

INSURANCE COMPANY MANAGEMENT IN MALTA

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

Since joining the European Union in 2004, Malta has swiftly established its reputation as a credible and dynamic insurance domicile.

Malta combines a number of selling points to provide clients with a very attractive package of benefits:

- Ability to directly write fully admitted policies throughout the EU and EEA.
- Attractive fiscal regime.
- Strong regulatory reputation based on EU standards, combined with flexible regulatory approach.
- Lower operating costs compared to many other domiciles.
- Educated and motivated workforce – English as the primary language of business.
- Stable democratic political environment.
- Excellent communication and convenient time zone.
- 50+ Double taxation agreements.

Willis is a pioneer of the Maltese captive insurance business with a presence on the island from the early 1990s.

Willis Management (Malta) Limited would be delighted to discuss all aspects of Malta's offering and explain Willis' local proposition as part of our Global Captive Practice.



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SECTION 2 - CAPTIVE MANAGEMENT SERVICES

**WILLIS IS AT THE FOREFRONT
OF CAPTIVE MANAGEMENT
TECHNOLOGY WORLDWIDE.**

Willis is one of the leading firms of international insurance brokers specialising in the field of captive insurance companies and their management. Our service offering is also designed for third party customer or other niche 'non-captive' insurer models requiring out-sourced management services. References to 'captive(s)' below include such structures unless otherwise specified. We have operations in all key locations including Arizona, Bermuda, Cayman, Dublin, Gibraltar, Guernsey, Hawaii, Isle of Man, Luxembourg, Malta, Nevada, New York, New Zealand, Singapore, South Carolina, Sweden, Tennessee and Vermont operating within the Willis Global Captive Practice.

Captive development and feasibility studies are carried out by our team of consultants. The captive management service platform enables clients to entrust the management of their insurance company to our local operation, where our personnel will provide the underwriting, accounting, compliance and company secretarial expertise.

Willis Management (Malta) Limited integrates Willis' global expertise with an exceptional local delivery platform.

Our service objectives include:

- Aligning captive activity to parent's strategic aims
- Coordinating brokers, insurers, reinsurers, auditors and bankers
- Providing clear information and advice for executive decision making
- Designing and maintaining efficient systems and procedures
- All aspects of routine captive management and administration including:

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 Maltese legislation and regulations
- Provision of registered office (if required)
- Maintenance of corporate records
- Notice and minutes of directors meetings
- Preparation of board papers

CORPORATE GOVERNANCE

Compliance with the Licensed Insurer's Code of Conduct through the production and maintenance of a corporate governance framework including:

- Procedure manual
- Key risk and control matrix
- Schedule of key actions
- Act as Compliance Officer
- Act as Money Laundering Reporting Officer

BANKING AND INVESTMENTS

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



SECTION 3 - MALTA AS A CENTRE FOR CAPTIVE INSURANCE COMPANIES

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

REGULATORY ENVIRONMENT

The Maltese Financial Services Authority (MFSA) has built a reputation on the international stage as a proactive body that is looking to promote the island as a leading financial services centre. In particular it is encouraging international businesses to set up new captives or relocate captives from other domiciles by offering a responsive and flexible regulatory environment within the EU framework and a range of complimentary facilities including Protected Cell Company (PCC) legislation and company migration.

Insurance business in Malta is regulated primarily under the Insurance Business Act 1998 and the authority and ongoing supervision is deemed to be with the MFSA.

EUROPEAN UNION MEMBERSHIP

Malta is a full member of the EU providing access to the Single European Market which is aimed at establishing free movement of capital, removal of tariff barriers, freedom to establish and freedom to provide services. The general directives of the EU in regard to regulation and supervisory control of insurance companies apply providing full integration into the EU regulatory system. From January 1 2007, the EU consists of 27 member states.

MIGRATION LEGISLATION

Malta is one of only two captive domiciles within the European Union to adopt company migration legislation. This legislation enables captive companies to relocate from other captive domiciles with matching legislation. This process enables companies to avoid closing down one entity and starting up a new one.

PCC LEGISLATION

Malta has legislation for the establishment of Protected Cell Company (PCC) entities and is in the process of introducing Incorporated Cell Company (ICC) entities.

REINSURANCE AND DIRECT WRITING

Malta will permit a single insurance company to carry out both inwards reinsurance and direct insurance transactions without imposing any conditions on the composition of either transaction type. In some other territories restrictions apply which can lead to an additional cost burden of employing a two insurance company strategy.

OPERATING ENVIRONMENT

The Republic of Malta is an archipelago consisting of three inhabited islands Malta, Gozo and Comino. The Maltese islands are situated in the middle of the Mediterranean Sea about 100 km South of the Italian island of Sicily.

