

SETUP GUIDE

**SERVICE COMPANY SETUP FOR LLOYD'S ASIA PLATFORM
2008**

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CONTENTS

Executive Summary	04
1 Establish Business Plan	04
2 Submission of Coverholder Application to Lloyd's	04
3 MAS Approval Process	04
4 Incorporate Service Company	05
5 Office Fit Out & Design	05
6 Determine System Setup	05
7 Obtain Employment Visa	05
8 Premium Trust Fund Setup	06
9 Establish Residence for Staff	06
10 Purchase & Setup Systems	06
11 Register Service Company for GST	06
12 Register to Lloyd's Asia Scheme	06
13 Lloyd's Asia contacts	07
Timeline for setting up Lloyd's Asia Service Company	08
Appendix	09
1.1 Requirements for establishing Service Company under LAS	09
1.2 Lloyd's requirements to establish Service Company	09
1.3 Individual registration checks	09
1.4 Communication with the MAS	10
1.5 Officers of Service Company	10
1.6 Service Company Premises	10
1.7 Lloyd's Asia Deposit	10
1.8 Duties and obligations of the Service Company	13
1.9 International Operating Charge	14
1.10 MAS/ Lloyd's Asia Application	15

EXECUTIVE SUMMARY

This is a guide to assist Managing Agents/Syndicates with the intention of setting up a Service Company on the Lloyd's Asia platform. The guide will also provide a timeline and information on relevant parties that are responsible for incorporating the company. Here are the steps required:

- ### 1 Establish Business Plan

 - **Organisation Involved** Managing Agent (MA)
 - **Time Required** Depends on MA
 - **Information/Considerations**
 - Identify business case for Lloyd's Asia Service Company
 - Identify individual to head up service company and offer contract
 - A copy of the Business Plan to be submitted to the General Representative of Lloyd's Asia
 - Requirements for setting up on the Lloyd's Asia platform can be found in Appendix 1.1

- ### 2 Submission of Coverholder application to Lloyd's

 - **Organisation Involved** Delegated Authority (DA), PMD
 - **Time Required** 2 months
 - **Information/Considerations**
 - MA to meet with DA to discuss proposed Lloyd's Asia Service Company application to identify any issues
 - DA can be flexible to a number of details not being confirmed at time of application, if time is pressured. This just needs to be discussed in the meeting and flagged clearly in the resulting application. These issues will be identified as conditions for approval e.g. establishment of company, awaiting contract signature by prospective underwriter. However, if time is not an issue, preferable to have the main aspects resolved by time of application as process will be simpler.
 - On preliminary approval to proceed, MA to speak to DA on applying as a Service Company for the Lloyd's Asia platform.
 - Service Companies operating under the Lloyd's Asia Scheme must comply with Lloyd's requirements (Appendix 1.2) and individual registration checks (Appendix 1.3)

- ### 3 MAS Approval Process

 - **Organisation Involved** MAS
 - **Time Required** 1 month
 - **Information/Considerations**
 - It is highly recommended to meet the MAS supervisory team with Singapore General Rep, if have not done so before, to inform them of application prior to submission
 - Submit MAS/ Lloyd's Asia application information and MAS 106 forms to General Rep for MAS approval (Appendix 1.10)
 - The MAS approval process can be run concurrently with DA's approval process, if time pressured
 - Please note that Service Companies should not contact the regulator directly as Lloyd's Asia is the designated point of contact for all official liaison (Appendix 1.4)

A LOCAL LEGAL FIRM WILL MAKE INCORPORATION A FORWARD PROCESS

4 Incorporate Service Company

- **Organisation Involved** Local company secretarial/Legal firm
- **Time Required** 3 months
- **Information/Considerations**
 - Formation of a Singapore private limited company – using a local legal firm to assist will make it a straight forward process
 - Approval for and reservation of the company name can be completed in 1 working day
 - Execution of incorporation documents by first director(s) and first subscriber(s). As a Singapore company must have at least one ordinarily resident director and the CEO of the service company will not to be approved (or possibly even in situ then) a “nominee” director can be arranged by the legal firm. This individual will then resign and be replaced by the CEO once approved. Officers of the Service Company must comply with Lloyd’s Asia Scheme regulations (Appendix 1.5)
 - Incorporation of company can be completed within 1-2 working days
 - A bank account can be opened after the service company is formed
 - Lloyd’s Asia can assist in providing recommendations for legal firms

