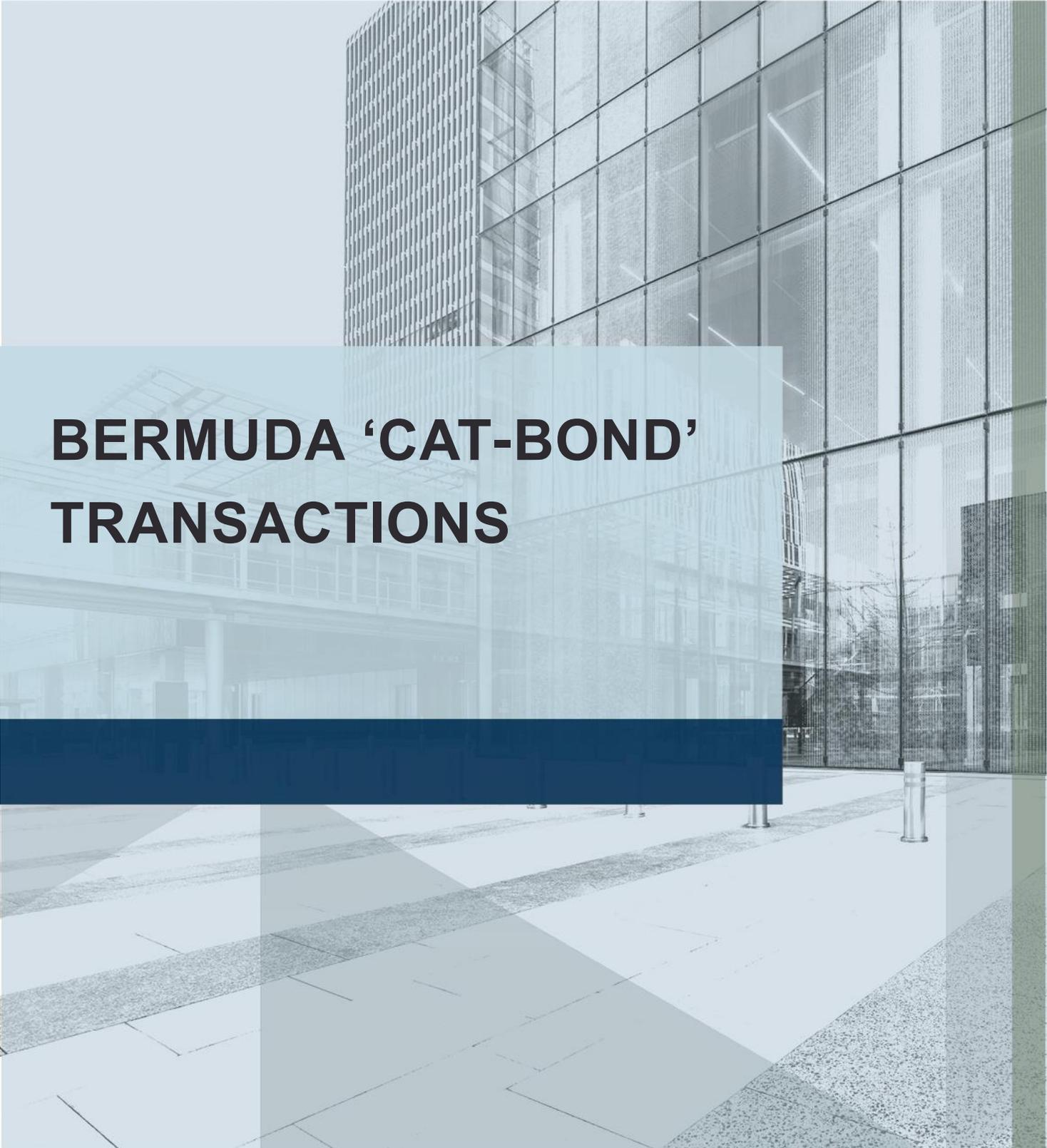


CONYERS

A photograph of a modern glass skyscraper with a grid-like facade, viewed from a low angle. The building is partially obscured by a semi-transparent blue overlay that contains the title text. The foreground shows a paved plaza with geometric patterns and a few small trees.

BERMUDA 'CAT-BOND' TRANSACTIONS

Preface

This publication has been prepared for the assistance of those who are considering a catastrophe bond (“cat-bond”) transaction in Bermuda. It deals in broad terms with the requirements of Bermuda law for matters relating to such transactions and provides an overview of our role in the process. It is not intended to be exhaustive but merely to provide brief details and information on the most common form of cat-bond transactions utilising a Bermuda issuer. We recommend that persons seek legal advice in Bermuda on any specific proposals they may have before taking steps to implement them. In addition, before proceeding with any such proposals, persons are advised to consult with their tax, legal, and other professional advisers in their respective home jurisdictions.