Malta has a highly educated workforce and has a comparatively lower cost of professional services when compared with many other EU centres.

POPULATION

The population of the islands is circa 400,000.

POLITICAL STRUCTURE

Malta has a rich history of tradition and culture that includes: Phoenicians; Carthaginians; Romans; Arabs; Aragonese; the Knights of St. John; the French under Napoleon Bonaparte and most recently the British.

A British style legal system and civil service are a foundation stone of Malta since it obtained independence from Britain in 1964 and eventually became a Republic.

Malta is a sovereign independent state enjoying traditional political, economic and social stability. It enjoys a parliamentary democracy based on the British model. It joined the EU in May 2004 and forms an integral part of Western Europe both politically and culturally. Malta is a member of the United Nations, the Council of Europe and the Commonwealth. Malta maintains friendly relations with all countries through its policy of non-alignment.

INFRASTRUCTURE AND ECONOMY

A strong infrastructure and promotional drive has turned tourism into Malta's primary source of foreign income. Malta's natural harbours host one of the most renowned dry-docks in the Mediterranean and a shipbuilding yard.

The geography of the island has always provided natural attractive safe marinas for yachts from all over the world.

Malta's regulatory framework for financial services is fully consolidated and aligned to internationally recognised standards.

There are over 6,000 people currently employed in the financial services sector in Malta (excluding law firms and accountancy firms), while in its broader aspect the industry contributes around 12% to the country's GDP. The Maltese Government continues to evaluate and update relevant legislation and regulations, keeping it abreast of developments in the industry with a view to maintaining Malta's competitiveness in this sector.

Malta adopted the Euro from January 1, 2008.

LANGUAGE

The official languages are Maltese and English. Business correspondence is mainly in English. Most of the population is also fluent in Italian.

CURRENCY

Euro.

TYPE OF LAW

Malta is a Civil Law jurisdiction, however, all modern legislation including company, tax and maritime laws are modelled on their U.K. counterparts.

TAXATION

Malta follows an imputation system of taxation agreed with the European Union in 2006 under State Aid Rules and the Code of Conduct Group for Business Taxation. Companies pay tax at the rate of 35% and upon declaration of a dividend, shareholders are entitled to a refund of 6/7ths of the tax paid, creating a potential tax rate of 5% to the group.



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TELEPHONE



SECTION 4 - WILLIS IN MALTA

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

Willis was one of the first captive managers to establish in Malta and we have had a captive management presence here since the early 1990s. Our offices are at Fourth Floor, Development House, St Anne Street, Floriana, FRN0910, Malta.

Our business operation in Malta adopts the Willis Global Captive Practice standards of insurance company management services. The procedures are tried and tested but flexible to adapt to specific demands of conducting business in Malta.

We have access to specialised insurance and reinsurance professionals, qualified accountants, company secretarial services and experience in writing direct insurance contracts from Malta into other EU member states. We also have a good understanding of customer insurance

business models and the complex multinational financial service environment. The local office facilities include an expansive board room with conference call/video conference options.

BOARD CONSTITUTION

The MFSA requires that there be a minimum of one director resident in Malta. MFSA also requires that at least one independent director be appointed, who can be the same person as the local Malta resident director. Other Directors can be provided by the captive's parent. Willis is able to offer advice and assistance to conform to local laws, regulation and business practice. We would be pleased to introduce a number of potential local directors from a range of professional backgrounds and experience.

KEY PERSONNEL



Anne Finn, FCII, ARM

Anne is Executive Director of Willis Management (Malta) Limited. During her 25 years in the insurance industry working with large corporate risks and commercial lines business, Anne has gained extensive underwriting, compliance and accounting expertise. She has spent the last 15 years working with EU-based captives at a senior level and, more recently, protected cell companies. Anne is a Fellow of the Chartered Insurance Institute, a qualified accounting technician and an Associate of Risk Management.



Marie Louise Cassar, FCCA, MIA, CPA

Marie Louise joined Willis Malta in May 2009 bringing with her 13 years experience with PWC Malta where she qualified as an Accountant. At PWC Marie Louise led a team which provided management, tax administrative, general administrative and accounting services to various Maltese incorporated companies. Marie Louise is fluent in English, Maltese and Italian.



Tim Byrne, AIB, ACII

Tim is the Managing Director of our Dublin captive management company and is also a Director of Willis Management (Malta) Limited. Tim has been employed in the captive insurance industry from 1980 and has previously worked at a senior level with Willis in their Isle of Man and Cayman offices. Tim has extensive experience of U.K., European and N. American captive operations.