5 Office Fit Out and Design

- **Organisation Involved** Local designers/project managers/realtors
- **Time Required** 2 – 3 months
- **Information/Considerations**
 - Lloyd’s Asia office will assist in finding office space and can recommend designers/project managers for the office fit out
 - There is currently space at One George Street for companies that are joining the platform (Appendix 1.6)
 - Companies are responsible for their own design and fit out works

6 Determine System Setup

- **Organisation Involved** Local/home office IT engineers
- **Time Required** 1 – 2 months
- **Information/Considerations**
 - Visit Singapore office to determine what needs to be done
 - Determine nature of IT & telephone set up in office (e.g. PBX or IP telephony)
 - Determine connectivity in the office (voice, video conference capabilities, MASnet connection)
 - Lloyd’s Asia can provide recommendations on service providers

7 Obtain Employment Visa

- **Organisation Involved** Local company secretarial/Legal firm
- **Time Required** 3 weeks
- **Information/Considerations**
 - Obtain employment passes for any expatriate staff
 - Expatriate staff can enter Singapore on a social visit pass (up to 30 days for UK residents) and apply for work visas while in Singapore
 - Lloyd’s Asia can provide more information on attaining work visas
 - Additional information can be found at http://app.ica.gov.sg/serv_visitor/index.asp

EXPATRIATES CAN ENTER ON A SOCIAL VISIT PASS FOR UP TO 30 DAYS

8 Premium Trust Fund Setup

- **Organisation Involved** Local bank (eg. Citibank)
- **Time Required** 1 month
- **Information/Considerations**
 - Service Company has to open PTF and current account
 - Service company capital requirements must be paid up and in the service company bank account prior to MAS approval (currently S\$300k but to be removed by 2009, subject to approval from MAS)
 - Bank contacts for Service Company can be arranged
 - Service Company to inform General Rep once accounts are opened
 - Additional information on deposit and funding requirements are in Appendix 1.7

9 Establish Residence for Staff

- **Organisation Involved** Local letting agent
- **Time Required** 1 – 4 weeks
- **Information/Considerations**
 - Lloyd's Asia can provide recommendations on housing and realtors for expatriate staff

10 Purchase & Setup Systems

- **Organisation Involved** Local/London IT provider
- **Time Required** 3 – 4 weeks
- **Information/Considerations**
 - Purchase and setup of IT hardware & networks in finished office
 - This important function includes the MASnet setup for submitting regulatory returns
 - A contact person responsible for the MASnet setup and submission of the returns have to be identified and provided to the Administrator

11 Register Service Company for GST

- **Organisation Involved** Audit firm
- **Time Required** 3 weeks
- **Information/Considerations**
 - Local audit firm (local office of whichever auditor used in UK)
 - Lloyd's Asia can provide recommendations on local audit firms

12 Register to Lloyd's Asia Scheme

- **Organisation Involved** Lloyd's Asia
- **Time Required** 1 day
- **Information/Considerations**
 - Lloyd's Asia provides letter confirming registration of the scheme, once Coverholder and MAS approval granted
 - Once registered on the platform, Service Companies have to follow the Lloyd's Asia regulations (Appendix 1.8)
 - Lloyd's operating charges are listed at Appendix 1.9

13 Lloyd's Asia contacts

- **Organisation Involved** MA/vendor
- **Time Required** varies
- **Information/Considerations**
 - Please note that Lloyd's will not be responsible or liable for the services provided by these vendors. These contacts are provided purely for information. There is no restriction on which service provider to use.

