



INSURANCE COMPANY MANAGEMENT IN THE ISLE OF MAN

August 2010

Willis



We **communicate** with you to **understand** your business, providing the **expertise** and **creativity** to develop and **deliver** excellent captive **solutions**, and we do so with **passion**.

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SECTION 1 - INTRODUCTION

THE WILLIS GLOBAL CAPTIVE PRACTICE IS A MAJOR FORCE IN THE GLOBAL CAPTIVE INDUSTRY WITH OPERATIONS WORLDWIDE.

The Isle of Man is a mature domicile, offering many of the benefits that independent financial status provides. Since the establishment of the first captive on September 22, 1981, there are now over 160 authorised insurance companies registered on the island.

The Isle of Man combines a number of features to provide clients with a very attractive package of benefits:

- Attractive fiscal regime
- Strong but flexible and pragmatic regulation in line with the International Association of Insurance Supervisors' Core Principles
- Lower operating costs compared to many other domiciles
- Educated and motivated workforce
- Stable democratic political environment.
- Excellent communications and convenient time zone



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SECTION 2 - CAPTIVE MANAGEMENT SERVICES

**WILLIS GLOBAL PRACTICE IS
AT THE FOREFRONT OF
INSURANCE MANAGEMENT
TECHNOLOGY WORLDWIDE.**

Willis is one of the largest captive managers in Europe and has management companies in all the major reputable captive locations worldwide. Willis Management (Isle of Man) Limited is a wholly owned subsidiary of the Willis Group, the world's third largest insurance broking organisation. It was formed in 1982 and was the first manager in the Isle of Man.

It now has:

- Over 30 companies under management
- 20 staff employed in the Isle of Man
- Gross written premiums in excess of £450 million
- Funds under management in excess of £800 million

Our client base includes many major multinational corporations, including industrial and commercial operations, financial institutions and privately owned companies.

We serve captives who underwrite a multitude of classes of insurance and life assurance on both a direct and a reinsurance basis.

We offer a high quality full captive management service, encompassing all aspects of strategic development and administration.

We also provide a comprehensive consulting service, which includes the provision of feasibility studies and specific advice in relation to captive programme design, structuring and operation.

The experience, expertise and professionalism of our Isle of Man team are the qualities that we believe set us apart from our competitors.

The core functions involved in captive management are carried out by Willis Management (Isle of Man) Limited. Willis has teams of professionals qualified and experienced in each of the relevant disciplines, which include:

- Insurance
- Accountancy
- Company Secretarial
- Corporate Governance
- Risk Management

These core functions are carried out on the Island in order to comply with local legal requirements and regulations and demonstrate that the captive has a true Isle of Man base and identity.

Each servicing team benefits from qualified accountants and insurance professionals, supported by a number of experienced administrators. The office has a support infrastructure including a Compliance Officer, corporate secretarial expertise and a fully trained Money Laundering Reporting Officer.

Willis has established relationships with the Insurance and Pensions Authority (IPA), all major (and many minor) fronting insurers, reinsurers and broking houses to facilitate the smooth and effective administration of your captive insurance programme. Willis also has established relationships with all the major banks, investment managers, legal advisers, auditors and other service providers to ensure the smooth running of the company. Whatever your captive management requirements, Willis will put together a team to deliver on your requirements.



INSURANCE MANAGEMENT

- Captive development and programme design
- Underwriting
- Premium administration
- Policy documentation
- Claims handling, administration and reporting
- Liaison with insurance and reinsurance brokers
- Maintaining underwriting accounts and statistics

ACCOUNTANCY

- Management accounts
- Group consolidation reporting
- Statutory annual accounts
- Full accounting documentation including budgets and cashflow statements

COMPANY SECRETARIAL

- Compliance with Isle of Man regulations
- Provide registered office (if required)
- Maintenance of corporate records
- Notice and Minutes of directors meetings
- Preparation of board papers

CORPORATE GOVERNANCE

Subject to regular independent review and audit, compliance with the recognized international 'best practice' through the production and maintenance of a Framework including:

