

# Capitalize on Bank Relationships with Bank-Owned Life insurance (BOLI)

*Presented by:*

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# Capitalize on Bank Relationships with BOLI

- A discussion on Opportunities with BOLI  
What is Bank Owned Life Insurance (BOLI) and  
Why Bank's Purchase BOLI
- Partnership case study
- A discussion on the Sales Support Resources provided by  
NFP to give you the best opportunity to be successful
- Question and Answer Session

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# Capitalizing on Bank Relationships

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## Question

**How many  
of you know  
someone in  
the banking  
industry?**



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# Capitalize on who you know!



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# What is Bank Owned Life Insurance (BOLI)?

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# What is BOLI?

- BOLI is a life insurance product designed for financial institutions by carriers that specialize in this business
- The bank purchases individual life insurance policies on the lives of its key officers, executives, or directors
- The bank is the owner of the policy and pays a one-time single premium at issue
- The policy has no loads, and the bank begins earning tax-deferred interest on its full deposit on day one
- The bank's intent is to hold the policy until the death of the insured at which point it receives the proceeds tax-free
- Premium equals cash value day one

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# Banks Buy BOLI

Asset Size	Banks	Banks with BOLI	% of Banks with BOLI
Greater than \$50 Billion	36	26	72.22%
\$5 Billion - \$50 Billion	138	95	68.84%
\$1 Billion - \$5 Billion	494	395	79.96%
\$750 Million - \$1 Billion	216	164	75.93%
\$500 Million - \$750 Million	461	318	68.98%
\$250 Million - \$500 Million	1,205	815	67.63%
\$100 Million - \$250 Million	2,224	1,241	55.80%
Less than \$100 Million	2,117	775	36.61%
<b>Total</b>	<b>6,891</b>	<b>3,829</b>	<b>55.57%</b>

Source: September 30, 2013 Bank Call Reports - Schedules RC and RC-F

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# Here's What Banks Have Purchased

\*As of September 30, 2013

- 141 billion CSV- vs. 138 billion on December 31, 2013
  - 57 billion (40%) in General Account
  - 14 billion (10%) in Hybrid Separate Account
  - 70 billion (50%) in Separate Account
- 6,891 banks-187 fewer banks vs. December 31, 2013
- 2,275 Banks (33%) reporting a deferred compensation liability
- 4.3 billion in deferred compensation liability

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\*Source: December 31, 2012 Bank Call Reports

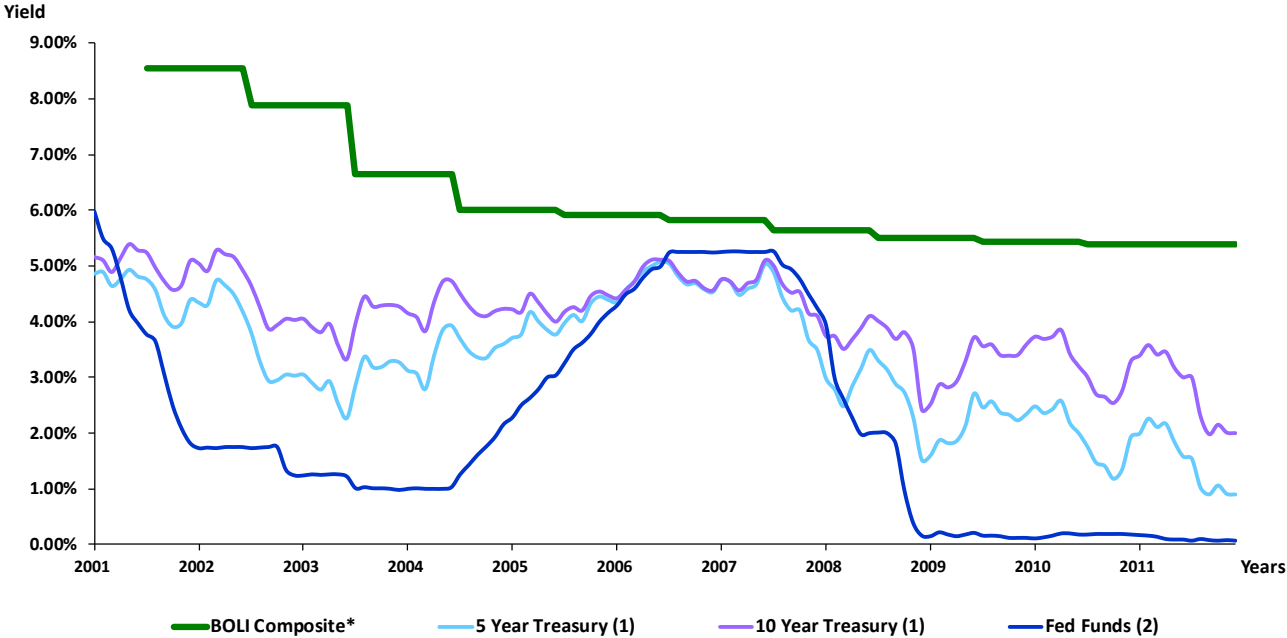
# Why do Bank's Purchase BOLI?

- BOLI may generate higher tax equivalent yields than most traditional bank investments
- BOLI delivers income for a bank in two ways:
  - *Tax deferred growth* of the cash surrender value is recorded as **annual non-interest income**
  - *Non-taxable insurance proceeds* paid to the bank and/or survivors **at the time of death** of an insured officer
- Rising expense of employee benefit plan
- Recruiting, retaining and rewarding their key executives
- **Low loan demand – Low returns on alternatives**

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# Mostly Because BOLI Performs

## Actual Case Study - BOLI Tax Equivalent Net Yields versus Treasury Yields



\* Source: NFP EB Client Policy Administration Delivery System (CPADS). BOLI Composite Tax Equivalent Net Yield based on Marginal Tax Rate of 38.00%.

