



The Tax Information Exchange Agreement (“TIEA”) between Canada and Bermuda which was signed on June 14, 2010 and is expected to pass through the final round of ratification within Canada very soon could benefit Canadian firms by enabling their operations resident and carrying on active business in Bermuda to be eligible for exempt surplus treatment. This potential benefit has previously only been available for countries with a double tax treaty in force, such as Barbados.

Bermuda is internationally recognized as the premier captive jurisdiction, this TIEA therefore represents an important development for Canadian businesses who either currently own a captive, or those considering forming a captive.

The captive concept. Captives form an essential part of the risk management strategy of many businesses, worldwide. Their use can provide many significant advantages, provided appropriate consideration is given to the suitability and structure to ensure it best suits the needs of the particular business.

A captive structure can be an excellent method in which to

increase and centralize the awareness of the businesses risk management activities. Captives often have common board members with their parents, therefore their visibility of the businesses risk management internationally is always at their fingertips.

Other benefits include:

Reduced or stabilized insurance costs – even out soft and hard market conditions.

Coverage difficult, or impossible to obtain from traditional insurers – unique or traditionally uninsurable exposures can be insured through the captive.

Financial benefit for good claims experience – the premiums are retained by the groups captive, not a third party insurer

Control over claims management – removes uncertainty of claims settlements / disputes etc. Promotes improved risk management and claims cost control

Tax benefits. Captives often operate from different jurisdictions to the parent and may therefore benefit from tax treaties such as the Bermuda Tax Information Exchange Agreement (“TIEA”)

Access to Reinsurance. Being a licensed insurer the captive will benefit from access to reinsurance markets, which can provide additional and lower cost capacity. The captive can also save other frictional costs and reduce premium taxes.

Jurisdiction focus. Bermuda has an enviable reputation both in terms of regulatory environment and also infrastructure. The Island was a key pioneer in the development of captives and maintains its prominence being the largest captive domicile globally. The country is politically stable and has a world class regulatory regime implemented by the Bermuda Monetary Authority, which helps to ensure that the industry is managed responsibly, while providing the commercial flexibility inherently required in a captive structure. Bermuda has received many positive reports from the IMF and OECD, and is included on the OECD “white list” of offshore jurisdictions. The infrastructure for captives on the island is unsurpassed offering a wide array of globally recognized service providers ready to assist captives in all aspects throughout their lifecycle. Bermuda also offers a world class, cost effective opportunity for captives and other alternative risk transfer structures.

Feasibility and Start-Up services.

With KPMG's extensive reach, both within Canada and among all key captive domiciles, we can provide concise and unbiased advice on all aspects of your captive strategy, from analyzing whether a captive is the right solution for your organization, through to project managing the entire Start-Up process. This will include the delivery of a detailed feasibility report which will include consideration to the appropriate corporate structure, domicile, how to get the most benefit from your captive including risk and limit selection. We will assist in the preparation of a detailed operational and business plan, including advice on the selection of service providers and local directors based on your requirements, priorities and own business culture. We will then guide you through the process of licensing and incorporating the entity. An understanding of local insurance regulations and a sound relationship with the local regulator is fundamental to the successful formation of a captive.

Audit services. In today's challenging global marketplace, your captive will require a committed and technically outstanding professional service provider who truly understands your business. KPMG have an established and dedicated specialist insurance team which has the experience and credentials to help understand your business and

the challenges you face. KPMG has an established audit methodology that provides an efficient audit process and helps to ensure that any issues are identified and resolved as early as possible, this together with our significant investments in technology ensure that we are one of the leading audit firms worldwide.

Tax planning. We have a team of tax professionals to provide industry leading advice and assistance with all tax considerations associated with your captive strategy, based in Canada and Bermuda.

Actuarial services. Our team of actuaries will be on hand throughout the start-up process and throughout the lifecycle of your captive.

Lifecycle support. KPMG, provides a full range of services to ensure that captives are not just formed in the most efficient manner, but that they receive the best ongoing strategic support, whether the captive faces changes in its regulatory involvement, wishes to expand its offering (potentially to third parties) or suffers financial issues. We have teams of professionals to provide you with services such as internal audit, business performance, efficiency reviews, forensic accounting and restructuring and exit planning advice and assistance.

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