

*All nt*

# Considerations for Spinout Transactions



**Solution**

$1.5 \times 5 = 7.5$

$\frac{7.5}{2} = 3.75$   
 $\frac{3.75}{3} = 1.25$   
 $\frac{1.25}{1.25} = 1$   
 $1 \times 5 = 5$

$\frac{5}{1.25} = 4$

$1.25 \times 4 = 5$

$5 \times 5 = 25$

$25 \times 5 = 125$

$125 \times 5 = 625$

$625 \times 5 = 3125$

$3125 \times 5 = 15625$

$15625 \times 5 = 78125$

$78125 \times 5 = 390625$

$390625 \times 5 = 1953125$

$1.5 \times 5 = 7.5$   
 $\frac{7.5}{2} = 3.75$   
 $\frac{3.75}{3} = 1.25$   
 $\frac{1.25}{1.25} = 1$   
 $1 \times 5 = 5$

**High Claim Costs.**

$20-30\%$   
 $\frac{20-30\%}{1} = 20-30\%$   
 $20\% \times 5 = 1$   
 $30\% \times 5 = 1.5$   
 $1 + 1.5 = 2.5$   
 $2.5 \times 5 = 12.5$   
 $12.5 \times 5 = 62.5$   
 $62.5 \times 5 = 312.5$

**Risk Transfer Loss of Economies of Scale.**

$1.5 \times 5 = 7.5$   
 $\frac{7.5}{2} = 3.75$   
 $\frac{3.75}{3} = 1.25$   
 $\frac{1.25}{1.25} = 1$   
 $1 \times 5 = 5$   
 $5 \times 5 = 25$   
 $25 \times 5 = 125$   
 $125 \times 5 = 625$   
 $625 \times 5 = 3125$

**Unmanaged Legacy Reserves.**

$25\% \times 2.2 = 0.55$   
 $0.55 \times 5 = 2.75$   
 $2.75 \times 5 = 13.75$   
 $13.75 \times 5 = 68.75$

**Self-Insured Expense.**

$0.5 \times 5 = 2.5$   
 $2.5 \times 5 = 12.5$   
 $12.5 \times 5 = 62.5$   
 $62.5 \times 5 = 312.5$

$A$  M&As  $100$

**Adequacy and Location of Balance Sheet Reserves.**

$3 \times 5 = 15$   
 $15 \times 5 = 75$   
 $75 \times 5 = 375$   
 $375 \times 5 = 1875$   
 $1875 \times 5 = 9375$   
 $9375 \times 5 = 46875$   
 $46875 \times 5 = 234375$

$F$   $L$   
 $E$   
 $Rs$   $M$   
 $s/H$   $C$