessary statutory documentation.

Information Systems Control Review

From the review of the EDP controls, it is noted that the PFG entities, in 2007 and currently, utilize primarily manual processes related to administration of their premium, loss and reinsurance transactions, but are subsequently migrating to certain of the same systems utilized

currently by the QBE entities. As such, INS focused primarily on the going forward systems (those that were functioning during 2007.)

Based upon the scope of work performed and usage of various information received from the company and other sources, the assessment of the overall control risk related to information systems controls was determined to be MODERATE for those policies and procedures that had been in place during the period from January 1, 2007 to December 31, 2007, and until the date of the INS report. An overall MODERATE assessment conveys that the IT controls predominantly mitigate risks arising out of its IT activities. However, it also reflects that some control deficiencies exist, which are not considered significant deficiencies or material weaknesses.

FINANCIAL STATEMENTS

The following statements and exhibits reflect the financial condition of the Company at December 31, 2007:

- Analysis of Assets
- Liabilities Surplus and Other Funds
- Underwriting and Investment Exhibit — Statement of Income
- Underwriting and Investment Exhibit — Capital and Surplus Account

* The totals in exhibits and financial statements may not total due to rounding.

Praetorian Specialty Insurance Company

Analysis of Assets
As of December 31, 2007

	Assets	Nonadmitted Assets	Net Admitted Assets	
Bonds	\$12,168,453		\$12,168,453	
Cash, cash equivalents and short-term investments	52,215,258		52,215,258	Note 1
Subtotals; cash and invested assets	<u>\$64,383,711</u>		<u>\$64,383,711</u>	
Investment income due and accrued	\$687,799		\$687,799	
Uncollected premiums and agents' balances in the course of collection	44,178,061	\$37,307	44,140,754	
Deferred premiums; agents' balances and installments booked but deferred and not yet due	5,354,362		5,354,362	
Amounts recoverable from reinsurers (reinsurance)	2,183,407		2,183,407	
Current federal and foreign income tax recoverable and interest thereon	445,631		445,631	
Net deferred tax asset	1,266,122	336,437	929,685	
Receivables from parent; subsidiaries and affiliates	872,241		872,241	
Aggregate write-ins for other than invested assets	<u>3,272,734</u>	<u>805,555</u>	<u>2,467,179</u>	
Totals	<u><u>\$122,644,068</u></u>	<u><u>\$1,179,299</u></u>	<u><u>\$121,464,769</u></u>	

Praetorian Specialty Insurance Company

Liabilities Surplus and Other Funds
As of December 31, 2007

Losses	\$6,175,246	Note 2
Loss adjustment expenses	640,795	Note 2
Commissions payable	844,747	
Taxes; licenses and fees	98,301	
Net deferred tax liability	306	
Unearned Premiums	11,309,283	
Ceded Reinsurance Payable	30,219,681	
Funds held by company under reinsurance treaties	84,089	
Amounts withheld or retained by company for account of others	1,004,390	
Payable to parent; subsidiaries and affiliates	24,717	
Payable for securities	<u>2,994,700</u>	
Total liabilities	<u>\$53,396,255</u>	
Common capital stock	\$3,500,000	
Gross paid in and contributed surplus	66,730,690	
Unassigned funds (surplus)	(2,162,175)	
Surplus as regards policyholders	<u>\$68,068,515</u>	
Totals	<u><u>\$121,464,769</u></u>	

Underwriting and Investment Exhibit

Statement of Income

Underwriting Income

Premiums earned	<u>\$11,126,153</u>
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DEDUCTIONS

Losses incurred	\$6,303,365
Loss expenses incurred	1,022,562
Other underwriting expenses incurred	<u>9,635,739</u>
Total underwriting deductions	<u>\$16,961,666</u>
Net underwriting gain (loss)	<u>(\$5,835,513)</u>

Investment Income

Net investment income earned	\$2,386,482
Net realized capital gains (losses)	<u>(77,752)</u>
Net investment gain (loss)	\$2,308,730
Net income before dividends to policyholders and before federal income taxes	(\$3,526,783)
Dividends to policyholders	0
Net income, after dividends to policyholders and before all other federal income taxes	(\$3,526,783)
Federal and foreign income taxes incurred	<u>(217,145)</u>
Net income	<u><u>(\$3,309,638)</u></u>

Capital and Surplus Account

Surplus as regards policyholders, December 31 ,2005	<u>\$31,267,735</u>
Net income	(\$3,633,480)
Change in net deferred income tax	1,101,448
Change in nonadmitted assets	(667,188)
Surplus adjustments paid in	<u>40,000,000</u>
Change in surplus as regards policyholders	<u>\$36,800,780</u>
Surplus as regards policyholders, December 31, 2007	<u><u>\$68,068,515</u></u>

SCHEDULE OF EXAMINATION ADJUSTMENTS

There are no examination adjustments.