- Procedure Manual
- Key Risk and Control Matrix
- Schedule of Key Actions
- Provision of Money Laundering Reporting Officer

BANKING AND INVESTMENTS

- Cash management
- Monitoring of investment managers (if appointed)
- Monitoring currency exposures
- Authorisation and payment of expenses

CONSULTING AND TECHNICAL SUPPORT

The Willis Global Captive Practice is an integrated captive service provider, providing management and consulting services from its operations based in all major reputable captive domiciles. Our Isle of Man team is therefore able to offer access to the following:

- Six professionally qualified staff based in the Isle of Man
- The wider experience and expertise of captive insurance available throughout the captive practice
- The substantial resources and expertise available throughout Willis



Arai

X-lite

73
STEAM PACKET
CSC
ACU
OXTON

56
STEAM PACKET
Team KEVIN
PEPPER RACING
G-S
YONDA
A
YONDA



SECTION 3 - ISLE OF MAN AS A CENTRE FOR CAPTIVE INSURANCE COMPANIES

**WILLIS IS PROUD TO BE
AMONG THE VANGUARD
OF INTERNATIONAL
INSURANCE MANAGERS
IN THE ISLE OF MAN.**

INVESTMENT MANAGEMENT

An element of the financial return from any insurance company will consist of investment income generated from the company's share capital, from its premium income and from retained earnings. The establishment and execution of an appropriate investment policy is therefore very important. Criteria by which the investment policy should be judged include:

- Security
- Liquidity
- Yield

The purpose of the investment policy is to enable the captive's funds to be held in a form which is secure and liquid enough to meet the potential claims obligations, whilst obtaining the best possible yield on the funds. In the case of a global insurance programme, it is important to consider the currencies in which the assets are held against potential liabilities in order to reduce the risk from currency exposure, and to consider the claims profile of the company when establishing an investment strategy. Many captive insurance companies use professional investment managers, who follow formal guidelines laid down by the captive's board of directors. The Isle of Man has access to many reputable investment managers experienced in the particular demands of captive insurance fund management.

The appointment of an investment manager may be considered once the captive's funds reach the order of £10 million, dependent upon the shareholders' and board's attitude to investment risk. Tenders will normally be invited from a panel of investment managers and presentations made to the Board of Directors of the captive, who will then decide which manager to appoint.

The Isle of Man has a wide choice of professional investment managers available. It is advisable that the investment manager be accessible by the captive insurance manager as close liaison will be required.

Until a captive has sufficient funds to justify the appointment of an investment manager, the normal route is to place funds into fixed term bank deposits appropriate to cashflow requirements. This service can be provided by Willis under delegated authority from the board. Alternatively, a professional money broker or cash manager, or a bank's treasury service can be appointed, or funds can be invested in a managed money market fund.

Should the captive business plan include inter-company loans to a related group party, Willis would be pleased to negotiate the amount and terms of such a loan with the IPA. We have wide experience of such negotiations and can advise on the likely outcome to assist in business planning.

TAXATION

The Isle of Man's taxation policies play an important part in its economic success. The adoption in 2002 of the 'Zero/Ten' corporate taxation strategy has maintained the Island's competitive position as a financial services centre.

Insurance companies in the Isle of Man fall within the 'Zero/Ten' regime.

0% taxation on all forms of income for Isle of Man registered companies with the exception of income derived from banking activity or development of property or land development that is taxed at 10%.

In addition, resident companies pay an annual corporate charge of £320. There are no other taxes such as capital gains tax, inheritance tax or stamp duties. In 2006, a personal income tax cap of £100,000 per annum irrespective of earnings was introduced.

INSURANCE REGULATORY POSITION

Captive insurance companies are regulated by the Isle of Man Insurance and Pensions Authority (IPA) in accordance with the Isle of Man Insurance Act 1986 (as amended) and the Insurance Regulations 1981 (as amended).