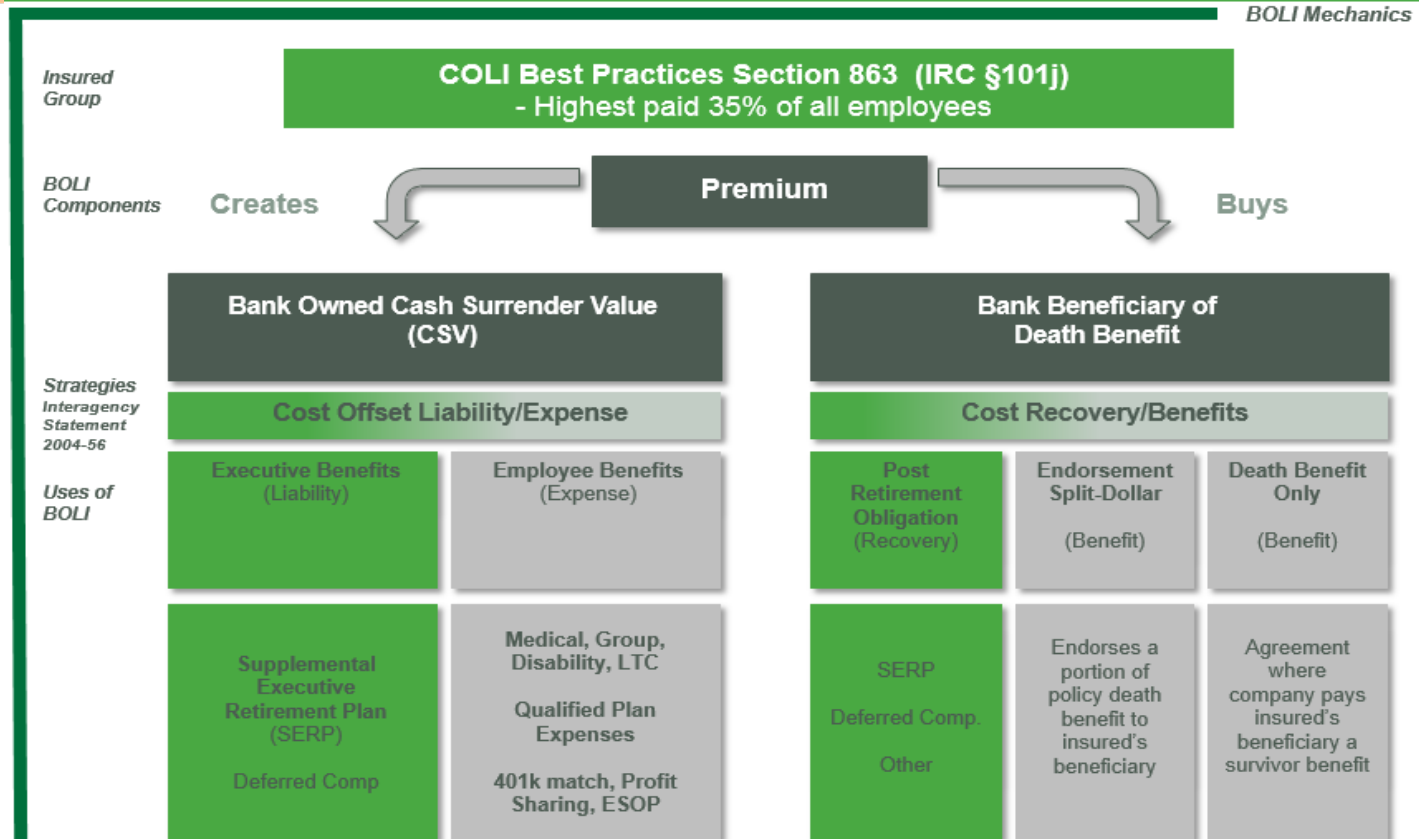
(1) Source: Federal Reserve-5yr and 10yr. All are nominal rates

(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

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# BOLI Mechanics

BOLI Mechanics



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# Potential Financial Impact

<u>Traditional Investment</u>		<u>BOLI Purchase</u>	
Bank Invests	\$5,000,000	BOLI Premium	\$5,000,000
Alternate Investment @ 2.00%	\$100,000	Annual Net Yield @ 3.65% <sup>1</sup>	\$182,272
<u>Tax on Earnings @ 37.96%</u>	<u>(\$37,960)</u>	<u>Tax on Earnings</u>	<u>\$0</u>
Net After-Tax Income	\$62,040	Net After-Tax Income	\$182,272
Net After-Tax Yield	1.24%	Net Yield	3.65%
Pre-Tax Yield	2.00%	Tax Equivalent Yield @ 37.96%	<b>5.88%</b>

## Summary of BOLI Advantages for The Farmers Bank - Portland, TN

<u>Improved Yield:</u>		<u>Increased Earnings</u>	
Annual Net Yield - BOLI Purchase	3.65%	Net Income - BOLI Purchase	\$182,272
<u>After-Tax Yield - Other Investment</u>	<u>1.24%</u>	<u>Net Income - Other Investment</u>	<u>\$62,040</u>
% Yield Gain from BOLI	<b>2.40%</b>	Net Income Advantage of BOLI	<b>\$120,232</b>

	<u>Non Int Income to Avg Assets</u>	<u>Efficiency Ratio</u>	<u>ROA</u>	<u>ROE</u>	<u>Effective Tax Rate</u>
Before BOLI Purchase <sup>2</sup>	0.70%	66.48	0.57%	5.51%	20.35%
<u>After BOLI Purchase</u>	<u>0.73%</u>	<u>66.24</u>	<u>0.59%</u>	<u>5.73%</u>	<u>18.91%</u>
<b>Net Impact of BOLI Purchase</b>	<b>0.03%</b>	<b>(0.24)</b>	<b>0.02%</b>	<b>0.22%</b>	<b>(1.44%)</b>

<sup>1</sup> This schedule is for informational purposes only and is not intended to be a replacement of the actual insurance illustrations.

