Barbados International Insurance Group

A Sector of

"BARBADOS INTERNATIONAL BUSINESS ASSOCIATION "

The Impact of "Tax Convergence" on

International Insurance Companies in Barbados

Date: November 2004

Prepared by: BIBA - International Insurance Group
T. C. Sears - Chairman

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2.0 Introduction and Background:

International business practitioners in Barbados have been asked to consider initiatives that would make this country more competitive and more attractive for international investing, ultimately leading to greater employment and a more robust economy.

We believe that international insurance and reinsurance has a key role to play in Barbados' future growth. Barbados faces significant competition from other international insurance domiciles most importantly from Bermuda and the Cayman Islands. These, and others, have publicly indicated that they will not impose tax, a position apparently acceptable to the OECD.

One proposal that has come under serious consideration in Barbados is the convergence of corporate taxes by introducing a single flat rate of tax to replace the myriad of structures currently in place. At first glance Tax Convergence appears to have appeal for several reasons:

- The raising of taxes from international corporations currently paying little to no tax;
- The lower of taxes for domestic companies currently paying a 33% corporate tax rate;
- The creation of an environment to encourage new international and domestic investment in Barbados;
- The creation of a level playing field for all corporations in Barbados;
- The elimination or reduction in the impression that Barbados is a tax haven;
- The provision of a mechanism for Canadian owned corporations to dividend exempt surplus to their parent organization free of additional tax to the parent.
- Ireland is a proven example where tax convergence has worked.

International insurance is one of the core business groups within the Barbados International Business Association (BIBA). This group represents international reinsurance companies, international captive insurance companies and domestic companies who manage captives. All create local employment. (Appendices A, B & C list the companies.) These insurance companies operate under the regulatory regime of the Supervisor of Insurance and take the form of Exempt Insurance Companies (EIC's) or Qualifying Insurance Companies (QIC's). These firms enjoy a low or 0% rate of corporate tax and came to Barbados in part because of the low tax treatment.

International insurance is one of the strategic areas of growth for Barbados. It is thought that building an environment for success in this industry segment would be good for the people of Barbados and the economy. International Re-insurance provides good growth prospects for the next decade. Non-life premiums are positioned to remain strong in light of recent global events. Global regulatory changes encourage high quality reinsurers with strong credit ratings and fundamentals. These global firms must select where to locate their international operations. These firms look for a jurisdiction with a pristine <u>reputation</u>, a good <u>infrastructure,</u> <u>stability</u> in social and economic conditions and one that offers competitive <u>tax treatment</u>. Failing on any one of these features will drive that business to a jurisdiction that has all of these benefits.

The Insurance Group has reviewed the impact of Tax Convergence on the international insurance industry and is pleased to provide this report on their recommendations. Appropriate tax practitioners have reviewed this material to ensure that the comments on US and Canadian tax issues are substantially correct.

3.0 - Executive Summary and Recommendations:

3.1 Executive Summary:

It was the unanimous conclusion of the International Insurance Group that introducing taxes on Exempt Insurance Companies (currently taxed at a rate of 0%) would drive existing business to other jurisdictions, eliminating hundreds of jobs in Barbados and millions of dollars in foreign exchange from the economy. QIC's currently pay a low rate of tax and require a tax rate that is competitive with jurisdictions offering the same exempt surplus status.

Many of the larger existing employers are complex international firms who have set their arrangements based on 0% or low tax rates. They would move their affairs to other jurisdictions in order to continue receiving a low or 0% rate, primarily where another internal affiliate already exists.

The Group was reminded of the legislatives changes introduced by Bahamas several years ago that resulted in international insurance companies leaving the Bahamas for Cayman. Those companies never returned in spite of Bahamas' subsequent reversal of it's position. Today Bahamas is struggling to create an international insurance industry.

Tax benefits should not be the reason for "establishing" an international insurance company. However, once having decided to proceed with this venture, the effective tax rate of a jurisdiction becomes one of the final criteria for determining which domicile is selected. The EIC's and QIC's currently located here chose Barbados in part because of the tax treatment.

3.2 Recommendations:

(a) **Exempt Insurance Companies ("EIC") see Appendix "A":**

A taxation rate of 0% must be continued, as is currently guaranteed. EIC's have selected Barbados on the basis of a 0% tax and have carefully constructed their corporate and organizational structures around this benefit. These companies have no clients in Barbados and 100% of their revenues are derived from foreign sources. This foreign currency is brought into Barbados to pay local salaries, rents, licenses and all other domestic costs. These companies bring international management skills and clients to Barbados. They create international jobs for Barbadians as well as bringing in world class training programs. They create hundreds of quality jobs in Barbados and inject hundreds of millions of foreign currency dollars into the economy. These 181 companies could easily arrange their affairs into other zero taxed jurisdictions and being prudent, most have such a strategy in waiting should the need arise.