NOTES TO THE FINANCIAL STATEMENTS

Note 1

Cash, cash equivalents and short-term investments		\$52,215,258
Cash	\$47,223,407	
Cash Equivalents	2,994,921	
Short-term Investments	<u>1,996,930</u>	
Total	<u>\$52,215,258</u>	

The Company modified its investment strategy to be in compliance with the investment strategy of the new ownership. As many of the treasury securities exceeded management's targets, management sold most of these securities in 2007 and invested in shorter duration securities, from long term securities to short-term securities and cash in an effort to increase its liquidity.

Note 2

Losses	\$6,175,246
Loss adjustment expenses	\$640,795

Loss and loss adjustment expense reserves represent approximately 11.5% of the Company's liabilities as of December 31, 2007. Incurred but not reported reserves (IBNR) constituted 82.4% of loss reserves at year-end 2007.

INS Consultants, Inc. (INS) was retained by the Department of Insurance to conduct a review of the Company's reserve methodologies and adequacy. INS evaluated the Company's book of business by line of business for loss and allocated loss adjustment expenses. The conclusions reached by INS are largely based upon information supplied by the Company's staff,

which included an in-depth actuarial analysis. The INS reserve analysis was performed on both a gross and net of reinsurance basis and did not address the collectability of reinsurance recoverables. The INS reserve review found the Company's combined net loss and loss adjustment expense reserves were adequate to support the business underwritten.

The aggregated actuarial data provided by the Company was verified and reconciled to Schedule P of the Company's filed Annual Statement. The examiners utilized the KPMG workpapers for data verification. It was noted during this review that the selected sample included 21 program writers, but the firm only reviewed 19 program writers for expediency. The examiner reviewed the two excluded program writers and did not note any exceptions.

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

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The last examination report of this Company as of December 31, 2005 did not propose any recommendations.

SUMMARY OF RECOMMENDATIONS

No recommendations were made as a result of this examination.

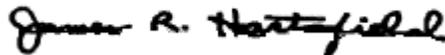
CONCLUSION

As a result of this examination, the financial condition of the Praetorian Specialty Insurance Company, as of December 31, 2007, was determined as follows:

<u>Description</u>	12-31-07 Current <u>Examination</u>	12-31-05 Prior <u>Examination</u>	Changes Increase (Decrease)
Assets	<u>\$121,464,769</u>	<u>\$ 40,795,893</u>	<u>\$80,668,876</u>
Liabilities	\$53,396,254	\$9,528,158	43,868,096
Common capital stock	3,500,000	3,500,000	0
Gross paid in and contributed surplus	66,730,690	26,730,690	40,000,000
Unassigned funds (surplus)	<u>(2,162,175)</u>	<u>1,037,045</u>	<u>(3,199,220)</u>
Total surplus as regards policyholders	<u>68,068,515</u>	<u>31,267,735</u>	<u>36,800,780</u>
Totals	<u>\$121,464,769</u>	<u>\$40,795,893</u>	<u>\$80,668,876</u>

Since the last examination, the Company's Assets increased \$80,668,876; Liabilities increased \$43,868,096; and Capital and Surplus increased \$36,800,780; In addition to the undersigned, acknowledgement is made of the assistance provided by the Delaware Insurance Department, INS Consultants Inc. and INS Services, Inc.

Respectfully submitted,



James R. Hartsfield, CFE
 Examiner-in-Charge
 Delaware Department of Insurance

SUBSEQUENT EVENTS

Effective July 1, 2008, all new and renewal business previously written through Praetorian Specialty Insurance Company (PSIC), the Company's sole subsidiary, will hence be written through QBE Specialty Insurance Corporation, also a member of the QBE the Americas Specialty Pillar. Concurrently, the existing Quota Share Agreement with the Company will be amended to increase the cession from 90% to 100% resulting in no business being retained by PSIC.

QBE the Americas announced in late October, 2008 that an agreement had been reached with Torus Insurance Holdings Limited for Torus to acquire PSIC through a cash transaction. The sale is dependent upon regulatory approvals being obtained and has been submitted to all applicable states for their consideration and approval.

Praetorian Specialty Insurance Company was acquired from Praetorian Insurance Company, by Torus Specialty Insurance Holdings Limited, a Bermuda domiciled company, and transferred to its subsidiary Torus U.S. Holdings, Inc., a Delaware corporation, on February 17, 2009 (the "Acquisition"). The Acquisition was approved by the Company's domiciliary regulator, the Delaware Insurance Department on February 5, 2009. All jurisdictions where the Company is surplus lines eligible were notified of the Acquisition and of the Company's name change to Torus Specialty Insurance Company, effective March 2, 2009.