<sup>2</sup> Source: September 30, 2013 Call Report & FDIC Statistics on Depository Institutions (SDI)

# Earnings Impact of BOLI – Cost Offset

## Earnings Impact of BOLI

### Bank Owned Life Insurance

### Traditional Investment

### Financial Impact

Year	Premium Deposit	Cash Value Asset	Non-Interest Income	Net Yield	Tax-Equiv Yield	Total Death Benefit	Net Amount at Risk	Investment Income (@ 2.00%)	Taxes Due (@ 37.96%)	Net After Tax Income	Value of Asset	Non-Interest Income	Net After Tax Income	Spread Income Generated	Total Financial Impact
1	5,000,000	5,182,272	182,272	3.65%	5.88%	19,585,251	14,402,979	100,000	(37,960)	62,040	5,062,040	182,272	- 62,040	= 120,232	120,232
2		5,360,880	178,608	3.45%	5.56%	19,589,492	14,228,612	101,241	(38,431)	62,810	5,124,850	178,608	62,810	115,798	236,030
3		5,540,600	179,720	3.35%	5.40%	19,583,845	14,043,245	102,497	(38,908)	63,589	5,188,439	179,720	63,589	116,131	352,161
4		5,721,217	180,617	3.26%	5.25%	19,563,974	13,842,756	103,769	(39,391)	64,378	5,252,817	180,617	64,378	116,239	468,400
5		5,902,331	181,113	3.17%	5.10%	19,529,630	13,627,299	105,056	(39,879)	65,177	5,317,994	181,113	65,177	115,937	584,337
6		6,083,459	181,128	3.07%	4.95%	19,490,199	13,406,739	106,360	(40,374)	65,986	5,383,980	181,128	65,986	115,143	699,480
7		6,269,214	185,754	3.05%	4.92%	19,446,704	13,177,490	107,680	(40,875)	66,804	5,450,784	185,754	66,804	118,950	818,430
8		6,459,603	190,389	3.04%	4.90%	19,405,588	12,945,985	109,016	(41,382)	67,633	5,518,417	190,389	67,633	122,756	941,185
9		6,655,100	195,497	3.03%	4.88%	19,368,917	12,713,817	110,368	(41,896)	68,473	5,586,890	195,497	68,473	127,025	1,068,210
10		6,855,773	200,673	3.02%	4.86%	19,329,711	12,473,938	111,738	(42,416)	69,322	5,656,212	200,673	69,322	131,351	1,199,561
11		7,061,624	205,851	3.00%	4.84%	19,309,324	12,247,700	113,124	(42,942)	70,182	5,726,394	205,851	70,182	135,669	1,335,230
12		7,272,769	211,145	2.99%	4.82%	19,284,531	12,011,762	114,528	(43,475)	71,053	5,797,447	211,145	71,053	140,092	1,475,322
13		7,489,310	216,541	2.98%	4.80%	19,262,852	11,773,542	115,949	(44,014)	71,935	5,869,382	216,541	71,935	144,606	1,619,928
14		7,711,492	222,182	2.97%	4.78%	19,245,193	11,533,701	117,388	(44,560)	72,827	5,942,210	222,182	72,827	149,355	1,769,283
15		7,939,501	228,009	2.96%	4.77%	19,227,746	11,288,244	118,844	(45,113)	73,731	6,015,940	228,009	73,731	154,278	1,923,561
16		8,172,053	232,552	2.93%	4.72%	19,228,618	11,056,565	120,319	(45,673)	74,646	6,090,586	232,552	74,646	157,906	2,081,467
17		8,409,030	236,977	2.90%	4.67%	19,224,036	10,815,006	121,812	(46,240)	75,572	6,166,158	236,977	75,572	161,405	2,242,872
18		8,650,263	241,233	2.87%	4.62%	19,214,007	10,563,744	123,323	(46,813)	76,510	6,242,668	241,233	76,510	164,723	2,407,595
19		8,895,749	245,486	2.84%	4.57%	19,203,335	10,307,586	124,853	(47,394)	77,459	6,320,127	245,486	77,459	168,027	2,575,622
20		9,145,386	249,636	2.81%	4.52%	19,201,174	10,055,788	126,403	(47,982)	78,420	6,398,547	249,636	78,420	171,216	2,746,839

This schedule is for informational purposes only and is not intended to be a replacement of the actual insurance illustrations.

**Premium Allocation by Carrier:**

\$2,500,000 Premium with Carrier #1  
 \$2,500,000 Premium with Carrier #2

**Assumptions:**

Average Age of Insureds is 45

# What about Products?

- Still plenty of product available-Great West, NY Life, John Hancock and several others
- Net rates return between 2-4% (Tax Equivalent 3-6%)
- Portfolio products in favor
- \*Minimum guaranteed rates up to 3%
- Fixed account in most variable contracts limited or not available
- Hybrid and General account getting the most business

\*Guarantees are subject to the claims paying ability of the issuing insurance company

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# What do Regulators Say About BOLI?

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# What do the Regulators Say?

## Interagency Statement on BOLI

On December 7, 2004, the Interagency Statement on the Purchase and Risk Management of Life Insurance was released jointly by the four federal banking agencies (OCC, OTS, FDIC, and Federal Reserve). The Statement (OCC Bulletin 2004-56, FDIC FIL-127-2004, OTS TB 84, and FRB SR 04-19) focuses on the supervisory expectations of the bank's management and its board, and provides specific guidance for the purchase and risk assessment of BOLI.

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# Interagency Statement (*continued*)

The fundamental points of that statement are that BOLI:

- Must be incidental to the business of banking
- May be purchased in connection with employee compensation and benefit plans
- Must satisfy the insured employees' state statute on insurable interest
- Must be subject to a pre-purchase risk assessment
- Must be approved by a Board or a designated Board committee
- Must be monitored through on-going risk management

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# Case Study

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# STA Benefits/NFP Partnership

- NFP STA Benefits – Marty & Steve Thompson – is the health plan consultant for a West Texas bank who did not own BOLI
- Bank was dealing with rising annual employee benefit plan costs
- They were also interested in implementing an executive benefit plan in the future
- Marty mentioned that he might have a solution to their issue that will be an asset for the Bank
- STA Benefits calls NFP

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# STA Benefits/NFP Partnership

- Provided the Bank with an initial discussion outline on BOLI in July 2009
- Bank alternative investments after tax approximately 2% with no death benefit
- The Bank was very interested in the BOLI earnings to help offset rising costs and provide death benefit for shareholder buyout protection
- Provided us with a census of executives and shareholders

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# STA Benefits/NFP Partnership

- September 2009 delivered first proposal
- BOLI death benefit and asset performance was attractive
- However, they were very concerned with illiquidity of BOLI and the taxation associated with a surrender (Modified Endowment Contract)
- This issue stalled talks for several months
- August 2010 BOLI program presented to the Board
- Discussed liquidity issue in detail
- Reviewed advantages of BOLI being used to meet bank objectives
- Board approved the transaction

