

**REPORT ON EXAMINATION**

**OF THE**

**TORUS INSURANCE (BERMUDA) LIMITED  
(U. S. REINSURANCE TRUST)**

**AS OF**

**DECEMBER 31, 2013**

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 OF EXAMINATION, made as of December 31, 2013 of the

**TORUS INSURANCE (BERMUDA) LIMITED (U.S. REINSURANCE TRUST)**

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

Attest By:  \_\_\_\_\_

Date: June 12, 2015



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 12th day of June, 2015.



\_\_\_\_\_  
Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Karen Weldin Stewart, CIR-ML  
Commissioner



Delaware Department of Insurance

REPORT OF EXAMINATION  
OF THE  
TORUS INSURANCE (BERMUDA) LIMITED (U.S. REINSURANCE TRUST)  
AS OF  
DECEMBER 31, 2013

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", is written over a horizontal line.

Karen Weldin Stewart, CIR-ML  
Insurance Commissioner

Dated this 12th day of June, 2015

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## SALUTATION

May, 29, 2015

Honorable Karen Weldin Stewart, CIR-ML  
Delaware Insurance Commissioner  
Delaware Department of Insurance  
Rodney Building  
841 Silver Lake Blvd.  
Dover, Delaware 19904

Dear Commissioner,

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority No. 14.032, dated October 7, 2014, an examination has been made of the affairs, financial condition and management of the

### **TORUS INSURANCE (BERMUDA) LIMITED (U.S. REINSURANCE TRUST)**

hereinafter referred to as “the Company” or “TIBL” and incorporated under the laws of Bermuda, an alien insurer, is an accredited reinsurer in Delaware under 18 Del. C. §911 and 18 Del. Admin. Code §1003. The examination was conducted at the Company’s administrative office located at Harborside Financial Center Plaza 5, Suite 2600, Jersey City, New Jersey 07311. The examination of the Company was conducted concurrently with Enstar Group Limited, a large multi-national organization. The State of New Jersey was assigned lead state status by the National Association of Insurance Commissioners (NAIC). The Torus sub-group consists of the Company, Torus Specialty Insurance Company (TSIC), and Torus National Insurance Company (TNIC), of which all are Delaware domiciled entities. Separate reports of examination were filed for each company.

## **SCOPE OF EXAMINATION**

This is the first examination of the Company which commenced business on January 1, 2013 by the Delaware Insurance Department. This examination covers the period of January 1, 2013, through December 31, 2013, and encompasses a general review of transactions during the period, the Company's business policies and practices, as well as management and relevant corporate matters, with a determination of the financial condition of the Company at December 31, 2013. Transactions subsequent to the examination date were reviewed where deemed necessary.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Laws and Regulations of the State of Delaware. The NAIC 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. The examination also included assessing the principles used and 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. The examination report addresses regulatory issues reviewed during the examination process. In addition to items noted in this report, the topics below were reviewed without material exception and are included in the work papers of this examination:

Fidelity Bonds and Other Insurance  
Pensions, Stock Ownership and Insurance Plans  
Statutory Deposits  
Loss Experience  
Corporate Records  
Growth of the Company

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no material adverse findings, adjustments to the financial statements, or specific recommendations as a result of this examination.

### **SUBSEQUENT EVENTS**

The Company entered into retroactive treaties with its affiliate Torus Specialty Insurance Company and Torus National Insurance Company, effective January 1, 2014 whereby the Company assumes 100% of the discontinued lines including reserves that these Companies had previously ceded to Torus Insurance (UK) Ltd. under the 65% quota share and aggregate excess of loss treaties.

The Company entered into Excess of Loss (XOL) Reinsurance Agreements with TSIC and TNIC for excess of loss business effective January 1, 2014, which was approved by the Delaware Department of Insurance.

Effective January 1, 2014, the existing 65% quota share agreement with the Company and TSIC/TNIC was endorsed to increase the ceded percentage to 100% on discontinued business effective January 1, 2013. In addition the term “period thereon” was amended and restated as follows: “All unpaid losses on risk attaching during the period commencing January 1, 2009 and ending December 31, 2012, both days inclusive, and all losses occurring for the

Torus Insurance (Bermuda) Limited (U.S. Reinsurance Trust)

period commencing January 1, 2012 and ending December 31, 2013 both days inclusive". The agreement was approved by the Delaware Department of Insurance.

