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**FORMATION OF INSURANCE COMPANIES
IN BERMUDA**

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BERMUDA INSURANCE COMPANY FORMATIONS

1. BERMUDA REGULATORY FRAMEWORK

A Bermuda insurance company is regulated by the Insurance Act 1978 and Related Regulations as amended ("Insurance Act") and the Companies Act, 1981.

The Insurance Act requires that every insurer conducting business in or from Bermuda be registered under the said Act. The approach to regulating the insurance industry in Bermuda recognizes that different types of insurance companies require different approaches thereby introducing flexibility into the regulatory process.

An insurer may be registered to conduct either long term business (life, certain annuity and personal injury contracts) or general business (everything that is not long term business) or both and different regulations apply depending on the type of business carried on by the insurer.

For those insurers conducting general business, the Insurance Act introduces four types of insurance licenses.

The four classes of insurance licenses for general business have been established in recognition of the diversity of insurers currently operating from Bermuda. It must be noted that within each license class different regulations will apply.

General Business - Class of Insurance License

CLASS 1	CLASS 2	CLASS 3	CLASS 4
Single Parent Captives (writing risks of parent and affiliates).	Multi-owner or Group Captives (up to 20% net premium from unrelated risks).	Insurers/Reinsurers writing unrelated risks (not within Class 1,2 or 4).	Excess Liability and/or Property Catastrophe Insurers and Reinsurers.
Minimum Capital: US\$120,000	Minimum Capital and Surplus: US\$250,000	Minimum Capital & Surplus: US\$1,000,000	Minimum capital and Surplus: US\$100,000,000

Class 1 License

Apply to companies that are single-parent captives insuring only the risks of its owners or affiliates of the owners.

Class 2 License

Apply to multi-owner captives (group captives) or single-owner captives insuring risks of its owners and affiliates AND up to 20% of net premiums from coverages unrelated to the shareholders. Also included under this license category is the insuring of risks which in the opinion of the Bermuda Monetary Authority (Supervisor of Insurance), arise out of the business or operations of the shareholders or their affiliates and commonly referred to as "connected business".

Class 3 License

An insurer is issued a Class 3 license when the entity is not registerable as a Class 1, Class 2 or Class 4 insurer. Class 3 licenses are granted to insurers writing third party business principally where more than 20% of the net premiums written arises from risks which are unrelated to the insurer's shareholders; finite reinsures and rent-a-captives.

Class 4 License

An insurer is registerable as a Class 4 insurer if its minimum capital and surplus is \$100 million and it underwrites excess liability insurance and/or property catastrophe reinsurance.

2. MINIMUM CAPITAL AND SURPLUS REQUIREMENTS

The minimum capital and surplus requirements vary according to the Class of insurer. The minimum paid-up share capital is also determined by the Class of insurer. In the case of Class 1, Class 2 and Class 3 insurers the minimum paid-up share capital requirement is \$120,000. For a Class 4 insurer the minimum paid-up share capital is \$1,000,000.

The minimum capital and surplus for a Class 1 insurer is \$120,000. For a Class 2 insurer the minimum capital and surplus requirement is \$250,000. A Class 3 insurer is required to have a minimum of \$1,000,000 in capital and surplus. The minimum capital and surplus requirement for a Class 4 insurer is \$100,000,000. These minimum requirements must be maintained at all times.

With respect to Class 4 insurers, it should be noted that significant reductions of capital and surplus are monitored and controlled by regulations which include additional reporting requirements. Declaration of dividends exceeding 25% of statutory capital and surplus will require an affidavit signed by two directors and the principal representative stating that the insurer will, notwithstanding such declaration, continue to meet its relevant margins.

If the licensee wishes to reduce by 15% or more its total statutory capital as set out in the licensee's previous year's financial statements it will be required to provide an affidavit signed by two directors and the principal representative that the insurer notwithstanding such reduction will continue to meet relevant margins.

If capital and surplus fall below the \$100 million level as a result of losses or loss expenses the licensee must file within 30 days of becoming aware of the deficiency a written report with the Bermuda Monetary Authority (Supervisor of Insurance) showing the circumstances leading to the failure and how it intends to make up the shortfall; in the meantime the insurer cannot declare or pay any dividends.

If capital and surplus fall below \$75 million the licensee will be subject to additional reporting requirements including the filing of unaudited interim financial statements, an actuary's report and a general business solvency certificate within a period of 45 days.

3. **SOLVENCY MARGIN**

General Business Insurer

For a general business insurer the minimum solvency margin is the prescribed amount by which the value of the general business assets of that insurer exceeds the general liabilities. This prescribed amount is computed on the basis of three figures the highest of which will be the relevant margin of solvency.

Figure A consists of the minimum statutory capital and surplus prescribed by the Insurance Act for the respective Classes of insurers and is set out in the preceding paragraph numbered 3.

Figure B varies according to the Class of insurer and the net premiums written by the insurer in each financial year.

Where net premiums written ("npw") do not exceed \$6 million the statutory capital and surplus ("sc&s") of a Class 1, 2 or 3 insurer shall be at least 20% of the npw.

In the case of a Class 4 insurer the sc&s shall be at least 50% of the npw.

Where the npw of an insurer exceeds \$6 million the sc&s of a Class 1 or Class 2 insurer shall consist of an additional 10% calculated on the npw which is in excess of the first \$6 million.

In the case of a Class 3 insurer the additional sc&s is calculated as for Classes 1 and 2 but at the rate of 15%. In the case of Class 4 insurers additional sc&s is also calculated at 50% as for amounts under \$6 million.

Figure C is computed on the basis of the insurer's loss reserves. For Class 1 and 2 insurers the relevant solvency margin is based on 10% of the insurers loss reserves and for Class 3 and 4 insurers on 15% of the loss reserves.

Long-term Insurers

If the insurer is writing long-term business, the solvency margin is based upon the value of the long-term business assets of an insurer exceeding the amount of its long-term business liabilities by the prescribed amount of US\$250,000 at all times.

“Long-term business assets” and “long-term business liabilities” respectively mean assets and liabilities established in conformity with the requirements of the Insurance Accounts Regulations, 1980 for the statutory balance sheet.