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# STA Benefits/NFP Partnership

- Once approved, NFP
  - Finalized pre-purchase analysis
  - Prepared all insurance forms
  - Completed GI underwriting
  - Completed individual underwriting
  - Sent wiring instructions
- Bank wired \$3,890,000 in August 2010
- NFP & STA Benefits finalized & delivered compliance materials
- Case paid approximately \$183,000 split between NFP and STA
- Have placed additional BOLI premium since the initial purchase

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## Question



**What do you  
think the average  
commission is  
on a \$2M case ?**



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# NFP BOLI Trends-2013

## First 10 cases of 2013

Bank Case	Asset Size	First Purchase?	1035 or New	BOLI Premium	Total Commission	Benefit Plan?	Open to Close
Case #1	\$1,117,585	No	New	\$4,000,000	\$135,000	No	5 Months
Case #2	\$154,915	Yes	New	\$2,000,000	\$82,500	No	11 Months
Case #3	\$43,144	Yes	New	\$300,000	\$12,750	No	6 Months
Case #4	\$52,782	Yes	New	\$750,000	\$23,750	Yes-SD	6 Months
Case #5	\$491,872	No	New	\$1,125,000	\$47,813	No	4 Months
Case #6	\$54,847	Yes	New	\$1,000,000	\$30,000	No	3 Months
Case #7	\$280,243	Yes	New	\$2,000,000	\$85,000	No	9 Months
Case #8	\$299,959	No	New	\$1,500,000	\$56,250	No	1 Month
Case #9	\$664,859	No	New	\$1,000,000	\$42,500	No	1 Month
Case #10	\$329,752	Yes	New	\$5,500,000	\$226,875	YES-SERP	12 Months
<b>Average</b>	<b>\$348,996</b>	<b>40% No</b>	<b>100% New</b>	<b>\$1,917,500</b>	<b>\$74,244</b>	<b>80% No</b>	<b>5 Months</b>

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# Recap

- Banks buy for a few different reasons:
  - Improving margins and yields on earning assets
  - Rising costs of employee benefit plans
  - Recruiting, Rewarding, and Retaining
  - Low loan demand
- Approximately 55% of banks own BOLI
- Average commission on a \$2M case is around \$80,000
- Capitalize on your bank relationships

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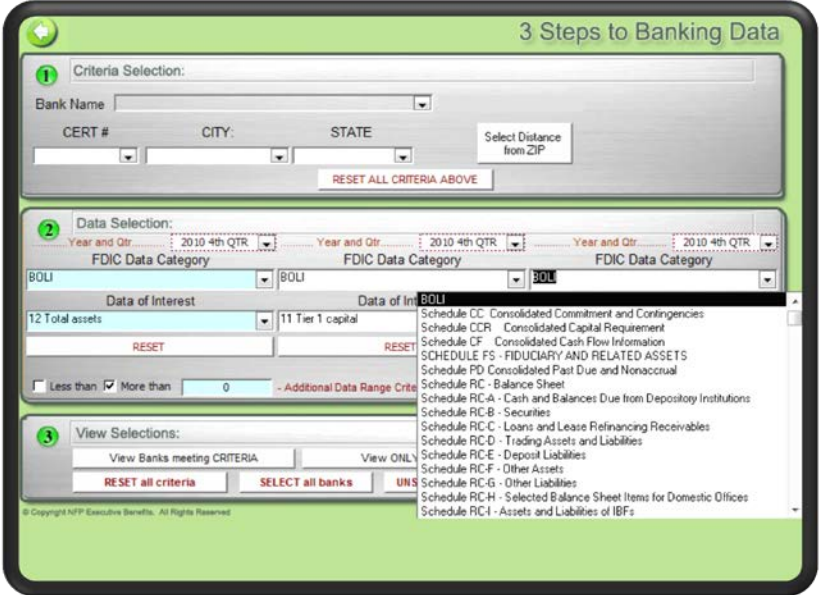
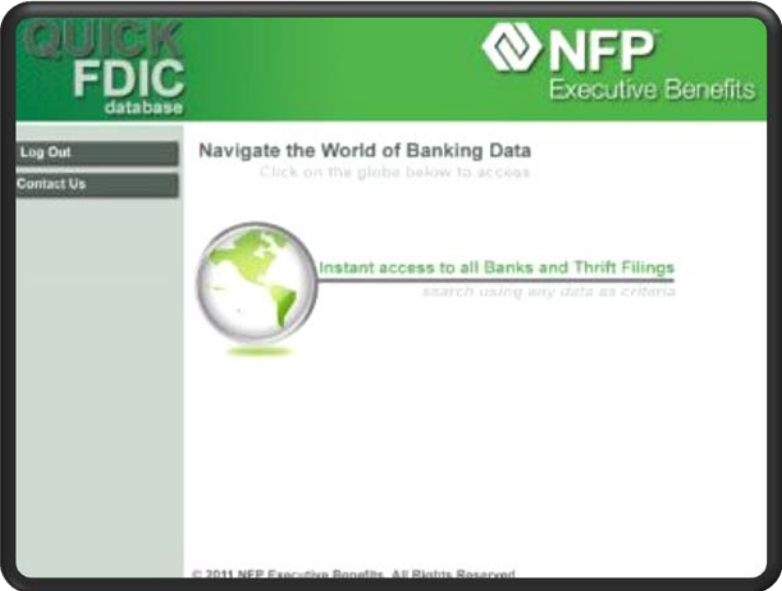


# The Sales Process

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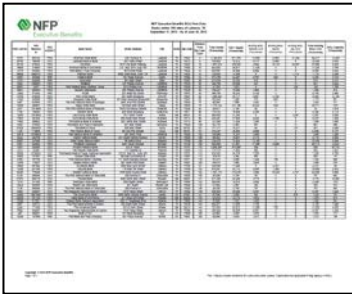
# Our Systems Identify Your Prospects

- In-house proprietary systems built for prospecting, financial analysis and proposals