(b) **Qualifying Insurance Companies ("QIC") – see Appendix "B":**

The effective tax rates of approximately 2.3% (on taxable income for property and casualty risk) and 0.35% (on investment income for life risk) should remain unchanged. There has been industry discussion over an acceptable rate for QIC's, i.e. could the rate for property and casualty business be higher than 2.3% and still retain and attract international insurers wishing to license as such. For Canadian companies that are using the QIC structure, a tax rate below what they will have to pay elsewhere is crucial in order to retain these companies.

(c) **Caricom Option – Offer 0% Tax to all Insurance Companies:**

An alternate solution proposed by the insurance group, is to harmonize all insurance companies **including the domestic carriers** in Barbados at a 0% rate of tax. This proposal creates several benefits:

- It achieves Tax Convergence for the Insurance Industry and all of the benefits listed above;
- It creates a competitive environment for all Caricom countries to establish their base of insurance business in Barbados;
- Insurance is badly needed and highly expensive post the 2004 hurricane season and with increases to premiums may become less affordable to the average Barbadian. Lower tax costs will keep premiums down;
- It creates Insurance, both domestic and international as a competitive strength for Barbados over all countries in the world
- It is consistent with Barbados' strategy to focus on Insurance as a key differentiator for the country
- It retains the hundreds of jobs currently in Barbados and the hundreds of millions of foreign currency based dollars currently being injected into the economy.
- It creates employment in Barbados;
- It gives Barbados a competitive edge in the Caricom region, leveraging Barbados' the "natural resources" – the people and the international business network of Barbados.

This option has drawbacks to Canadian owned QIC's that want to dividend exempt surplus back to their Canadian parent companies.

4.0 - Types of International Insurance and Reinsurance Companies

These companies are generally referred to as "international insurance companies" (IIC's). It is a common misnomer to label these companies as "captives" which applies to only a segment of the IIC marketplace. In existing Barbados legislation, all IIC's are licensed under either the Exempt Insurance Act as Exempt Insurance Companies ("EIC"), or under the Insurance Act as Qualifying Insurance Companies ("QIC"). There are 181 EIC's and 42 QIC's operating as at November 2004. As well there are 24 domestic firms who provide management services to this industry. The Supervisor of Insurance, within the Ministry of Finance, regulates and oversees all of these international insurance companies.

There are essentially four types of IIC's:

1. Traditional Reinsurance Companies – True third party players in the international reinsurance markets. These are invariably significant international reinsurers who, because their customers (insurers) can only be described as sophisticated, find it easier to undertake international business in the absence of the considerable and onerous North American and EU insurance company regulations.

2. Modified Reinsurance[1] Companies – They provide cover to customers of the parent and/or its affiliates, e.g. creditors' life programs provided by banks to their loan customers, auto dealers' extended warranty programs to customers purchasing new vehicles.

3. Traditional Captive Insurance Company – The traditional self-insurance captive insurer or reinsurer. This entity assumes the risk of the parent organization and/or its affiliates. It has conceptually been established for more than twenty years and represents the bulk of existing and potential captive business. The purpose of this captive is long term insurance cost savings and control when the fluctuating traditional markets become inefficient. The risk assumed is often liability but can be extended into other types, e.g. property.

4. Modified Captive Insurance Company – A captive that insures closely controlled third party risk, e.g. its employees' workers compensation. The reasons are often the same as Traditional captive companies.

A captive can be established as either Traditional or Modified. They are long term funding vehicles for their insurable risks. In many cases, premiums + investment income – claims – expenses = zero over time

Reinsurance Companies are true profit centers and operate as full commercial entities. Barbados has become quite a large player for Traditional Reinsurance Companies with at least ten major reinsurers licensed. The sponsors are from the US, Canada, Switzerland and Germany. Some have their own staff. Some of the reasons for choosing Barbados are reflected in this report. Another common feature is "financial reinsurance" for which Barbados is a significant market.

[1] These are not insurers for regulatory purposes

5.0 - US Issues:

We believe that approximately 60% of the current EICs in Barbados are US sponsored. Because of the size of the US economy and its somewhat interesting tort system, it is by far the largest target market. Indeed, it is the only market in which substantial growth can be expected.