4. LIQUIDITY RATIOS

A general business insurer must also maintain a minimum liquidity ratio of 75% calculated on the basis that the value of the relevant assets of an insurer carrying on general business is not less than 75% of the amount of its relevant liabilities. The terms, “Relevant Assets” and “Relevant Liabilities” for liquidity ratio purposes, are defined in the Insurance Returns and Solvency Regulations.

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5. **ACTUARY**

For a Class 1 insurer an actuarial opinion on loss reserves (loss and loss expense provisions) is required annually only if there is discounting to meet solvency margins or if there is more than 30% professional liability business written in that financial year. Such opinion is no longer required for the writing of products liability risks.

A Class 2 insurer will require actuarial certification of loss reserves (loss and loss expense provisions) every three years; annually if more than 30% of the written premium is from professional liability insurance or if discounted to meet solvency margin requirements.

Class 3 and Class 4 insurers are required to file an actuarial opinion on loss reserves (loss and loss expense provisions) annually.

6. **LOSS RESERVE SPECIALIST**

A Loss Reserve Specialist means a person approved by the Bermuda Monetary Authority (Supervisor of Insurance) as one who is qualified to assess the sufficiency of insurance loss reserves (a property/casualty actuary). Certification of loss reserves by a loss reserve specialist is required for those insurers writing certain types of risks (professional liability, unrelated etc.).

In the case of Class 2 insurer, the opinion of a loss reserve specialist is to be included with the insurers statutory financial return every third year, beginning with the first financial year following the insurer's registration as a Class 2 insurer.

In the case of a Class 3 or Class 4 insurer the opinion of a loss reserve specialist is to be included annually with the insurers statutory financial return.

7. **STATUTORY FINANCIAL RETURNS**

By law, a Bermuda insurance company is required to prepare annually statutory financial statements and returns in accordance with the Insurance Act and Regulations. The company shall also maintain, at its registered office in Bermuda, records of its financial affairs so as to show a true accounting in each and every financial year. It is also required that the bye-laws of the company make provisions for an annual audit as required by the Companies Act, 1981.

The statutory financial statements of an insurer shall be audited annually by the insurer's approved auditor. In addition, every insurer is required to send to the Bermuda Monetary Authority (Supervisor of Insurance) a copy of its statutory financial return and statements (together with the auditor's report thereon).

The statutory filings for each Class of license is as follows:

Class 1 License

Statutory filings within 6 months of financial year end; with permission, this can be extended up to 9 months. Penalty for late filing is \$500 per week.

Class 2 License

Statutory financial statements are to be filed with the Regulators as part of the annual return. Statutory filings and the penalty for late filings is the same as Class 1 Licenses.

Class 3 License

Statutory financial statements are to be filed annually with the statutory return. The statutory financial statements and return must be filed within 4 months of financial year end, and with permission up to 7 months. Penalty for late filing is up to \$1,000 per week.

Class 4 License

The statutory financial statements are to be filed annually with the statutory return. The statutory return shall consist of a cover sheet; an auditor's report; declaration of ratios; solvency certificate and schedule of ceded reinsurance.

The statutory filing is to be made within 4 months of financial year end, with permission it can be extended up to 7 months. Penalty for late filing is up to \$5,000 per week; and if default continues for 3 months after the filing date, an inspector will be appointed to investigate the affairs of the insurer.

8. PRINCIPAL OFFICE AND PRINCIPAL REPRESENTATIVE

Every insurer in Bermuda is required to maintain a principal office in Bermuda and appoint and maintain a Principal Representative. A Principal Representative is either a registered insurance manager in Bermuda or a person (resident in Bermuda) approved by the Minister as that insurer's Principal Representative. There are a number of local insurance managers that are available to serve in this capacity.

The Principal Representative is under strict statutory duties to ensure that the insurer, for which he acts, complies with Bermuda law and reports to the Bermuda Monetary Authority (Supervisor of Insurance) any event which results in or is likely to result in the Company becoming insolvent or failure of the insurer to comply with the solvency margin or other statutory ratios.

9. REGISTERED OFFICE

Bermuda law requires that a company maintain a registered office in Bermuda at which the corporate records such as the minute book and share register, must be kept. There is no requirement under Bermuda law that directors should hold shares in the company in order to be directors. This firm arranges for these services to be provided by Richmond Corporate Services Ltd., a service company owned by the Partners of this firm.

10. **INCORPORATION PROCEDURE**

It is necessary to make an application to the Bermuda Monetary Authority (“BMA”) for obtaining the consent of the Minister of Finance to incorporate the company and to submit the following information on each of the legal, intermediate and ultimate beneficial owners. If any of these parties is a company, audited financial statements, annual reports or if no audited financials are available unaudited financial statements shall be made available to the BMA for each company. If the owner is an individual, a Personal Declaration (see index item 6) and statements of net worth shall be submitted (see index item 5). Personal Declarations and net worth statements are supplied to the BMA and, as with other documents are submitted with the application, and are required by law to be kept confidential.

The Company, being an exempted company, will be entitled to apply for (and invariably will obtain) an undertaking from Government that in the event of taxation being imposed in Bermuda (e.g. corporate tax, dividend tax, etc.), the company will be exempt from such taxes at least until the year 2016.
the Insurance Act 1978.

Companies need to complete the Company Formation Questionnaire and the Pre-incorporation Information Form (copies attached hereto) and submit them to the Bermuda Monetary Authority together with a Memorandum on the Insurance Program, names of any Actuaries or Loss Reserve Specialists and Shareholder information.

11. **NO FOREIGN EXCHANGE CONTROL**

All exempted companies, with a few exceptions, will be designated by the Bermuda Monetary Authority as “non-resident” which means that the company will be free to deal in any currency of its choosing, other than resident Bermuda dollars, and will, in effect, be completely free from all Exchange Control Regulations.

12. **FEES PAYABLE TO GOVERNMENT**

The Bermuda Insurance Company itself will pay an annual Government fee based upon the assessable capital of the Company. The assessable capital is the sum of the authorized share capital and the amounts, if any, in the share premium account.