Auditors

Ernst & Young
 Yap Swee Gek, Partner
 Tel: 63096235
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Company Secretary

Drewcorp Services
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Tax and GST

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Housing

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Legal

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Info Technology

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Telecommunications

Televenture Enterprises Pte Ltd
 Yap Sek Beng
 Tel: 62720991
 Hp: 94502388

General – finance, reporting, IT, back office

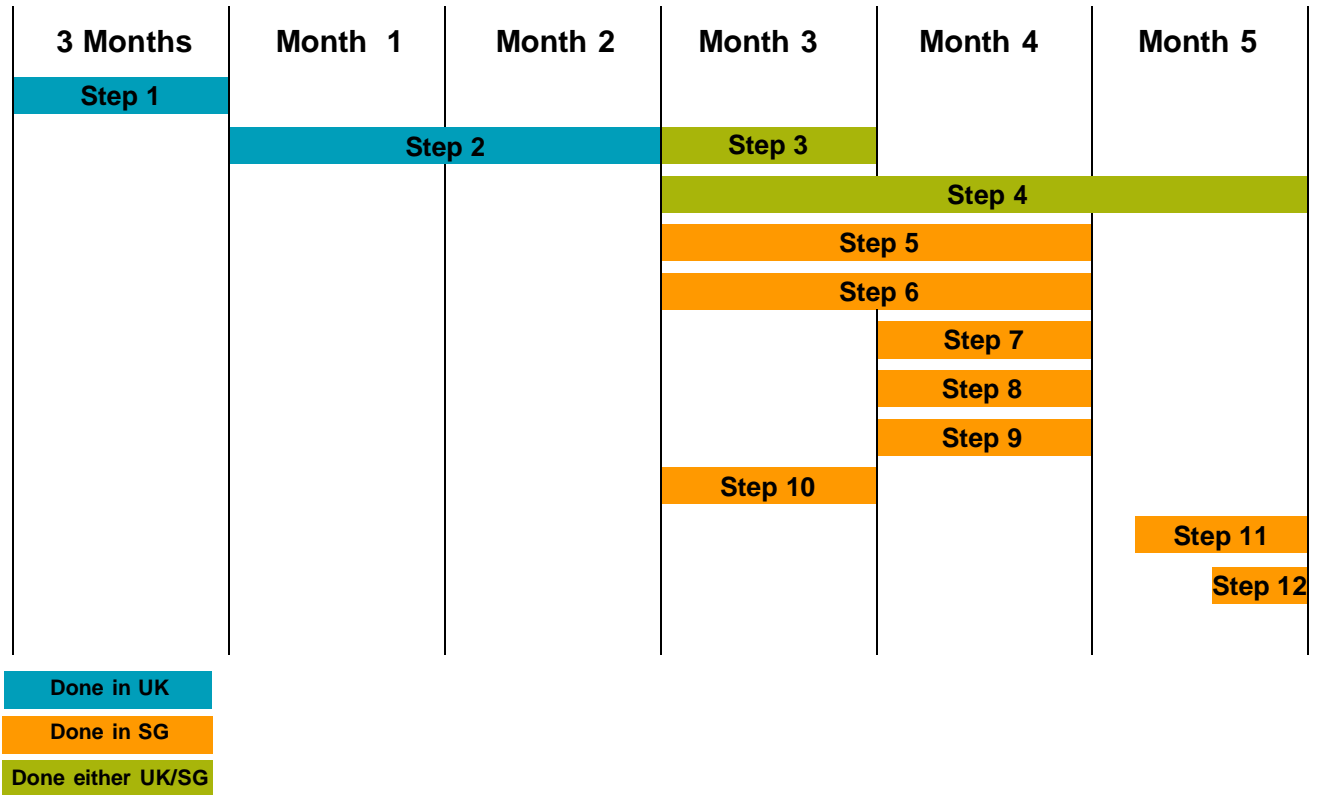
Whittington Asia Pacific Pte Ltd
 Simon Birch
 Tel: 65117000
 Email: Simon.Birch@whittingtoninsurance.com

Banking/Premium Trust Fund

Citibank
 Damien Tan
 Tel: 63285197
 Email: damien.tan@citigroup.com

Standard Chartered
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 Email: cherine.leo@standardchartered.com