With the exception of certain not-for-profit owned EICs, the operations of most US EICs are subject to full US corporation tax *on an earned basis*. This is entirely consistent with the US approach to taxation of its citizens on their worldwide income, regardless of the jurisdiction in which it is earned.

Taxes incurred by say an EIC in Barbados cannot be applied as a credit against US tax liabilities. The recent USA/Barbados protocol eliminated any treaty benefits for any Barbadian "offshore" entities. Also a ***condition of the S 953 (d) election is that tax treaty benefits are waived. Therefore*** the imposition of Barbadian tax creates an additional cost.

International Insurance Companies, including captives, sponsored by entities that are not US taxpayers, e.g. US not-for-profit operations, often do do not pay US taxes. Not-for-profit hospitals or similar groups often establish captives to provide medical liability cover to the sponsors and physicians. Cayman has been very successful in attracting business in this very large market. Barbados has a few. By introducing a minimum tax, Barbados would be distracting this business from coming here.

The imposition of Barbadian tax cannot be offset against the non-existent tax liability of its parent. The protocol makes this an academic point. Therefore, as with a captive that has made the election, Barbados tax:

(a) Creates an additional cost and

(b) Imposes both the direct and indirect cost (and nuisance?) of being subject to a tax system.

The major competing domiciles in this hemisphere, Bermuda and Cayman, do not impose tax and would be the preferred choices. Redomiciling is a relatively immaterial and one off expense. There would be no substantive reason for existing captives to stay in Barbados. ***The obvious extension is that new business development in the largest, by far, captive market in the world would cease immediately***.

A US owned Reinsurance Company finds Barbados attractive because of the use of Generally Accepted Accounting Principles ("GAAP") for the purpose of evaluating solvency margins. "Statutory" financial statements are required in Bermuda and Cayman. These financials, consistent with the same concept in North America, are invariably more onerous than those prepared in accordance with GAAP, e.g. prepaid expenses must be written off. These can be material and inhibit the amount of business that can be assumed and occasionally adversely impacts product pricing.

6.0 - Canadian Issues:

Approximately 40% of the Barbados market (EIC's and QIC's) is Canadian sponsored. Barbados is very well known in Canada. Although being a smaller market than the USA (and smaller potential), it should be noted that Barbados is the preferred domicile for Canadians to establish an international insurance presence. Barbados holds an impressive 55% market share of such companies from Canada. This is a reputation for success Barbados can leverage.

Some considerations:

i. Because of the more logical tort system, traditional market premiums for liability are reasonable. Issues regarding liability cover are one of the main reasons for the existence of most of the US owned, traditional self-insurance captives.

ii. Most Canadian owned EICs/QICs insure creditors' or customers' risks, e.g. bank creditors' life, auto dealers' creditors' life and warranties. Many of the Canadian owned banks have shifted focus and are becoming players in the third party international reinsurance markets.

iii. The Canadian insurance market still tends to be dominated by the insurance brokers who traditionally resist the captive concept.

In absolute terms, Canada continues to represents an attractive target market for Barbados.

Most Canadian sponsored international insurers are Traditional or modified Reinsurance companies. Reinsurance companies tend to be larger functioning companies with strong balance sheets, larger employment opportunities and are bigger contributors to the economy. Conversely, special purpose and modified captive companies tend to be established when non-Canadian risks are being assumed, particularly for affiliates in the US where liability issues can be much greater.

As with the US, tax is rarely the main reason to establish a captive.

Exempt surplus

The Canadian Federal Income tax law applicable to income from foreign sources creates the concept of exempt surplus in certain circumstances. Exempt surplus earned by a, say, Barbados domiciled IIC can be repatriated to the parent in Canada as dividends without attracting further Canadian corporate taxation. A condition of exempt surplus is that the dividends must be viewed by Canada as being generated from tax paid earnings in the jurisdiction from which they are being paid. Interesting to note that the money used to capitalize the Barbados captive can be borrowed from a Canadian bank and the interest on the borrowing is a tax-deductible expense in Canada. Together this creates a very efficient tax scenario for the sponsoring parent organization.