Annual Fees – Companies Act

The Schedule of Fees pursuant to the Companies Act is as follows:

<u>Assessable Capital</u>	<u>Government Fees</u>
\$0 - 12,000	\$1,780.00
\$12,001 - 120,000	\$3,635.00
\$120,001 - 1,200,000	\$5,610.00
\$1,200,001 - 12,000,000	\$7,474.00
\$12,000,001 - \$100,000,000	\$9,345.00
\$100,000,001 - \$500,000,000	\$16,695.00
\$500,000,001 or more	\$27,825.00

Initial Registration Fees – Insurance Act

Upon registration under the Insurance Act an initial "registration fee" is payable to Government as set out below:

Class 1	\$880.00
Class 2	\$1,500.00
Class 3	\$5,000.00
Class 4	\$25,000.00
Long Term (LT)	\$5,000.00
Composite (1)(2) or (3) plus LT (2,625.00)	\$5,000.00
Composite (4) plus LT (2,500.00)	\$25,000.00

Annual Fees – Insurance Act

Thereafter, commencing with the year following such registration a "business fee" is payable to the Government under the Insurance Act on or before March 31st of each year as set out below:

Class 1	\$880.00
Class 2	\$1,500.00
Class 3	\$5,000.00
Class 4	\$25,000.00
Long Term (LT)	\$5,000.00
Composite (1)(2) or (3) plus LT (2,625.00)	\$5,000.00
Composite (4) plus LT (2,625.00)	\$25,000.00



BERMUDA

PRE-INCORPORATION INFORMATION FORM

**To be filed with Forms C-1 and C-2
by proposed insurers.**

1. State the name of the Company.

2. State the full address of -

(a) the registered office of the Company in Bermuda.

(b) the principal office of the Company in Bermuda.

(c) the registered office and the principal business address abroad (in case of company incorporated abroad).

3.a State date and place of incorporation.

3.b State the basic characteristics of the Company by ticking the appropriate box under (i) and (ii).

(i) Company organised by shares

Mutual Company

(ii) Exempted Company

Permit Company

3.c (i) State the amount of the issued and paid-up capital at present, and the date paid in.

(ii) Has the whole of the paid-up capital been subscribed in cash? If not, give full details.

4.a Will the Company be writing unrelated risks (i.e. risks of persons who, apart from the insurance contract itself, have no connection or association with the Company).

(i) as a direct insurer _____

(ii) as a reinsurer _____

4.b If 4.a (i) and 4.a (ii) are both answered in the negative, explain the nature of the connection or association that exists between the Company and those persons whose risks the Company intends writing either directly or as a reinsurer.

4.c State the category of insurance business which the insurer proposes to write (i.e. general business only, long-term business only or both general and long-term business).

4.d State the class or classes (e.g. property, casualty, marine, aviation) of general insurance business which the Company intends to write and state estimated gross and net premium by class of business for the first 2 years of operation. If it is intended to write products liability risks or professional liability risks, or both, state estimated gross and net premium in respect of each separately.

4.e State when the Company intends to commence writing the above class or classes of business.

4.f In respect of general business, give estimated income for each of the first two years on as realistic a basis as possible using the following format:

Gross Premiums written

Less Reinsurance premiums ceded

Net Premiums written

Less increase (plus decrease) in Unearned Premiums

Net Premiums Earned

Plus Investment Income

Plus other insurance income

SUB TOTAL

Net Losses and loss expenses incurred
Reserve for claims incurred but not reported (if applicable)

Commissions and brokerage incurred

General and administrative expenses

Personnel costs

Other expenses

Income taxes (if applicable)

SUB TOTAL

Estimated Net Income for Year

N.B.1 The Regulations provide for a solvency margin in accordance with the following formula:
General Business Premium Income Net Relevant Amount (Minimum paid-up Capital and Surplus

BD\$ 600,000 or less

BD\$ 600,001 - BD\$6,000,000

BD\$6,000,001 and above

BD\$ 120,000

1/5th of GBPI

1/10th of GBPI plus BD\$ 600,000

N.B.2 The Regulations provide for a minimum liquidity ratio for general business as follows -

"The value of the relevant assets of an insurer carrying on general business shall be not less than seventy-five per centum of the amount of its relevant liabilities, unless the insurer is a section 24(6) composite."

- 4.g In respect of long-term insurance business, state as an appendix set out in the format shown below, on as realistic a basis as possible, the estimated volume of business to be transacted during each of the first two years, giving for each type of policy the number of contracts, the total sums assured or amounts of annuity per annum, and the annual or single premiums - figures should be given both gross and net of reinsurance and should relate to world wide business. A final table should summarise the total premium income.

ORDINARY LONG TERM BUSINESS PLAN				
Type of Policy	Year 1			
	No. of Contracts	Total premium income		Total sums insured or amounts or annuity per annum
		Gross	Net of Reinsurance	

Note: Same format for year 2 as for year 1.

5. Give particulars of any business other than insurance business which the Company proposes to carry on.

- 6.a Give names of and limits carried by primary carrier, if any.

- 6.b State the maximum net retention by class of business, for any one risk per occurrence.

- 6.c State layer of retention (primary or XXX excess of XXX) by class of business.

6.d State whether annual aggregate (i.e. stop loss) reinsurance has been/will be arranged. If so, state maximum annual aggregate net losses to be retained by class of business.

7. Set forth in the columns below the nature and extent of the existing or proposed reinsurance arrangements in respect of each class of business, including in particular the names, of and, where they have been rated by recognised rating organisations, the most recent ratings assigned to, the insurance companies or associations of underwriters which will reinsure each class of the Company's business and the amount which will be reinsured by each. (If more than ten companies will reinsure a class business, the names of only the principal reinsurers need be stated.)

Name	Rating	Class of Insurance	Amount Reinsured

8.a State the full name and address of the following who have accepted their appointment, attaching formal evidence of acceptance of appointment duly signed -

(i) Principal Representative (must be resident in Bermuda).

(ii) Insurance Manager (if Company has one).

(iii) Approved Auditor.

(iv) (Where required) Loss Reserve Specialist.

