Incorporation and Licensing of Insurance Companies in Bermuda
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1. Introduction, key concepts and structure of this memorandum

The Bermuda insurance industry has its origins in the late 1940s but rapid development only started to take place with the advent of the captive insurance company, the first truly Bermudian insurance product, developed by Fred Reiss the creator of the captive concept in the early 1960s. Bermuda is the world’s leading captive domicile.

At an early stage, the Bermuda authorities and the industry both recognised that effective regulation was necessary to sustain the growth of the insurance industry and for this purpose the Insurance Act was introduced in 1978. Bermuda’s legislation has been amended since that time to reflect the changing risk profile of the market and the breadth and diversity of the underwriting activities conducted by Bermudian insurers and reinsurers. In 1995 the Insurance Amendment Act introduced the ‘class’ system or risk-profile framework that is at the core of the current Bermuda regulatory system.

The enactment in Bermuda of the Segregated Accounts Companies Act 2000 (amended in 2002) to permit a company to have legally segregated accounts by registration underlines the commitment of the Bermudian legislature to continue to support Bermuda’s credibility as an international insurance and reinsurance centre. It is fair to say that Bermuda is viewed as a global leader in alternative risk transfer and reinsurance and as a jurisdiction where cutting edge insurance solutions are devised.

An insurance company set up in Bermuda is subject amongst other things to the regulatory regime of the Insurance Act 1978 and other associated regulations (the “Act”), and the Companies Act 1981 (“Companies Act”).

The Act distinguishes between ‘long-term business’ and ‘general business’. Long-term business consists of life, annuity or accident and disability contracts in effect for not less than five years. General business is any insurance business which is not long-term business. General business insurers fall into one of six classes, depending upon the nature of the risks underwritten.

For the most part, the Insurance Act does not distinguish between the regulation of insurance and reinsurance business.

Section 2 of this memorandum contains a summary of the key components of the legal framework within which insurance companies operate. Section 3 summarises the key requirements applicable to insurers which are further developed in sections 4 to 14 of this memorandum. Sections 15 to 23 summarise various miscellaneous matters of interest to insurance companies including details of the fees payable to the government annually.

It is important to note that this memorandum does not purport to answer completely detailed questions which clients and their advisers may have. It is rather intended to provide brief details and information which we hope will be useful to existing and potential clients of the firm. We
recommend that our clients seek legal advice in Bermuda on their specific proposals before seeking to implement them.

2. Framework of Legal Regulation of Insurance Companies

As a preliminary matter, it should be noted that all companies, insurance or otherwise are subject to the Companies Act. Insurance companies are mostly designated 'exempted' as opposed to 'local'. An exempted company is a company, which is "exempted" from the requirements imposed on local companies by the Companies Act; in particular the requirement that at least 60 per cent of the equity of a company must be owned and controlled by Bermudians. This allows for an exempted company to be 100 per cent foreign owned (i.e. non-Bermudian owned).

The core of the legal framework for insurance regulation in Bermuda is contained in the Act and related regulations. These regulations deal mostly with the preparation of financial statements and the financial reporting of registered insurers and specifically comprise the Insurance Accounts Regulations 1980 (as amended) and the Insurance Returns and Solvency Regulations 1980 (as amended).

The Regulators

The Act was amended in 2001 amongst other things to devolve responsibility over the insurance industry from the Minister of Finance to the Bermuda Monetary Authority ("BMA") which itself had been established by the Bermuda Monetary Act 1969 as a body corporate having perpetual succession.

For the most part, the day-to-day functions and exercise of the BMA under the Insurance Act have been delegated to the Supervisor of Insurance (the "Supervisor"). The Supervisor is appointed by the BMA and sits as an ex officio member on the Board of Directors of the BMA.

The Act provides for the formation of an Insurance Advisory Committee to advise the BMA on any matter relating to the development of the insurance industry in Bermuda which the BMA may refer to it.

The Assessment and Licensing Committee (the “ALC”), hears all applications to establish new insurers at its weekly Friday meeting. The ALC is composed completely of employees of the BMA. Members of the Technical Advisory Group (“TAG”) consisting of experienced insurance professionals, actuaries and accountants, may be invited to meetings of the ALC which will generally happen in the case of Class 2, 3, 3A, 3B and 4 applications.

The ALC/TAG may at its weekly Friday meeting, recommend to the BMA to approve the application unconditionally or subject to conditions (which may be set out in the licence), defer the application pending clarification of certain matters or reject the application if it considers the business case simply can not be substantiated. Once BMA approval has been obtained, it is then possible to organise the insurer and apply for the insurance license. The insurer must be fully capitalised before the licence application is made. The application will be made by the attorneys submitting Form 1B, together with payment of the appropriate licensing fee (which is on a graduated basis depending on the proposed class of the insurer). The licence will generally have the
date of the licence application as the effective date of registration and as of the registration the Bermuda insurer will be licensed to conduct insurance business of the type depending on its classification.

3. **Summary of key requirements for insurance companies**

3.1 The process of establishing a Bermuda insurance company requires both the incorporation of the company and its registration as an insurer under the Act.

