

Selecting the right type of insurance-linked securities (ILS) structure, its optimum location and the service providers needed to achieve success are key strategic decisions that a sponsor needs to make when establishing their ILS vehicle. Here we outline several of the main considerations.

ILS structures such as segregated accounts companies (SAC), protected cell companies (PCC), catastrophe bonds or collateralized (re)insurers are predominantly established for the purpose of risk transfer within the (re)insurance market. Structuring options are continually evolving which influences the rationale for selecting one solution over another. Many of the higher-level considerations are similar while the nuances will differ by type of business venture and intended speed-to-market:

KEY CONSIDERATIONS WHEN ESTABLISHING AN ILS VEHICLE

- Complementary to an existing platform or new venture
- Target business portfolio
- Collateralized, rated or hybrid structure
- Short or long-term investment
- Target investor base
- Restricted or unrestricted SPI
- Purpose and Type
- Domicile
- "Onshore" vs. "Offshore"
- Reputation and competitiveness
- Economic capital requirements
- Economic substance requirements
- Legal infrastructure/Governing Law
- Responsiveness of the Regulator
- Proximity to sponsor/target market
- Pool of local talent

- Onshore or offshore Counsel
- Tax advisors (PFIC)
- Auditors, if required
- Banking and trust facilities
- Directors and iNEDs
- Brokers, MGAs and introducers

Business Partners

Insurance Manager

- Experienced, knowledgeable teams
- Direct communication line to experts
- Client stewardship approach
- Proactive, efficient collateral management
- Global footprint with local service delivery
- Investor reporting capabilities
- Risk management and actuarial capabilities
- Part of an insurance group with a respected standing

The right choice of domicile is critical to success and we explore this in a separate article, **Selecting the appropriate domicile to establish an insurance-linked securities (ILS) vehicle**.

Artex Risk Solutions has experienced, knowledgeable teams located in various domiciles to support the successful launch of a new ILS venture.

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