8.b For companies carrying on long-term business - state the full name and address of the Approved Actuary, attaching formal evidence of acceptance of appointment duly signed.

9.a Indicate by ticking the appropriate boxes which of the following are located in Bermuda -

- (I) general ledger
- (ii) general journal
- (iii) subsidiary ledgers (referred to in the general ledger)
- (iv) cash books - receipts and disbursements
- (v) premium registers
- (vi) loss registers
- (vii) reinsurance reports
- (viii) daily reports of claim files
- (ix) copies of policies
- (x) copies of reinsurance treaties and agreements

9.b Will those of the foregoing business records which will be kept in Bermuda enable the directors to ascertain within a reasonable period and with reasonable accuracy the Company's position at the end of each three month period? Please answer "Yes" or "No". If No, please explain.

9.c Give the addresses where such records are located in Bermuda.

(i) _____

(ii) _____

(iii) _____

10. State the date on which the Company's financial year will end.

11. If the answer to question 4.a was in the affirmative -

(a) state the method or methods by which the business will be obtained (e.g. by the Company's own employees, by brokers or agents, or by both methods).

(b) state the way in which settlement of claims will be handled (e.g. by the Company, by outside loss adjusters or assessors, or by other agents with authority to settle claims).

(c) give details of any connection or association (including in particular, a connection or association of a financial kind) which exists between any of the brokers, agents, loss adjusters and assessors referred to in (a) and (b) above, and any director of the Company, any director it is proposed at present to appoint, any person having a majority shareholding in the Company, or any other person on whose directions the directors of the Company or any of them act or will act.

(d) give details of any loans which the Company has made, or proposes to make, to any officer of the Company or his spouse or to any partnership in which an officer of the Company or his spouse has an interest.

(e) give details of any loans or investments, actual or proposed, to or in any subsidiary or associated company or any company at any general meeting of which any officer of the Company or any person controlling the Company, or his spouse, is entitled to exercise, or control the exercise of, one third or more of the voting power.



REVISED GUIDELINES FOR APPLICATIONS
FOR COMPANIES PROPOSING TO TRANSACT PRODUCTS LIABILITY
AND/OR PROFESSIONAL INDEMNITY AND/OR MEDICAL MALPRACTICE BUSINESS

Since the publication of the original "GUIDELINES FOR APPLICATIONS TO THE AD HOC COMMITTEE TO FORM MALPRACTICE INSURANCE COMPANIES" issued 1st June, 1976, certain developments have taken place which have lead to these revisions.

The Ad Hoc Committee has been dismantled by the coming into force of the Insurance Act 1978 ("the Act") and Related Regulations.

The Insurance Advisory Committee and its Subcommittee, the Insurers Admissions Committee, established under the aforesaid Act, do make recommendations to the Bermuda Monetary Authority (Supervisor of Insurance) regarding applications to incorporate insurers. Notwithstanding the official machinery in place to review applications, it is felt that, because of the complexities of insuring products and professional indemnity risks, guidelines relating to these risks remain appropriate.

These guidelines are applicable to Bermuda companies proposing to write:

1. Products liability risks.
2. Professional indemnity risks including but not limited to risks of engineers, lawyers, accountants, architects, directors and officers and errors and omissions liability risks.
3. Medical malpractice liability risks of:
 - (a) groups of individual medical practitioners who are members of a recognised medical association.
 - (b) hospitals and other medical facilities.

I The following minimum information must be submitted to establish financial viability:

- (a) Comprehensive bank references.
- (b) Most recent Audited Financial Statements and in the case of key individuals, net worth statements.

- (c) Copies of all offering documents and other relevant data.
 - (d) Details of intercompany relationships and of present and proposed transactions between related parties.
- II The following minimum information should be submitted to describe the proposed method of operation:
- (a) Details of all applicants and prospective shareholders and/or insureds.
 - (b) Limits of liability.
 - (c) Reinsurance programme with details of principal reinsurers.
 - (d) Policy form.
 - (e) Rating plan.
 - (f) Comprehensive experience analysis.
 - (g) Methods of claims handling and loss control.
 - (h) Steps taken to ensure compliance with Insurance Regulations of other domiciles.
- III The information submitted will be examined to determine that:
- (a) The applicants are of good standing.
 - (b) The proposal is based on sound insurance principles and practices.
 - (c) There is a strong emphasis on loss prevention and good claims handling.
 - (d) Adequate reinsurance protection has been obtained with acceptable security.
 - (e) Arrangements have been made to comply with Insurance Regulations of other domiciles.
 - (f) There are proper management controls.

Application forms for persons proposing to write the above mentioned risks are available in the Bermuda Monetary Authority (Supervisor of Insurance) Office.

Bermuda Monetary Authority (Supervisor of Insurance)
Burnaby House
Burnaby Hill
Hamilton



SUPPLEMENTARY FORM
FOR COMPANIES PROPOSING TO TRANSACT PRODUCTS LIABILITY
AND/OR PROFESSIONAL INDEMNITY AND/OR MEDICAL MALPRACTICE BUSINESS

1. Name of Bermuda Company.

2. Name(s) of beneficial owners.

3. Entities and/or individuals to be insured.

4. Types of risks to be underwritten. (attach an additional sheet as necessary)

5. Maximum retention per occurrence and in the aggregate by type of business. (attach an additional sheet as necessary)

6. Detailed reinsurance programme including principal reinsurers. (attach an additional sheet as necessary)

7. Expected annual gross and net premium income by type of risks. (attach an additional sheet as necessary)
8. Five year financial projection for all business including Balance Sheets and Income Statements. (attach an additional sheet as necessary)
9. Five year underwriting projection by policy year showing premium and loss developments. (In the case of existing companies, supply projections separately for existing and proposed new business). (attach an additional sheet as necessary)
10. Name of Loss Reserve Specialist.

Attach List of Appendices

Signed

NB: An original and thirteen copies to be submitted to the office of the Bermuda Monetary Authority (Supervisor of Insurance)

APPENDIX I

Details of Companies/Firms/Individuals Involved

The latest audited Financial Statements must be supplied for all entities (Companies, Firms, Partnerships). In those rare instances where no audited Financial Statements are prepared, unaudited Financial Statements as at a date no more than six months prior to the date of application must be submitted. In the case of individuals, bank references and net worth statements must be supplied.