3.2 The Insurance Amendment Act 1995 introduced the “class” system or risk profile framework for general insurance companies and accordingly insurance companies are divided into six classes which are primarily differentiated by the type of risks insured.

3.3 Insurance companies must continue to satisfy minimum capital and solvency requirements depending on the class and category of their licence. Insurers must also comply with prescribed regulatory requirements when considering declaring or paying a dividend or reducing statutory capital.

3.4 General insurers must maintain “relevant” or liquid assets equal to at least 75 per cent of their liabilities.

3.5 All Bermuda insurers are subject to continuing financial reporting requirements including the requirement that a statutory financial return be prepared annually. This return is filed with the BMA but is not available for public review. The precise reporting requirements vary depending on the class of the insurer. Penalty fines may be incurred if filing is not made as required.

3.6 Every insurer must appoint an auditor to report on the company’s annual financial statements and statutory financial return.

3.7 Where more than 30 per cent of a company’s gross written premiums is generated from professional liability. A loss reserve specialist must be appointed as required to certify the adequacy of loss reserves.

3.8 Every insurer must appoint and maintain a principal representative in Bermuda. The principal representative is a corporation or individual who is resident in Bermuda and who can represent the company.

4. **Process for setting up a new insurance company**

The process of establishing a Bermuda insurance company requires both the incorporation of the company and its registration as an insurer under the Act. The process of incorporation can either be effected by registration or by private act of Parliament though in practice the vast majority of companies are now incorporated by registration.
Mostly, insurance companies will be established as “exempted companies” – as indicated in section 2, an exempted company is a company which may be 100% foreign (i.e. non-Bermudian) owned and controlled.

It is necessary to make an application to the BMA for consent to incorporate the company and to submit certain required information on each of the legal, intermediate and ultimate beneficial owners (see page 23 of this memorandum). 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 page 27 of this memorandum) and statements of net worth shall be submitted. Personal Declarations, net worth statements and bank references as may be requested are supplied to the BMA and, as with other documents submitted with the application, are required by law to be kept confidential.

It should be noted however that the approval of a company for incorporation should not be taken as an indication of approval for registration (licensing) under the Insurance Act. The incorporation process and the licensing process are two separate processes dealt with by two separate divisions within the BMA. However, in order to expedite both processes we would advise that all relevant information with respect to both applications are prepared in advance and sent to us at the same time unless for any particular reason the incorporation of the company has to be commenced and concluded well in advance of licensing.

The insurance application is made on Form 1B but the following additional information is also essential and would typically be contained in a routine application:

- the ownership structure
- evidence/material supporting the fact that the following persons are of a ‘fit and proper’ character:
  - the shareholders
  - directors and officers
- the business plan setting out, amongst other things, details of:
  - the types of risk assumed
  - loss history
  - limits of risk retained
  - ceding insurer and its rating
  - information relating to reinsurance or retrocession by proposed Bermuda company and rating of reinsurer/retrocessionaire
- the viability of the business objective
- proformas- eg. actuarial evaluations to test the adequacy of reserves, solvency margins and liquidity ratios on a five year projected basis
- evidence/material supporting the ability of management and staff to run the insurance company and carry out its business plan eg. underwriters and actuaries experienced in dealing with the line or lines of business proposed in the business plan.
In producing the application, it should be remembered that the ALC/TAG and the BMA will meticulously scrutinise the application, the viability of the proposed insurance programme and the financial resources to support that programme.

In particular, sufficient information is required so as 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 or retrocessional protection has been obtained with an acceptable entity;
e) arrangements have been made to comply with insurance regulations of other jurisdictions; and
f) there are proper management controls.

5. The “Class” System

The Insurance Amendment Act 1995 introduced the “class” system or risk–profile framework for non-life insurance companies and this system underlines the present regulatory framework. There are six classes (“Classes” and each a “Class”), which are primarily classified by the type of risks insured and these are as follows:

Class 1: single-parent captive writing risks of parent only or being an affiliate of a group writing risks of any other affiliates of that group.

(The term ‘affiliate’ means a body forming part of a group; “group” means any two or more bodies, whether corporate or incorporate, that are in association, and two bodies shall be deemed for this purpose to be in association if any one of them has control of the other or both are under the control of the same person or persons; and "control" shall be construed in accordance with section 86(4) of the Companies Act (e.g. a person controls another where holding more than 50 per cent of the votes allowing that person to elect a majority of the board of directors); and the term ‘shareholder’ includes a partner of a partnership and a member of any other body or association).

Class 2: multi-owner captives/single-parent captives writing up to but not exceeding 20 per cent unrelated business.
Class 3: a company whose percentage of unrelated business represents more than 20% (the threshold applicable to Class 2 insurers) but less than 50% of unrelated business (on a net premium written basis)

Class 3A: a company whose percentage of unrelated business exceeds or is expected to exceed 50% of net premiums written and/or net loss and loss expense provisions, and where the unrelated business premium does not, or is not projected to, exceed US $50 million.

Class 3B: a company whose percentage of unrelated business exceeds, or is projected to exceed, 50% of net premium written and/or net loss and loss expense provisions and where the unrelated business premium exceeds or is projected to exceed US $50 million.

