

SETTING UP A BERMUDA (CLASS 2) CAPTIVE INSURER

Conyers consistently incorporates more new insurance companies than all other law firms in Bermuda combined. With many years of experience, you can trust in our legal team to ensure that every step in the process of incorporating, organising and licensing a captive is handled as quickly and smoothly as possible.

Usually, the whole process takes no more than three to four weeks. However, where an application is urgent, the time frame may be condensed. It has been our experience that the regulator co-operates as much as possible to meet deadlines.

What is a Bermuda Class 2 Insurer?

A company may be licensed as a Class 2 insurer if it is owned by two or more unrelated persons and intends to carry on insurance business at least 80% of which consists of insuring the risks of those persons and their affiliates. A Class 2 insurer may also write business which is not a risk of the owners or their affiliates, but which nonetheless arises out of their business or operations (in the opinion of the Bermuda Monetary Authority). Up to 20% of the business may be written as third party risks.

Our Services

Reservation of a name

Incorporation begins with the reservation of the proposed name.

- You should propose at least two alternative names, as a name similar to an existing Bermuda company's name will not be reserved.
- Conyers Corporate Services will submit the application to reserve the name.
- The process generally takes a day.

Registration

The company's proposed insurance business must be approved by the Bermuda Monetary Authority (BMA). Working with you and your other service providers, we can assist in preparing and will submit the registration application. This will include:

- A narrative business plan with
 - a description of the parent/group
 - the proposed business to be written
 - the capitalisation of the company (see below)
 - the applicable management expertise
- Five year financial projections
- A statutory pre-incorporation form
- Résumés of the proposed directors
- Other supporting information on the group and analysis of business to be written
- Letters from the proposed company's principal representative, auditor and loss reserve specialist accepting their respective appointments (see below).

Minimum Capital | The level of capital and surplus required for a Class 2 insurer will generally be based on the volume of premium written and reserves held, but every Class 2 insurer must have a minimum of US\$120,000 of paid up share capital.

Principal Representative | All Bermuda insurers are required to retain a principal representative in Bermuda, who will maintain the principal office of the company, where certain required information must be held. This function is generally provided by a Bermuda insurance manager, who can also help in developing the company's business plan and financial projections. The principal representative/insurance manager must be approved by the BMA. There are several insurance management companies in Bermuda and Conyers works closely with all of them. We would be pleased to make introductions if needed.

Approved Auditor | The Insurance Act also generally requires that every insurer must appoint an independent auditor who will annually audit and report on the statutory financial statements and the statutory financial return of the insurer.

Approved Loss Reserve Specialist | A Class 2 insurer must appoint an individual (usually a casualty actuary) to give an opinion on the company's loss reserves every three years. The person appointed must be approved by the BMA. The application for approval is generally filed along with the company's business plan and must include the specialist's resume and qualifications.

The proposed business plan will be reviewed by the BMA's Insurance Division, which meets weekly. The results of the application are usually communicated within a week of filing. The incorporation of the company can occur prior to or soon after the BMA's review, although we recommend that it be completed as early as possible in order to facilitate steps such as the opening of bank accounts.

Organisation

Following incorporation, the company must be organised (i.e. directors and officers appointed, bye-laws adopted, shares issued) through initial meetings of the shareholders and directors.

Conyers Corporate Services can provide the registered office, corporate secretarial services and the Bermuda resident director and/or Bermuda resident secretary and/or resident representative, in order to meet the requirements of the Companies Act.

Licensing

After organisation, and following capitalisation in accordance with the business plan, the company may formally ask the BMA to issue its Class 2 insurance licence. We can assist with the licence application and, assuming that there have been no changes to the business plan since the initial submission, you can expect to receive the insurance licence within ten business days. Once the licence has been received, the company may commence business.

Ongoing advisory services

Following formation and licensing, we can provide comprehensive ongoing legal and regulatory advice as needs arise.

Speak to our experts

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**For more information about
our insurance capabilities, visit
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