

INSURANCE COMPANY MANAGEMENT IN IRELAND

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**.

CONTENTS

SECTION 1 INTRODUCTION	2
SECTION 2 CAPTIVE MANAGEMENT SERVICES	4
SECTION 3 IRELAND AS A CENTRE FOR CAPTIVE INSURANCE COMPANIES	8
SECTION 4 WILLIS IN IRELAND	12

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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 1987 Finance Act established the International Financial Services Centre (IFSC) in Dublin with the intention of attracting internationally mobile financial services to Ireland.

The IFSC also proved an attractive location for international insurance, reinsurance and captive insurance companies. A notable feature of Dublin's profile is its global popularity, with a broad diversity of captives from USA, Europe, Japan and the Nordic countries. Most of the major captive management companies are established in

Dublin in recognition of its rapid growth as an international centre for captive insurance companies.

Ireland offers a variety of favorable conditions when considered as a captive location:

- High quality professional insurance management
- First class governmental, regulatory and tax environment
- Stable democratic political environment
- Excellent business infrastructure
- Convenient location and time zone
- Full member of the European Union



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SECTION 2 - CAPTIVE MANAGEMENT SERVICES

**THE WILLIS GLOBAL CAPTIVE
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 (Dublin) Limited is a wholly owned subsidiary of the Willis Group, the world's third largest insurance broking organisation. It was formed in 1989 and now has:

- 17 companies under management
- 16 staff employed in Dublin
- Gross written premiums in excess of €385 million
- Funds under management in excess of €750 million

Our client base includes major multinational corporations, industrial and commercial operations and financial institutions.

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

Our comprehensive consulting service include the provision of feasibility studies and specific advice in relation to captive programme design, structuring and operation. We also provide incubation services for new self managed start up operations, including commercial insurance and reinsurance companies.

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

Willis has teams of professionals qualified and experienced in each of the relevant disciplines, which include:

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

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, and I.T. support.

Willis has established relationships with The Irish Financial Services Regulatory Authority (IFSRA) 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, legal advisers, auditors, actuaries and other service providers to ensure the smooth running of the company. Whatever your requirements, Willis has a team of dedicated professionals available to deliver service excellence.

Willis Management (Dublin) Limited offer following captive management services:

- Insurance Management
- Accountancy
- Company Secretarial
- Regulatory
- Corporate Governance
- Banking and investment
- Consulting and technical support

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 Irish regulations
- Provide registered office (if required)
- Act as Company Secretary
- Maintenance of corporate records
- Notice and Minutes of directors meetings
- Preparation of board papers

REGULATORY

- Ensuring compliance with local Regulators
- Monitoring Solvency and capital
- Provision of Compliance Officer

CORPORATE GOVERNANCE

- Operations Manual
- Procedure Manual
- Key Risk and Control Matrix
- Schedule of Key Actions

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.





SECTION 3 - IRELAND AS A CENTRE FOR CAPTIVE INSURANCE COMPANIES

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

INSURANCE REGULATORY POSITION

Ireland 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 EC regulatory system.

The Irish Financial Services Regulatory Authority (IFSRA) is the regulatory body responsible for authorising insurance companies which wish to establish in Ireland.

TAXATION

Dublin is a low tax area within the EU. For new companies corporate tax is 12.5%. In addition to the low corporation tax rate there are a number of other favorable aspects to the taxation regime.

Ireland has treaties with 45 other countries including most major trading nations giving full tax sharing in a majority of cases. This facilitates international tax planning using foreign tax credits and tax deferrals.

There are no restrictions on the repatriation of profits and there are no withholding taxes on dividends paid by captives where the parent company is located in a treaty country.

There are no restrictions or withholding taxes in interest paid to a non-resident parent in a tax treaty country. Movements in technical reserves including IBNR are allowable in computing taxable income. This combined with the low rate allows a captive to accumulate profits to finance the expansions of its insurance activities.

Capital gains will not generally arise for financial service business with the exception of securities or other assets held as investments. Dealings in securities by the financial service business would be treated as trading activities.

Most insurance related services are exempt from Irish VAT and no premium taxes are applicable to international insurance transacted from Ireland. However premium taxes may apply in the country where the risk originates. FET exemptions may be available for U.S. owned captives.

CAPTIVES

Current insurance legislation does not identify 'captives' as a separate type of insurance operation and thus captives are regulated in the same way as any other insurance company. Irish regulations are fully in line with EC Directives for insurance.

Reinsurance captives are subject to the requirements of the EU Directive on Reinsurance and must be approved by IFSRA. A minimum paid-up capital of €1,000,000 is required for any reinsurance captive establishing in Ireland.

