

Celebrating 20 years of service to our clients

TMG
The Towner Management Group

The Towner Alternative

News and Insights About Alternative Risk Management

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Twenty and Counting

Enduring Partners

As The Towner Management Group continues to celebrate its first 20 years of business, I am reminded that, early on, I identified Canadian RIMS as a valuable way to network with insurance professionals in Canada. Over time, my company, and I personally, made a commitment to this event. For a period, I spearheaded the Barbados delegation and met many good people in that process. We continue to applaud CRIMS, wishing them success this and every year.

Towner Management worked hard over the years to build a mutually beneficial partnership with Canada and its multinational business community. We deeply appreciate our Canadian clients' trust in us, and hope to continue providing the level of service that they expect and deserve.

Please accept our sincerest wishes for continued success and our gratitude with a copy of this newsletter. As always, you can find more information on our web site, or by emailing or calling us.

Christopher J.N. Towner
Chairman

Double Tax Treaties More Inclusive than TIEAs

While Barbados waits for a formal review by the Organisation of Economic Cooperation and Development (OECD) to rejoin its white list including the most financially transparent countries, the country and The Towner Management Group continue to maintain an absolute belief in transparency and openness when conducting financial affairs.

DTAs Superior

Barbados never should have been dropped from the white list, which was originally interpreted as countries having at least 12 Tax Information Exchange Agreements (TIEAs). We believe Double Taxation Treaties (DTAs) are superior to TIEAs, providing for transparency and much more. Barbados awaits for a final review from OECD.

"Barbados has a long policy of initiating tax treaties," says Ricardo O. Knight, president of The Towner Management Group. "It appears the Barbados government prefers to include tax-information clauses within its treaties, but under special circumstances will work to create a TIEA with countries desiring one. We continue, however, to believe DTAs offer many more mutual advantages."

Double tax treaties offer a variety of benefits, especially for Canadian companies doing business in Barbados. The treaty between Barbados and Canada significantly reduces taxes for Canadian

companies at home. In addition to earning exempt surplus, Canadian companies also can reduce their withholding taxes on premiums, interest and royalties. Canada and Barbados have had a DTA since 1980.

Treaties are often living documents. For example, Barbados recently added protocols to DTAs with Sweden, Norway and Finland and initialed a new agreement with Iceland. Information exchange provisions are contained in these agreements. Separately, Barbados also initialed a TIEA with Denmark and its dependencies, Greenland and the Faroe Islands.

Provisions Vary

While the Canadian-Barbadian treaty is likely among the most comprehensive, DTAs vary according to country. Most importantly, treaties provide for financial transparency, including tax information exchange provisions. However, not all DTA benefits are financial. Typically, they may address visas, immigration and other topics.

"Treaties also make it easier for signatories to establish residence in a jurisdiction," says Knight. "We at Towner Management are known as experts in Canadian business, and can help with these and other issues, working with clients' tax advisors to achieve the necessary end result."

News Nuggets

The world of captive insurance is constantly changing. These three events brightened the past few months.

Vermont Celebrates Milestone

Thirty years ago, Vermont wrote its first captive insurance laws and saw its first captive formation. Past and current governors and legislators celebrated an anniversary that highlighted the state's non-partisan support that is also an important driver of the local economy. Here's hoping for another 30 successful years.

Tennessee Writes New Laws

Tennessee has a longer U.S. captive history than Vermont, but its captive legislation stalled over time. No longer. The state's House and Senate voted to modernize the state's captive insurance statutes, increasing domestic competition even further.

TMG is 20

Two decades ago, Christopher J.N. Towner had an idea. Today that idea, The Towner Management Group, has grown into a multi-faceted company, featuring its independent captive management firm with a global reach.

The company kicked off year-long festivities with an opening reception in April that included Barbados' Minister of International Business and International Transport, Honorable George Hutson, MP. More festivities are scheduled throughout the year.

Six Reasons to Consider an Independent Captive Manager

Independent captive managers like The Towner Management Group offer their clients more comprehensive services including:

1. Singularity of Focus. Towner Management is independent, so it focuses squarely on the well-being of your captive. Our business is built on the management, administrative, accounting and compliance needs of our clients.

2. Solid Relationships. Why? Because they matter. "It's important to build a level of trust through constant communication with domicile regulators," says Guy Ragosta, partner and CEO of TMG's U.S. operations. "We take the time because it is in our clients' best interests."

3. A Simple Business Model. Managers who are part of larger organizations may feel compelled to offer clients related services or turnkey packages that they and their affiliates provide. Complicated compensation structures can sometimes result in subtle influence.

Independents like Towner Management generally manage and sometimes consult. With a straightforward approach, it is easier to evaluate exactly what you are getting from your manager.

4. Coordination With Related Services. Independents like Towner Management fit well into structures where relationships currently exist with service providers. We have the flexibility and industry credibility to establish and maintain relationships with your service providers.

5. At Towner, We Incorporate the Big Picture. We take the long view, helping captives continuously identify new opportunities to develop their programs. Towner Management has experienced professionals that take our services beyond traditional expectations in captive management. Not all independent managers are the same.

6. Count on More. Towner Management strives to keep abreast of changes affecting your captive. These days, with the escalating pace of changes in your business, your industry, the insurance environment and the global economy as a whole, it is comforting to know that your captive manager is looking out for your best interests.

