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.

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

| 21 Participants | 15 year Average tenure | (10%) Average loss results lower than premium | $0 Credit loss in 20 years |

US$437 million In premiums written in 2020

Percent of Participants | Industry | Premium in Millions |
---|---|---|
23% | Retail/Wholesale | US$165.9 |
14% | Manufacturing (Various) | $22.0 |
10% | Life Sciences | $18.4 |
9% | Transportation | $33.0 |
9% | Forestry & Integrated Wood Products | $36.8 |
35% | Other* | $161.1 |

*Other* includes the following industries: Aviation, Aerospace & Space, Hospitality, Professional Services, Waste Management, Food & Beverage, Communications, Media & Technology, and Chemical.
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 graph to the right 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 $9.0 million and $22.3 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 $12.5 and $17.8 million.

For further information on Green Island, please contact your local Marsh office or visit our website at marsh.com.

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