TIMELINE FOR SETTING UP LLOYD'S ASIA SERVICE COMPANY



APPENDIX

1.1 Requirements for establishing a Service Company under the Lloyd's Asia Scheme

Under the Lloyd's Asia Scheme Regulations (Reg. 5) only companies registered under the Singapore Companies Act and meeting the following requirements can act as agents for Lloyd's members under the LAS Regulations:

- the company must, unless the MAS otherwise permits, be a subsidiary of a Managing Agent at Lloyd's;
- the company must have a paid-up capital of not less than S\$300,000 (to be removed in 2009, subject to approval from MAS); and
- the company must be registered with the Administrator

Under Regulation 14(1) of the Securities and Futures Act (SFA) read together with paragraph 5(1)9f) of the Second Schedule of the Securities and Futures (Licensing and Conduct of Business) Regulations 2002, a Service Company whose business in fund management is solely incidental to carrying on business as an agent of a member of Lloyd's is exempted from the requirement to hold a capital market services licence to carry on that business.

There is no need for a separate exemption for representatives of the service companies because Section 83 of the SFA, which requires representatives to be licensed, does not apply to a representative of an exempt person and the service companies would be exempt persons for this purpose.

The exemption would cease to apply to a Service Company if it were to carry on business in fund management which is not solely incidental to carrying on business as an agent of the member of Lloyd's.

1.2 Lloyd's requirements to establish Service Company

A Managing Agent setting up a Service Company to operate under the Lloyd's Asia Scheme must comply with Lloyd's own requirements, regulations and Intermediaries Byelaw.

For further information regarding the requirements with which a Service Company must comply, please contact Delegated Authority Team (DA) under the Performance Management Department (PMD) at + 44 (0) 7327 6275. The Taxation Department on + 44 (0) 207 327 6860 should also be informed of the establishment of a Service Company to ensure that taxation issues are addressed.

1.3 Individual registration checks

The MAS insist upon equivalent regulatory standards between business written via the Lloyd's Asia and Lloyd's Schemes. It is therefore a Lloyd's requirement that individuals holding underwriting authority on behalf of a Lloyd's Asia Service Company and the chief executive officer of the Service Company must go through Lloyd's Individual Registration Scheme checks.

The application form for Individual Registration and the correlative handbook can be obtained by contacting the Delegated Authorities Team at + 44 (0) 7327 6275. It should be noted that before the checks can commence

on the Individual Registration Scheme an individual intending to underwrite must sign the “Undertaking by Underwriter” form, the signing of which brings the individual within Lloyd’s disciplinary and regulatory jurisdiction.

On completion of the checking process, the DA will advise the Administrator whether the individual passed the process.

1.4 Communication with the MAS

Service Companies should advise the Administrator, in the first instance, on any matter they wish to have raised with, or any promotional material they wish to send to the MAS, other government authorities or regulators in other ASEAN countries.

They should not contact such bodies or officials directly without first consulting Lloyd’s Asia, who is the designated point of contact for all official liaisons.

1.5 Officers of Service Company

A Service Company must make the following appointments:

- a Chief Executive Officer. The individual must be;
 - resident in Singapore;
 - approved by the MAS;
 - directly responsible for the conduct of the Service Company.
- at least one Underwriter in Singapore who has at least 6 years’ (or any shorter period as the MAS may allow) experience in underwriting any specialised risk (risk type dependent on MAS)

All director appointments of the Service Company must first be approved by the MAS. The Underwriter and resident CEO can be one and the same person.

There is no explicit requirement in the Regulations for Service Companies to send an ‘expatriate’ to Singapore or for the underwriter to have Lloyd’s market experience. However, the MAS’ clear preference is for Lloyd’s Asia Service Companies to employ at least one underwriter with London market (preferably including Lloyd’s market) experience in addition to developing local talent.

1.6 Service Company Premises

A Service Company shall only conduct business at the registered office of the Administrator or at such other premises as may be approved by the MAS.

Service Companies are required to sign a Licence Agreement that sets out their responsibilities and obligations in respect of the sharing of premises and facilities with Lloyd’s Asia.