In addition, a summary of operations must be prepared by the applicant and should include:

(a) Products

Principal products produced, location of plants, how products are sold and gross sales by major product lines.

(b) Other Professional Indemnity including Directors and Officers Liability Risks and Errors and Omissions Liability Risks.

Ownership, location(s) and professional affiliations.

(c) Medical Malpractice

(i) Ownership, location(s), number of beds, staff, teaching and research facilities.

(ii) Individual medical practitioner(s) - nature of practice, staff and professional association affiliations.

When applicants are associations, full details including financial statements should be supplied. A description of the organisation and control of membership should be provided.

APPENDIX II

Details of Important Perils

(a) Products

Describe products particularly exposed to serious or frequent claims. Indicate if any important perils are excluded (e.g. nuclear, if any exposure is involved). Indicate in which country products are manufactured and provide a geographical distribution of sales.

(b) Medical Malpractice/Other Professional Indemnity

Describe nature and extent of cover to be provided.

APPENDIX III

Loss Prevention and Safety

A summary prepared by the applicant should be provided indicating:

- (a) The organisation, responsibility and main procedures followed for loss prevention and safety.
- (b) Peer review procedures.

APPENDIX IV

Claims Experience and Handling

(a) Experience

Loss experience, for 5 years, should be provided showing individual claims by date of occurrence, date of claim, type of loss, how settled, outstanding case reserves, etc.

The data may take the form of existing records and small cases may be summarised.

(b) Handling

Who has handled claims in the past? Is any change proposed? If so, who will handle claims in the future?

APPENDIX V

Rating Program and Policy Forms

- (a) The rating program should be described, i.e. bureau or other.
- (b) A report is required from a qualified independent casualty actuary addressing the adequacy of the rates for medical malpractice and products liability risks. A similar report may be of assistance in other cases.
- (c) Are policy forms to be made on an occurrence or claims made basis? (please attach specimen)

APPENDIX VI

Reinsurance Program

- (a) Describe the existing program including names of reinsurers.
- (b) Describe the proposed program including names of reinsurers.

BERMUDA MONETARY AUTHORITY
GUIDELINES FOR INSURANCE COMPANIES

The following policies, procedures and requirements of the Bermuda Monetary Authority will be followed for the establishment of insurance companies in Bermuda or the change in ownership of a Bermuda insurance company.

Policies

As a matter of Government Policy, separate companies are required to perform different insurance related functions such as insurance underwriting, broking and insurance management.

Incorporation

Incorporation takes place by registration which normally takes seven days. If special company law dispensations are required, incorporation may take place by Private Act of the Bermuda Legislature which takes approximately six weeks.

The Bermuda Monetary Authority vets the ultimate beneficial owners of a Bermuda Insurance Company. Personal Declaration forms, net worth statements and a resume setting out any relevant experience in the insurance industry, will be required to be submitted with the application, on the ultimate beneficial owners.

Issue/Transfer of Shares

Upon application to the Bermuda Monetary Authority for the issue and/or transfer of shares in an insurance company, the following information is needed:

- (i) The total number of shares that the proposed beneficial owner(s) intend to hold (By Class, if applicable);
- (ii) The percentage of shares held by each beneficial owner;
- (iii) A statement of net worth on each beneficial owner (or audited Financial Statement if owner is a corporate entity);
- (iv) Upon transfer, will the participation of the shareholder in the insurance company materially affect the insurance business at present. In particular, will:
 - (a) the class of risks underwritten be materially different from what is presently underwritten;
 - (b) there be a material change in net premiums written;
 - (c) the Company's stop loss, reinsurance ceded and net retentions be materially changed?
- (v) Upon transfer, will the Company be changing its Principal Representative, its principal office or its Insurance Manager.

MEMORANDUM

on

BERMUDA MONETARY AUTHORITY REQUIREMENTS

The Bermuda Monetary Authority ("BMA") carefully scrutinizes the ownership of Bermuda companies and partnerships and has to be satisfied that the persons who wish to form companies and partnerships are persons of integrity and good financial standing.

Any information provided to the BMA is treated in the strictest of confidence under the provisions of the BMA Act and under the provisions of The Companies Act, 1981.

The BMA looks through the corporate veil to the ultimate owners. Set out below is the information which is usually required. In the case of a company, the following information is required prior to the issue or transfer of a share of the company. The BMA has the right to request further information at its discretion.

1. Where an ultimate beneficial owner is an individual:-

- (a) the name, address, nationality, occupation of the person and percentage of ownership;
- (b) a Personal Declaration Form for each of the proposed non-Bermudian beneficial owners (direct, intermediate and ultimate) who proposes to have an equity interest of 5% or more in the company. In respect of partnerships, a Personal Declaration is to be completed by the general partner(s), where the general partner is an individual.

N.B. Where an insurance company is being formed with individuals as the beneficial owners each individual must also provide a statement of net worth.

2. Where an ultimate beneficial owner is a publicly quoted company:-

- (a) the latest Annual Report to shareholders.

3. Where an ultimate beneficial owner is a private company:-

- (a) a copy of the latest financial statements (preferable if audited) of the private company;
- (b) a complete list of shareholders giving names, addresses, nationalities, occupations and percentages of ownership;
- (c) a Personal Declaration Form on each shareholder as described in 1(b) above.

4. Where an ultimate beneficial owner is a trust:-
 - (a) the name of the trust and the country in which it was created;
 - (b) the name and nationality of the Settlor (creator);
 - (c) the name(s) of the Trustee(s);
 - (d) the names, addresses, nationalities and occupations (if any) of the Beneficiaries;
 - (e) a Personal Declaration Form as described in 1(b) above on the Beneficiaries (if these are minors then Personal Declarations by their parents).

5. Where an ultimate beneficial owner is a partnership:-
 - (a) full details (including names, addresses, nationalities, and occupations) on the partners, both limited and general;
 - (b) financial statements on the partnership;
 - (c) a Personal Declaration Form as described in 1(b) above on the general partner(s).

