

**FROM THE CHAIRMAN
Get to Know Us**

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It is this collective experience and expertise that brings value to our clients. Despite the global concerns about credit and investment risk, we are cautiously optimistic that captives remain good business, to which almost 6,000 captives and global annual premium of USD \$150 billion will attest. Incidentally, a recent survey in Captive Review reveals that 64% of this premium is concentrated in Canada, U.S. and the Caribbean, one reason we are excited about our expansion into the US market.

Going forward, we believe that the areas of directors & officers, terrorism and environmental liability will top the list of emerging captive risks, while emerging markets in the Middle East, China and South America offer the most potential for expanded captive business. We at TMG believe that our growing team of experienced professionals is well positioned to meet these and other challenges over the coming months and years.

Regards,

Christopher J.N. Towner

Smith, Williams Gain ACI Designation

Gregory Smith, vice president, and Lisa Williams, account manager for TMG in Barbados, have completed their Associate in Captive Management, a certificate that was presented to the Towner associates at the VCIA conference in August. They are the first Barbadians to earn this certification. Smith has been with TMG for seven years, while Williams has spent four years with the company.

Inniss, Barrow Earn CSA

Also in Barbados, Lois Inniss, vice president, and Richard Barrow, senior

corporate administrator, completed their Institute of Chartered Secretaries and Administrators qualifications, better qualifying them to administer Canadian captive insurance meetings. Barbados continues to be the world's leading domicile for Canadian captives.

"We believe that continuing education allows us to continue our leadership position in the captive insurance industry," says Ricardo Knight, president of Towner Management in Barbados. "These associates illustrate our associates' drive to remain at the leading edge of our industry."

Barbados by the Numbers

According to the June 2009 issue of Captive Review:

- Barbados is the Caribbean's fourth largest domicile with 255 captives
- Canada (42%) and U.S. (33%) companies own three-quarters of all captives domiciled in Barbados
- Among the countries reported in 2008, Barbados had the top net and gross captive growth with 20 new captives formed and three closed

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As one of the largest managers of Canadian-owned captives, The Towner Management Group (TMG) has developed a reputation not only in the captive industry, but also as a manager of International Business Companies (IBCs) and other offshore entities from its headquarters in Barbados. We understand the needs of North American risk managers for insurance efficiency, and of their corporate finance officers' need for proper controls and procedures, strengths that we leveraged when TMG opened its U.S. operations office in Vermont last year, and most recently another office in New York.

That we understand the needs of alternative risk finance managers and shareholders' representatives isn't a surprise considering our experience. My associates and I in Barbados have over half-century of combined experience, and our U.S. operations are in good hands as Guy Ragosta, Len Crouse and Tom Stokes have long been at the forefront of the captive insurance movement in the States.

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OECD Names Barbados Among Most Transparent

The following is a summary of recent news developments affecting Barbados' captive insurance and IBC business.

In London at the most recent G20 meeting, the group of industrialized and developing countries, Barbados was among the 40 countries named as having the most transparent tax information-sharing systems. Canada and the United States were also on the list, compiled by the Organization for Economic Cooperation and Development.

Some 30 countries were named on OECD's grey list as working to resolve their tax information-sharing issues, while four countries – Costa Rica, Malaysia, Philippines and Uruguay – were blacklisted as those having not committed to internationally agreed upon tax information sharing standards.

Canadian Advisory Panel Recommends Tax Change

The Advisory Panel on Canada's System of International Taxation released its Final Report: Enhancing Canada's International Tax Advantage, which recommended that exempt

Canada and the U.S. join Barbados on the top list of tax-information sharing countries.

surplus status be extended to non-treaty countries that have executed tax information exchange agreements. Barbados has signaled it will work to ensure that its status as an international domicile is not affected by this potential change.

In a related development months before, the Canadian Revenue Agency issued a technical interpretation confirming that a Barbados Qualifying Insurance Company (QIC) receiving insurance premiums from related companies doing active business outside Canada would generate exempt surplus, including dividends, if the QIC resided in a country sharing a tax treaty with Canada.