6.0 - Canadian Issues (Cont):

If a QIC is subject to a nil tax regime it is not a resident of Barbados for purposes of the Canada/Barbados tax treaty. This is not just a question of a special tax benefit; it is a question of zero tax. Further, it cannot be said to have been subject to the "most comprehensive form of taxation" in Barbados. If a QIC is not a resident of Barbados for purposes of the treaty, there are two consequences. First, the income earned by the QIC would give rise to taxable surplus as opposed to exempt surplus. It would not be FAPI if the QIC were conducting an active business as referred to in ii above, but it means that when such income is remitted to Canada, it will be fully taxable. Second, such a company cannot rely on treaty protection.

One of the basic conditions[2] for Exempt Surplus is that it can only be earned by a company domiciled in a country that has a tax treaty with Canada. Since neither Bermuda nor Cayman have tax treaties with Canada, Barbados has generally become the domicile of choice when exempt surplus is important to the parent company. This is when a QIC would serve well. The insurance of Canadian risk cannot earn exempt surplus except for a 10% de minimus rule.

The exempt surplus benefit can be significant such that QIC's earning exempt surplus can bear some tax expense because alternative domiciles with tax treaties with Canada do not offer the same low rates as Barbados. Considerations:

(a) The applicable tax rate in Ireland (which has a treaty with Canada) is 12.5%.

(b) Barbados still has the unresolved "liability to tax" issue with Revenue Canada. The latter stated that a Barbados domiciled EIC is not a resident of Barbados for the purpose of the treaty, therefore it cannot earn exempt surplus. Although legal counsel strongly opines that Revenue Canada would lose any case, their position has not been reversed. This issue arose in 1996 and we are hopeful for a positive resolution in the near future. However, it should be noted that Ireland has no issues.

(c) Because of the above, a low rate is probably sufficient to retain and attract captives earning exempt surplus. A higher rate starts to make Ireland more attractive. In addition to the narrowing of any savings, there is a greater pool of qualified labour and, in the case of the relatively high profile Canadian bank owned captives, "piggybacking" opportunities are available with other bank facilities there.

The "liability to tax" issue drove the development of the QIC. A QIC is subject to the domestic insurance tax system. However, it claims the Foreign Currency Earnings Credit, which reduces settlement of the tax liability to approximately 2.3% of taxable income on property and casualty business. It is perceived to be a greater measure of protection for Exempt Surplus status.

Taxable surplus

The insurance or reinsurance of Canadian risk cannot earn exempt surplus except for a 10% de minimus rule. Generally the income of a captive assuming Canadian risk would be attributable to its Canadian parent on an earned basis and taxed in Canada as such.

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[2] Issues such as transfer pricing, more than five employees and mind and management are ignored for the purpose of this argument.

6.0 - Canadian Issues (Cont):

Nevertheless, certain structures (e.g. a captive with more than ten equal common shareholders, rent-a-captives) can earn non-taxable surplus even when the risk is Canadian. Note that this opportunity appears to be threatened because of proposed draft changes to Canadian Federal Tax legislation.

Taxable surplus is only subject to Canadian corporate tax when repatriated as a dividend. Tax deferral is therefore possible.

In addition, where non-Canadian risks are assumed and it is not always possible to meet all of the conditions necessary for exempt surplus, the captive will earn taxable surplus instead.

Companies earning taxable surplus are not dependant upon a tax treaty with Canada. It can be earned in Bermuda and Cayman. The imposition of Barbadian tax, and the necessary system, creates an additional burden not imposed in the competing jurisdictions.

Several of the same Bank owned captives referred to above are structured in such a manner that, in the event of their exempt surplus status ever being challenged, their earnings would be taxable surplus on a worst case basis. Because of the ongoing need for funds in other international operations, it is unlikely that dividends will ever be paid to the ultimate Canadian parent in the foreseeable future. The Bahamas as a major banking centre, has no taxes on such operations, and as with Ireland offers opportunities for “piggybacking”.

7.0 - Other Markets:

The focus above has been on the North American markets and has been the case for any captive jurisdiction in this hemisphere. There are several captive domiciles in Europe and Asia and therefore investors from these regions for simple geographical reasons, do not look much further.

There has been industry discussion on opportunities in South America. However, it remains to be seen as to whether any will materialize.

It is possible that the actions of the OECD and the EU may adversely impact the ability of their member countries to continue offering captive legislation. However, any opportunities for Barbados to fill the void could only be considered speculative at the moment.

8.0 Tax Rates:

In analyzing the sensitivity of this industry to corporation tax, two effective rates were reviewed.

8.1 An effective tax rate of 12.5%
It is our view that Barbados will cease to have an international insurance industry if an effective tax rate of 12.5% were introduced.. Existing entities possessing 30-year tax benefit guarantees may not leave immediately but will redomicile eventually. This is because the relevant infrastructure is likely to decline.

