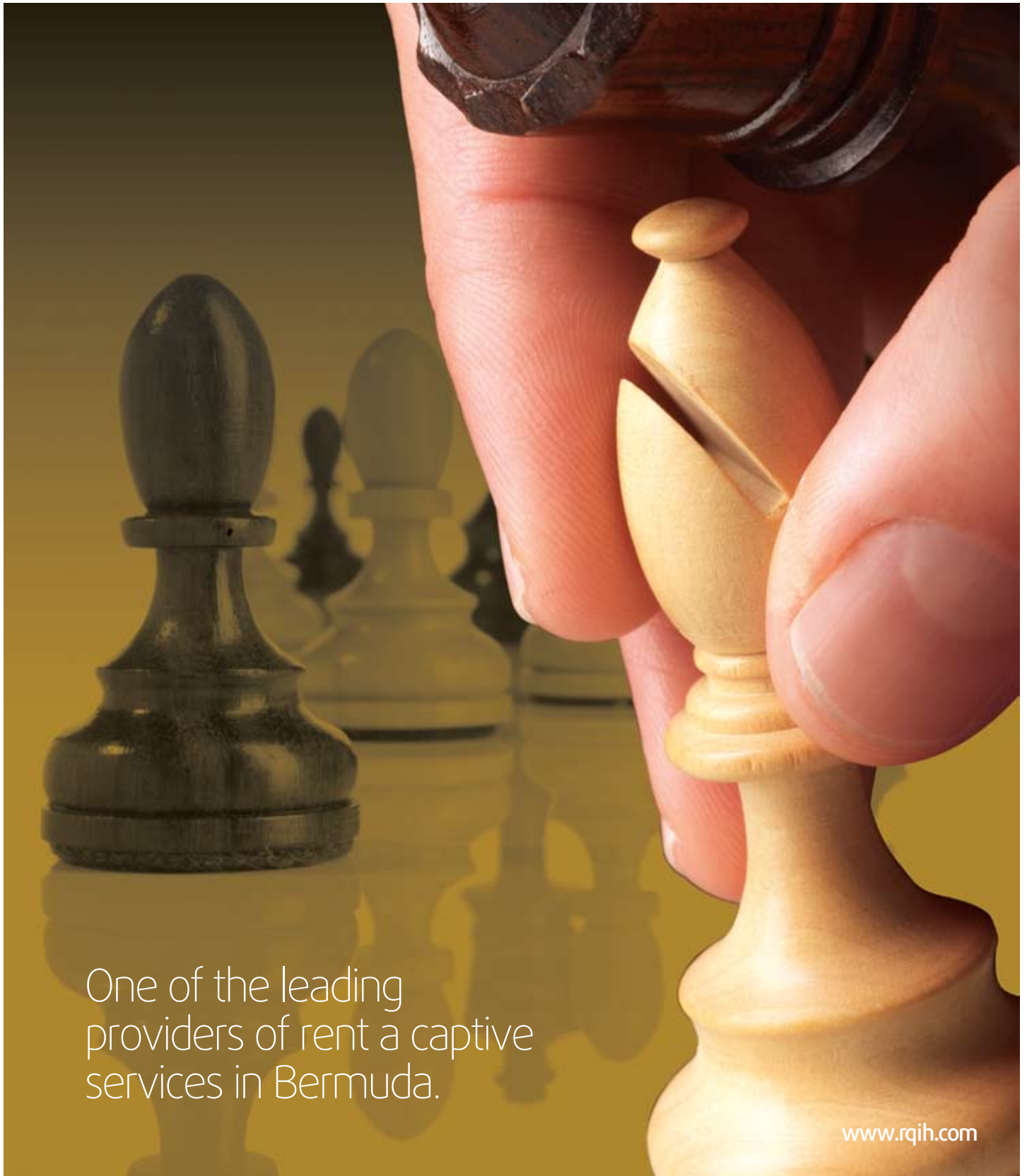


Captives Rent a Captive Solutions



One of the leading providers of rent a captive services in Bermuda.

Captives

Rent a Captive Solutions

R&Q provides a depth of service and experience to the captive sector derived from many years of servicing the general insurance community.