INSURANCE CAPTIVES

Authorisation to establish as an insurance captive must be obtained from the IPA. There are ongoing requirements for the submission of quarterly accounts and annual returns in prescribed formats in addition to maintaining minimum solvency margins. A minimum paid up capital of £50,000 is required for an insurance captive establishing in the Isle of Man.

REINSURANCE CAPTIVES

Reinsurance captives are subject to the requirements of a class 10 (long-term reinsurance) or class 11 (general reinsurance) licence issued by the IPA. A minimum paid up capital of £100,000 is required for any reinsurance captive establishing in the Isle of Man.

SOLVENCY MARGIN

A captive is required to maintain an adequate solvency margin in respect of its entire business, which corresponds to the assets free of all foreseeable liabilities.

TIMELINE

The IPA normally approves applications for authorisation of captives within 4-6 weeks.

ISLE OF MAN INDUSTRY STATS

FUNDS UNDER MANAGEMENT

YEAR ENDED	31 DEC 2006	31 DEC 2005	31 DEC 2004	31 DEC 2003	31 DEC 2002
	£ BILLIONS	£ BILLIONS	£ BILLIONS	£ BILLIONS	£ BILLIONS
NON-LIFE	5.1	5.5	5.6	5.6	5.8

PREMIUMS

YEAR ENDED	31 DEC 2006	31 DEC 2005	31 DEC 2004	31 DEC 2003	31 DEC 2002
	£ BILLIONS	£ BILLIONS	£ BILLIONS	£ BILLIONS	£ BILLIONS
NON-LIFE	1.1	1.4	1.6	1.4	1.2

NUMBER OF INSURERS

YEAR ENDED	31 DEC 2006	31 DEC 2005	31 DEC 2004	31 DEC 2003	31 DEC 2002
CAPTIVE	166	170	172	171	167

Source: www.gov.im



COMPANY ESTABLISHMENT

The licensing of a Captive Insurance Company is a relatively straightforward exercise, entailing the completion of an application form and the presentation of a business plan, which is normally based on a feasibility study.

Captives domiciled in the Isle of Man are regulated by the IPA. They will not only be involved in the licensing process but will also take an ongoing interest in the progress of the captive as it develops.

The application form will require details of the ownership, share capital and share structure of the captive as well as personal questionnaires from each of the proposed directors of the Company. Administrative issues such as Registered Office, Company Secretary and Insurance Manager are also addressed.

The purpose of the licensing procedure is to ensure that the captive is being established for bona fide reasons and that it will be sufficiently capitalised to accept the underwriting risk which is proposed. The insurance regulations in the Isle of Man are designed to assist the development of captive insurance business.

A detailed business plan must be submitted to the IPA, including detailed three year financial projections, giving information regarding the proposed business, including programme structure, expected premiums/claims, operating expenses, investment income and reinsurance markets. This information is then used to produce a full financial plan over a three year period. Comprehensive due diligence must be undertaken to ensure compliance with anti-money laundering legislation.

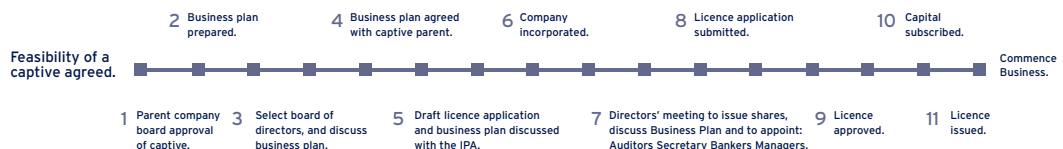
Willis Management (Isle of Man) Limited is experienced in the preparation and presentation of captive business plans as well as in the incorporation of captive insurance companies in the Isle of Man. We would be pleased to describe the full incorporation process and to explain the responsibilities of the captive management company under the Isle of Man regulatory regime.