Class 4: insurers and reinsurers writing direct excess liability and/or property catastrophe reinsurance risks.

Special Purpose Insurer: A special purpose insurer ("SPI") is defined as an insurer that carries on special purpose business. The main features of this new class of insurer are:

- A SPI will only be permitted to write "special purpose business" which is defined by the Amendment Act as insurance business under which an insurer fully funds its liabilities to the persons insured through a debt issuance where the repayment rights of the providers of such debt are subordinated to the rights of the person insured or some other financing mechanism approved by the BMA or through cash or time deposits.

- The minimum paid-up share capital will be $1.00.

- An SPI must maintain sufficient assets to meet its insurance obligations given the size, business mix, complexity and risk-profile of the SPI.

- The SPI will be restricted from entering into any other business agreements except those which are related to its special purpose.

In deciding whether to register comes to registering a body as an SPI, the BMA should have regard to whether the insurer is solely insuring or reinsuring one or more risks or group of risks with one or more policyholders and the sophistication of the policyholders or the sophistication of the parties to a debt issuance or other funding mechanism.
Statutory Capital and Surplus and Solvency Margin Requirements

Each Class must continue to satisfy certain capital requirements as set out below. These relate both to the minimum amount of share capital and surplus requirements. In addition, an insurance company must satisfy certain solvency margin requirements and liquidity ratios. These requirements are further described at sections 6-9 of this memorandum.

6. Minimum Share Capital Fully Paid Up

Each of Classes 1, 2, 3, 3A and 3B must have a minimum fully paid-up share capital of $120,000. Class 4 insurers must maintain a minimum fully paid-up share capital of $1 million.

7. Minimum Capital and Surplus

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, Class 3A and Class 3B 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.

8. Solvency Margin Requirements

There are certain minimum solvency margins for each Class as set out below:

Class 1 - US $120,000
Class 2 - US $250,000
Class 3 - US $1 million
Class 3A - US $1 million
Class 3B - US $1 million
Class 4 - US$100 million

However, these figures may need to be increased depending on the actual business written by the insurer. Classes 1, 2, 3, 3A and 3B must maintain a solvency margin of 20 per cent of net premiums for the first US $6 million of premiums written. If premiums are written above this amount, the solvency margin is US $1.2 million plus 10 per cent of the excess for Classes 1 and 2. For Class 3, 3A and 3B the amount is 15 per cent of the excess above $6 million. Class 4 insurers must maintain a solvency margin of 50 per cent of the net premiums written.
The minimum solvency margin requirements are summarised in the following table:

<table>
<thead>
<tr>
<th>CLASS OF INSURER</th>
<th>1</th>
<th>2</th>
<th>3 / 3A / 3B</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater of:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a Minimum Statutory Capital &amp; Surplus</td>
<td>$120,000</td>
<td>$250,000</td>
<td>$1,000,000</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>b Premium Test: First $6 Million of Net Premiums Written</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>50% (1)</td>
</tr>
<tr>
<td>c Loss Reserve Test: Loss and Loss Expense Reserve</td>
<td>10%</td>
<td>10%</td>
<td>15%</td>
<td>15%</td>
</tr>
</tbody>
</table>

(1) For Class 4 insurers, test is 50% of NPW with maximum deduction for reinsurance of 25% of GWP

9. Liquidity Ratios

A general business insurer must also maintain a minimum liquidity ratio of 75 per cent calculated on the basis that the value of the relevant assets of an insurer carrying on general business is not less than 75 per cent 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.

10. 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 per cent 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 but this will be required annually if more than 30 per cent of the written premium is from professional liability insurance or if discounted to meet solvency margin requirements.

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

11. Loss Reserve Specialist

A Loss Reserve Specialist means a person approved by the BMA 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 a Class 2 insurer, the opinion of a loss reserve specialist is to be included with the insurer's 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, 3A, 3B or Class 4 insurer the opinion of a loss reserve specialist is to be included annually with the insurer's statutory financial return.

12. Statutory Financial Statements and Returns

The Act requires every insurer each year to prepare statutory financial statements and file these statements with the BMA together with a statutory financial return (save that a Class 1 general business insurer need only file the statutory financial return). The rules for preparing these statements are contained in the regulations and include a uniform format of the Balance Sheet, Income Statement, Statement of Capital and Surplus and rules for valuation of assets and determination of liabilities. These statements are not prepared strictly in accordance with any generally accepted accounting principles and therefore will be separate from financial statements prepared for presentation to shareholders.

The statutory financial statements and the statutory financial return are not part of any public file in Bermuda for members of the public to review. However, the Companies Act requires that 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 a Companies Act requirement that the company’s bye-laws make provision for an annual audit as prescribed by the Companies Act.

The statutory financial return includes a business solvency certificate and a declaration of statutory ratios – these must be signed by at least two directors of the insurer (of whom one must be a director resident in Bermuda if the insurer has a director so resident) and the insurer’s principal representative in Bermuda. In signing the business solvency certificate, it is required that the directors and the Principal Representative confirm that the business solvency margin and the minimum liquidity ratio have been satisfied. Any statement to the effect that the insurer has not satisfied the various statutory criteria is likely to result in an enquiry by the BMA.