On July 18, 2013, Torus and The Enstar Group Limited of Bermuda ( Enstar) entered into an agreement in consortium with Stone PointCapital, more specifically, Trident Funds and Dowling Capital Partners. The consortium purchased Torus for \$646 million. The ownership interests as now; Enstar (58.98%), Trident Funds (39.32%, managed by StonePoint Capital) and Dowling Capital Partners (1.70%) acquired the Torus Group effective April 1, 2014. The Delaware Department of Insurance approved of this acquisition.

In accordance with its Deed of Trust the Company was cured on February 26, 2014 to become compliant with minimum surplus requirements. The parent contributed \$16.5 million at this time. Additional contributions during 2014 total \$27.8 million for an aggregate total contributed of \$44.3 million. The Company subsequently reported the premium receivable as an asset and as of December 31, 2014 is in compliance with minimum surplus requirements.

### **COMPANY HISTORY**

TIBL is an alien insurer which has been accredited as a reinsurer in Delaware in accordance with provisions of 18 Del. C. §911 and 18 Del. Admin. Code §1003. The Company has no NAIC filing requirements.

The Company is now a wholly-owned subsidiary of Torus Insurance Holdings Ltd, the ultimate parent.

## **MANAGEMENT AND CONTROL**

### **Directors**

The members of the Board, serving as of December 31, 2013, each elected or appointed in accordance with Company bylaws, were as follows:

<b><u>Director</u></b>	<b><u>Title</u></b>
Michael Frith	Chief Executive Officer, Torus Americas
Timothy W. Harris	Chief Financial Officer, Torus Insurance Holding Ltd.
Shingirai T. Nyahasha	Chief Financial Officer, Torus Americas

### **Officers**

As of December 31, 2013, the Company's principal officer and his respective title was as follows:

<b><u>Officer</u></b>	<b><u>Title</u></b>
Shingirai T. Nyahasha	Chief Financial Officer

### **Holding Company System**

The Company is a member of an Insurance Holding Company System as defined under Chapter 50 of the Delaware Insurance Code; however, the Company is not subject to Chapter 50 of the Delaware Insurance Code. The Company is subject to specific requirements as outlined in the Stipulation Agreement that mirror many of the requirements in Chapter 50. The Company's ultimate parent at December 31, 2013, was Torus Insurance Holdings Ltd. (Torus Holdings), a Bermuda corporation. Torus Holdings provides specialized property and casualty coverage for select commercial customer groups of insureds. For the year ending 2013, Torus Holdings reported assets of approximately \$2.697 billion, liabilities of \$1.889 billion, shareholders' equity of \$807.5 million, gross written premiums of \$847.5 million, net premiums written of \$517.9 million and a net loss of \$74.0 million on an International Financial Reporting Standards (IFRS) basis in U.S. dollars.

Torus Insurance (Bermuda) Limited (U.S. Reinsurance Trust)

The following holding company system, as of December 31, 2013, reflects only identities and interrelationships between the Company and its direct parent, its intermediate parent, and its ultimate parent and affiliates concurrently examined with each entity's domicile in brackets. Unless otherwise noted, each subsidiary is 100% economically-owned and 100% voting-controlled by its immediate parent.

Torus Insurance Holdings Ltd. [Bermuda]  
**Torus Insurance (Bermuda) Limited [US Reinsurance Trust]**  
Torus Finance Limited [United Kingdom]  
Torus US Holdings Inc. [Delaware]  
Torus US Services, Inc. [New Jersey]  
Torus Specialty Insurance Company [Delaware]  
Torus National Insurance Company [Delaware]

#### Unaffiliated Agreements

##### *TBIL and BlackRock - Investment Management Agreement:*

The Company became a party to the investment management agreement with BlackRock Financial Management, Inc. (BlackRock) effective June 13, 2008. Services provided by BlackRock pursuant to this agreement include performing certain investment accounting and recordkeeping services valuation, reconciliation and reporting of the Company's invested assets and cash. The most recent SSAE 16 Report for BlackRock was obtained and reviewed without exception.

##### *TIBL- BONYM custody agreement:*

The Company became a party to a custodial agreement with The Bank of New York Mellon effective June 23, 2008, for the purpose of safekeeping of TIBL's invested assets. A review of the agreement showed that it contains the necessary and required safeguards to protect the Company's investments held by the custodian.

### **TERRITORY AND PLAN OF OPERATION**

The Company is not licensed in any state. The Company is an accredited foreign reinsurer in the state of Delaware. The Company's current purpose is to assume business for its affiliates TSIC and TNIC. The Company is required by Delaware to maintain surplus of at least \$20 million.

### **REINSURANCE**

The Company assumes both pro-rata and excess of loss basis only from affiliates under a 65% quota share reinsurance agreement with TSIC and TNIC effective January 1, 2013.