Malcolm Cutts-Watson, BSc., CPFA

Malcolm is the leader of the Willis Captive Practice and is a Director of Willis Management (Malta) Limited. He has been employed in captive management for over 25 years having spent 7 years in Bermuda and 5 in Vermont where he headed the largest U.S. captive operation before moving to Guernsey in December 1993.



Pauline Margrett, FCII

Pauline is the Chief Operating Officer and a member of the Executive Committee of the Willis Global Captive Practice. She is responsible for the development and implementation of the global captive operations strategy and all aspects of compliance across the Practice. Pauline has over 30 years experience in the insurance industry and extensive experience of captive insurance and risk financing. Pauline sits on the management boards of all Willis European captive operations.



SECTION 5 - TYPICAL OPERATING COSTS

CAPITALISATION

Capitalisation is one of the most important aspects of insurance company formation. The level of capitalisation is dependent upon the amount of underwriting capacity the captive wishes to offer its parent group and the classes of business underwritten. Direct writers, both captive and non-captive, are required to have a minimum paid up share capital of at least €2,300,000 (€3,500,000 for Long Tail risks and Life business). A pure captive writing solely reinsurance business must have a minimum paid up share capital of €1,100,000. However, a non-captive reinsurer must have a minimum paid up share capital of €3,200,000.

FEASIBILITY STUDIES

We can assist with the preparation of studies on the establishment of a captive and additional programmes for the captive. Fees for this can stand alone or can be incorporated into the management fees.

PRE-INCORPORATION LEGAL FEES

Legal fees in connection with drafting Articles of Association and/or Members' Rules.

INITIAL INCORPORATION COSTS

There is no stamp duty on issued share capital.

MANAGEMENT FEES

Our fees for the provision of services reflect the complexity of the (re)insurance programmes.

FORMATION FEES

These are charged by Willis in respect of time spent in the application for an insurance licence, including the drafting of documentation, the formation of the business plan and the negotiation of licence conditions and capital requirements with the MFSA.

OTHER ANNUAL COSTS

Audit fees, actuarial fees, directors' fees, professional fees, travel, communications and incidental expenses.

FIRST YEAR OUTLAY	DIRECT €	REINSURANCE €
CAPITALISATION*	2,300,000	1,100,000
MANAGEMENT FEE FOR FORMATION AND LICENSING**	25,000	15,000
REGULATORY FEE (SINGLE PARENT CAPTIVE)***	4,300	4,300
COMPANY REGISTRATION FEE****	1,650	1,457
PROFESSIONAL/LEGAL FEES	5,000	5,000
	2,335,950	1,125,757

ANNUAL COSTS	DIRECT €	REINSURANCE €
MANAGEMENT FEES**	100,000	60,000
DIRECTORS FEES**	10,000	10,000
GOVERNMENT FEES (SINGLE PARENT CAPTIVE)****	5,000	5,000
AUDIT AND PROFESSIONAL FEES	20,000	25,000
ANNUAL COMPANY FILING FEE*****	1,200	1,020
SUNDRY COSTS	1,000	1,000
	137,200	102,020


* Dependent on classes to be written - the minimum for Long tail and Life risks is €3.5 million, and for non-captive reinsurance the minimum is €3.2 million.

** Indicative only - actual fees charged will depend on complexity of account.

*** A range of licensing fees are applicable for non-captive insurers and reinsurers, depending on the nature of the risks

**** Annual regulatory fees for non-captives are based on a premium scale

***** From a range of fees based on authorised share capital



SECTION 6 - REGULATORY REQUIREMENTS

INSURANCE REGULATORY POSITION

Captive insurance companies are regulated in accordance with the relevant EU Insurance and Reinsurance Directives. These directives have been transposed into local law with the term 'affiliated insurance company' referring to a captive.

CAPTIVES (DIRECT INSURANCE AND REINSURANCE)

Authorisation to establish must be obtained from the MFSA. There are on-going requirements for submission of quarterly and annual returns and accounts in prescribed formats to the regulatory authorities in addition to technical reserve and solvency requirements.

TECHNICAL RESERVES

A captive is required to establish and maintain technical reserves, such that its admitted assets are in accordance with the Insurance Business (Assets and Liabilities) Regulations 2007 as amended.

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 MFSA shall determine an application for authorisation for a:

- Direct insurer within six months of receiving all the documentation required to be submitted
- Reinsurer within three months of receiving all the documentation required to be submitted
- Captive within three months of receiving all documentation required to be submitted
- Captive cell within three months of receiving all documentation required to be submitted

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Willis Management (Malta) Limited Company Registration Number: C42791
Willis Management (Malta) Limited is enrolled in the Managers List to act as
an Insurance Manager in terms of the Insurance Intermediaries Act, 2006.

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