Authorisation to establish as insurer or reinsurer must be obtained from IFSRA. There are on-going requirements for submission of annual returns and accounts in prescribed formats to the regulatory authorities in addition to technical reserves and solvency requirements. A captive writing direct insurance is required to have a minimum paid-up share capital of at least €2,300,000.

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

It takes approximately 4-6 months from the time of submission of the licence application to the time of a decision being made by IFSRA.

COMPANY ESTABLISHMENT

There are more than 130 Captives operating in Ireland. The licensing of an insurer is a relatively straightforward though detailed exercise, entailing the completion of an application form and the presentation of a business plan, which is normally based on a feasibility study.

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 insurer 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 Ireland are designed to assist the development of insurance business.

A comprehensive business plan must be submitted to IFSRA, 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. Comprehensive due diligence must be undertaken to ensure compliance with anti-money laundering legislation.

Willis Management (Dublin) Limited is experienced in the preparation and presentation of insurer business plans in Ireland. We would be pleased to describe the full process and to explain the responsibilities of the insurer management company under the Irish regulatory regime.

CHECKLIST FOR ESTABLISHMENT



ASSOCIATED COSTS

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

COST OF ESTABLISHMENT

IFSRA APPLICATION FEE SINGLE PARENT CAPTIVE	NIL
STAMP DUTY	NIL

ANNUAL OPERATING COSTS

MANAGEMENT FEE PURE CAPTIVE - DIRECT WRITING	(MIN) €100,000
MANAGEMENT FEE PURE CAPTIVE - REINSURANCE	(MIN) €70,000
MANAGEMENT FEE NON-CAPTIVE	(MIN) €125,000
AUDIT FEE - DIRECT WRITING CAPTIVE	(MIN) €15,000
AUDIT FEE REINSURANCE CAPTIVE	(MIN) €10,000

(Typical fees for a simple insurance program but may be higher for more complex programs.)

ANNUAL INSURANCE LICENCE

DIRECT WRITING CAPTIVE	€6,000
REINSURANCE CAPTIVE	€3,000
DIRECTORS FEES*	€10,000

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

SECTION 4 - WILLIS IN IRELAND

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

Willis' office in Dublin is situated at Grand Mill Quay, Barrow Street, Dublin 4, Ireland.

Our business operation in Ireland 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 Ireland.

Our Irish team offer access to:

- Senior management has in excess of 50 years combined experience in captive management
- Six professionally qualified staff based in Dublin
- The wider experience and expertise of captive insurance available throughout the captive practice
- The substantial resources and expertise available throughout Willis

BOARD CONSTITUTION

In most cases, a captive will have at least three directors, some of whom will be Irish residents and some of whom will be shareholder representatives. The Companies Law demands that there be one local resident director of an Irish Registered Company. Other directors may be provided by the captive's parent. 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 bound board pack containing information to assist the directors in the decision making process and keep them properly advised of the activities of the company. These may also be circulated electronically.

TYPICAL 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

- 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



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 reserves and premium income and from retained earnings. The establishment and execution of an appropriate investment policy is therefore very important. Investment policy should include reference to the regulatory guidelines and ensure:

- 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 comply with regulation and 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. Ireland 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 €20 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.

Ireland 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 in fixed term bank deposits across a number of E.U. regulated banks, appropriate to cashflow requirements. This service can be provided by Willis under delegated authority from the board.

Inter Company loans are possible from 'free' assets subject to IFSRA notification.

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 are making substantial progress towards) relevant qualifications in either insurance or accounting to ensure that an integrated service can be offered incorporating all aspects of insurance company management.

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





Tim Byrne, ACII, AIB – Managing Director

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Tim joined Willis International Captive Practice in the Isle of Man in 1986 having previously spent six years involved in captive management activities in Grand Cayman. Tim returned to the Cayman Islands in 1993 to set up Willis Management (Cayman) Limited. In 1999 he crossed the Atlantic once again to take over as Managing Director of our Irish captive business.



Trevor Madden – Director

Trevor joined Willis in 2003 having previously spent eleven years working as an underwriter for an IFSC based reinsurance company and three years as an insurance business analyst for a large U.S. based IT firm. Trevor leads a team of five, responsible for the underwriting and claims activities of a portfolio of client companies.



Triona O'Sullivan, BBS, ACII, ACCA – Director

Triona joined Willis in 1998 having previously spent a number of years in the Irish insurance broking market. She has significant experience in the production of captive feasibility studies as well as in financial modelling for captives. Triona is a director of the company and is responsible for client accounting, compliance, regulatory and tax related matters.



Ray McCabe, ACCA – Director

Ray has worked in Captive Management since 2001; joining Willis in 2004. He is a director of the company and is responsible for all client accounting as well as compliance, regulatory and tax related issues.





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