Penalty fines may be incurred if filings are not made as required. The statutory filings required for each Class (and penalty fines for failure to meet such requirement,) are as follows:

Class 1 Licences

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

Class 2 Licences

Statutory financial statements are to be filed with the regulators as part of the annual return. Statutory filings and the penalty for a late filing is the same as Class 1 Licences.
Class 3, 3A and 3B Licences

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. The penalty for a late filing is up to $1,000 per week.

Class 4 Licences

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 the insurer’s financial year-end but, with permission, it can be extended up to 7 months. The penalty for a 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.

13. Principal Representative

Every insurer in Bermuda is required to appoint and maintain a principal representative (“Principal Representative”). The Principal Representative is either a registered insurance manager in Bermuda or a person (resident in Bermuda) and must be approved by the Authority as that insurer’s Principal Representative. There are a number of local insurance managers that are available to serve in this capacity.

Thirty days notice must be given to the BMA in the event of the resignation or termination of the Principal Representative though this can be waived by the BMA. The Act imposes certain obligations on the Principal Representative including an obligation to report to the BMA within 30 days of such time as he or she reaches the view or has reason to believe that (i) there is a likelihood that the insurer will become insolvent or (ii) within 30 days of such principal representative ascertaining or having reason to believe that the insurer has failed to satisfy its solvency margin or liquidity margin or certain other matters prescribed in the Act.

14. Registered office and principal 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 the directors should hold shares in the company in order to be directors. This firm arranges for the services to be provided by Compass Administration Services Limited, a service company owned by the partners of this firm.

An insurance company is also required to maintain a principal office, which can be the office of the director or manager or the office of the management company and will normally be distinct from the registered office.
15. **The discretion of the BMA to grant exemptions**

The Act provides that the BMA may on application and in its discretion issue directions under section 56 of the Act that certain provisions in the Act shall not apply to a particular insurer or shall apply its subject to such modifications as be set out in the direction. Generally, the provisions to which section 56 apply are those dealing with the solvency certificate, statutory financial statement and the statutory financial return.

16. **Regulatory powers of the BMA**

As well as dealing with registration, the BMA is responsible for compliance and enforcement of the provisions of the Act. The BMA possesses broad powers of intervention predicated on the following two situations, namely (a) where the business of the insurer is being conducted in such a way that there is a significant risk of the insurer becoming insolvent or (b) an insurer is in breach of the Act or of regulations or of a condition imposed on its registration.

16A **Shareholder Controller**

The Insurance Amendment Act 2006, among other matters, introduced the “shareholder controller” requirement under which no person can become a shareholder directly or indirectly of 10%, 20%, 33% or 50% of the voting shares of an insurance company unless prior notification has been given to the BMA and the BMA has informed the company that they have no objection or 45 days has lapsed since the notification was given.

The shareholder controller categories above mentioned are defined in the Act as follows:

- “(a) a “10 per cent shareholder controller” means a shareholder controller in whose case the percentage referred to in the relevant paragraph is 10 or more but less than 20;
- (b) a “20 per cent shareholder controller” means a shareholder controller in whose case that percentage is 20 or more but less than 33;
- (c) a “33 per cent shareholder controller” means a shareholder controller in whose case that percentage is 33 or more but less than 50;
- (d) a “50 per cent shareholder controller” means a shareholder controller in whose case that percentage is 50 or more;”.

16B **Codes of Conduct etc.**

The BMA has issued a number of “guidance notes” to the insurance industry, which aim to provide greater clarity and consistency regarding the BMA’s policies and procedures and set out what is expected of key service providers. The amendments to the Act introduced by the Insurance Amendment (No 2) Act 2006 provide that the BMA may issue prescribed codes of conduct on the duties, requirements and standards to be complied with by registered persons which includes insurance companies. A failure on the part of the registered person to comply with the provisions of such a code should be taken into account by the BMA in determining whether the business of such registered person is being conducted in a prudent manner as required by the Act.
17. Composite Insurers

The Act permits an insurer to conduct both general and long-term business. Generally, such composite insurer complies with the Act as if the two types of business are underwritten by two separate companies even though one set of statutory financial statements is prepared.

The minimum issued and paid up share capital for composites is as follows:

  a) as a Class 1, Class 2, Class 3, 3A or 3B insurer and as a long-term insurer - $370,000.
  b) as a Class 4 insurer and as a long-term insurer - $1,250,000.

18. The Segregated Accounts Companies Act 2000 as amended

Since 1990, Bermuda has been enacting private acts of Parliament to enable insurance companies to operate segregated accounts. Many of these have been established as “rent-a-captive” facilities, providing the participant with a legally segregated cell within the company through which to underwrite their insurance programme. Each cell is segregated from the claims of creditors of other cells and allows each participant to run its programme without sharing the underwriting risks of other participants in the rent-a-captive.

However, Bermuda enacted public legislation in the form of the Segregated Accounts Companies Act 2000 (“the Segregated Accounts Act”), to permit the registration of a company as a segregated accounts company (“SAC”) and set out the rules governing the operation of segregated accounts by SACs. This was amended by the Segregated Accounts Amendment Act 2002 (which became operative on 14 June 2002). It is anticipated that this will be more widely used by the insurance industry than the 2000 version as the concept of segregated accounts becomes more widely accepted by the market.