6. Where an ultimate beneficial owner is a Non-profit Association:-
 - (a) financial statements on the Association;
 - (b) a list of the members of the Association;
 - (c) a copy of the Constitution and Bye-Laws of the Association.

PERSONAL DECLARATION

Name of Entity in connection with which this declaration is being completed:			
Surname:			
Complete forename(s):			
Known by other name(s):			
Any previous name(s):			
Name of Spouse:			
Residential Address: (P.O. Box <u>not</u> acceptable)			
Country of Citizenship		Passport No:	
	Date & Place of issue:		
Date of Birth:	Day:	Month:	Year: Gender:
Place of Birth:	City:	Country:	
Occupation:			
Present Employer:			

1. A separate declaration must be completed and signed by each individual proposing to have a beneficial interest of 5% or more in a company to be registered. In respect of partnerships, a declaration is to be completed by the general partner(s), where the general partner is an individual.

2. Questions 1 - 6 must be completed by each individual proposing to have a beneficial interest of 5% or more in a company to be registered. In respect of partnerships, a declaration is to be completed by the general partner(s), where the general partner is an individual.

IF THE ANSWER TO ANY OF THE FOLLOWING QUESTIONS IS YES PLEASE PROVIDE DETAILS IN WRITING IN RESPECT OF THAT ANSWER.

- | | | Yes | No |
|----|--|--------------------------|--------------------------|
| 1. | Do you have any interest in any company or partnership registered or formed in Bermuda? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. | Have you ever been refused consent to register a company or form a partnership in Bermuda? | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. | Are you or have you ever been an undischarged bankrupt? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. | Have you ever been convicted of a criminal offence involving fraud or dishonesty? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. | Has fraud or dishonesty been proven against you in any civil proceedings? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. | Have you ever been the subject of a judicial or other official enquiry? | <input type="checkbox"/> | <input type="checkbox"/> |

Questions 7 - 10 must be completed where the entity proposed to be registered or formed is to carry on investment business or is a collective investment scheme.

- | | | Yes | No |
|-----|--|--------------------------|--------------------------|
| 7. | Have you or any entity that you have been associated with, ever been refused or had revoked a license, permit or other authorisation to provide investment business to the public in any jurisdiction? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8. | Are you a member in good standing of a self regulatory organisation? | <input type="checkbox"/> | <input type="checkbox"/> |
| 8a. | If yes, name the organisation(s): | | |
| 9. | Have you ever been the subject of investigation, proceeding or other enquiry by a self regulatory organisation of which you are or were a member? | <input type="checkbox"/> | <input type="checkbox"/> |
| 10. | Have you or any entity that you have been associated with, ever been refused or had revoked a license, permit or other authorisation to conduct investment business in any jurisdiction? | <input type="checkbox"/> | <input type="checkbox"/> |

I hereby certify that the information in this Declaration is true to the best of my information, knowledge and belief.

Signed: _____

Dated: _____

DUE DILIGENCE QUESTIONNAIRE

(Related to Conducting Business in or from Bermuda)

1. Shareholder/Applicant's Name:
2. Occupation:
3. Passport No. & Place of Issue (Passport or Photo I.D. to be attached):
4. Employer:
5. Address of Employer:
6. Home Address:
7. If Owner - Name of Business (Outside of Bermuda)
8. Position in Business:
9. Address of Business (outside of Bermuda):
10. Name of Banker (Outside of Bermuda):
11. Address of Banker:
12. Source of Funds (coming into Bermuda):
13. Referring Party (name of entity or person referring applicant to Bermuda):
14. Have you (the applicant) been involved in any of the following:
 - (a) criminal proceedings;
 - (b) bankruptcy proceedings;
 - (c) licensing revocation proceedings.
15. Details of Proceedings in Clause 12:
16. Board Positions held:
17. Memberships in Licensing Associations:

PROPOSED BUSINESS PLAN - BASIC INFORMATION

The following items should be addressed in the Proposed Business Plan:

1. Name of Company and brief description of shareholders.
2. Brief description of Insured.
3. Brief description of types of risks involved (i.e., casualty; products liability etc.) and percentage of each type.
4. Whether any third party business will be written.
5. Proposed capital and surplus.
6. Direct insurer or reinsurer (if latter, state fronting company); retentions by Bermuda insurer by class of risks.
7. Expected net annual premium income and two year projection (balance sheets and revenue accounts) preferably with an actuarial evaluation of the reserves.
8. Claims and loss history for at least five years; also information regarding loss control and risk management.
9. If Reinsurer, who will do claims handling.
10. Reinsurance Programme for the protection of the Bermuda insurance company.

COMPANY FORMATION QUESTIONNAIRE

INSTRUCTIONS TO FORM A LIMITED LIABILITY COMPANY IN BERMUDA PLEASE ANSWER ALL QUESTIONS

1. **Proposed Company Name(s)** [in order of preference]
- Please specify whether the company will be local or exempted
 - Company name must end in Limited or Ltd. (please indicate your preference)

(i)

(ii)

(iii)

-
2. **Proposed Business Activities**
- Please provide details. Certain types of company may require additional information, e.g. insurance, trust, mutual fund, investment or financial advisory services companies

OWNERSHIP: PLEASE READ ANNEXURE "A" ATTACHED

3. **Registered Owner(s) (Please indicate % of ownership)**

If an individual

Name & Address	Occupation	Nationality	No. & Class of Shares	% of Voting Rights	Date of Birth
----------------	------------	-------------	-----------------------	--------------------	---------------

If a Company

Name & Address	Place of Incorporation	Stock Exchange(s) (if quoted)	No. & Class of Shares	% of Voting Rights
----------------	------------------------	-------------------------------	-----------------------	--------------------

4. **Intermediate Owner(s)**

If an individual

Name & Address	Occupation	Nationality	No. & Class of Shares	% of Voting Rights	Date of Birth
----------------	------------	-------------	-----------------------	--------------------	---------------

If a Company

Name & Address	Place of Incorporation	Stock Exchange(s) (if quoted)	No. & Class of Shares	% of Voting Rights
----------------	------------------------	-------------------------------	-----------------------	--------------------

