

# GREEN ISLAND REINSURANCE TREATY



## WHAT IS GREEN ISLAND?

Green Island is a contractual reinsurance pooling arrangement among a group of single parent captive insurance companies (participants). The parents of the participating captives represent a diverse group of Fortune 500 companies with a like-minded focus on safety, risk mitigation, and loss control. The participants share the first US\$300,000 per occurrence of casualty losses.



**Workers' Compensation or Federal Employers Liability Act (FELA) Liability (Mandatory)**



**General Liability (Optional)**



**Auto Liability (Optional)**

## WHAT VALUE DOES GREEN ISLAND PROVIDE?

Green Island provides participants with all four of the possible benefits of risk pooling:

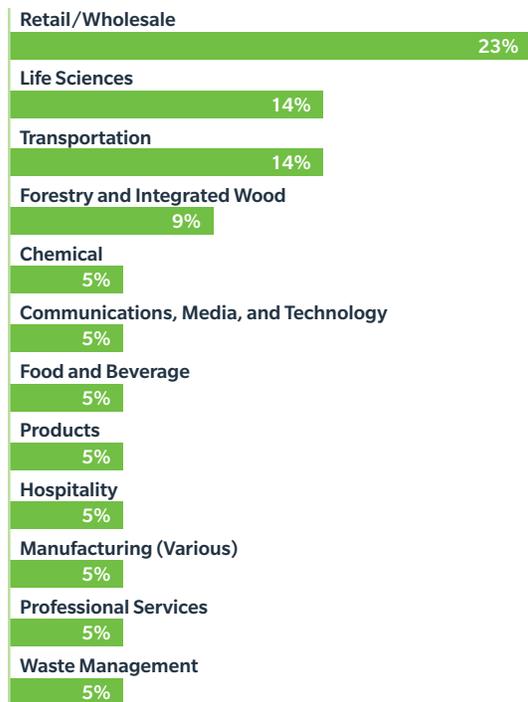
- Diversification of underwriting portfolio.
- Reduction in loss volatility.
- More stable, predictable captive cash flow to assist with internal budgeting process.
- Transformation of the captive's own related risk into unrelated risk which could support tax deductibility of captive premiums and accelerated deduction of loss reserves (economic advantage typically 3-5% of total annual captive premium).

## FAST FACTS — 2017

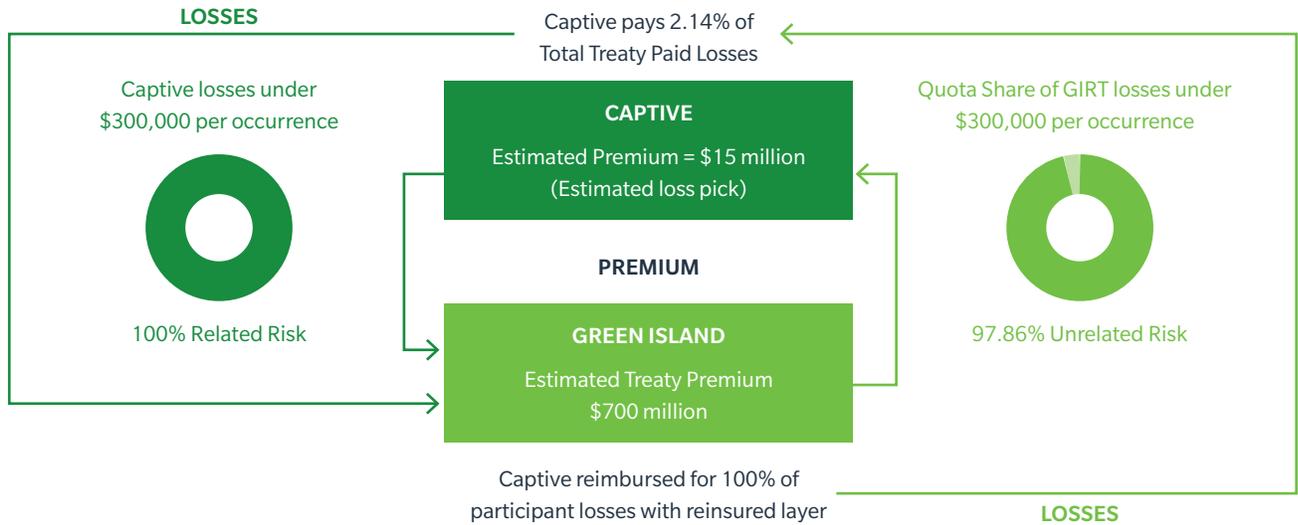
**22** Participants | **11 year** Average tenure

**(10%)** Average loss results lower than premium | **\$0** Credit loss in 20 years

**US\$629 million** In premiums written in 2017



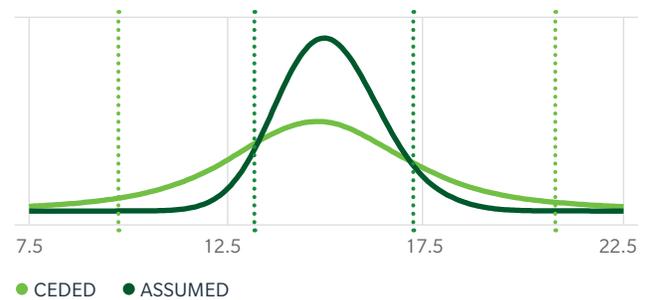
## HOW IT WORKS



## IMPACT OF POOLING ON LOSS VOLATILITY

Participants trade their own losses for a share of the overall Green Island loss portfolio. The above shows simulated results for actual participants based on an average premium of \$15 million. Relative to expected losses of \$15 million, a participant's own undiversified losses will fall between \$9.7 million and \$20.8 million 90% of the time. Compare this to the diversified Green Island result: expected losses are still \$15 million, but losses at the 90% confidence interval have narrowed to between \$13.2 and \$17.2 million.

## EXPECTED LOSSES/PREMIUM = \$15.0 MILLION 90% CONFIDENCE INTERVAL



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