

Sales Opportunities with Financial Services: Banks, Credit Unions & Insurance Companies



Presented By:
Todd carpenter

Banks – Current BOLI Landscape



BOLI Landscape

Banks-Current BOLI Landscape

- Demand is UP
- Sales are very strong, better start to 2012 than the past 3 years
- Banks are looking for yield now more than ever
- Capital is no longer an issue for most banks
- Lot's of turnover at banks is allowing for sales to banks who never purchased in the past

Banks-Current BOLI Landscape

- Product availability is DOWN
- NFP EB has products others do not, this is a big advantage
- Immense pressure on small BOLI shops-access to product very limited

Target Market



Target Market

- More benefit oriented sales
 - Currently working on at least a dozen plans
 - Executives that turned around banks or survived the crisis expect to be rewarded
 - Most senior executives are within 5-10 years of retirement
 - Community banks have little or no benefits in place other than 401k
 - Poaching of talent in the industry is increasing - lot's of turnover
 - Lack of quality consulting on benefit issues (Advantage NFP EB)



Target Market

- Healthy banks with no BOLI or Non-qualified plan
 - They need yield
 - If they were not open to BOLI in the past they may be now
 - Compensation committees looking to recruit, reward and/or retain talent



Target Market

- Banks that were troubled but now recovering
 - Probably new management that may be open to BOLI now
 - New management looking to be rewarded with SERP



Target Market

- Takeovers
 - Not as big an opportunity as the past year but still possible
 - Agents are getting out of the market
 - Small firms are being forced out of the business full time
- 1035 exchanges
 - Most business that could be exchanged has been exchanged already
 - The policies left are mostly on terminated officers

Bottom line is new premium sales are what we are seeing the most of, and a lot of SERPs

Current BOLI Carrier Landscape

- Supply is DOWN
- Limited capacity with several competitor carrier
- Change in crediting methodologies from portfolio to a new money approach
- Rate reductions
- Who's in? Most of our core carriers
- Who's out? Our main competition's core carriers over the past 3 years have had major rate reductions and/or have capacity limits now
- Advantage NFP EB

Current BOLI Rates

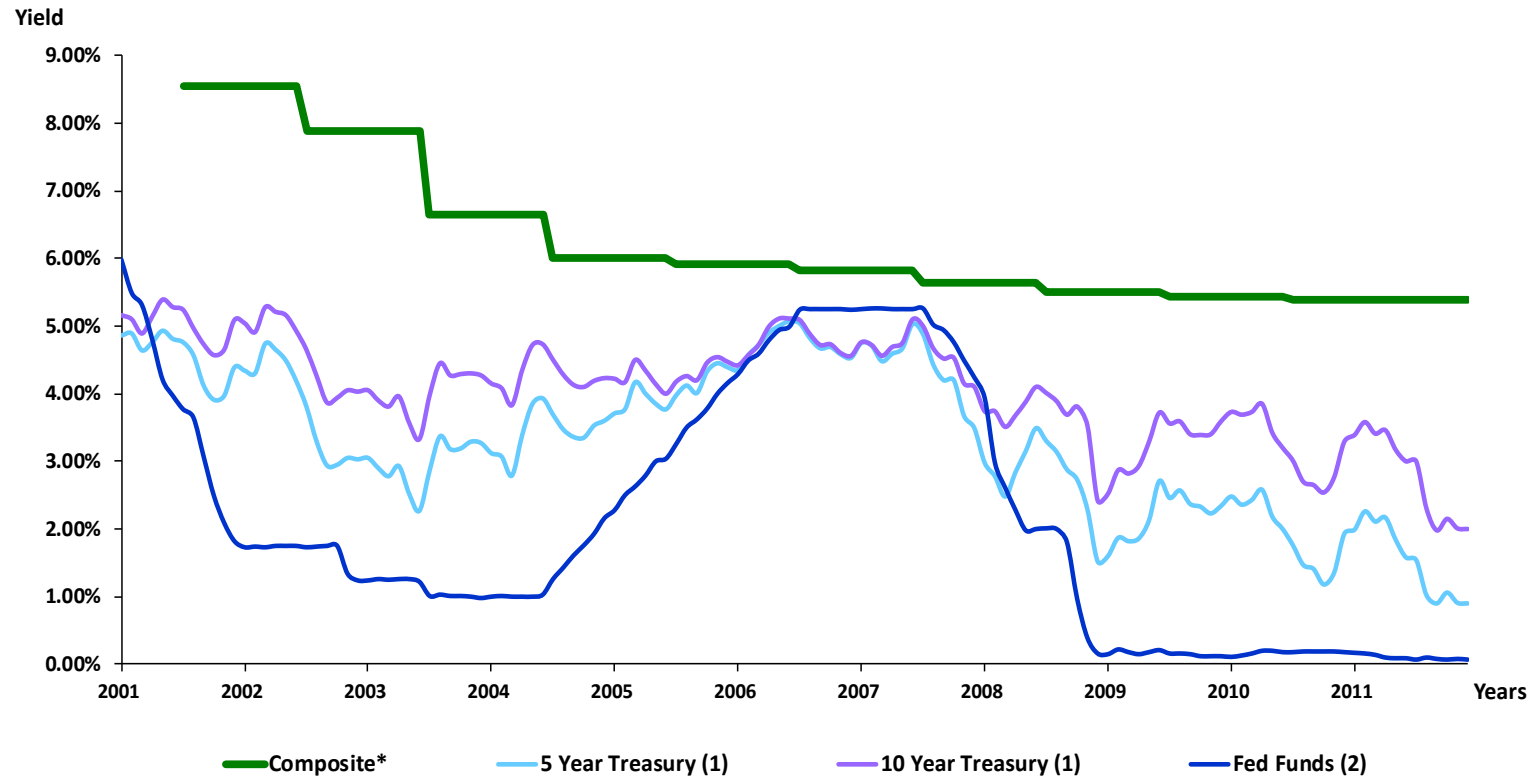
Summary of BOLI Products and Crediting Rates - As of April 2012