1.7 Lloyd’s Asia Deposit

Lloyd’s Asia is required to maintain a deposit with the MAS on behalf of all members carrying on insurance business in Singapore under the LAS Regulations. The total value maintained is the greater of S\$500,000 or 55% (to be reduced to 30% in 2009, subject to approval from the MAS) of

the net premiums (direct and reinsurance) received in respect of Singapore policies issued in the course of carrying on insurance business in Singapore in the preceding year.

• Funding of the deposit

The funds to support the deposit are collected, as part of Additional Securities Limited's (ASL) annual collection exercise, from members' premium trust funds.

Service Companies are entitled to withdraw an amount from the Singapore Policies Insurance Fund to meet this funding requirement; the provision of Overseas Business Regulatory Deposits is a Permitted Trust Outgoing. However, the funding of the deposit cannot be withdrawn from the Offshore Policies Insurance fund.

The deposit is calculated using the returns submitted by Service Companies to the MAS (copies of which are held by the Administrator and International Market Access ("IMA")). IMA advises ASL of the size of the deposit.

If Service Companies' total net premium income for Singapore policies is below the level required for a minimum deposit requirement of S\$500,000, a collection will be made from Managing Agents to fund the S\$500,000 as a proportion of their premium income. If the total net premium income is above the minimum level a collection is made from each Managing Agent based on 55% (to be reduced to 30% in 2009, subject to approval from the MAS) of the net premiums they received.

• Claims on the deposit

The MAS may apply all or part of the deposit towards a valid claim from a policyholder of a Lloyd's policy issued under the LAS Regulations. Before doing so, the MAS will give the Administrator notice in writing of its intention and will identify the relevant claim. After such notification, the Service Company to whom the claim relates has 30 days in which to pay the claim, barring which the deposit is applied for such payment. A claim is a "valid claim" if it is for a sum which is admitted by the syndicate or which is payable under a final judgement.

When the MAS has applied all or part of the deposit towards a claim, the Administrator must top up the deficiency in the deposit within 30 days of the MAS providing notice of the deficiency. The Administrator will obtain such top up funds from the Managing Agent of the Service Company to whom the claim relates.

Lloyd's must maintain the deposit with the MAS for as long as members carry on business in Singapore under the LAS Regulations. Should all members cease doing so, the deposit – less an amount thought necessary to ensure the continued protection of policyholders – would be transferred to the Administrator and from there to the appropriate Managing Agents.

• Insurance Funds

A Service Company must establish and maintain in Singapore the following insurance funds in respect of policies issued by the members in the course of carrying on insurance business in Singapore:

- an insurance fund for Singapore policies (the Singapore Policies Trust-Fund); and
- an insurance fund for offshore policies (the Offshore Policies Trust-Fund).

A Service Company must pay all premiums and other receipts received into the appropriate insurance fund. The premium receipts of different

members may be placed or pooled in the same insurance fund or may be otherwise mixed together. However, the assets of an insurance fund for Singapore policies must not be mixed with the assets of an insurance fund for offshore policies.

The assets of the insurance funds established above can only be used to pay Permitted Trust Outgoings. Permitted Trust Outgoings are defined in Schedule 3 of both the Lloyd's Asia (Singapore Policies) and Lloyd's Asia (Offshore Policies) Instruments. The full Instruments are provided within Market Bulletin. A copy of these Instruments can be accessed via Lloyd's internet site: www.lloyds.com

Assets must be maintained in the insurance funds equal in value to at least the amount of premiums received in relation to the relevant policies in the same year, less the amount of Permitted Trust Outgoings attributable to those policies during the year.

After the end of each year, all or any assets of the insurance funds may be transferred to such premiums trust funds outside Singapore as the MAS may permit. This is subject to a letter of credit being established in favour of the MAS to secure payment of the net liabilities of the members of the syndicate under all Singapore policies and offshore policies issued by them. (See below for further information on the letter of credit).