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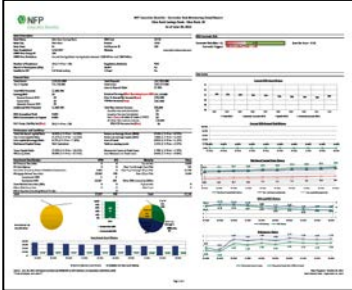
# Intelligence You Can Act On



Bank Name	Address	Zip Code	State	Assets	Existing BOLI Plans
ABC Bank	123 Main St	12345	CA	\$10M	2
DEF Bank	456 Elm St	67890	TX	\$5M	1
GHI Bank	789 Oak St	01234	FL	\$20M	3
JKL Bank	101 Pine St	56789	NY	\$15M	2
MNO Bank	202 Cedar St	34567	IL	\$8M	1
PQR Bank	303 Birch St	90123	VA	\$12M	2
STU Bank	404 Spruce St	23456	NC	\$6M	1
VWX Bank	505 Willow St	87654	GA	\$9M	2
YZA Bank	606 Ash St	10987	OH	\$4M	1
BCD Bank	707 Hickory St	43210	MI	\$7M	1
EFG Bank	808 Sycamore St	76543	IN	\$3M	1
HIJ Bank	909 Magnolia St	09876	MO	\$11M	2
KLM Bank	1010 Dogwood St	32109	SC	\$5M	1
NOP Bank	1111 Redwood St	65432	WV	\$2M	1
QRS Bank	1212 Cypress St	98765	ND	\$1M	1
TUV Bank	1313 Juniper St	21098	SD	\$0.5M	1
WXY Bank	1414 Fir St	54321	NE	\$0.8M	1
ZAB Bank	1515 Hemlock St	87654	KS	\$0.3M	1
BCD Bank	1616 Larch St	10987	OK	\$0.2M	1
EFG Bank	1717 Spruce St	43210	LA	\$0.1M	1
HIJ Bank	1818 Cedar St	76543	MS	\$0.05M	1
KLM Bank	1919 Birch St	09876	AL	\$0.02M	1
NOP Bank	2020 Pine St	32109	AK	\$0.01M	1
QRS Bank	2121 Fir St	65432	HI	\$0.005M	1
TUV Bank	2222 Hemlock St	98765	VT	\$0.002M	1
WXY Bank	2323 Spruce St	21098	NH	\$0.001M	1
ZAB Bank	2424 Cedar St	54321	ME	\$0.0005M	1
BCD Bank	2525 Birch St	87654	NJ	\$0.0002M	1
EFG Bank	2626 Pine St	10987	DE	\$0.0001M	1
HIJ Bank	2727 Fir St	43210	MD	\$0.00005M	1
KLM Bank	2828 Hemlock St	76543	DC	\$0.00002M	1
NOP Bank	2929 Spruce St	09876	PA	\$0.00001M	1
QRS Bank	3030 Cedar St	32109	NY	\$0.000005M	1
TUV Bank	3131 Birch St	65432	CT	\$0.000002M	1
WXY Bank	3232 Pine St	98765	RI	\$0.000001M	1
ZAB Bank	3333 Fir St	21098	MA	\$0.0000005M	1
BCD Bank	3434 Hemlock St	54321	VT	\$0.0000002M	1
EFG Bank	3535 Spruce St	87654	NH	\$0.0000001M	1
HIJ Bank	3636 Cedar St	10987	ME	\$0.00000005M	1
KLM Bank	3737 Birch St	43210	NJ	\$0.00000002M	1
NOP Bank	3838 Pine St	76543	DE	\$0.00000001M	1
QRS Bank	3939 Fir St	09876	MD	\$0.000000005M	1
TUV Bank	4040 Hemlock St	32109	DC	\$0.000000002M	1
WXY Bank	4141 Spruce St	65432	PA	\$0.000000001M	1
ZAB Bank	4242 Cedar St	98765	NY	\$0.0000000005M	1
BCD Bank	4343 Birch St	21098	CT	\$0.0000000002M	1
EFG Bank	4444 Pine St	54321	RI	\$0.0000000001M	1
HIJ Bank	4545 Fir St	87654	MA	\$0.00000000005M	1
KLM Bank	4646 Hemlock St	10987	VT	\$0.00000000002M	1
NOP Bank	4747 Spruce St	43210	NH	\$0.00000000001M	1
QRS Bank	4848 Cedar St	76543	ME	\$0.000000000005M	1
TUV Bank	4949 Birch St	09876	NJ	\$0.000000000002M	1
WXY Bank	5050 Pine St	32109	DE	\$0.000000000001M	1
ZAB Bank	5151 Fir St	65432	MD	\$0.0000000000005M	1
BCD Bank	5252 Hemlock St	98765	DC	\$0.0000000000002M	1
EFG Bank	5353 Spruce St	21098	PA	\$0.0000000000001M	1
HIJ Bank	5454 Cedar St	54321	NY	\$0.00000000000005M	1
KLM Bank	5555 Birch St	87654	CT	\$0.00000000000002M	1
NOP Bank	5656 Pine St	10987	RI	\$0.00000000000001M	1
QRS Bank	5757 Fir St	43210	MA	\$0.000000000000005M	1
TUV Bank	5858 Hemlock St	76543	VT	\$0.000000000000002M	1
WXY Bank	5959 Spruce St	09876	NH	\$0.000000000000001M	1
ZAB Bank	6060 Cedar St	32109	ME	\$0.0000000000000005M	1
BCD Bank	6161 Birch St	65432	NJ	\$0.0000000000000002M	1
EFG Bank	6262 Pine St	98765	DE	\$0.0000000000000001M	1
HIJ Bank	6363 Fir St	21098	MD	\$0.00000000000000005M	1
KLM Bank	6464 Hemlock St	54321	DC	\$0.00000000000000002M	1
NOP Bank	6565 Spruce St	87654	PA	\$0.00000000000000001M	1
QRS Bank	6666 Cedar St	10987	NY	\$0.000000000000000005M	1
TUV Bank	6767 Birch St	43210	CT	\$0.000000000000000002M	1
WXY Bank	6868 Pine St	76543	RI	\$0.000000000000000001M	1
ZAB Bank	6969 Fir St	09876	MA	\$0.0000000000000000005M	1
BCD Bank	7070 Hemlock St	32109	VT	\$0.0000000000000000002M	1
EFG Bank	7171 Spruce St	65432	NH	\$0.0000000000000000001M	1
HIJ Bank	7272 Cedar St	98765	ME	\$0.00000000000000000005M	1
KLM Bank	7373 Birch St	21098	NJ	\$0.00000000000000000002M	1
NOP Bank	7474 Pine St	54321	DE	\$0.00000000000000000001M	1
QRS Bank	7575 Fir St	87654	MD	\$0.000000000000000000005M	1
TUV Bank	7676 Hemlock St	10987	DC	\$0.000000000000000000002M	1
WXY Bank	7777 Spruce St	43210	PA	\$0.000000000000000000001M	1
ZAB Bank	7878 Cedar St	76543	NY	\$0.0000000000000000000005M	1
BCD Bank	7979 Birch St	09876	CT	\$0.0000000000000000000002M	1
EFG Bank	8080 Pine St	32109	RI	\$0.0000000000000000000001M	1
HIJ Bank	8181 Fir St	65432	MA	\$0.00000000000000000000005M	1
KLM Bank	8282 Hemlock St	98765	VT	\$0.00000000000000000000002M	1
NOP Bank	8383 Spruce St	21098	NH	\$0.00000000000000000000001M	1
QRS Bank	8484 Cedar St	54321	ME	\$0.000000000000000000000005M	1
TUV Bank	8585 Birch St	87654	NJ	\$0.000000000000000000000002M	1
WXY Bank	8686 Pine St	10987	DE	\$0.000000000000000000000001M	1
ZAB Bank	8787 Fir St	43210	MD	\$0.0000000000000000000000005M	1
BCD Bank	8888 Hemlock St	76543	DC	\$0.0000000000000000000000002M	1
EFG Bank	8989 Spruce St	09876	PA	\$0.0000000000000000000000001M	1
HIJ Bank	9090 Cedar St	32109	NY	\$0.00000000000000000000000005M	1
KLM Bank	9191 Birch St	65432	CT	\$0.00000000000000000000000002M	1
NOP Bank	9292 Pine St	98765	RI	\$0.00000000000000000000000001M	1
QRS Bank	9393 Fir St	21098	MA	\$0.000000000000000000000000005M	1
TUV Bank	9494 Hemlock St	54321	VT	\$0.000000000000000000000000002M	1
WXY Bank	9595 Spruce St	87654	NH	\$0.000000000000000000000000001M	1
ZAB Bank	9696 Cedar St	10987	ME	\$0.0000000000000000000000000005M	1
BCD Bank	9797 Birch St	43210	NJ	\$0.0000000000000000000000000002M	1
EFG Bank	9898 Pine St	76543	DE	\$0.0000000000000000000000000001M	1
HIJ Bank	9999 Fir St	09876	MD	\$0.00000000000000000000000000005M	1
KLM Bank	10000 Hemlock St	32109	DC	\$0.00000000000000000000000000002M	1

