



Fronting Programs: Benefits and Considerations

Fronting Programs

incorporate varying levels of risk retention and/or risk transfer

	Captive	Rent-A-Captive	Indemnity Program
Potential Benefits			
• Enhanced control over the insurance program structure	♦	♦	♦
• Ability to address risks not covered by traditional insurance or financial products	♦	♦	♦
• Opportunity to benefit from positive loss experience	♦	♦	♦
• Reduction of total cost of risk	♦	♦	♦
• Supports programs to provide proof of insurance	♦	♦	♦
• Customized policy forms	♦	♦	♦
• Reduced volatility of rate, capacity, and coverage	♦	♦	♦
• Allows deductible flexibility (e.g., by location or by line)	♦	♦	♦
• Optimization of risk retention strategies	♦	♦	♦
• Tax efficiencies	♦	♦	♦
• Interest earned on premiums	♦	♦	
• Interest earned on reserves and capitalization funds	♦	♦	
• Control over capital management and investments	♦		
• Facilitates cost-efficient access to reinsurance market	♦	♦	
• Provides the benefit of captive ownership with reduced set-up costs and capital contribution		♦	
• Cost effective alternative to captive ownership		♦	♦
• Facilitates access to risk transfer only available at higher attachment points	♦	♦	♦
• Use of manuscript forms to custom tailor coverage	♦	♦	♦
Potential Considerations			
• Direct impact of negative claims experience	♦	♦	♦
• Start-up costs	♦	♦	
• Operating and management costs	♦	♦	
• Collateral requirements	♦	♦	♦
• Capitalization requirements	♦	♦	
• Lack of control over investments		♦	
• Regulatory oversight	♦	♦	
• Program structure limitations		♦	
• Time frame for program implementation	♦	♦	♦
• Current interest rates and maturity of losses will impact estimated cost/benefit	♦	♦	



AIG Advantages

- Over 50 years of providing fronting solutions leveraging AIG's network of owned operations in over 90 countries, supported wherever required by local insurance partners
- A market leader providing non-traditional insurance and reinsurance solutions
- Unique deal team culture bringing together underwriters, actuaries, lawyers, accountants, credit officers, claims professionals and operational specialists
- Technical expertise to cover risks for which there is no conventional insurance market
- A history of partnering with clients to truly understand their business needs to provide innovative risk transfer and risk financing solutions
- Superior servicing and claims handling, reporting, and management
- Full access to AIG's multinational policy issuance capabilities and expertise controlling multi-currency cash flows
- Access to the resources of the AIG organization, including significant risk-bearing and risk financing capacity
- Ability to insure virtually all lines of business
- Extensive product customization ability
- Regional fronting expertise and ability to meet local regulatory requirements
- Full range of captive management and protected cell services

Visit us today at www.aig.com/frontingandcaptiveservices

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