8.2 In our opinion if a tax rate of 5% were introduced:
Canadian owned reinsurance companies (EIC's) earning taxable surplus would leave. Canadian owned companies earning exempt surplus (QIC's) might stay. However, Canadian Tax authorities have not accepted the notion of exempt surplus at this time. US owned captive insurance companies (EIC/QIC's) would probably leave. US owned reinsurance companies (EIC/QIC's) might find it preferable to stay in Barbados. However, this segment is currently more attracted to Bermuda and informal feedback received from these firms is generally negative.

Meaningful new entrants to Barbados would decline. New potential entrants would be faced with an "in-between" strategy. On one hand Barbados would be seen as a more expensive tax regime to Cayman, Bermuda, Switzerland and Hungary where 0% tax rate is still available. Alternatively, entrants could choose the option of paying a slightly higher tax to locate in Ireland and receive the preferred US tax (FET) treatment, the ability to market across the EU and to have access to Ireland's richer infrastructure. We feel this "in-between" strategy is not a compelling strategy for attracting new international insurance companies to locate in Barbados.

9.0 Onshore – Versus – Offshore:

There are several onshore domiciles in the USA, Canada and the UK, e.g. Vermont (very successful), New York, South Carolina, London England, British Columbia.

Onshore domiciles in North America tend to be attractive to entities assuming risk from one state or province. Insurance regulation on risks arising in more than one state often becomes too onerous and an offshore jurisdiction then becomes attractive.

The overwhelming reason causing captives to be established offshore is the avoidance of onerous and inappropriate onshore insurance company regulation. Tax is generally not a consideration when determining (a) that a captive should be established and (b) that it should be offshore. Tax only becomes a significant issue when selecting the offshore domicile.

Onshore insurance regulations have appropriately evolved over time in a manner that protects the unsophisticated consumer. It has become a significant burden on all North American insurers and reinsurers. This regulation is not appropriate for special purpose vehicles that captives are.

10.0 – Dublin:

IIC's in Dublin are subject to tax at 12.5%. Dublin has been very successful as an International Financial Services Centre since it introduced the relevant legislation in 1990. Most Irish IIC's are captives and are US sponsored. Some observers note this and conclude that US owned captives can bear taxation in the non-US domicile.

The situation applicable to Dublin is peculiar to EU tax and regulation and is not comparable to Barbados, Bermuda or Cayman.

Under the EU rules, Dublin is one of the few domiciles that allow a captive *in*surer to assume EU risks. It is this ability to insure EU risk that has caused Dublin's success for IIC's. Other Euro locations are not as attractive, e.g. Luxembourg has "normal" tax rates, albeit the valuation of tax-deductible claims liabilities can be established far more conservatively than usual.

11.0 – Potential Impact on Barbados:

Barbados has 181 active EIC's, 42 active QIC's and 24 management companies.

While figures are difficult to obtain, one of the larger EIC's has 26 local employees (2 expatriates) and spends $6 million (BDS) of foreign currency annually in Barbados. They estimate they are responsible for 400 hotel nights a year (clients, auditors, Board members, etc) and generate over 200 return airfares. Other firms surveyed show their operations are similar. Conservatively we estimate that the 181 active EIC's in Barbados create over 100 jobs and spend over a hundred million dollars in foreign currency into the economy (salaries, rents, fees, etc.).

A quick survey of **10 of the larger** IIC's yielded the following information:

Employees	120 domestic	15 expatriates
Local Expenditure	$40 million (BDS)	all from Foreign Currency
Hotel room nights (est.)	2,400	Auditors, Clients, Colleagues
Return airline flights (est.)	1,000	
Funds managed in Barbados (est.)	$3.5 billion (BDS)	International Securities

We believe that this survey represents 25% to 33% of the total impact to the economy. Also of note is the caliber of direct employment this industry creates includes actuaries, accountants, lawyers, underwriters, technology specialists, risk managers and general management.

Expenditures in Barbados are covered from foreign revenues (US and Canadian dollars, Euros and Sterling) generated by the business activities of the international insurance businesses. The industry also makes a significant positive impact on employment in service areas such as banking, accounting, legal, corporate secretarial and communications. Local offshore banks specializing in fund management manage a portion of the funds generated. The staff, expenditure, etc., data applicable to these ancillary services is not included above.