Below is a guide to approximate crediting rates for an insured group with an average age of 45 and using a 37.96% federal tax rate.

Carrier	Fund	Annual Net Yield				CAPITAL Risk Weighting for RBC	CREDIT Cash Value Segregated?	FLEXIBILITY & CONTROL Reallocation Permitted?
		Yr 1	Yr 3	Yr 5	Yr 10			
Carrier 1	General Account	2.84%	2.28%	2.11%	1.94%	100%	No	No
Carrier 2	General Account	3.25%	3.03%	2.78%	2.63%	100%	No	No
Carrier 3	PPVUL - Fixed Account	3.65%	3.49%	3.36%	3.19%	100%	No	Yes
Carrier 4	General Account	4.14%	3.71%	3.35%	3.13%	100%	No	No
Carrier 5	General Account	2.57%	2.35%	2.31%	2.20%	100%	No	No
Carrier 6	General Account	4.25%	3.93%	3.91%	3.82%	100%	No	No
	General Account Clone	4.15%	3.83%	3.81%	3.73%	100%	Yes	Yes
Carrier 7	General Account	3.33%	3.50%	3.36%	3.22%	100%	No	No
	General Account Clone	3.37%	3.75%	3.61%	3.40%	100%	Yes	Yes
Carrier 8	PPVUL - Fixed Account	3.63%	3.31%	3.30%	3.53%	100%	No	Yes

This schedule is for informational purposes only and is not intended for solicitation or to be a replacement of actual Insurance Illustrations and Private Placement Memoranda.

