



Fronting Arrangements for Latin American Captives

Each country in Latin America has different insurance regulations for non-admitted coverage and reinsurance. Often the number of insurance carriers licensed to do business in a particular country can be limited by the government.

One of the biggest challenges in Latin America is the requisite fronting arrangements; if the captive is not rated and registered in the country where the policy has to be issued, the captive will need double fronting (local carrier plus a reinsurer registered in the country) to place the risk into the captive.

The fronting carrier(s) retain:

- > Fronting fees
- > Boards, bureaus, taxes
- > Excess coverage premium (optional)

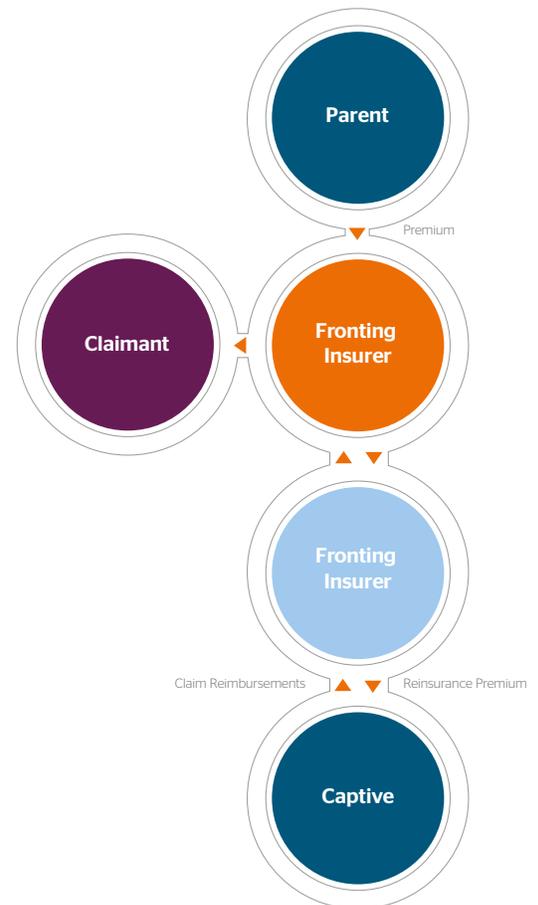
The captive retains:

- > Underwriting profit
- > Investment Income
- > Cash flow float

The main domicile for Latin American captives is Bermuda. There are several reasons for this, but most importantly is the domicile's location, regulation, reputation, costs and the tax agreements Bermuda has signed with many Latin American countries.

Nearly two-thirds of all Latin America-owned captives in the world are being formed in Bermuda, which equates to almost 250 companies across multiple sectors. The presence of commercial insurance and reinsurance companies in Bermuda allows captive owners and operators to access open-market underwriting capacity not found in any other captive domicile, making Bermuda a one-stop shop.

A sample diagram of a double fronting arrangement is below:



The Artex Advantage

Artex provides a full range of alternative risk management solutions, customized for our clients' individual challenges and opportunities. Powered by independent thought and an innovative approach, we empower our clients and partners to make educated risk management decisions with confidence.

Operating in over 30 domiciles and in more than 15 offices internationally, we have the proven capacity to supply any alternative risk need. Artex is a solutions company, and we invite you to learn more about our breadth of services and depth of talent. There is an upside to risk. Let's work together to find the right solution for your organization.