Approximately 180 international insurance companies were licensed between the end of 1986 and 1989. This significant growth was attributable to a US tax benefit Barbados had over Bermuda and Cayman to the end of 1989. This advantage was lost in 1989 and coincided with a softening of the insurance markets together with a general slow down of captive formations internationally.

The markets have hardened and new company formations have accelerated in recent years. However, while Cayman and Bermuda licensed 90 companies in 2003, Barbados only licensed 15 new companies. There is no doubt that Barbados can grow its international insurance industry - but by introducing taxes or increasing taxes Barbados will permanently lose this industry. This loss can only translate into negative consequences for both the economy and society.

11.0 – Potential Impact on Barbados (Cont.):

Captive Management Companies (Appendix "C") - mainly domestic companies who provide management and administrative services to international insurance or reinsurance companies in Barbados who are too small to justify operating with dedicated staff, equipment and premises. The client companies are typically Canadian or American and are licensed as EIC's or QIC's. As the tax rules on EIC's and QIC's change, so do the prospects for these Management firms.

There are more than 200 **International Insurance Companies (IIC's) in Barbados**. While this number is considerable, the following should also be noted:

(1). All IIC's have substance whether management companies manage them or they are self-managed. They are regulated financial institutions and invariably have investment portfolios supporting capital and insurance liabilities in addition to the other issues that are integral to the business of insurance.

(2). IIC's do not originate because of tax issues. The elimination or significant weakening of this sector means that international financial services in Barbados will be too dependent on the Canadian Federal tax rules, the source of much of the IBC business that can be considered substantive.

(3). The current hardening of the insurance markets represents an opportunity for significantly increasing the number of IIC's. As mentioned above, we are not in a position to exploit this. The Barbados International Insurance Association has engaged a well-known international insurance consulting firm to provide advice and direction.

(4). The formation of the first 180 captives from late 1986 to the end of 1989 was of such significance that the banks, audit firms, certain law firms and the courier services significantly expanded and changed their operations to cater for this business.

(5). Bermuda has the first or second largest per capita income in the world. It is an undeniably wealthy jurisdiction. The main bases of its current position have been tourism and captive insurance, albeit other types of international financial services have developed successfully over the last few years.

12.0 Conclusion:

Our Association and its members have the best interest of their companies and Barbados at heart in wanting support Barbados in becoming a thriving international insurance centre. As a group with significant interest and knowledge of the international insurance industry we firmly believe that the success and expansion of this industry is important to the future economic and social well being its constituents namely its employees, shareholders and Barbados generally.

The passage of the Exempt Insurance Companies Act and subsequent introduction of Qualifying Insurance Companies has yielded tremendous economic growth to this nation. The loss of this industry cannot be considered either desirable or affordable to any of the affected stakeholders.

Appendix "A" – Exempt Insurance Companies

EXEMPT INSURANCE COMPANIES (181 Active as at November 1, 2004)
Ablan Insurance Corporation
ABX Insurance Limited
Aeroquip-Vickers Assurance Ltd.
American Benefit Insurance Company
American National Insurance Corporation
Arminius Fire & Casualty Inc
Atlantic International Reinsurance Co. Ltd.
Ayreo Insurance Ltd.
Bank of Montreal Insurance (Barbados) Ltd.
Beach Reinsurance Corporation
Beaumark Insurance Company Limited
Biovail Insurance Incorporated
Boulevard Insurance Company (Barbados) Limited
BRG Insurance Company Ltd.
Bridgeco Indemnity Limited
Brookwell Insurance Co. Ltd.
Builders and Title Agents Reinsurance Ltd
Camarin Limited
Cameco Insurance Services Inc.
Canadian Auto Plan Insurance Limited
Casuarina International Insurance Limited
CCC Insurance Corporation
Century Property & Casualty Insurance
CGT Insurance Company Ltd.
Chancery Reinsurance Limited
Christian Foundation Insurance Company Limited
CIBC Reinsurance Company Limited
CIM Reinsurance Company Ltd.
Clarion Insurance Company Limited
Colchester Reinsurance Limited
Columbus Fidelity Insurance Co. Inc.
Community Insurance Trust Limited
Constellation Reinsurance Company Limited
Contractors General Insurance Company
Covenant International Insurance Company Ltd.
CRH Insurance Limited
D.B.B Insurance Company Limited

