

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:

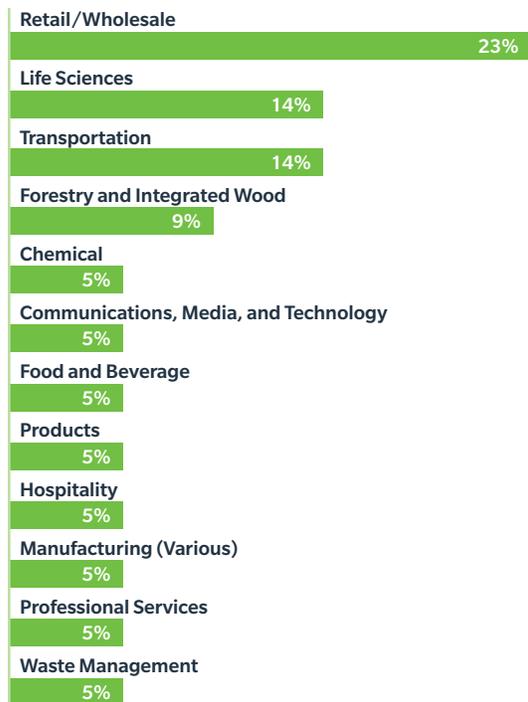
- Diversification of underwriting portfolio.
- Reduction in loss volatility.
- More stable, predictable captive cash flow to assist with internal budgeting process.
- Transformation of the captive's own related risk into unrelated risk which could support tax deductibility of captive premiums and accelerated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

FAST FACTS — 2017

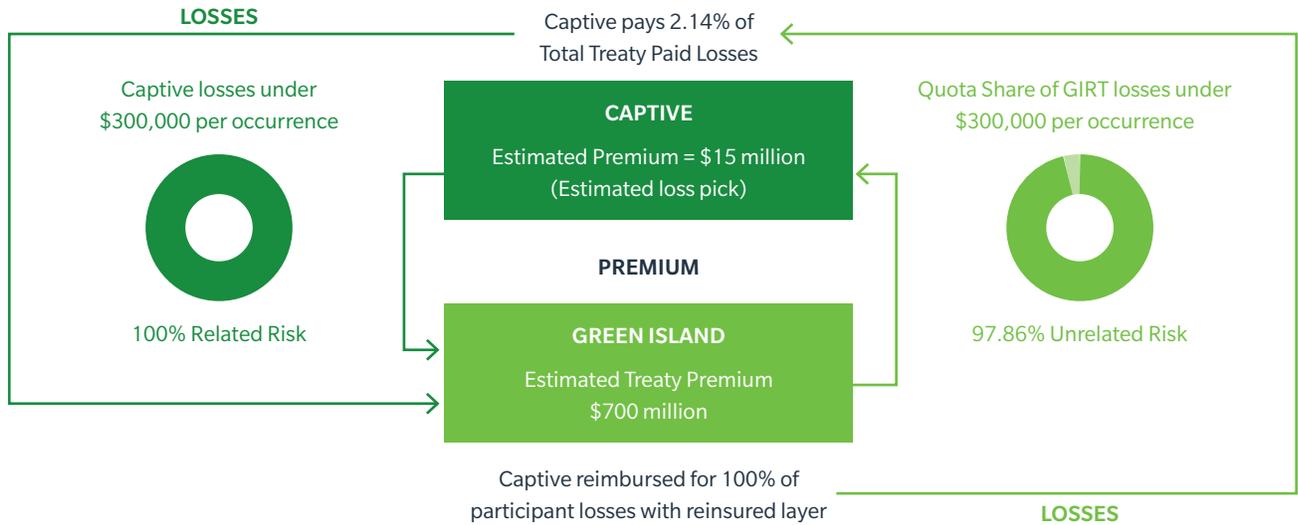
22 Participants | **11 year** Average tenure

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

US\$629 million In premiums written in 2017



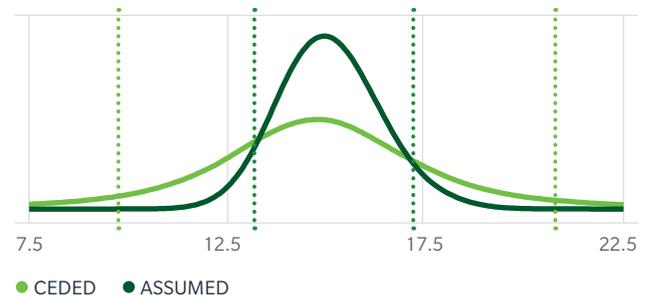
HOW IT WORKS



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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Marsh is one of the Marsh & McLennan Companies, together with Guy Carpenter, Mercer, and Oliver Wyman.

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