Copies of the Companies Act 1981 and the Insurance Act 1978 together with regulations promulgated thereunder are available upon request.

Conyers Dill & Pearman

TABLE OF CONTENTS

| | | |
|----|---|---|
| 1. | INTRODUCTION | 4 |
| 2. | INCORPORATION OF COMPANY AND ESTABLISHMENT OF TRUST | 4 |
| 3. | REGULATORY APPLICATIONS | 5 |
| 4. | LISTING ON THE BERMUDA STOCK EXCHANGE | 6 |
| 5. | TRANSACTION DOCUMENTS AND CLOSING | 7 |
| 6. | CONCLUSION | 7 |

1. INTRODUCTION

Bermuda has long been one of the most important global insurance and reinsurance centres, and is regarded as one of the most sophisticated markets in the world. With innovation as its hallmark, the island continues to be at the forefront of the industry and has led the development of insurance-linked security products, including a robust market for cat-bonds. With the creation of the Special Purpose Insurer ("SPI") vehicle in 2009, Bermuda has become the dominant jurisdiction globally for the majority of all new cat-bond transactions, and Conyers Dill & Pearman ("Conyers") remains the predominant Bermuda firm advising on such transactions.

In a standard Bermuda cat-bond transaction, Conyers' role as Bermuda counsel will include assisting with:

- (a) the incorporation of the issuer company, and the formation of the Bermuda purpose trust to serve as shareholder of that company;
- (b) all necessary regulatory applications and serving as the primary contact with the Bermuda Monetary Authority ("BMA") for that purpose;
- (c) arrangements with a suitable listing sponsor to provide for the listing of the notes on the Bermuda Stock Exchange ("BSX") (if applicable);
- (d) general transaction matters (e.g. review of transaction documents for Bermuda compliance, providing a legal opinion to investors, etc.); and
- (e) provision of suitable directors (if required), registered office and company secretarial services, and provision of ongoing trust administration services in respect of the purpose trust.

2. INCORPORATION OF COMPANY AND ESTABLISHMENT OF TRUST

2.1. Incorporation

Once you have chosen us as your Bermuda counsel, our role commences with the incorporation of the company. We will provide you with an information form to complete that will request details such as: the proposed name of the company (noting that we can seek reservation of the proposed name from the Registrar at any point, at no charge), names and contact details of proposed directors, the proposed local insurance manager/principal representative, choice of bank for account opening purposes and other basic information relevant to the initial administration of the company. Once that information is completed and returned to us, we will prepare and submit the incorporation documentation to the relevant authorities, and incorporation is typically effected within 1-2 business days thereafter.

2.2. Formation of Purpose Trust

In parallel with the incorporation process, we will also assist with preparing the necessary documents to establish the Bermuda purpose trust that will serve as shareholder of the company. Those documents will include the trust deed itself, an indemnity in favour of Conyers Trust Company (Bermuda) Limited in its capacity as trustee (such indemnity also extending to Conyers Corporate Services (Bermuda)

Limited and their services), and a fee letter setting out the agreed annual fees in respect of the ongoing trust administration.

It should be noted that it is possible to structure the trust deed flexibly, to allow for single transactions or “program deals” involving multiple note issuances, whichever may be preferred.

2.3. Organisation of the Company

Once the company has been formally incorporated, and the purpose trust has been formed, we will then arrange to prepare and hold the standard organisational meetings necessary to get the company active (e.g. issuance of share, adoption of Bye-laws, appointment of directors, etc.). At that point, the company will be in a position, through its newly appointed board, to begin entering into contractual arrangements in preparation for the eventual closing of the note issuance and related reinsurance arrangements.

3. REGULATORY APPLICATIONS

In order to register the company as an SPI, and obtain any necessary ancillary waivers or directions in connection therewith, application must first be made to the BMA for approval in principle of the proposed transaction.

The process to obtain this approval in principle involves filing the necessary application package (see below) with the BMA for review by the BMA typically within 5-10 business days. Upon review, the BMA will either give its approval, or raise any queries. We will work closely with the client and the various other service providers (in particular, the insurance manager engaged to assist) to prepare and file that application, and to address any queries raised.

