Using Reinsurance to Increase the Yield on Your Installment Loans

With ICBA Reinsurance and
the Plateau Group
August 24, 2017

Independent Community Bankers of America

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ICBA
Independent Community Bankers of America®

ICBA Reinsurance

- New Income Opportunities
- Tax-Advantaged Dividends*
- Investment Income on Premium Reserves
- Competitive Bank and Agent Commissions
- Community Bank Board of Directors
- Equity Shareholder

*Initial Dividend is generally received within 24 months of first premium production

The Plateau Group

- An insurance holding company that specializes in credit insurance and debt protection products in 41 states
- Founded in 1981 by a group of 38 Tennessee community banks
- Rated A- Excellent by A. M. Best on financial strength and operating performance
- Plateau generates over $4 Million in Annualized Premiums with ICBA Banks

What is Reinsurance?

- The transfer of risk from one company to another
- Access to Profits from insurance underwriting gains
- Investment income on premium reserves
- Tax-advantaged dividend income distributed to participating ICBA Reinsurance Bank shareholders above the current commissions the bank is receiving

Benefits of Credit Insurance

To The Bank

- ✓ Constant source of fee income
- ✓ Protects the bank's portfolio against default
- ✓ Protects your customers
- ✓ Protects the community reputation of your bank with valuable risk mitigating consumer products

To The Customer

- ✓ Coverage is designed to match the indebtedness
- ✓ Premiums don't change over the installment loan term
- ✓ Limited underwriting
- ✓ Provides additional benefits outside of the borrower's current insurance coverages
- ✓ Protects family, dependents and assets

How the Program Works

Constant Source of Fee Income → Protects the bank's portfolio against default → Protects Your Customers → Protects Community Reputation

How the Program Works

Option1: Limited Liability Company (LLC)

An institution of any asset size which produces annual credit insurance premium between $25,000-$75,000 can purchase a share of stock in the ICBA Participation Company, LLC. Under the LLC, dividends are pooled for all participants and then allocated on the basis of individual bank premium volume and loss ratio experience for that year.

Bank Assets (as of Last Call Date)	Stock Purchase Fee
$0 to $50 million	$995
$51 million and up	$1,495

Option 1: Limited Liability Company (LLC)

ICBA BANK LLC **08/14/17**

ICBA Reinsurance Company - Five Year Projection of Account Earnings with Run-off
(Life premiums ceded 10% written/90% earned, A&H premiums ceded 100% earned)
Statutory Projection Program

	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	Totals
Premiums:							
Life Net Written Premium	12,500	13,125	13,800	14,500	15,200	0	69,125
Beginning Unearned Premium	0	9,958	16,480	20,392	22,534	23,772	0
Ending Unearned Premium	9,958	16,480	20,392	22,534	23,772	0	0
Life Earned Premium	2,542	6,603	9,888	12,358	13,962	23,772	69,125
A&H Net Written Premium	12,500	13,125	13,800	14,500	15,200	0	69,125
Beginning Unearned Premium	0	10,552	18,414	23,960	27,554	29,557	0
Ending Unearned Premium	10,552	18,414	23,960	27,554	29,557	0	0
A&H Earned Premium	1,948	5,263	8,254	10,907	13,197	29,557	69,125
Net Reinsured Premiums	5,486	12,518	18,533	23,479	27,282	50,952	138,250
Account Commission	1,646	3,755	5,560	7,044	8,185	15,286	41,475
Retention Fee	878	2,003	2,965	3,757	4,365	8,152	22,120
Losses Incurred	1,554	4,113	6,301	8,099	9,482	18,839	48,388
Change in Mortality Reserve	923	604	362	198	115	(2,202)	0
Change in A&H UEP Reserve	0	0	0	0	0	0	0
Statutory Underwriting Gain	486	2,043	3,345	4,381	5,135	10,878	26,268
Investment Income	12	47	97	162	238	1,862	2,419
General Expenses	165	376	556	704	818	1,529	4,148
Pre Tax Statutory Gain	334	1,714	2,886	3,838	4,554	11,212	24,539
Federal Income Tax Provision	45	233	393	522	619	[illegible]	3,337
Net Statutory Gain After Tax*	288	1,481	2,494	3,316	3,935	[illegible]	[illegible]

Note: Examination of this project without a review and thorough understanding of the assumptions listed is incomplete and the results set forth above could be misconstrued.