5. **Ultimate Beneficial Owner(s)**

If an individual

Name & Address	Occupation	Nationality	No. & Class of Shares	% of Voting Rights	Date of Birth
----------------	------------	-------------	-----------------------	--------------------	---------------

If a Company

Name & Address	Place of Incorporation	Stock Exchange(s) (if quoted)	No. & Class of Shares	% of Voting Rights
----------------	------------------------	-------------------------------	-----------------------	--------------------

SHARE CAPITAL: PLEASE READ ANNEXURE "B" ATTACHED

6. (a) **Authorised Share Capital of Company**

- Ordinary Company (minimum \$12,000.00) [\$]

- Insurance Company (minimum \$120,000.00) [\$]

(b) **Par Value of Shares** [\$]

- (c) **Payment of Shares**
- a) Upon allotment
 - b) Within _____ days of allotment
 - c) No call to be made at this time
- (d) **Contributed Surplus/Letter of Credit** [\$ _____]
- (e) **Issued Share Capital upon Incorporation -**
- (f) **Issue Price per Share -**
- (g) **Location of Share Certificates**
(once share capital has been fully paid) -
-

DIRECTORS & OFFICERS: PLEASE READ ANNEXURE "C" ATTACHED

7. (a) **Number of Directors (minimum of two) -**
- (b) **Number of Alternate Directors -**
- (c) **Quorum of Directors (minimum of two) -**
-

8. **Names of Directors and their respective Alternate Directors**
- Please provide address, telephone and fax numbers for the purpose of giving notice of Directors' meetings
 - Please note that for local companies, 60% of the Directors must be Bermudian

Directors to serve:

- a) with fee \$ _____
 - b) without fee
-

9. **Officers (please provide address, telephone and fax numbers)-**

President:

Vice-President:

Secretary:

Other:

10. **Name and Address of Auditors -**

- Appointment of an auditor can be deferred
- If appointing an auditor it is advisable to appoint a Bermuda auditor. All the major international firms have local offices or correspondents

11. **Name and Address of Accountant who will keep Company's books -**

- Appointment of an accountant can be deferred

(a) **The financial year end of the Company - []**

(b) **The first accounting period shall end on []**

12. **Address of Registered Office of Company in Bermuda -**

- The company must maintain a registered office in Bermuda. This will be the law firm's address, c/o Lynda Milligan-Whyte & Associates, Ram Re House, 2nd Floor, 46 Reid Street, Hamilton HM 12, Bermuda, unless otherwise specified
-

17. **Billing**

Name:

Address:

Telephone:

Facsimile:

E-mail Address:

18. **Wire Transfer Instructions for Retainer to be sent as follows:**

If you would like to wire funds to the company, please provide the following information to your bankers. This would avoid any confusion between the various banks.

Your transfer should be routed as follows:

Correspondent Bank:

Citibank N.A.
111 Wall Street
New York, N.Y.

FED ABA: 021000089
CHIPS ABA: 0008
S.W.I.F.T. Code: CITIUS33

Beneficiary Bank:

The Bank of Bermuda Limited
Hamilton, Bermuda
CHIPS UID: 005584
S.W.I.F.T. Code: BBDA BMHM

Beneficiary A/C Number:

1010 - 009347

Beneficiary A/C Name:

Lynda Milligan-Whyte & Associates

For the benefit of:

Insert name of company

All charges are for the account of the remitter.

Please give your bank sufficient data for us to identify the originator of the instructions so that we may credit the correct client.

Signature: _____

COMPANY FORMATION QUESTIONNAIRE

ANNEXURE "A" BERMUDA MONETARY AUTHORITY GUIDELINES

Ownership

The Bermuda Monetary Authority ("BMA") carefully scrutinizes the ownership of Bermuda companies and partnerships and has to be satisfied that the persons who wish to form companies and partnerships are persons of integrity and good financial standing. Any information provided to the BMA is treated in the strictest of confidence.

The BMA looks through the corporate veil to the ultimate owners. Set out below is the information which is usually required. The BMA has the right to request further information at its discretion.

1. Where an ultimate beneficial owner is an **individual**:-
 - (a) the name, address, nationality, occupation, date of birth, number and class of shares and percentage of voting rights of the person; and
 - (b) a Personal Declaration Form for each of the proposed Non-Bermudian beneficial owners (direct, intermediate and ultimate) who propose to have an equity interest of 5% or more in the Company. In respect of Partnerships, a Declaration is to be completed by the general partner(s), where the general partner is an individual.

N.B. Where an insurance company is being formed with individuals as the beneficial owners each individual must also provide a statement of net worth.

2. Where an ultimate beneficial owner is a **publicly quoted company**:-
 - (a) the latest Annual Report to shareholders.
3. Where an ultimate beneficial owner is a **private company**:-
 - (a) a copy of the latest financial statements of the private company (audited preferable);
 - (b) a complete list of shareholders giving names, addresses, nationalities, occupations and percentages of ownership;
 - (c) a Personal Declaration on each shareholder as described in 1(b) above.
4. Where an ultimate beneficial owner is a **trust**:-
 - (a) the name of the trust and the country in which it was created;
 - (b) the name and nationality of the Settlor (creator);
 - (c) the name(s) of the Trustee(s);
 - (d) the names, addresses, nationalities and occupations (if any) of the Beneficiaries;

- (e) Personal Declarations as described in 1(b) above on the Beneficiaries (if these are minors then Personal Declarations by their parents).
5. Where an ultimate beneficial owner is a **partnership**:-
- (a) full details (including names, addresses, nationalities, and occupations) on the partners, both limited and general;
 - (b) financial statements on the partnership;
 - (c) Personal Declarations as described in 1(b) above on the general partner(s).
6. Where an ultimate beneficial owner is a **Non-profit Association**:-
- (a) financial statements on the Association;
 - (b) a list of the members of the Association;
 - (c) a copy of the Constitution and Bye-Laws of the Association.