• **Letter of Credit**

Before a Managing Agent can arrange transfers of monies from the Singapore Policies Trust Funds or the Offshore Policies Trust Funds to premium trust funds outside Singapore, Lloyd's Asia shall ensure that the Service Company:

- only repatriates funds which relate to calendar year of accounts which have ended
- establishes in favour of the MAS, an irrevocable letter of credit issued by a bank licensed under the Singapore Banking Act in a form acceptable to the MAS. The value of the letter of credit must be equal or greater than the difference between the claim liabilities and the total cash and deposits in the insurance fund and is determinable quarterly based on the latest MAS quarterly return data. The letter of credit is intended to secure payment of net outstanding liabilities of the members of the syndicate concerned under all Singapore policies and offshore policies issued under the LAS Regulations.

Claims liabilities are defined as gross outstanding claims less credit for ceded reinsurance. The credit for ceded reinsurance is to be calculated by syndicates using their overall reinsurance ceded and recovered figures each year to calculate what they are as a percentage of total gross premium and gross claims respectively. Syndicates would then apply these percentages to their Lloyd's Asia premiums and claims to calculate the appropriate reinsurance figure.

The MAS may call on the letter of credit to satisfy the valid claim of a policyholder of a policy issued under the LAS Regulations, if the claim is not paid within a reasonable period. A claim is a "valid claim" if it is for a sum which is admitted by the syndicate or which is payable under a final judgement. Before calling on the letter of credit, the MAS will give the Administrator a notice in writing of its intention to do so and identify the relevant claim. The members of the syndicate to which the claim relates would then have 30 days to pay the claim, or the MAS will draw on the letter of credit.

1.8 Duties and obligations of the Service Company

A Managing Agent setting up a Service Company to operate under the Lloyd's Asia Scheme must comply with the below:

• New Policies

A Service Company shall inform the MAS, via the Administrator, of any intention by it to introduce into Singapore, policies insuring risks of a nature which have not previously been underwritten in the Singapore general insurance market.

• Duty to respond to notices and legal process

A Service Company is responsible for accepting and responding to notices and legal processes served on members of Lloyd's carrying on insurance business in Singapore and for which it acts as an agent under the Regulations.

• Establishment and maintenance of separate insurance funds

A Service Company must, on behalf of each member of Lloyd's of which it is an agent under the Regulations, establish and maintain in Singapore the following insurance funds in respect of policies issued in the course of carrying on insurance business in Singapore:

- (a) an insurance fund for Singapore policies; and
- (b) an insurance fund for offshore policies.

These insurance funds should be established in respect of each syndicate in relation to which it acts for that member.

• Registers to be maintained by the Service Company

Every Service Company must maintain:

- (a) a register of all Singapore policies; and
- (b) a register of all offshore policies

issued on behalf of the members of Lloyd's carrying on insurance business in Singapore under the Regulations in respect of which it is appointed as an agent.

Procedures should be established so that all staff of the Service Company is able to provide details of any policy/policies to Lloyd's Asia and/or the MAS at short notice.

The register should include, but not be limited to the following:

- name and address of policyholder;
- reference number of policy;
- date on which policy was issued;
- terms of policy;
- risk the policy relates to.

• Accounts and Statements of the Service Company

Every Service Company must:

- (a) have the accounts of each syndicate for which it acts as a Service Company audited for each accounting period in accordance with section 36 of the Insurance Act as if the syndicate were a registered insurer, subject to such modifications or variations as may be agreed by the MAS;

(b) provide Lloyd's Asia with such statements of account, and information about any matter related to its activities as agent for members of Lloyd's under the Regulations, as the Administrator may require; and

(c) provide Lloyd's Asia with its syndicate business plan/s on an annual basis.

1.9 International Operating Charge

International Market Access (IMA) applies a charging structure to recover the costs of the protection and promotion of Lloyd's international trading position (including the costs of international representation). This structure is composed of three core operating charges, based on an underwriter's gross international premium, which are:

- International operating charge on direct business
- International operating charge on reinsurance business
- International coverholder business supplement (i.e. binding authority business)

The operating charges are collected quarterly in advance from the syndicates. A fifth adjustment is made after the year-end to reflect actual costs for the preceding year and actual premium income.