Take the Captive-centric Approach to Maximize Benefits

In the last few decades as the captive insurance industry has matured, risk management has evolved right beside it. Once a way for only the largest companies with the deepest pockets to temporarily replace unavailable or prohibitively expensive commercial insurance, the captive has become a way of life for a broad range of companies, large and small.

Multiple Benefits

"Captives are the Transformers™ of the risk financing world," says Thomas P. Stokes, Managing Principal of The Towner Management Group (NY) LLC and Consulting Practice Leader for the company. "Captives' ability to adapt to changing conditions combined with evolving risk management techniques

give risk managers a unique way to fine-tune their risk management efforts."

Indeed, captives have become much more than a way of saving money versus buying insurance from commercial markets. Using a captive as a clearinghouse for risk has distinct advantages. It facilitates the evaluation of overall exposure to the enterprise, allowing risk managers to more effectively manage it.

Efficient and Flexible

With captives, risk managers can more efficiently identify and quantify global exposures, control or limit quantifiable risks and determine which risks are best retained by the business. Captives can also

help develop a funding program for retained risks to minimize impact on financial statements, purchase risk transfer for unpredictable and catastrophic risks that can impair a company's viability, report to management how to identify, minimize and eliminate their unique risk, and conserve corporate resources.

Captives are the ultimate risk-organizing and management tool, providing a centralized vehicle to efficiently execute your risk management efforts.

Go to www.townermanagement.com, click on **Insights** to find thought leadership papers on this and other relevant subjects.

Captive Insurance Companies are Versatile

by *Thomas P. Stokes*

In the early years of captive development, only the largest companies could justify the dollar commitment of creating a captive insurance company. Back then, companies created captives primarily as a response to specific risk issues caused by severe disruptions in commercial markets such as product liability, workers compensation, medical malpractice and terrorism insurance lines.

Smaller companies faced similar factors, but the capital and operating costs required to utilize captives were prohibitively expensive, especially when only one or two lines of insurance were involved. How times have changed.

Today's captives have evolved into comprehensive risk management vehicles that compete head to head with commercial carriers. Even smaller companies can leverage a lower capital commitment through the use of a variety of new vehicles like small captives, protected cell captives and group participation entities. In fact, new permutations of captive entities are constantly developed to drive down the cost and capital commitment required.

Risk Management Evolves

This evolution in captives coincides with the increasing sophistication of risk managers and loss control techniques. The mysterious black box days of predicting risk are over. Now, risk managers are more willing

to self-insure because they better understand their risks and how they compare to similar companies' risks. More targeted risk management and tax incentives, such as for small insurance companies, make justifying formation and operation of a captive easier.

To make an informed decision, do your homework and seek independent, experienced professionals to help you understand your captive's costs, capital obligations and other requirements.

Tom Stokes is Managing Principal of The Towner Management Group (NY) LLC and Consulting Practice Leader for TMG.

Financial Services Commission Open for Business

As the summer season began, Barbados was moving ahead steadily to fully staff its new Financial Services Commission (FSC). The commission brings together both supervisory and regulatory activities of the non-banking financial sector, which includes insurance companies. The FSC was established April 1, twenty years to the day when TMG began business.

“Barbados' already strong regulatory regime would continue”

The FSC was interviewing candidates with the goal of full staffing as soon as feasible. Sir Neville Nicholls previously was named Commissioner of the FSC.

High Standards Strengthened

In published interviews, Finance Minister Christopher Sinckler stated that Barbados' already strong regulatory regime would continue, as Barbados positions itself to adjust to evolving best practices in the insurance and other non-banking financial arenas. He provided assurances that the FSC would implement the highest standards without inhibiting the conduct of business in any way.

Barbados Provides Multiple Advantages to Captives

With competition plentiful in the Caribbean, it might surprise you to learn that Barbados has the most Double Tax Treaties (DTAs) in the region, with about two dozen in force—and some three dozen countries, counting Caricom. What won't surprise business people familiar with Barbados are the other advantages the country offers captive insurance companies and business entities from International Business Centres around the world.

The Barbados Advantage

Companies from Canada, many of which have long-established mutually beneficial relationships with Barbados, can attest to these advantages. Structurally, Barbados is without peer in the region. Its regulation is considered fair, but robust. For example, the country recently implemented a Financial Services Commission to oversee non-banking financial institutions (see related story, p. 4).

Transparency International's 2010 Global Corruption Perceptions Index ranked Barbados as 17th among 178 countries for its transparency. In the Americas, only Canada, which ranked sixth, had a higher ranking. The United States was next at 22nd.

The Heritage Foundation's 2011 Index of Economic Freedom ranked Barbados sixth in the South and Central America/Caribbean region, with an overall score that was slightly higher than the previous year's and well above global and regional averages.

Skilled Workers

Barbados features not only a highly educated workforce, but professionals who are skilled in the financial and business services areas. "We take pride in having a world class educational system, which produces highly skilled workers," says Ricardo O. Knight, President of The Towner Management Group. The United Nation's Human Development Index 2010 ranked the country third in the Americas after Canada and the United States for educational attainment.

"Barbados' quality of life, combined with its political, social and economic stability, is on par with any country in the region," adds Knight. "When you combine Barbados' financial advantages with its many other strengths, I believe you cannot find a better business environment if you're a captive insurance company principal looking for a premier domicile."

For more information about how Barbados can benefit your captive or business entity, contact us via the email address or phone numbers provided on this page.

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