## Prospect Lists

- Identify banks in a specific area by zip code, state, assets, existing BOLI, plans and more



## Bank Detail Sheets

- Analyze prospective clients
- Qualify prospects for an opportunity
- Identify “hot buttons”



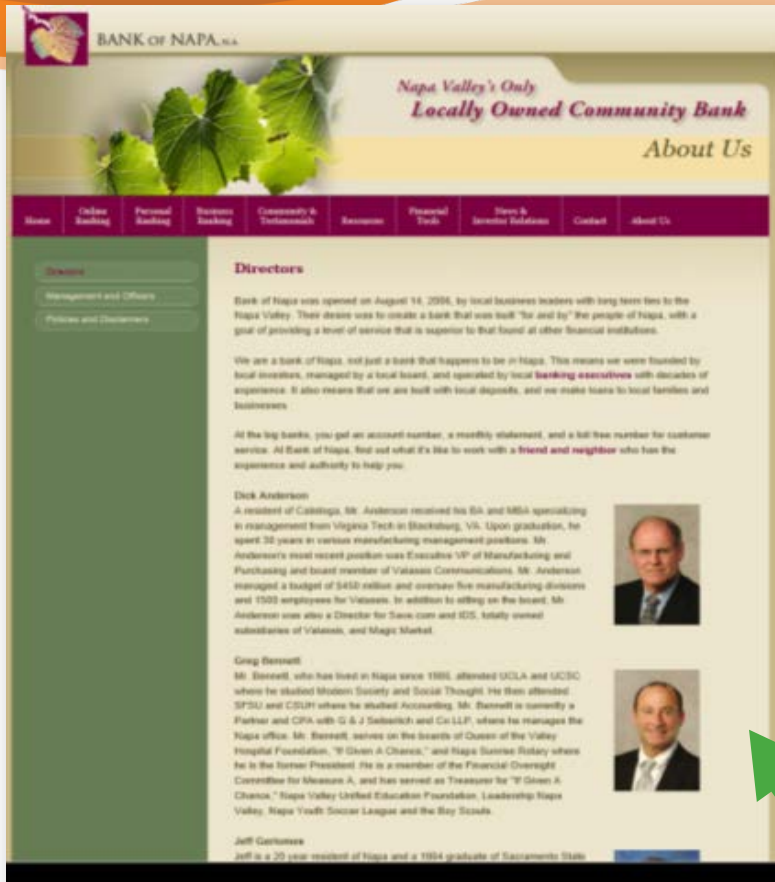
## Proposals and BOLI Portfolio Assessments (BPA)

- Initial discussion outlines and/or full proposals
- Existing portfolio reviews

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# Find out who they are...



- The decision makers of the bank (CEO, CFO, COO, etc.)
- The Board
  - Doctors
  - Lawyers
  - Accountants
  - Pharmacists
  - Local business owners

The  
decision  
makers

Leadership. Innovation. Success.