The following services and solutions are available:

- **Captive services**
Currently licensed in Bermuda and Washington DC and expanding into other US domiciles and Europe. Fully bundled solutions are available utilising the broad skill set within the R&Q group to include incorporations, accounting and regulatory returns, reinsurance access, claims handling, audit and inspection, reinsurance processing and collection, credit control and exit solutions.
- **Provision of exit solutions**
R&Q has been acquiring insurance and reinsurance companies in run-off, or discontinued books of business, for many years. The group can provide a clean exit to a captive owner by acquiring the business or alternatively, R&Q can offer other exit solutions such as schemes of arrangement (for Bermuda and other jurisdictions where the law allows), commutation programs, novations or other reinsurance products such as adverse loss development cover. R&Q has a Bermudian Class 3 insurer, R&Q Re (Bermuda) Limited, that is able to provide reinsurance finality solutions (subject to necessary approvals).

R&Q's activities/services operate under the following 4 divisions:

Insurance Investments

- Purchase of legacy insurance/reinsurance companies/captives
- Liquidity management
- RITC

Insurance Services

- Claims management
- Reinsurance management
- Broker services
- Audit and inspection
- Accounting services
- Credit control
- Exit solutions
- Cover holder services
- Broker performance reporting

Underwriting Management

- Turnkey management
- Delegated underwriting facility
- Capital support

Captives

- Bundled & unbundled management services
- Rent a captive solutions
- Exit solutions

Captives

Rent a Captive Solutions



Rent a Captive Solutions

R&Q Quest has one of the leading independent rent a captive (RAC) companies in Bermuda. Clients include major corporations, private companies, groups and associations from the United States, Europe and the Pacific Rim.

R&Q Quest's aim is to be simple, flexible and above all cost effective. Our RAC programs are set up so that the program participant receives 100% of the underwriting profit and investment income earned on the program.

R&Q Quest was formed under the Segregated Accounts Companies Act 2000 (the 'Act') in Bermuda. The Act allows companies to operate segregated accounts enjoying statutory divisions between accounts. The effect of such statutory division is to protect the assets of one account from the liabilities of other accounts. Therefore each RAC program is protected from the results of all other RAC programs of the company.

R&Q Quest is indemnified against losses on the program by the participant and the profits are returned to the program participant by way of a supplemental agreement. Our only charge is based on a sliding-scale percentage of the program premium and in some instances, a percentage of the invested assets. Unlike some other RAC facilities R&Q Quest allow the participants flexibility in designing their own investment program.

R&Q Quest has long-established, close contacts with a number of specialist underwriters. We take the participant's submission to this specialized market and come back with the best deal in terms of cost and coverage.

Components of the R&Q Quest Rent a Captive Program

Insurance Policy

Either R&Q Quest, or a licensed and admitted insurance company (fronting company of the participant's choice), will issue an insurance policy to the insured. For that policy the insured will pay a premium determined by state rating formulas or expected losses plus fixed costs.

Reinsurance Agreement (if a fronted policy)

The fronting company will deduct operating expenses from the program premium and cede the balance (the loss fund) to the RAC via a reinsurance agreement. Under the terms of the agreement the RAC will participate in losses up to a specific and aggregate limit. The specific and aggregate stop loss provided will be based on the program participant's risk appetite and evaluation of historical loss data.

The Indemnification Agreement

The Indemnification Agreement guarantees the return of underwriting profit (premiums less expenses and losses) and investment income directly to the program participant. The Agreement also indemnifies R&Q Quest for any losses incurred on the program.

Segregated Accounting

Each RAC program stands alone and does not share risk with any other program thus guaranteeing that underwriting profit is determined solely by its own loss experience. There is no pooling of risks or funds with other participants.

Collateral

In most cases the loss fund is not sufficient to completely fund the aggregate liability. In this case the program participant must fund the difference through a letter of credit, cash or other acceptable security.

Investment Policy

Provided that Quest is satisfied with the security of such investments, funds may be invested in accordance with the participant's instructions.

What are the benefits?

Underwriting Profit

If a business which has had historically low losses over a number of years is placed into the R&Q Quest program the underwriting profit accumulated offshore goes directly to the program participant, not to a commercial carrier.

Investment Income

An added bonus is the investment income which the participant can earn in a RAC Program that stems from the time delay on the payment of losses. For example, a liability loss incurred in a specific year may actually be paid over a five to ten year period or even longer. During this time the premiums, now in the form of loss reserves, remain available for investment and the program participant, not the commercial carrier, will be entitled to the investment income derived.

Additionally, the investment policy is at the direction of the program participant.

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Captives

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