An insurer registered as a SAC must still comply with the provisions of the Act and the Companies Act. The relevant ‘account’ is not a separate legal entity. In essence the segregated account is a record maintained by the SAC, detailing transactions relating to the assets and liabilities segregated from other assets and liabilities of the SAC. The most significant aspect of segregated accounts is that any asset or liability linked to that account shall be an asset or liability only of that account and not of the Company’s general account or its other segregated accounts. The assets of a segregated account are insulated from any claims of the general creditors or the creditors of other segregated accounts.

19. Proceeds of Crime

Bermuda has introduced anti-money laundering legislation, being The Proceeds of Crime Act, as amended, and the Proceeds of Crime (Money Laundering (“Regulations”) which came into effect in January 1998 with the objective of consolidating Bermuda’s legislation against proceeds of criminal conduct. The Regulations contain specific provisions which apply to “regulated institutions” including banks, trust companies and licensed insurers.

Regulated institutions have a duty of vigilance requiring them to (a) verify their clients’ identity and bona fides, (b) monitor, recognise and report to the police suspicious transactions, (c) maintain
certain records for the time period prescribed and (d) train employees and staff to recognise possible unlawful activities.

20. Foreign Exchange Control

Exchange control is operated under the Exchange Control Act 1972 (and regulations made there under) and is administered by the BMA.

Exempted companies and permit companies are normally designated as non-resident for exchange control purposes and are able to conduct their day-to-day operation free of exchange control formalities. Such undertakings may pay dividends, distribute capital, open and maintain amounts in any currency and to acquire assets and meet all liabilities without reference to the BMA issues to and transfer of securities in exempted companies involving non-residents for exchange control purposes must receive prior approval from the BMA.

21. Taxation

There is currently no Bermuda income, corporation or profits tax, withholding tax or capital gains tax or transfer tax payable by an exempted insurance company. An exempted insurance company may apply for and is likely to receive an undertaking from the Minister of Finance that in the event that any such tax were to be imposed in the future, this would not be imposed on the company until 28 March 2016.

22. Government fees

Any insurance company which is an exempted company is required to pay an annual government fee based on assessable capital. The assessable capital is the sum of the authorised share capital and the amounts, if any, in the share premium account.

The schedule of fees is currently as follows:

<table>
<thead>
<tr>
<th>Assessable Capital</th>
<th>Annual Government Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) $0 - $12,000</td>
<td>$ 1,995.00</td>
</tr>
<tr>
<td>ii) $12,001 - $120,000</td>
<td>$ 4,070.00</td>
</tr>
<tr>
<td>iii) $120,001 - $1,200,000</td>
<td>$ 6,275.00</td>
</tr>
<tr>
<td>iv) $1,200,001 - $12,000,000</td>
<td>$ 8,360.00</td>
</tr>
<tr>
<td>v) $12,000,001 - $100,000,000</td>
<td>$10,455.00</td>
</tr>
<tr>
<td>vi) $100,000,001 - $500,000,000</td>
<td>$18,670.00</td>
</tr>
<tr>
<td>vii) $500,000,001 or more</td>
<td>$31,120.00</td>
</tr>
</tbody>
</table>
In addition, on registration under the Insurance Act an initial "registration fee" is payable to Government as set out below:

<table>
<thead>
<tr>
<th>Class 1</th>
<th>$971.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 2</td>
<td>$1,737.00</td>
</tr>
<tr>
<td>Class 3</td>
<td>$10,500.00</td>
</tr>
<tr>
<td>Class 3A</td>
<td>$19,000.00</td>
</tr>
<tr>
<td>Class 3B</td>
<td>$75,000.00</td>
</tr>
<tr>
<td>Class 4</td>
<td>$220,500.00</td>
</tr>
<tr>
<td>Long Term (LT)</td>
<td>$19,000.00</td>
</tr>
<tr>
<td>Special Purpose Insurers</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Class 1, 2 &amp; 3 carrying on both general and long-term business</td>
<td>$10,500.00</td>
</tr>
<tr>
<td>Class 3A carrying on both general and long-term business</td>
<td>$19,000.00</td>
</tr>
<tr>
<td>Class 3B carrying on both general and long-term business</td>
<td>$75,000.00</td>
</tr>
<tr>
<td>Class 4 carrying on both general and long-term business</td>
<td>$220,500.00</td>
</tr>
</tbody>
</table>