CELL FORMATION WITH A PROTECTED CELL COMPANY

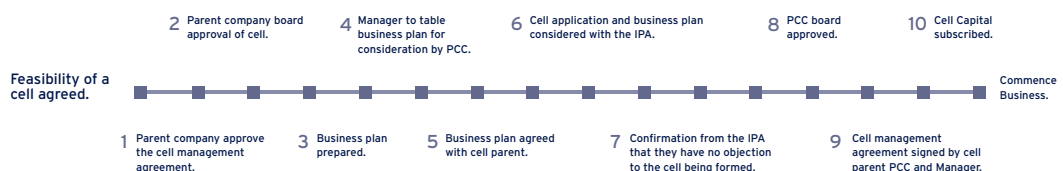
Similar consideration as with a pure captive incorporation process applies. The main differences being the approval of the PCC's Board of Directors to form the cell and the completion of the Cell Management Agreement to access and utilise the cell within the agreement rules and regulations.

CHECKLIST FOR ESTABLISHMENT

CAPTIVE ESTABLISHMENT This process can be completed in a relatively short time, provided the insurance programme and capital structure are known. Whilst Willis has managed to complete the establishment of a captive within ten working days, a period of six to eight weeks would be more typical.



CELL ESTABLISHMENT This process can be completed in a relatively short time, provided the insurance programme and capital structure are known. Whilst Willis has managed to complete the establishment of a cell within fourteen working days, a period of six to eight weeks would be more typical.



ASSOCIATED COSTS

The costs associated with the incorporation, licensing and operation of an Isle of Man based captive insurance company are very low compared with the financial benefit a successful captive can offer its parent.

Willis would be pleased to provide costings once additional information about the PCC has been finalised.

Costs associated with the establishment and ongoing management of a PCC may be higher than those indicated below dependent upon the levels of complexity and activity of the vehicle.

COSTS OF ESTABLISHMENT

LEGAL FEES	£2,000 - £10,000 (ALTHOUGH NOT NORMALLY REQUIRED)
APPLICATION FEE	
SINGLE PARENT CAPTIVE	£1,555
PROTECTED CELL COMPANY	£1,555
PER CELL	£750
AUDIT	£1,500 MINIMUM (IF REQUIRED BY THE IPA)
STAMP DUTY	£130 FOR FIRST £2,000 OF AUTHORISED SHARE CAPITAL £16 PER £1,000 THEREAFTER, WITH A TOTAL MAXIMUM £5,000

ANNUAL OPERATING COSTS

MANAGEMENT FEE PURE CAPTIVE¹	£30,000 TO £40,000
PCC CAPTIVE²	£20,000
AUDIT FEE	MINIMUM £5,000
GOVERNMENT FEES	
CAPTIVE	£3,500
PROTECTED CELL COMPANY³	£3,250
FILING FEE	£320
DATA PROTECTION ACT FILING	£40
DIRECTORS FEES⁴	£5,000

¹ Typical fee for a simple insurance programme but may be higher for more complex programmes.

² For a PCC core + £10,000 plus per cell dependent on insurance complexity.

³ Per cell 0.2% of the net written premium of each cell, subject to a minimum of £500 and a maximum of £3,250 per cell per year.

⁴ Typical fee per director, depending on nature of company and business written.



SECTION 4 - WILLIS IN THE ISLE OF MAN

**WILLIS'S TEAM COMBINES
LOCAL AND INTERNATIONAL
EXPERIENCE TO PROVIDE THE
MANAGEMENT STRENGTH TO
DELIVER OUR CLIENTS'
EXPECTATIONS.**

BOARD CONSTITUTION

In most cases, a captive will have three or five directors, some of whom will be Isle of Man resident and some of whom will be shareholder representatives. All licensed insurers in the Isle of Man are required to have at least two Isle of Man resident directors independent of both the parent company and the appointed manager. Willis would be pleased to introduce a number of potential local directors from a range of professional backgrounds and experience. Willis executives do not sit on the boards of companies we manage as we believe this creates a significant conflict of interest.

BOARD OF DIRECTORS MEETING PACK

Prior to each Directors' Meeting, Willis will prepare and distribute to directors and approved interested parties a board pack containing information to assist the directors in the decision making process and keep them properly advised of the activities of the company.