EXEMPT INSURANCE COMPANIES
(181 Active as at November 1, 2004)
Delta Reinsurance Corporation
DGM Insurance Corporation
Doctors Benefit Insurance Company Ltd.
Durarock Reinsurance,Ltd.
Eastbourne Reinsurance Corporation
Energy Insurance Mutual Limited
Enterprise Group Insurance Company Ltd.
ESR Reinsurance Co. Ltd.
European Finance Reinsurance Company Ltd
European International Reinsurance Company Ltd.
Evergreen Indemnity Limited
F.F.H Insurance Corporation
Fairfax (B'dos) Insurance Corp
Farmlusure Ltd
First Transportation Indemnity Ltd.
Frontier Insurance Ltd.
Galleon Insurance Limited
General Cologne Life Re (Barbados) Ltd.
General Life Insurance Company Limited
General Mechanical Reinsurance Company Limited
GeneralCologne Re (Barbados) Ltd.
Gerling Global International Reinsurance Company Ltd.
Glenmaple Reinsurance Co. Ltd.
Global Insurance Company Limited
Global Partners Warranty Services Inc
Global Re SCC
Global Tuition & Education Insurance Corporation
GMAC Insurance Associates (Barbados),Limited
Granite Reinsurance Company Ltd.
Grant Indemnity SCC
Great Pacific Enterprises Insurance Ltd.
Great Western Assurance Company
Green Mountain Insurance Company (Barbados) Ltd.
Greenheart Insurance Limited
Gulfstream Insurance (Barbados) Ltd.
Hastings Underwriters Ltd.
Hawkbill Re Limited
Helios Reinsurance Company Ltd
Highlands Insurance Company Ltd

EXEMPT INSURANCE COMPANIES
(181 Active as at November 1, 2004)
Highwood Limited
Horizon Insurance Company Ltd
Horizon Property and Casualty Ltd.
I.P.L. Insurance (Barbados) Limited
Independence Re, Ltd.
International Underwriting Insurance Company Ltd.
Jewel Reinsurance Ltd
Joneswood Reinsurance Company Ltd.
Landmark Union Insurance Ltd.
Leeds Insurance Company Ltd
Lincoln National Reinsurance (Barbados) Ltd.
London Life and Casualty Reinsurance Corporation
London Life International Reinsurance Corporation
Loyalty Insurance Company Inc
M.I. Insurance (Barbados) Ltd
Madison Insurance Co Inc.
MAGIC Insurance Ltd.
Manitowoc Insurance Company Ltd
Manufacturers' Life Reinsurance Limited
Manufacturers P & C Limited
Media Reinsurance Limited
Medical Security Insurance Inc.
Merchant International Insurance Inc
Milsure Insurance Limited
Missouri Reinsurance (Barbados) Inc.
Monaghan Reinsurance Co. Ltd.
Monticello Insurance Ltd
Motors Mechanical Reinsurance Company Limited
MTM Insurance Company Inc.
Mutual Indemnity (Barbados) Limited
Natcan Insurance Company Limited
North American Health & Life Insurance Co. Ltd.
Northern Physicians Insurance Company Ltd.
Northern Re Insurance Company Ltd
Novalta Insurance Ltd.
O.M.G Insurance Co. Ltd.
Oleum Insurance Company Limited
ONA Liability Insurance Limited
Oxford Indemnity Company Limited

EXEMPT INSURANCE COMPANIES (181 Active as at November 1, 2004)
Paradym Insurance Company Ltd
Penn Oceanic Insurance Company Ltd.
Performance Insurance Co. Ltd.
Phencorp Reinsurance Company Inc.
Physicians' Liability Insurance Corporation
Pineridge Insurance Company Inc.
Polaris Insurance (Barbados) Ltd.
Pompo Insurance Indemnity Company Ltd.
Poseidon Aqua Nautics Insurance Co. Ltd
PPP Insurance Company Ltd.
Prime Insurance Limited
Primex Limited
Professional Associates Indemnity Company Ltd.
PRS Guaranty Insurance Limited
PVO Assurance Inc.
Quailwood Reinsurance Company Ltd.
Queenway Insurance Company Inc.
RAL Insurance Company Limited
Red Oak Insurance Company Ltd.
Revios Reinsurance (Barbados) Ltd.
Revios Reinsurance International (Barbados) Ltd.
RGA Americas Reinsurance Ltd.
RGA Reinsurance Company (Barbados) Ltd
Richmond Insurance Company (Barbados) Limited
Riverview Insurance Company Ltd.
Royal American Casualty Insurance Company Ltd.
Royal Bank of Canada Insurance Co. Ltd.
Royal National Insurance Company Ltd.
Saranac Insurance Company Ltd.
Scotia Insurance (Barbados) Ltd.
Security Insurance Company Ltd
SNC Insurance Company (Barbados) Inc.
Southeastern Insurance Inc.
Southern Medical Center Insurance Co.Ltd.
Southward Insurance Limited
Spectrum Insurance Services SCC
St. Francis Insurance (Barbados) Inc.
Stockwood Reinsurance Company Ltd.
Strategy Insurance Limited