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

| Class 1 (general business) | $971.00 |
| Class 2 (general business) | $1,737.00 |
| Class 3 (general business) | $10,500.00 |
| Class 3A (general business) | $19,000.00 |
| Class 3B (general business) | $19,000.00 |
| Carrying on general business where gross premium written in the year of assessment – |
| Exceeds $50 million but does not exceed $150 million | $75,000.00 |
| Exceeds $150 million but does not exceed $350 million | $100,000.00 |
| Exceeds $350 million but does not exceed $2 billion | $140,000.00 |
| Exceeds $2 billion | $175,000.00 |
| Class 4 (general business) | $220,500.00 |
| Long Term Insurer (LT) | $19,000.00 |
| Special Purpose Insurers | $10,000.00 |
| Class 1, 2 & 3 carrying on both general and long-term business | $10,500.00 |
| Class 3A carrying on both general and long-term business | $19,000.00 |
| Class 3B | $19,000.00 |
| Carrying on general business where gross premium written in the year of assessment – |
| Exceeds $50 million but does not exceed $150 million | $75,000.00 |
| Exceeds $150 million but does not exceed $350 million | $100,000.00 |
| Exceeds $350 million but does not exceed $2 billion | $140,000.00 |
| Exceeds $2 billion | $175,000.00 |
| Class 4 carrying on both general and long-term business | $220,500.00 |
23. Fees Payable to Attride-Stirling & Woloniecki and Compass Administration Services Ltd

The current fee schedule is appended at page 41 of this memorandum. This includes the minimum fee of $5,500 payable to ASW for its professional legal services for incorporation though the final amount ultimately payable will depend on the actual time spent by us on the incorporation process.

Attride-Stirling & Woloniecki
Company Formation Questionnaire
Attride-Stirling & Wolowiecki
Attride-Stirling & Woloniecki
Company Formation Questionnaire

To: Attride-Stirling & Woloniecki
Crawford House, 50 Cedar Avenue
Hamilton HM 11, Bermuda
P.O. Box HM 2879
Hamilton HM LX, Bermuda

Tel: 441-295-6500
Fax: 441-295-6566
E-Mail: neil.horner@aslaw.com

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"

3. **Registered Owner(s)** (Please complete as appropriate)

a) If an individual:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Occupation</th>
<th>Nationality</th>
<th>No. and Class of Shares</th>
<th>% of Voting Rights</th>
<th>Date of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

b) If a company:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Place of Incorporation</th>
<th>Stock Exchange(s) (if quoted)</th>
<th>No. and Class of Shares</th>
<th>% of Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

c) If a partnership:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Place of Formation</th>
<th>Stock Exchange(s) (if quoted)</th>
<th>% of Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

d) If a trust:

<table>
<thead>
<tr>
<th>Name and Address of Settlor</th>
<th>Date and Country of Settlement</th>
<th>Nationality</th>
<th>Date of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Name and Address of Trustee(s)</th>
<th>Occupation or Place of Incorporation</th>
<th>Nationality</th>
<th>% of Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Name and Address of Beneficiaries</th>
<th>Occupation or Place of Incorporation</th>
<th>Nationality</th>
<th>Date of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>
4. **Intermediate Owner(s)**

<table>
<thead>
<tr>
<th>Name of Intermediate Owner(s)</th>
<th>Address of Intermediate Owner(s)</th>
<th>Place of Incorporation(s)</th>
<th>Stock Exchange(s) (if quoted)</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>

5. **Ultimate Beneficial Owner(s)** (Please complete as appropriate)

   a) If an individual:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Occupation</th>
<th>Nationality</th>
<th>No. and Class of Shares</th>
<th>% of Voting Rights</th>
<th>Date of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

   b) If a company:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Place of Incorporation</th>
<th>Stock Exchange(s) (if quoted)</th>
<th>No. and Class of Shares</th>
<th>% of Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

   c) If a partnership:

<table>
<thead>
<tr>
<th>Name and Address</th>
<th>Place of Formation</th>
<th>Stock Exchange(s) (if quoted)</th>
<th>% of Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

   d) If a trust:

<table>
<thead>
<tr>
<th>Name and Address of Settlor</th>
<th>Date and Country of Settlement</th>
<th>Nationality</th>
<th>Date of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name and Address of Trustee(s)</th>
<th>Occupation or Place of Incorporation</th>
<th>Nationality</th>
<th>% of Voting Rights</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name and Address of Beneficiaries</th>
<th>Occupation or Place of Incorporation</th>
<th>Nationality</th>
<th>Date of Birth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SHARE CAPITAL

6. a) Authorised Share Capital of 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 - (minimum $120,000.00)  

   f) Issue Price per Share -  

   g) Location of Share Certificates (once share capital has been fully paid) -  

DIRECTORS & OFFICERS: PLEASE READ ANNEXURE "B"

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 and e-mail addresses 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 and e-mail addresses)-

Secretary:

Resident Representative (if applicable):

Other (if any):

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, Crawford House, 50 Cedar Avenue, Hamilton HM 11, Bermuda, unless otherwise specified
BANKING:

Please note that the Banks will require original signed documentation, certified photo identification (passport or drivers license) for each signatory and beneficial owners not known to the bank, and a bank reference commenting on the length of relationship (minimum 3 years) and Applicant’s financial integrity.