Current BOLI Rates versus Alternatives



* BOLI Composite Tax Equivalent Net Yield based on Marginal Tax Rate of 38.00%

(1) Source: Federal Reserve-5yr and 10yr. All are nominal rates

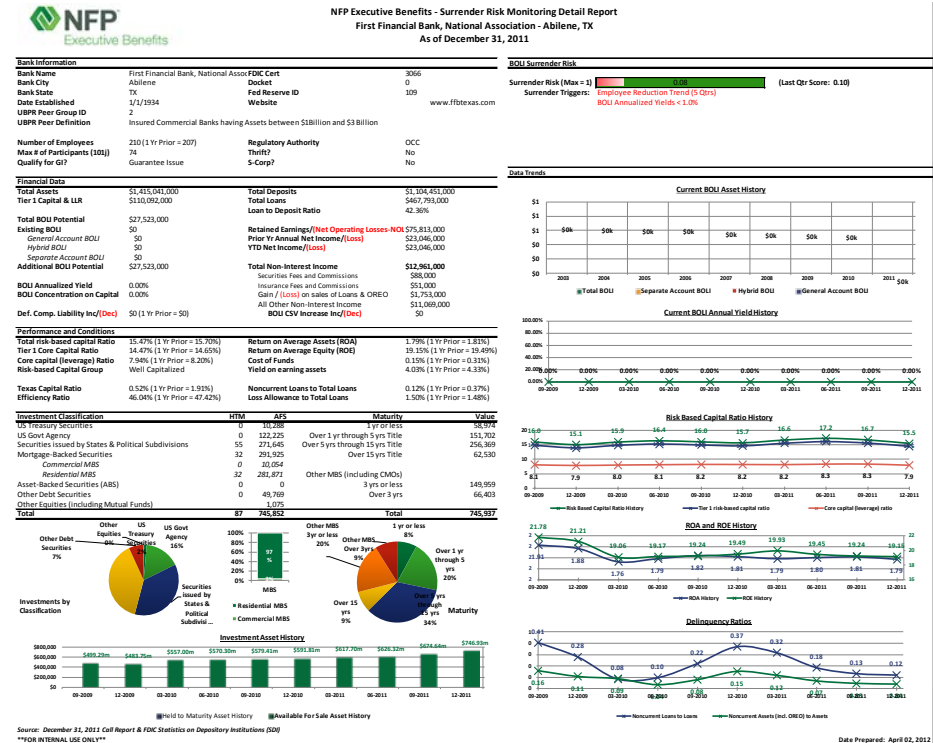
(2) Source Federal Reserve- Fed Funds is effective rate-The daily effective federal funds rate is a weighted average of rates on brokered trades-Monthly figures include each calendar day in the month

Current BOLI Rates versus Alternatives

	Without BOLI (Taxable)	With BOLI (tax Free)
Investment Income on \$1,000,000 at 1.00%	\$10,000	0
Non Interest Income on \$1,000,000 at 4.15%	0	\$41,495
Taxes Due at 34.00%	(\$3,400)	0
Total	\$6,600	\$41,495
Income Summary From Transaction	\$34,895	

Summary

- Just because they said no before does not mean they will say no now!
- Banks are flush with cash with few alternatives
- We have the systems to help identify the right banks



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Credit Unions



Presented By:
Rich Brock

Federal Regulatory Supervision

- §701.19 Benefits for employees of Federal credit unions.
 - c) Investment authority. A federal Credit Union investing to fund an employee benefit plan obligation is not subject to the investment limitations of the Act and part 703 or, as applicable, part 704, of this chapter and **may purchase an investment that would otherwise be impermissible if the investment is directly related to the Federal Credit Union's obligation or potential obligation under the employee benefit plan** and the Federal Credit Union holds the investment only for as long as it has an actual or potential obligation under the employee benefit plan.