Under the aggregate stop loss accident-year reinsurance agreement with TSIC and TNIC effective January 1, 2013 the Company's aggregate book of business is covered. TIBL receives a premium of 5% of the Company's ultimate subject net earned premium for each calendar accident year to cover up to 80% of net losses incurred by the Company in excess of an 80% net loss ratio after inuring to all internal (the 65% quota share) and external reinsurance.

Under the excess of loss reinsurance agreement with automatic renewals from TSIC and TNIC effective January 1, 2013, the contract covers losses occurring in excess of \$7.5 million each and every risk, subject to a maximum of \$42.5 million per loss occurrence. Business classes covered are onshore energy and power and utility accounts. The agreement was approved by the Delaware Department of Insurance.

### **ACCOUNTS AND RECORDS**

The Company's accounting procedures, practices, account records and supporting data were reviewed and tested to the extent deemed necessary. The trial balance and annual statement were prepared by an outside consultant. During 2014 the Company assumed control of these

Torus Insurance (Bermuda) Limited (U.S. Reinsurance Trust)

operations and now prepares the financial statements from the group's general ledger for the year ended December 31, 2014.

The accounts and records review included an assessment of the Company's risk management process in identifying and controlling risks in the key operational areas of the Company. In making the assessment in each key area, processes were reviewed, risks were identified, operational and organizational controls were identified and tested and the Company's methodology for assessing the effectiveness of the established mitigation factors was evaluated.

### **FINANCIAL STATEMENTS**

The following pages contain the Company's Financial Statements for the year ending December 31, 2013, as determined by this examination, with supporting exhibits as detailed below:

- Assets
- Liabilities, Surplus and Other Funds
- Summary of Operations
- Capital and Surplus Account
- Reconciliation of Surplus since last Examination
- Schedule of Examination Adjustments

Torus Insurance (Bermuda) Limited (U.S. Reinsurance Trust)

Assets  
As of December 31, 2013

	<b>Assets</b>	<b>Non Admitted Assets</b>	<b>Net Admitted Assets</b>	<b>Notes</b>
Bonds	\$ 85,880,849	-	\$ 85,880,849	1
Cash, cash equivalents and short-term investments	6,459,040	-	6,459,040	
Investment income due and accrued	304,357	-	304,357	
<b>Totals</b>	<b>\$ 92,644,246</b>	<b>\$ -</b>	<b>\$ 92,644,246</b>	

Torus Insurance (Bermuda) Limited (U.S. Reinsurance Trust)

Liabilities, Surplus and Other Funds  
As of December 31, 2013

		<u>Notes</u>
Losses	\$ 61,380,110	2
Reinsurance payable on paid losses and loss adjustment expenses	-	
Loss adjustment expenses	2,614,997	2
Unearned premiums	56,341,903	3
Aggregate write-ins for liabilities	(31,318,622)	4
Total Liabilities	<u>89,018,388</u>	
	-	
Aggregate write-ins for special surplus	20,000,000	
Unassigned funds (surplus)	(16,374,142)	5
Surplus as regards policyholders	<u>3,625,858</u>	
	-	
Total Liabilities, Capital and Surplus	<u>\$ 92,644,246</u>	

Torus Insurance (Bermuda) Limited (U.S. Reinsurance Trust)

Statement of Income  
As of December 31, 2013

<u>Underwriting Income</u>	
Premium earned	\$ 127,901,483
Losses incurred	66,689,661
Loss adjustment expenses incurred	3,779,452
Other underwriting expenses incurred	62,022,562
Total underwriting deductions	132,491,675
Net income of protected cells	-
Net underwriting gain (loss)	<u>(4,590,192)</u>
<u>Net Investment Income</u>	
Net investment income earned	275,802
Net realized capital gains or (losses)	<u>(36,805)</u>
Net investment gain (loss)	<u>238,997</u>
<u>Other Income</u>	
Net gain (loss) from agents' or premium balances charged off	-
Finance and service charges not included in premiums	-
Aggregate write-ins for miscellaneous income	-
Total other income	<u>-</u>
Net income before dividends to policyholder, after capital gains tax and before all other federal and foreign income taxes	(4,351,195)
Dividends to policyholders	-
Net income after dividends to policyholder, after capital gains tax and before all other federal and foreign income taxes	(4,351,195)
Federal and foreign income taxes incurred	-
Net Income	<u>\$ (4,351,195)</u>

Torus Insurance (Bermuda) Limited (U.S. Reinsurance Trust)