# The Sales Process



- Step 1:** Identify potential banks and key decision makers
- Step 2:** Analyze potential banks
- Step 3:** Obtain a meeting and prepare an Initial Discussion Outline
- Step 4:** Obtain Board approval from the bank and proceed with plan implementation
- Step 5:** Administer the plan

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# Step One – Prospecting

# #1

The image shows a spreadsheet titled "NFP Executive Benefits" with the following columns: Bank Name, Bank Website, Bank Address, Bank Phone, Bank Fax, Bank Email, Bank Type, Bank Size, Bank Assets, Bank Liabilities, Bank Capital, Bank Rating, Bank Status, Bank Opened, Bank Closed, Bank Acquired, Bank Merged, Bank Divided, Bank Split, Bank Other, Bank Notes, Bank Comments, Bank Source, Bank Date, Bank Status, Bank Opened, Bank Closed, Bank Acquired, Bank Merged, Bank Divided, Bank Split, Bank Other, Bank Notes, Bank Comments, Bank Source, Bank Date.

- Identify prospects in your area
- Some examples are:
  - Zip code
  - State
  - Asset size
  - Existing BOLI

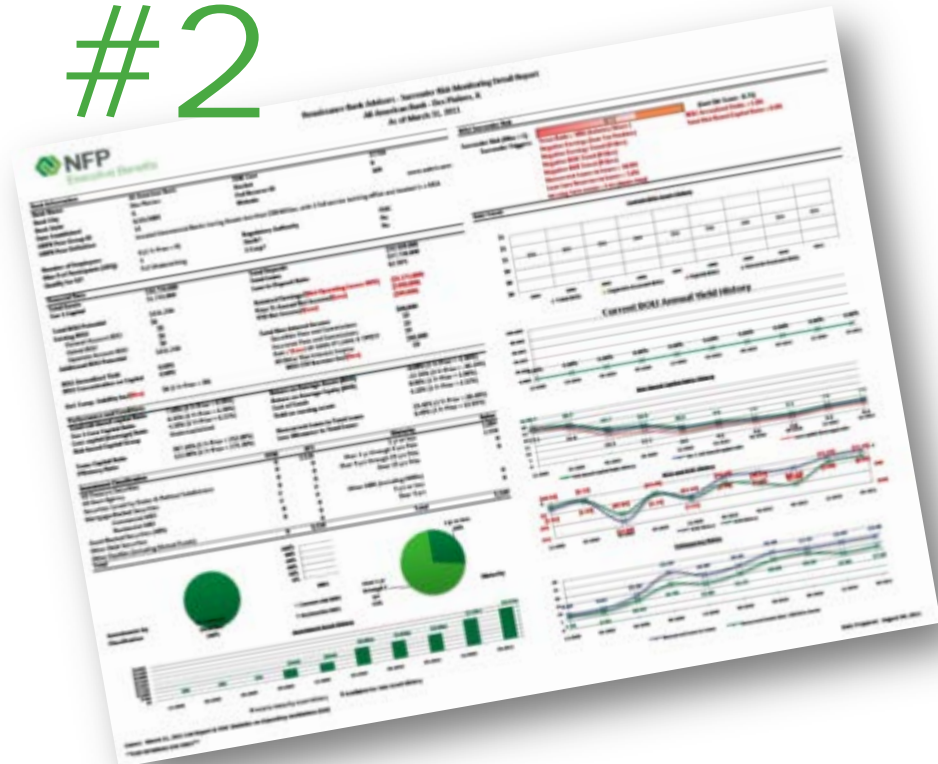
**Let's take a look at some of the banks you identified**

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# Step Two – Detailed summary

## #2



- Our team will analyze the prospective prospects
- Our analytics enable us to qualify a prospect for an opportunity
- We identify the “hot buttons” and communicate our findings to you

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# Step Three – Obtain an appointment

## #3



- Meet with prospect's decision maker (CEO, COO, CFO, etc.)
- We have professionals on staff to assist in meetings
- We will contrast our services to our competitors; Online demo
- We will prepare all presentations
- Our job – Close the deal!
- Your job – Manage the relationship!

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# Prospecting Support Package

## Traditional Investment

Bank Invests	\$2,500,000
Alternate Investment @ 2.00%	\$50,000
Tax on Earnings @ 37.96%	<b>(\$18,980)</b>
<u>Net After-Tax Income</u>	<u>\$31,020</u>
Net After-Tax Yield	1.24%
Pre-Tax Yield	2.00%

## BOLI Purchase

BOLI Premium	\$2,500,000
Annual Net Yield @ 3.65% <sup>1</sup>	\$91,136
Tax on Earnings	\$0
<u>Net After-Tax Income</u>	<u>\$91,136</u>
Net Yield	3.65%
Tax Equivalent Yield @ 37.96%	<b>5.88%</b>

### Summary of BOLI Advantages for Bank of Ripley - Ripley, TN

#### Improved Yield:

Annual Net Yield - BOLI Purchase	3.65%
After-Tax Yield - Other Investment	1.24%
<u>% Yield Gain from BOLI</u>	<u>2.40%</u>

#### Increased Earnings

Net Income - BOLI Purchase	\$91,136
Net Income - Other Investment	\$31,020
<u>Net Income Advantage of BOLI</u>	<u>\$60,116</u>

	Non Int Income to Avg Assets	Efficiency Ratio	ROA	ROE
Before BOLI Purchase <sup>2</sup>	0.79%	82.14	0.57%	4.04%
<u>After BOLI Purchase</u>	<u>0.83%</u>	<u>81.77</u>	<u>0.60%</u>	<u>4.24%</u>
<b>Net Impact of BOLI Purchase</b>	<b>0.04%</b>	<b>(0.37)</b>	<b>0.03%</b>	<b>0.20%</b>

<sup>1</sup> This schedule is for informational purposes only and is not intended to be a replacement of the actual insurance illustrations.