North Carolina Regulatory Supervision

Parity Rules – State Comparison

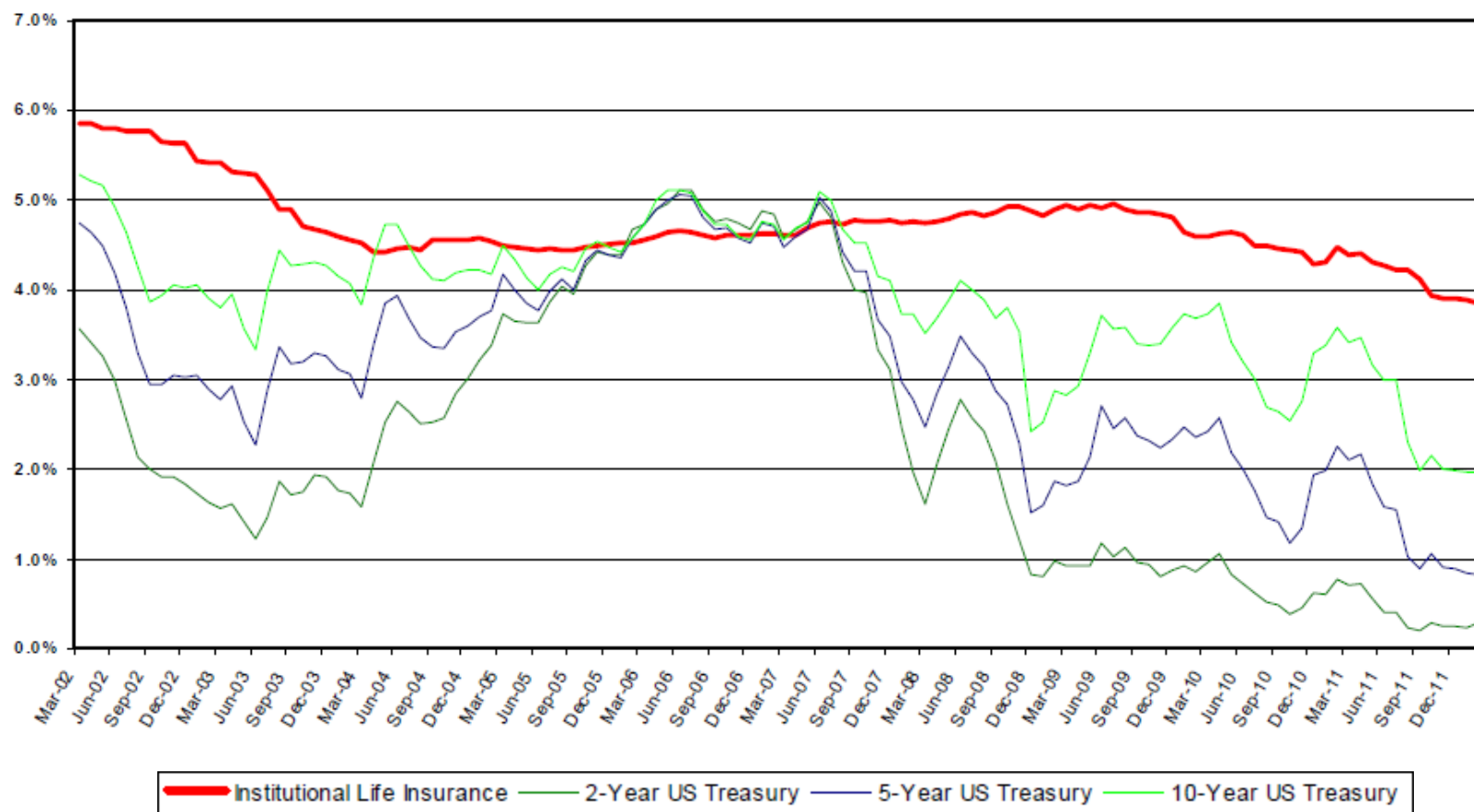
- 04 NCAC 06C.1202(6) provides that application to the administrator must be made prior to purchase of insurance, mutual funds and annuities for employee benefits.
- N.C. Gen. Stat. § 54-109.21. General powers

A credit union may:

- (25) Engage in activity permitted under this subdivision. Notwithstanding any other provision of this Chapter, the Administrator of Credit Unions, **subject to the advice and consent of the Credit Union Commission, and upon a finding that action is necessary to preserve and protect the welfare of credit unions and to promote the general economy of the State**, may adopt rules allowing State-chartered credit unions to engage in any activity in which they could engage if they were **federally chartered credit unions**.

Institutional Life Insurance

10-Year Historical Rate Comparison



Sample Pro-Forma Balance Sheet

* Values based on current assumptions. Actual results may vary.

General Ledger Account	Balance Sheet as of 12/31/2011 (\$)¹	Asset Moves FROM Account (\$)	Asset Moves TO Account (\$)	Hypthetical Alternative Result (\$)
(1)	(2)	(3)	(4)	(5)
Cash & Cash Equivalents	19,327,000			19,327,000
Total Investment	8,290,000	4,000,000		4,290,000
Loans Held for Sale	0			0
Real Estate Loans	0			0
Unsecured Loans (Automobiles)	489,000			489,000
Other Loans	0			0
(Allowance for Loan Lease Losses)	(890,000)			(890,000)
Land and Building	11,426,000			11,426,000
Other Fixed Assets	982,000			982,000
NCUSIF Deposit	1,923,000			1,923,000
All Other Assets	154,935,000		4,000,000	158,935,000
TOTAL ASSETS	217,049,000	(4,000,000)	4,000,000	217,049,000

¹ Balance sheet values are based on data provided by SNL Financial as of 12/31/2011.