3.1. SPI Application

The primary SPI application takes the form of a brief narrative business plan, together with supporting documents including: SPI checklist, draft transactional and disclosure documents, pro-forma financials, information on key service providers and directors and other documents as may be relevant to the particular application.

Business Plan – describes the fundamental elements of the company and its proposed cat-bond transaction, and will include information on:

- transaction structure (to evidence fully-funded nature of the insurance business being written);
- cedant(s)/Sponsor and proposed investors (to evidence sophistication of the parties);
- key service providers and directors (to evidence suitable management expertise);
- any additional relevant information.

Draft transactional and disclosure documents – In order to evidence the key characteristics of the proposed transaction, the application will typically include drafts of the main transaction and disclosure documents. In the usual course, this will include the Offering Circular and Indenture (and

any supplements thereto), the Reinsurance Agreement, and the Reinsurance/Collateral Trust Agreement. It is important to note that, for the purposes of the SPI application, these documents need only be in draft form. Final form documents will be filed with the BMA, but after closing of the note issuance.

SPI Checklist – this is a standard form, serving to highlight for the BMA the most pertinent aspects of the business plan and relevant transaction documents (we will assist with the preparation of this document).

Pro-Forma Financials – the application will include 5-year pro-forma income statement and balance sheet (typically prepared with the assistance of the insurance manager).

Key Service Providers and Directors – the key service providers, and in particular the Insurance Manager and Principal Representative, and the Auditor (if relevant) should be identified and letters of acceptance of their appointment must be provided. Where the proposed directors are not already known to the BMA, brief biographies/CVs should also be provided.

3.2. Ancillary Directions/Waivers

In addition to obtaining approval for the business itself, there are other ancillary regulatory applications required. These typically include an application for a “Section 56 Direction” to waive the requirement to file a statutory financial return, and to file audited or unaudited (as appropriate) GAAP financials in lieu thereof. In most cases, there will also be an application for a “Section 57A Direction” to have the notes themselves treated as a “designated investment contract” for Bermuda regulatory purposes, which facilitates Bermuda investor participation in the note issuance.

3.3. Formal License Application

At any time following confirmation of the BMA’s approval in principle, it will be possible to submit the formal application to obtain the certificate of registration (license) as a special purpose insurer. At the same time, formal application is made for the ancillary directions referred to above. Assuming there to have been no material change to the business plan between obtaining the approval in principle and this filing, we would expect to receive the license within 3-5 business days.

4. LISTING ON THE BERMUDA STOCK EXCHANGE

Where the company is issuing notes that are to be listed on the BSX, a listing sponsor will be required. We will assist in the selection of a suitable listing sponsor, and will liaise with them to submit the listing application to the BSX.

The BSX listing application consists of:

Wrapper – provides information as to the key terms of the offering and sets forth disclosures required by the BSX including details of directors and service providers;

Letter of Application – a cover letter which summarizes key terms of the offering;

Letters of undertaking from the company and each Director;

Confidentiality request letter(s) – if applicable, the company may request that the selected transaction documents be filed on a confidential basis and may further request that any data file be kept on a confidential basis;

Copies of relevant transaction documents – drafts of the selected transaction documents, such as the offering circular, reinsurance agreement, collateral/reinsurance trust agreement etc. will be filed initially, with certified copies of the executed agreements submitted on closing.

Where possible, we aim to apply for approval in principle to the listing application in advance of closing. Upon closing of the transaction, the final application is then submitted to the BSX and the notes are listed on the BSX.

If Euroclear or similar clearing arrangements are required in respect of the notes, this can be arranged through the BSX.

5. TRANSACTION DOCUMENTS AND CLOSING

Throughout the transaction, Conyers will provide advice with respect to all Bermuda law aspects including all regulatory and legal issues, to the extent applicable. We will review the transaction documents and, if requested, will prepare and issue relevant legal opinion(s) in respect of the company and the offering. In addition, we will arrange for the necessary corporate approvals (i.e. board and/or shareholder resolutions) for the offering and listing of the notes, and all transaction matters.

Upon closing of the transaction, we will assist with the execution of documents on behalf of the company and will arrange for the necessary Bermuda closing documents, such as certificates of compliance and certified constitutional documents.

6. CONCLUSION

We trust that the above information as to our role in standard Bermuda cat-bond transactions is of assistance. If you require any additional information or would like to request a quote for our services, please do not hesitate to contact us.

This publication should not be construed as legal advice and is not intended to be relied upon in relation to any specific matter. It deals in broad terms only and is intended merely to provide a brief overview and give general information.

© Conyers October 2016