Canada and Barbados Share Special Relationship

Following the independence of Barbados in 1966, the Canadian High Commission was established in Bridgetown and has represented Canadian interests in Barbados ever since. Relations, however, were forged centuries before, as the two entities traded lumber, fish, manufactured goods and other products.

The special financial link began almost a century ago when the Royal Bank of Canada opened foreign operations in Barbados, followed later by CIBC and Scotiabank. Today, that financial link has become particularly strong in insurance, as approximately four in 10 Canadian captives are domiciled in Barbados. Market analysis in 2007 concluded that the international insurance market in Barbados held in excess of USD \$10 billion in assets and annual premium income of more than USD \$2.5 billion.

An article in Barbados International Business and Finance by Walid Hejazi, associate professor of international business at the University of Toronto's Rothman School of Management, concluded that Canadian captives and IBCs domiciled in Barbados have yielded benefits for both countries. The author concludes that Canadian investment in low-tax jurisdictions resulted in significant employment, technology transfer, trade and

productivity in Canada. He also cited Barbados as Canada's most important offshore financial center.

Reasons for Success

There are specific reasons why the two countries share a special business bond:

- EICs are exempt from taxation in Barbados;
- QICs have the option to pay corporate income tax at 25%;
- Captives electing to license as QICs receive a foreign currency tax credit of 93%; on non-Barbadian sources of income – meaning an effective corporate tax rate of 1.75%;
- Legislation governing the segregation of assets and liabilities through Companies (Amendment) Act 2001-30 ensures favorable tax treatment;
- Barbados has an extensive treaty network supporting international business.

The Towner Management Style

by Ricardo Knight & Kirk Cyrus

The professionals in captive management companies serve their clients by wearing many hats. Depending on the needs of their clients, they may provide start-up consulting, accounting, administrative services, claims processing and underwriting, just to mention a few.

At The Towner Management Group, we provide these and other services for our international clientele, but every service we provide is governed by one simple truth: We work to ensure that both the creation of the business entity and its continued operation are both cost-effective and efficient for the parent company. We aim to surpass client service expectations and to provide uncompromising excellence and integrity, combined with a focus on

compliance and due diligence that is unrivaled in Barbados.

Captive Formation is Favorable

In a 2008 report, A.M. Best indicated that captive insurance companies generally benefit from favorable underwriting trends, even during stable periods in the commercially available insurance market. We believe that while price and, in some instances, availability of hard-to-find coverage through a captive are important features, the ability of companies to customize coverage for their unique needs is one of the major reasons the captive insurance industry continues to grow.

We realize that one companies' risk management needs are not necessarily

the same as another, and we work with each company to address their unique challenges. With the number and types of insurance coverages increasing continuously, it is important that captive insurers seek out management services that benefit from economies of scale, yet are nimble enough to react quickly to sudden changes in markets and individual situations.

Whether you need a liaison with Barbadian auditors or management of a corporate meeting, you can count on us to provide these and other services that exceed your expectations.

Ricardo Knight is president and Kirk Cyrus is vice president of The Towner Management Group in Barbados. The Towner Management Group World Headquarters

RIMS Brings its Conference to St. John's

The 35th annual RIMS Canada Conference in St. John's this September promises to provide its usual mix of educational opportunities, reunions with old friends and fellow professionals and the beauty of the Canadian Maritimes.

This year's theme, Charting the Course, Navigating Your Risk couldn't be more timely, given the continued

escalating risks around the world accompanied by a steep global recession. Global security, climate change and other subjects that were barely on the radar years ago will share center stage with a variety of other educational topics affecting Canadian risk managers.

At The Towner Management Group, we salute RIMS for continuing to raise

the professionalism level of risk management, while working to ensure that top management in companies understands that effective risk management is vital to the overall success of any company.

Please visit us at the Barbados booth.