EXEMPT INSURANCE COMPANIES
(181 Active as at November 1, 2004)
Sun Life Assurance Company of Canada (Barbados) Limited
Sun Life of Canada International Assurance Limited
Sun Life Reinsurance Company Limited
Synernet Re Insurance Company Limited
T.D. Reinsurance (Barbados) Inc
T.T.G Insurance Company Inc.
The Chartered Insurance Company Limited
The Clive Insurance Co. Ltd
The Masters Insurance Company Ltd
Trabaja Reinsurance Company Ltd
Travel Underwriters International Insurance Company Ltd.
Triad Re, Ltd.
Trimac Exit Insurance Limited
Underwriters Reinsurance Company (Barbados) Inc.
UNI Insurance Inc.
Union Excess Reinsurance Company Ltd
United States Sports Insurance Company Inc.
VBH Insurance Co. Ltd
Venture Reinsurance Company Ltd.
Victoria Reinsurance Company Ltd.
Walton International Insurance
Waterman Insurance Inc.
Watertight Insurance Limited
Wenthworth Insurance Company Limited
Williston Insurance Company Ltd.
Wind River Insurance Company (Barbados) Ltd
Windsor Insurance Company Inc.

Appendix "B" – Qualifying Insurance Companies

Qualifying Insurance Companies (42)
Alexander of London Insurance Inc.
Aurum Insurance Company Inc.
Aviation Products Insurance Company Ltd
BHI Insurance Inc.
Canada Life Reinsurance Ltd.
CGI-ISMC Insurance Company Limited
Dorel Insurance Corporation
Drumheath Indemnity Ltd
DXRX Indemnity Inc.
Eastbourne United Insurance SCC
Enbridge Insurance(Barbados QIC) Limited
Energy Insurance Mutual Limited
FR Insurance Ltd
Grant Castle Insurance Company Ltd
I.C.M Assurance Ltd
ICD Insurance Corporation
Imagine Insurance Company Limited
Imagine Reinsurance SCC
Imagine Reinsurance US. Limited
Intergulf Insurance Corporation
International Insurance Group Inc.
Intrawest Insurance Corporation
Kingsway Reinsurance Corporation
London Life and Casualty (Barbados) Corporation
London Life and Casualty Reinsurance Corporation
LTC Professional Insurance Company Ltd
Majestic Insurance (Barbados) Ltd
MDA Insurance Services Inc.
Norcan Insurance Co. Ltd
NPK Insurance Limited
PXRE Reinsurance (Barbados) Ltd
Rideau Insurance Company Limited
Selecta Insurance Inc.
Shred-It Insurance Ltd.
St.James Assurance Corporation
Stampede Insurance Ltd
TCPL Insurance Services Ltd.
The Manufacturers Life Insurance Company (Barbados Branch)
Transalta Insurance Services Ltd.
West Coast Insurance Co. Ltd
Winston Park Insurance Company Ltd
Woodbridge Insurance Inc.

Appendix "C" – Captive Management Companies

Management Companies (24 active companies as at November 1. 2004)
American International Management Company (Barbados) Limited
Aon Insurance Managers (Barbados) Ltd.
Barbados Insurance Managers Limited
Bott & Associates (Barbados) Ltd.
Captech Management Services (Barbados) Ltd
Captive Management Inc.
CGE International Insurance Ltd.
Coleman Williams Risk Management Ltd.
Dion Durrel (Barbados) Inc.
European International Holding Company Ltd.
First Management Corporation
H.B.W. Management Services Inc.
Hutson Captive Management Services Inc.
IAS (Barbados) Ltd.
International Insurance Management Limited
Lynch International Insurance Services Ltd.
Marsh Management Services (Barbados) Limited
Meadow Risk Management Limited
MIMS International (Barbados) Ltd.
Neace Lukens Management Services (Barbados) Ltd
Ross Williams International Management Services Ltd.
TD Canada Trust Insurance Managers Ltd.
Towner Risk Management Ltd.
UI Management Inc.