13.  
   a) Name of Bermuda Bank (if required) - 
   
   b) Type of Account(s) - chequing, deposit, savings, credit card, etc. and services required – 
   
   c) Legal address and mailing address (if different from registered address) - 
   
   d) Contact person - 

14.  Signing Authority - 

15.  Remittance of [ ] is enclosed as payment on account in respect of retainer and incorporation expenses
16. **Contact person with whom the Corporate Administrator, Secretary, Auditor etc. should correspond in relation to the Company’s affairs**

   Name:

   Address:

   Telephone:

   Facsimile:

   E-mail Address:

17. **Billing**

   Name:

   Address:

   Telephone:

   Facsimile:

   E-mail Address:
18. **Wire Transfer Instructions for Retainer to be sent as follows:**

**Correspondent Bank:**
HSBC Bank USA
452 Fifth Avenue
New York, New York
USA 10018
Swift Code: MRMDUS33
CHIPS ABA: 0108
FED ABA: 021001088

**Beneficiary Bank:**
The Bank of Bermuda Limited
6 Front Street
Hamilton
Bermuda
Swift Code: BBDABMNM

**Beneficiary Information:**
Account Name: Attride-Stirling & Wolowiecki
Account Number: 010 716751 502 (United States Dollars)

**ASW Ref:**

---

Signature: ________________________________
Annexure “A”
Bermuda Monetary Authority Requirements

The Bermuda Monetary Authority ("BMA") carefully scrutinises 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.
Annexure “B”
Director Requirements

The Companies Act requires that the directors appoint a secretary. There is no longer any requirement that companies have any officers apart from the secretary. Should a company elect to have officers, they may or may not be directors and the company can call their officers by whatever title preferred. These officers may be appointed in accordance with the bye-laws of the company.

The Companies Act requires that there be a minimum of one representative of the Company who is ordinarily resident in Bermuda. This requirement may be satisfied by the Company having either of the following:

a) a minimum of one director, other than an alternate director, ordinarily resident in Bermuda; or

b) a secretary who is ordinarily resident in Bermuda; or

c) a resident representative who is ordinarily resident in Bermuda; 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 Compass Administration Services Ltd. providing this representative is included in the yearly corporate administration fee.

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 there under or any issue or transfer of shares of the company effected in contravention of any statute.
Personal Declaration
### PERSONAL DECLARATION

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

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.

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

**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.**

<table>
<thead>
<tr>
<th></th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>7. Have you or any entity that you have been associated with, ever been refused or had revoked a licence, permit or other authorisation to provide investment business to the public in any jurisdiction?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>8. Are you a member in good standing of a self regulatory organisation?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>8a. If yes, name the organisation(s):</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>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?</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>10. Have you or any entity that you have been associated with, ever been refused or had revoked a licence, permit or other authorisation to conduct investment business in any jurisdiction?</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

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

Signed: 

Dated: 
Sample Business Plan
Basic Information
Sample Business Plan – Basic Information

1. Name of Company.

2. Description of shareholders.

3. Brief description of the insured and the types of risks to be covered.

4. Whether related party risks (i.e. risks of the shareholders or their affiliates risks) or third party (unrelated) risks will be written by the proposed Bermuda company.

5. Proposed capital and surplus and any other additional capital (e.g. Letters of Credit, Subordinated Surplus Notes or Parental Guarantees).

6. Will the proposed company be a direct insurer or reinsurer (if latter, state name and rating of fronting company).

7. Levels of risk retention by Bermuda insurer by class of risks.

8. Expected net annual premium income and three to five year projection (balance sheets and revenue accounts) preferably with an actuarial evaluation of the reserves.

9. Claims history and loss history for at least five years.

10. Information regarding loss control and risk management available to insured.

11. Information on claims handling.

12. Details of proposed reinsurance or retrocession by the Bermuda insurance company and with what carriers and their respective ratings.
The Insurance License
Form 1B
1. State the name of the Company

2. State the full address of -
   (a) the registered office of the Company in Bermuda
       Crawford House, 50 Cedar Avenue, Hamilton HM11
   (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

SUBTOTAL

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)

SUBTOTAL

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 (maximum paid-up Capital and Surplus)

| BDS Range                  | BDS Amount  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>BDS 600,000 or less</td>
<td>BDS 120,000</td>
</tr>
<tr>
<td>BDS 600,001- BDS6,000,000</td>
<td>1/5th of GBPI</td>
</tr>
<tr>
<td>BDS6,000,001 and above</td>
<td>1/10th of GBPI plus BDS600,000</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Type of Policy</th>
<th>Year 1</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Contracts</td>
<td>Total premium income</td>
<td>Total sums insured or amounts or annuity per annum</td>
</tr>
<tr>
<td></td>
<td>Gross</td>
<td>Net of Reinsurance</td>
<td></td>
</tr>
</tbody>
</table>

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 name 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.)

<table>
<thead>
<tr>
<th>Name</th>
<th>Rating</th>
<th>Class of Insurance</th>
<th>Amount Reinsured</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 connections or associations (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.
We certify that to the best of our knowledge and belief all of the information given in this application is true correct and that all estimates given are true estimates based upon facts which have been carefully considered and assessed.