Rate Assumptions (INPUT):

Account Commission rate - Life	30.00%	of Life reinsured premium.
Account Commission rate - A&H	30.00%	of A&H reinsured premium.
Retention rate (incl. Premium tax)	16.00%	of Life and A&H reinsured premium.
Life Loss ratio	32.00%	of earned premium.
A&H Loss ratio	38.00%	of earned premium.
Tax Rate	13.60%	taxed as a small life insurance company.
Investment Income rate	2.00%	of net funds available for investment.
General Expenses	3.00%	of reinsured premium
Ratio of Mortality Reserve to Life UEP	92.65%	
Average Term (in months)	60	
Growth Rate	5.00%	
Initial Contributed Capital	0	

	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Run-off Years
Annual Life Net Written Premium	12,500	13,125	13,800	14,500	15,200	0
Annual A&H Net Written Premium	12,500	13,125	13,800	14,500	15,200	0

* The Board of Directors will determine percentage of dividend payable

Investment Income Calculation:

	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	Totals	Check

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How the Program Works

Option 2: Participating Preferred Stock (PPS)

An institution of any asset size which produces more than $75,000 in annual credit insurance premiums can purchase its own series of Participating Preferred Stock (PPS). Under the PPS, all premiums produced by the bank will be credited to the bank's series of stock.

Bank Assets (as of Last Call Date)	Stock Purchase Fee
$0 to $50 million	$1,995
$51 million and up	$2,495

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Option 2: Participating Preferred Stock (PPS)

ICBA BANK PPS **08/14/17**

ICBA Reinsurance Company - Five Year Projection of Account Earnings with Run-off
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Statutory Projection Program

	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-10	Totals
Premiums:							
Life Net Written Premium	50,000	52,500	55,100	57,900	60,800	0	276,300
Beginning Unearned Premium	0	39,833	65,919	81,487	90,008	95,016	0
Ending Unearned Premium	39,833	65,919	81,487	90,008	95,016	0	0
Life Earned Premium	10,167	26,413	39,532	49,379	55,792	95,016	276,300
A&H Net Written Premium	50,000	52,500	55,100	57,900	60,800	0	276,300
Beginning Unearned Premium	0	42,208	73,658	95,757	110,071	118,132	0
Ending Unearned Premium	42,208	73,658	95,757	110,071	118,132	0	0
A&H Earned Premium	7,792	21,050	33,001	43,586	52,739	118,132	276,300
Net Reinsured Premiums	21,943	50,073	74,090	93,817	109,032	203,646	552,600
Account Commission	6,583	15,022	22,227	28,145	32,710	61,094	165,780
Retention Fee	3,511	8,012	11,854	15,011	17,445	32,583	88,416
Losses Incurred	6,215	16,451	25,191	32,364	37,894	75,295	193,410
Change in Mortality Reserve	3,690	2,417	1,442	789	464	(8,803)	0
Change in A&H UEP Reserve	0	0	0	0	0	0	0
Statutory Underwriting Gain	1,944	8,171	13,376	17,508	20,519	43,477	104,994
Investment Income	50	188	390	647	950	7,444	9,668
General Expenses	658	1,502	2,223	2,815	3,271	6,109	16,578
Pre Tax Statutory Gain	1,335	6,856	11,542	15,340	18,198	[illegible]	98,084
Federal Income Tax Provision	182	932	1,570	2,086	2,475	[illegible]	13,339
Net Statutory Gain After Tax*	1,154	5,924	9,973	13,254	15,723	[illegible]	[illegible]

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Account Commission rate - A&H	30.00%	of A&H reinsured premium.
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Ratio of Mortality Reserve to Life UEP	92.65%	
Average Term (in months)	60	
Growth Rate	5.00%	
Initial Contributed Capital	0	

	First Year	Second Year	Third Year	Fourth Year	Fifth Year	Run-off Years
Annual Life Net Written Premium	50,000	52,500	55,100	57,900	60,800	0
Annual A&H Net Written Premium	50,000	52,500	55,100	57,900	60,800	0

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Training & Technology

- Plateau training department is community bank focused
- Plateau offers its community bank customers a comprehensive online quoting platform
- Plateau is SOC II LEVEL II compliant for security, availability and confidentiality
- Plateau is closely aligned with industry trade associations

Additional Benefits for Your Bank

Our partnership gives you a stable foundation on which to grow your credit insurance sales and earn more than just monthly commission income. ICBA Reinsurance® allows you to share in the underwriting profits of the company and in the investment income on your bank's premium reserves. In addition, the added income is returned in the form of dividends, which for most banks are tax-advantaged.

Your community bank can earn income through:

- ✓ Competitive commissions
- ✓ New underwriting profits in the form of dividends
- ✓ Additional investment income on premium reserves
- ✓ Favorable tax status of dividends
- ✓ Increased sales coupled with access to product and sales skills training
- ✓ Reduced credit risk and reduced loan losses

ICBA REINSURANCE®

1-888-790-6625

www.icba.org/reinsurance

Questions?