Capital and Surplus Account  
As of December 31, 2013

Surplus as regards policyholders, December 31, prior year	\$ -
Net Income	(4,351,195)
Net transfers (to) from Protected Cell accounts	-
Change in net unrealized capital gains (losses) less capital gains tax	67,599
Change in net unrealized foreign exchange capital gain (loss)	-
Change in net deferred income tax	-
Change in non-admitted assets	-
Change in provision for reinsurance	-
Change in surplus notes	-
Capital changes	-
Surplus adjustment: Paid in	7,909,454
Dividends to stockholders	-
Aggregate write-ins for gains and losses in surplus	-
Change in surplus as regards policyholders for the year	-
Surplus as regards policyholders, December 31, current year	<u>\$ 3,625,858</u>

**SCHEDULE OF EXAMINATION ADJUSTMENTS**

No financial adjustments were made as a result of this examination.

**NOTES TO FINANCIAL STATEMENTS**

Note 1 Bonds \$85,880,849

The above-captioned amount reported by the Company in its Annual Statement, which has been accepted for purposes of this report, represents 93.0% of the admitted assets. All securities are rated Class 1 by the NAIC.

Security composition for the year ending 2013 was comprised of the following:

U.S. Governments	\$40,215,527	46.83%
U.S. Special Revenue & Assessment Obligations	7,689,574	8.95%
Industrial & Miscellaneous	<u>37,975,748</u>	<u>44.22%</u>
Total	<u>\$85,880,849</u>	<u>100.00%</u>

Note 2-Losses \$61,380,110  
Note 2- Loss Adjustment Expenses \$ 2,614,997

The above-captioned amount, which is the same as that reported by the Company in its Annual Statement, has been accepted for purposes of this report.

The Delaware Department of Insurance retained the services of INS Consultants (INS), to conduct an independent review of the Company's loss and LAE reserves as of December 31, 2013. The INS analysis was performed using a risk-focused approach according to the guidelines contained in the NAIC Handbook. The review does not address the collectability of reinsurance recoverables.

Torus Insurance (Bermuda) Limited (U.S. Reinsurance Trust)

The conclusions set forth in the INS report are based on information provided by the Company, including the 2013 Annual Statements and the related 2013 Statement of Actuarial Opinion with underlying actuarial work papers.

INS also reviewed the Company's work papers which reconcile the year-end 2013 data to Schedule P. The work papers supported the conclusion that the year-end amounts were closely reconciled to the Schedule P amounts.

INS noted that the Company reserves were deficient by \$2,075,000 or 3.2% of reserves. Consideration was given to the contributed capital during 2014. Based on work performed and contributed capital, INS concluded that the Company's carried net and gross loss and LAE reserves at December 31, 2013, to be reasonably stated, and as such, no financial adjustment was required for examination purposes.

Note 3-Unearned Premiums \$56,341,903

The Company reported unearned premium reserves on reinsurance assumed from affiliates TNIC and TSIC of \$30,924,903 and \$25,417,000, respectively.

Note 4-Aggregate write-ins for Liabilities \$(31,318,622)

The Company reported a contra liability which represents a premium receivable of assumed reinsurance; please refer to subsequent events section.

Note 5-Unassigned Funds \$(16,374,142)

The Trust is required to maintain, by its terms and conditions in the stipulation agreement, sufficient assets to support both its U.S. liabilities and a minimum surplus of

Torus Insurance (Bermuda) Limited (U.S. Reinsurance Trust)

\$20,000,000. At December 31, 2013, assets held by the Trust were less than its minimum surplus by \$16,374,142. In accordance with its Deed of Trust this amount was cured on February 26, 2014.

### **COMMENTS AND RECOMMENDATIONS**

There were no recommendations made in the examination report.

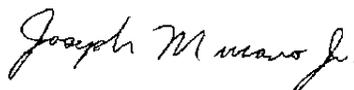
### **CONCLUSION**

The following schedule shows the results of this examination:

<u>Description</u>	<u>December 31, 2013</u>
Assets	\$ 92,644,246
Liabilities	\$ 89,018,388
Aggregate write-ins for other than special surplus funds	20,000,000
Gross Paid In and Contributed Surplus	
Unassigned Funds (Surplus)	(16,374,142)
Total Surplus as Regards Policyholders	\$ 3,625,858
Totals	\$ 92,644,246

The assistance of the Delaware Insurance Department's consulting actuarial firm, INS Consultants, Inc. is acknowledged.

Respectfully submitted,



Joseph Murano Jr., CFE  
Examiner-In-Charge  
State of Delaware