(Signed) ___________________________ Date ___________________________
(Alternate Director)

(Name)

(Signed) ___________________________ Date ___________________________
(Alternate Director)

(Name)

(Signed) ___________________________ Date ___________________________
(Principal Representative)

(Name)  [Name] for and on behalf of [Company name]

Note: Any information supplied pursuant to this form will be dealt with in CONFIDENCE in accordance with Section 52 of the Act.
Schedule of Fees and Expenses
Incorporation and Corporate Administration of an Insurance Company
Schedule of Fees and Expenses for the Incorporation and Corporate Administration of an Insurance Company

Note: ATTRIDE-STIRLING & WOLONIECKI, Barristers & Attorneys, provides legal services in relation to the incorporation of a Bermuda company. Compass Administration Services Ltd., an affiliate of the said firm, provides corporate administration services after the company has been incorporated.

**Incorporation Fees and Expenses**

1. Professional fees *(minimum)*
   - *The final fee payable could be higher subject to time spent* $5,500.00

2. Corporate Equipment $300.00

3. Government fee upon incorporation is paid according to level of assessable capital. Where incorporation takes place on or after 1st September, only half the applicable fee is payable for the remainder of that calendar year.

4. Registration fee $80.00

5. Tax Assurance Certificate $165.00

6. BMA/ROC Application for permit to incorporate $269.00

7. Insurance Application $525.00

8. Insurance Licence
   - CLASS 1 (general business) $971.00
   - CLASS 2 (general business) $1,737.00
   - CLASS 3 (general business) $10,500.00
   - CLASS 3A (general business) $19,000.00
   - CLASS 3B (general business) $75,000.00
   - CLASS 4 (general business) $220,500.00
   - CLASS 1, 2, 3 (general & long term) $10,500.00
   - CLASS 3A (general & long term) $19,000.00
   - Class 3B (general & long term) $75,000.00
   - CLASS 4 (general & long term) $220,500.00
   - Long-term and Special Purpose Insurers $10,500.00

9. Other disbursements i.e. faxes, photocopies, long distance calls

An initial minimum deposit (to be wire transferred), which will be: **$11,880** (if it is a Class 1 licence); **$12,646** (if it is a Class 2 licence); **$21,409** (if it is a Class 3 licence); **$30,409** (if it is a Class 3A licence); **$86,409** (if it is a Class 3B licence). This is an aggregate amount of (i) our minimum legal fee of $5,500 payable for the incorporation (though the final amount ultimately payable will depend on the time spent by us on the incorporation process) and (ii) Government fees, Insurance Licence fees, and other related fees and expenses.

The Government fee is based upon an assessable capital (i.e. authorised share capital plus share premium account) of $120,000. If the assessable capital is to be greater than $120,000, the deposit should be increased by the corresponding increase in the annual Government fee payable on incorporation (see “Government Fee Schedule” below). The licence fee component of this retainer will depend on the class of insurance registration sought.
Annual Fees and Expenses

1. Our fee for the provision of corporate administration services (minimum) $6,000.00
   The final fee payable could be higher subject to time spent

2. Annual government fee payable on incorporation and in January of each year

   Government Fee Scale
   [based on Assessable Capital (i.e. authorised share capital plus share premium account)]

   (i) $0 - $12,000 $1,995.00
   (ii) $12,001 - $120,000 $4,070.00
   (iii) $120,001 - $1,200,000 $6,275.00
   (iv) $1,200,001 - $12,000,000 $8,360.00
   (v) $12,000,001 - $100,000,000 $10,455.00
   (vi) $100,000,001 - $500,000,000 $18,670.00
   (vii) $500,000,001 or more $31,120.00

   Please note that a Bermuda incorporated holding company of a Bermuda insurance company may pay an annual Government fee of $1,995 (no matter what level of assessable capital it may have) if that company is formed with appropriate objects in its Memorandum of Association indicating that the company’s primary object is to hold the shares of an exempted insurance company.

3. Annual Business Fee payable to the Bermuda Monetary Authority payable prior to 31 March in each year
   CLASS 1 (general business) $971.00
   CLASS 2 (general business) $1,737.00
   CLASS 3 (general business) $10,500.00
   CLASS 3A (general business) $19,000.00
   CLASS 3B (general business)
   Carrying on general business where gross premium written in the year of assessment –
   Exceeds $50 million but does not exceed $150 million $75,000.00
   Exceeds $150 million but does not exceed $350 million $100,000.00
   Exceeds $350 million but does not exceed $2 billion $140,000.00
   Exceeds $2 billion $175,000.00
   CLASS 4 (general business) $220,500.00

   For each of the calendar years 2009 and 2010 (in respect of the mutual recognition initiative), an additional annual fee shall be payable by each
   CLASS 4 insurer $40,000.00
   CLASS 1, 2, 3 (general & long term) $10500.00
   CLASS 3A (general & long term) $19,000.00
   Class 3B (general & long term) where gross premium written in the year of assessment –
   Exceeds $50 million but does not exceed $150 million $75,000.00
   Exceeds $150 million but does not exceed $350 million $100,000.00
   Exceeds $350 million but does not exceed $2 billion $140,000.00
   Exceeds $2 billion $175,000.00
   CLASS 4 (general & long term) $220,500.00
   Long-term Insurer $19,000.00
   Special Purpose Insurer $10,000.00

4. Annual fee for acting as nominee, if appointed $300.00
5. Annual Director's Fees Subject to negotiation
6. Auditors’ and Accountants’ fees Subject to negotiation