ANNEXURE "B" SHARE CAPITAL

The Companies Act, 1981, as amended (the "Companies Act") provides that a company have at least a minimum capital of US\$12,000, or for insurance companies a minimum capital fully paid up in cash of US\$120,000 (or its equivalent in another foreign currency) and that all shares should have a par value. A company limited by shares may issue common shares or any other type of shares including preference shares. The designation of "preference" was applied to all those shares that had attached to them preferences or rights over common shares.

The Companies Act permits a company, if authorised by a general meeting and by its bye-laws, to divide its shares into special classes and attach thereto any preferential, deferred, qualified or special rights, privileges or conditions.

The proportion of the share capital of the corporation which is to consist of common shares will depend on the proposed method of financing the company.

The minimum share capital of US\$12,000 (or its equivalent in other foreign currency) must be subscribed, but there is no requirement that this capital be actually paid up. Where the shares are held by a nominee company, it is usually a stipulated requirement of that nominee that the capital be paid up, for the avoidance of any further contingent liability on its part. This capital may be used for business purposes of the company, including the settlement of incorporation costs and subsequent administration fees.

ANNEXURE "C" DIRECTOR REQUIREMENTS

The Companies Act 1981 (the "Companies Act") requires that there be a minimum of two representatives of the company who are ordinarily resident in Bermuda. This requirement may be satisfied by the company having either of the following combinations of people resident in Bermuda;

- (a) a minimum of two directors, other than alternate directors, ordinarily resident in Bermuda; or
- (b) a secretary who is ordinarily resident in Bermuda and a director, other than an alternate director, who is ordinarily resident in Bermuda; or
- (c) a secretary who is ordinarily resident in Bermuda and a resident representative; or
- (d) in the case of a company the shares of which are listed on an appointed stock exchange, a resident representative.

The cost for International Corporate Services Ltd. providing these representatives is included in the yearly corporate administration fee.

The Companies Act requires that every company shall have a president and a vice-president or a chairman and a deputy chairman who shall be directors of the company and may have such other officers who may or may not be directors and who shall be appointed in such manner and hold office for such period, as the bye-laws shall provide.

The Companies Act also requires that the directors appoint a secretary.

The Resident Representative is entitled to:

- (a) attend, speak at and receive minutes of meetings of the directors and members of the company;
- (b) upon giving notice, to the company, receive notice of any meeting of directors or members;
- (c) act as agent for service of process in Bermuda.

The Resident Representative also has certain obligations to report material breaches by a company of provisions of the Companies Act or regulations made thereunder or any issue or transfer of shares of the company effected in contravention of any statute.

**SCHEDULE OF FEES AND EXPENSES FOR THE INCORPORATION
AND CORPORATE ADMINISTRATION OF
AN EXEMPTED INSURANCE COMPANY**

Note: Lynda Milligan-Whyte & Associates, Barristers & Attorneys, provides legal services in relation to the incorporation of a Bermuda company. Richmond Corporate Services Ltd., an affiliate of Lynda Milligan-Whyte & Associates, provides corporate administration services after the company has been incorporated.

A. INCORPORATION FEES AND EXPENSES:	BD\$
1. Lynda Milligan-Whyte & Associates professional fee for incorporation only (minimum fee):	5,000.00*1
2. Corporate Equipment (approximately):	350.00
3. Minimum Government fee based upon a minimum capital of \$120,000. This fee is calculated on a graduated scale applied to the company's assessable capital. Where Incorporation takes place on or after 1 st September in any year, then only half of this fee is payable for that year.	3,635.00*2
4. Application fee for a permit to incorporate:	226.00
5. Filing fee for Memorandum of Association:	67.00
6. Application fee for Tax Exemption Undertaking:	139.00
7. Insurance application fee:	<u>133.00</u>
SUB-TOTAL (Items 1 to 7)	<u>\$9,550.00</u>

TOTAL: \$9,550.00 (Items 1 to 7) + item 8

8. Plus insurance registration fee – Insurance Act (see Clause 12 of Memorandum).

Additional expenses may be incurred in respect of courier service, faxes, long distance telephone calls etc.

RETAINER REQUIRED:

A minimum initial retainer of \$9,550.00 PLUS the appropriate insurance registration fee is required in order to cover items 1 – 8. The retainer will be larger if the firm anticipates that the costs (professional fee and expenses) will exceed the minimum initial retainer. Further retainers may be required during the course of the engagement.

Where Lynda Milligan-Whyte & Associates provides legal services to a company, the costs thereof are invoiced separately. Attorney's fees will be charged at rates ranging between \$300 and \$500 per hour.

- *4 Insurance Companies registered in accordance with provisions of The Insurance Act 1978 shall forward the appropriate business fee on or before 31st March in each year.

Annual fee under section 14(2) payable by an insurer:

(i)	Class 1 insurer carrying on general business	\$880.00
(ii)	Class 2 insurer carrying on general business	\$1,500.00
(iii)	Class 3 insurer carrying on general business	\$5,000.00
(iv)	Class 4 insurer carrying on general business	\$25,000.00
(v)	Long-term insurer	\$5,000.00
(vi)	Class 1 insurer carrying on both general business and long term business	\$5,000.00
(vii)	Class 2 insurer carrying on both general business and long-term business	\$5,000.00
(viii)	Class 3 insurer carrying on both general business and long-term business	\$5,000.00
(ix)	Class 4 insurer carrying on both general business and long-term business	\$25,000.00

WIRE TRANSFER INSTRUCTIONS

If you would like to wire funds to the company, please provide the following information to your bankers. This would avoid any confusion between the various banks.

Your transfer should be routed as follows:

Correspondent Bank:

Citibank N.A.
111 Wall Street
New York, N.Y.

FED ABA: 021000089
CHIPS ABA: 0008
S.W.I.F.T. Code: CITIUS33

Beneficiary Bank:

The Bank of Bermuda Limited
Hamilton, Bermuda
CHIPS UID: 005584
S.W.I.F.T. Code: BBDA BMHM

Beneficiary A/C Number:

1010 - 009347

Beneficiary A/C Name:

Lynda Milligan-Whyte & Associates

For the benefit of:

Insert name of company

All charges are for the account of the remitter.

Please give your bank sufficient data for us to identify the originator of the instructions so that we may credit the correct client.