Although this information has been obtained from sources, which we believe to be reliable, we do not guarantee its accuracy, and it may be incomplete or condensed. This is for informational purposes only.

Please refer to the Disclosures report for important information regarding institutional investments. This report is not complete without the Disclosures report.

Sample Impact on Earnings - \$4M

ALL PARTICIPANTS

Values are based on current assumptions. Actual results may vary.

		BENEFIT EXPENSES			ASSET GROWTH INCOME					IMPACT SUMMARY	
Period Ending Dec of	Plan Year	Annual Benefit Expenses (\$)	Annual Admin. Fees (\$)	Total Benefit Expenses (\$)	Projected Cash Flows (\$)	Projected Asset Value (\$)	Projected Asset Growth Income (\$)	Cumulative Asset Yield	Available Death Proceeds (\$)	Net Gain (Loss) (\$)	Cumulative Gain (Loss) (\$)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
2012	1	(85,991)	(4,000)	(89,991)	(4,000,000)	4,121,327	121,327	3.64%	11,733,948	31,336	31,336
2013	2	(112,868)	(1,200)	(114,068)	0	4,266,849	145,522	3.58%	11,789,578	31,455	62,791
2014	3	(124,192)	(1,200)	(125,392)	0	4,411,694	144,845	3.52%	11,814,078	19,453	82,244
2015	4	(136,379)	(1,200)	(137,579)	0	4,557,409	145,715	3.46%	11,833,726	8,137	90,381
2016	5	(115,190)	(1,300)	(116,490)	0	4,704,656	147,247	3.41%	11,847,694	30,757	121,138
2017	6	(90,185)	(1,300)	(91,485)	0	4,853,680	149,024	3.37%	11,859,683	57,538	178,676
2018	7	(98,535)	(1,300)	(99,835)	0	5,005,695	152,015	3.33%	11,871,960	52,181	230,857
2019	8	(107,502)	(1,400)	(108,902)	0	5,160,675	154,980	3.30%	11,885,981	46,078	276,935
2020	9	(117,130)	(1,400)	(118,530)	0	5,319,925	159,250	3.28%	11,902,807	40,720	317,655
2021	10	(92,499)	(1,500)	(93,999)	0	5,482,741	162,816	3.26%	11,923,217	68,817	386,472
2022	11	(64,101)	(1,500)	(65,601)	0	5,652,659	169,918	3.24%	11,954,502	104,317	490,789
2023	12	(69,598)	(1,600)	(71,198)	0	5,826,806	174,147	3.23%	11,990,273	102,949	593,738
2024	13	(75,490)	(1,600)	(77,090)	0	6,006,085	179,279	3.22%	12,029,691	102,188	695,927
2025	14	(58,947)	(1,700)	(60,647)	0	6,189,419	183,335	3.20%	12,072,160	122,688	818,614
2026	15	(18,605)	(850)	(19,455)	0	6,377,723	188,304	3.19%	12,118,643	168,849	987,463
2027	16	0	0	0	0	6,570,795	193,072	3.18%	12,169,072	193,072	1,180,534
2028	17	0	0	0	0	6,769,738	198,943	3.17%	12,222,935	198,943	1,379,478
2029	18	0	0	0	0	6,973,221	203,482	3.16%	12,279,899	203,482	1,582,960
2030	19	0	0	0	0	7,181,534	208,314	3.15%	12,340,846	208,314	1,791,273
2031	20	0	0	0	0	7,394,071	212,537	3.14%	12,405,804	212,537	2,003,810
2032	21	0	0	0	0	7,619,857	225,786	3.14%	12,488,278	225,786	2,229,596
2033	22	0	0	0	0	7,851,502	231,645	3.13%	12,577,046	231,645	2,461,241
2034	23	0	0	0	0	8,087,752	236,250	3.13%	12,669,249	236,250	2,697,491
2035	24	0	0	0	0	8,328,042	240,290	3.12%	12,764,847	240,290	2,937,781
2036	25	0	0	0	0	8,573,546	245,504	3.12%	12,864,061	245,504	3,183,285
2037	26	0	0	0	0	8,822,116	248,570	3.11%	12,966,393	248,570	3,431,856
2038	27	0	0	0	0	9,074,606	252,490	3.10%	13,072,314	252,490	3,684,346