MINIMUM PACK CONTENTS

- Notice and agenda of meeting
- Minutes of previous meeting
- Status report of all matters arising from previous meeting
- Summary of insurance cover provided by the Company
- Manager's report, which will include:
 - Executive Summary
 - Underwriting Review (including reinsurance)
 - Claims Review
 - Financial Review
 - Any other business (e.g. new business, industry developments)

FINANCIAL INFORMATION, INCLUDING:

- Management Accounts with comparatives as required
- Underwriting Accounts
- Claims information, appropriately analysed
- Other relevant information

INVESTMENT INFORMATION

- Report by the Investment Managers (where appointed)
- Portfolio Valuation (where appropriate)
- Analysis of cash deposits

CORPORATE GOVERNANCE

- Compliance Review
- Schedule of Key Actions
- Review of key risks and controls
- Review of management procedures
- Review of Corporate Governance framework

KEY PERSONNEL

Daily supervision of our client companies is the responsibility of one of our Managers and/or Directors.

The majority of our staff have (or have made a substantial progress towards) relevant qualifications in either insurance or accounting to ensure that a full management service can be offered in all aspects of insurance company management.

Development work is supported by our specialist Captive Consults across the Willis Global Practice.



Paul Kiernan, BSc – Managing Director

Paul joined Willis Management (Isle of Man) Limited in 1992. He became Managing Director of Willis in the Isle of Man in 2004 having joined the board in January 1999. Paul is responsible for the overall operations of the office as well as continuing to oversee the management of a number of captives on behalf of international clients.

Paul has spent 27 years in the insurance industry, covering a wide range of disciplines from loss adjusting to underwriting predominantly in working with multi-national companies. His background covers not only multinational property and casualty risks, but also affinity business, customer insurances and non-conventional reinsurance arrangements.

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Avril McElwaine, F.M.A.A.T., F.C.C.A, A.C.I.S. – Director

Avril joined Willis in 1998 and became a director of the Isle of Man company in 2004. She has overall responsibility for the accounting and company secretarial activities across the office including the maintenance of accounting standards and processes in line with current international best practice. Avril is also Deputy MLRO for the office. In addition Avril directs a team of insurance and accounting professionals managing captives for a number of UK and international clients.

Avril qualified with Deloitte & Touche where she specialised in Isle of Man and UK taxation. She was elected a Fellow of the Chartered Association of Certified Accountants in 1996 and a Fellow of the Association of Accounting Technicians in 2003. In 2004 Avril qualified as an Associate of the Institute of Chartered Secretaries and Administrators.

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Roger Hara, BA, FIRM – Underwriting Manager

Roger joined Willis in February 1999 following a number of years in UK retail broking. He is responsible for overseeing the insurance matters for a portfolio of national and international clients within an overall client servicing team, and acts as the account manager for a number of those clients. Roger also provides technical insurance support and advice across the office. In addition Roger is regularly involved in captive consulting projects on behalf of the Global Captive Practice.

Roger's earlier experience covers broking and risk management in NHS Trusts and Local Authority, as well as a number of UK national accounts. Roger was awarded a BA in Risk Management from the renowned Risk Management Faculty at Glasgow Caledonian University in 1997, concurrently being awarded the Associate ship of the Institute of Risk Management. He was elected a Fellow of the Institute in 2005.

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Carol Stevens, BA, ACA – Senior Account Manager

Carol joined Willis in 2000 as an Account Manager. She spent two years working in captive management in Bermuda before returning to the Isle of Man in 2003. Carol is Leader of a team managing a portfolio of international clients and provides technical accounting support across the office. Carol is Willis' Money Laundering Reporting Officer.


After graduating in Economics, Carol worked for Deloitte from 1991 until 2000, latterly as Senior Audit Manager. She qualified as an Associate of the Institute of Chartered Accountants in England and Wales in 1995.

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Willis Management (Isle of Man) Limited is an insurance manager authorised by the
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