Sample Impact on Earnings - \$4M

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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
2039	28	0	0	0	5,640,095	4,736,555	1,302,043	3.48%	7,541,950	1,302,043	4,986,389
2040	29	0	0	0	0	4,865,984	129,429	3.47%	7,572,997	129,429	5,115,818
2041	30	0	0	0	0	4,995,681	129,696	3.46%	7,603,045	129,696	5,245,515
2042	31	0	0	0	0	5,124,718	129,037	3.44%	7,631,285	129,037	5,374,552
2043	32	0	0	0	0	5,253,488	128,770	3.43%	7,659,988	128,770	5,503,322
2044	33	0	0	0	0	5,382,761	129,273	3.41%	7,689,484	129,273	5,632,595
2045	34	0	0	0	0	5,511,211	128,450	3.40%	7,718,753	128,450	5,761,045
2046	35	0	0	0	4,206,750	2,431,810	1,127,349	3.63%	3,540,479	1,127,349	6,888,394
2047	36	0	0	0	0	2,493,626	61,816	3.63%	3,555,996	61,816	6,950,210
2048	37	0	0	0	0	2,555,847	62,221	3.62%	3,571,546	62,221	7,012,431
2049	38	0	0	0	0	2,617,789	61,942	3.62%	3,587,604	61,942	7,074,374
2050	39	0	0	0	0	2,679,409	61,619	3.61%	3,604,244	61,619	7,135,993
2051	40	0	0	0	1,594,651	1,509,177	424,420	3.67%	2,026,785	424,420	7,560,412
2052	41	0	0	0	0	1,541,023	31,846	3.67%	2,032,753	31,846	7,592,258
2053	42	0	0	0	2,038,475	0	497,452	3.74%	0	497,452	8,089,711
TOTAL:		(1,367,211)	(23,050)	(1,390,261)	9,479,972		9,479,972			8,089,711	

Insurance Company Opportunities



Presented By:
Joe Carpenter

- Life insurance to strengthen & diversify asset holding of Insurance Carriers
- Increased scrutiny by regulators, examiners and credit rating services, combined with historically low yields has created a challenging environment for the insurance industry.
- For some insurers, a season of catastrophic losses due primarily to weather events has added to profit woes by impacting Loss Ratios.
- An ongoing objective of attracting and retaining top talent is also strained in this economic climate.

iCOLI

- In this setting, insurance company owned life insurance (iCOLI), secured on the executive ranks of insurance companies can offer unique advantages:
 - After-tax yield on iCOLI asset increases ROE
 - Facilitate enhanced select executive benefit programs
 - Generate highly tax efficient economic hedge for pre or post retirement employee and executive benefits

- Institutionally priced life insurance asset holdings offer **eight** distinct advantages to insurance carrier owners:
 1. **Diversification of portfolio holdings-** the overall portfolio risk/return profile can be improved.
 2. **Favorable risk-based capital treatment-**minimal NAIC RBC charge for alternative asset classes (0% for life carriers & 5% for P&C carriers) A.M. Best: COLI is “write- in” invested assets = BCAR of 0.8%.
 3. **Tax and accounting advantages:**
 - Tax deferred cash value accumulation and tax free insurance proceeds upon death of insured.
 - Not subject to mark-to-market accounting under FAS 115 if cash surrender value is invested in issuing carrier’s fixed general account.
 - Admitted Asset under SSAP #21.
 - Accounted for as asset under FASB Technical Bulletin 85-4.
 - **iCOLI** cash value is considered “write-in invested asset” for balance sheet purposes.

iCOLI

- Continued:
 - 4) **Accretion to earnings**-impact is immediate due to institutional pricing, no front-end loads & no cash value surrender charges.
 - 5) **Assets to hedge benefit liabilities**-annual cash value growth & periodic death benefit payments serve as hedge to select and core employee benefit liabilities.
 - 6) **Book value accounting** - a new generation of hybrid separate account protection products can replace or augment pure variable iCOLI.
 - 7) **Positive factor for ERM** –risk management of premature death and succession planning.
 - 8) **Positive impact on Combined Ratio**

Summary

There are many factors to consider. However, whether the discussion involves the quality of an existing iCOLI program or if iCOLI is being contemplated for the very first time, NFP Executive Benefits can assist you.