<sup>2</sup> Source: September 30, 2013 Call Report & FDIC Statistics on Depository Institutions (SDI)

# Prospecting Support Package

## Earnings Impact of BOLI

### Bank Owned Life Insurance

### Traditional Investment

### Financial Impact

Year	Premium Deposit	Cash Value Asset	Bank Owned Life Insurance					Traditional Investment				Financial Impact						
			Non-Interest Income	Net Yield	Tax-Equiv Yield	Total Death Benefit	Net Amount at Risk	Investment Income (@ 2.00%)	Taxes Due (@ 37.96%)	Net After Tax Income	Value of Asset	Non-Interest Income	Net After Tax Income	Spread Income Generated	Total Financial Impact			
1	2,500,000	2,591,136	91,136	3.65%	5.88%	9,792,626	7,201,490	2,500,000	50,000	(18,980)	31,020	2,531,020	91,136	-	31,020	=	60,116	60,116
2		2,680,440	89,304	3.45%	5.56%	9,794,746	7,114,306		50,620	(19,216)	31,405	2,562,425	89,304	31,405			57,899	118,015
3		2,770,300	89,860	3.35%	5.40%	9,791,923	7,021,623		51,248	(19,454)	31,795	2,594,219	89,860	31,795			58,066	176,081
4		2,860,609	90,309	3.26%	5.25%	9,781,987	6,921,378		51,884	(19,695)	32,189	2,626,409	90,309	32,189			58,119	234,200
5		2,951,165	90,557	3.17%	5.10%	9,764,815	6,813,649		52,528	(19,940)	32,588	2,658,997	90,557	32,588			57,968	292,168
6		3,041,730	90,564	3.07%	4.95%	9,745,099	6,703,370		53,180	(20,187)	32,993	2,691,990	90,564	32,993			57,571	349,740
7		3,134,607	92,877	3.05%	4.92%	9,723,352	6,588,745		53,840	(20,438)	33,402	2,725,392	92,877	33,402			59,475	409,215
8		3,229,801	95,195	3.04%	4.90%	9,702,794	6,472,992		54,508	(20,691)	33,817	2,759,209	95,195	33,817			61,378	470,593
9		3,327,550	97,749	3.03%	4.88%	9,684,459	6,356,909		55,184	(20,948)	34,236	2,793,445	97,749	34,236			63,512	534,105
10		3,427,886	100,336	3.02%	4.86%	9,664,856	6,236,969		55,869	(21,208)	34,661	2,828,106	100,336	34,661			65,675	599,780
11		3,530,812	102,926	3.00%	4.84%	9,654,662	6,123,850		56,562	(21,471)	35,091	2,863,197	102,926	35,091			67,834	667,615
12		3,636,385	105,573	2.99%	4.82%	9,642,266	6,005,881		57,264	(21,737)	35,527	2,898,724	105,573	35,527			70,046	737,661
13		3,744,655	108,270	2.98%	4.80%	9,631,426	5,886,771		57,974	(22,007)	35,967	2,934,691	108,270	35,967			72,303	809,964
14		3,855,746	111,091	2.97%	4.78%	9,622,596	5,766,850		58,694	(22,280)	36,414	2,971,105	111,091	36,414			74,677	884,641
15		3,969,751	114,005	2.96%	4.77%	9,613,873	5,644,122		59,422	(22,557)	36,865	3,007,970	114,005	36,865			77,139	961,780
16		4,086,027	116,276	2.93%	4.72%	9,614,309	5,528,282		60,159	(22,837)	37,323	3,045,293	116,276	37,323			78,953	1,040,734
17		4,204,515	118,488	2.90%	4.67%	9,612,018	5,407,503		60,906	(23,120)	37,786	3,083,079	118,488	37,786			80,702	1,121,436
18		4,325,132	120,616	2.87%	4.62%	9,607,004	5,281,872		61,662	(23,407)	38,255	3,121,334	120,616	38,255			82,362	1,203,798
19		4,447,875	122,743	2.84%	4.57%	9,601,668	5,153,793		62,427	(23,697)	38,730	3,160,063	122,743	38,730			84,014	1,287,811
20		4,572,693	124,818	2.81%	4.52%	9,600,587	5,027,894		63,201	(23,991)	39,210	3,199,274	124,818	39,210			85,608	1,373,419

This schedule is for informational purposes only and is not intended to be a replacement of the actual insurance illustrations.

**Premium Allocation by Carrier:**

\$1,250,000 Premium with Carrier #1  
 \$1,250,000 Premium with Carrier #2

**Assumptions:**

Average Age of Insureds is 45

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# Prospecting Support Package

<b>First State Bank Central Texas - Austin, TX</b>		<b>Carrier Quotes</b>	
Total Assets - December 31, 2012 Schedule RC	\$1,182,864,000	Amount Illustrated by Carrier	\$10,000,000
Tier I Capital - December 31, 2012 Schedule RC-R	\$121,057,000	Number of Insureds	10
	<u>x 25%</u>	Premium Distribution Illustrated	Even Premium
Potential BOLI	\$30,264,250	Carriers Selected for Modeling:	\$10,000,000 Carrier #1 \$10,000,000 Carrier #2
Source: FDIC FIL-127-2004 Guidelines-25% of Tier 1 Capital is Recommended Maximum			
Existing BOLI	\$0		
<b>Total Amount Illustrated</b>	<b>\$20,000,000</b>		

## Summary of BOLI Products and Crediting Rates - As of April 2013

Below is a guide to approximate crediting rates for an insured group with an average age of 45 and using a 34.00% federal tax rate.

Carrier	A.M. Best Rating & Ranking	Fund	Annual Tax Equivalent Yield				Annual Net Yield				CAPITAL RISK Risk Weighting for RBC	CREDIT RISK Cash Value Segregated?	CREDIT RISK Minimum Guaranteed Crediting Rate	FLEXIBILITY & CONTROL Reallocation Permitted?
			Yr 1	Yr 3	Yr 5	Yr 10	Yr 1	Yr 3	Yr 5	Yr 10				
Carrier 1	A+ (2)	General Account	4.55%	4.28%	4.22%	4.09%	3.00%	2.82%	2.79%	2.70%	100%	No	2.50%	No
		Separate Account-1	4.39%	4.12%	4.07%	3.94%	2.90%	2.72%	2.69%	2.60%	90%	Yes	2.00%	Yes
Carrier 2	A+ (2)	Separate Account-1	3.73%	3.48%	3.26%	2.89%	2.46%	2.30%	2.15%	1.91%	100%	No	3.00%	Yes
		Separate Account-2	2.82%	2.56%	2.32%	1.88%	1.86%	1.69%	1.53%	1.24%	20%	Yes	0.00%	Yes
		Separate Account-3	1.53%	1.26%	0.99%	0.44%	1.01%	0.83%	0.65%	0.29%	50%	Yes	0.00%	Yes
Carrier 3	A+ (2)	Separate Account-1	4.62%	3.66%	3.58%	3.02%	3.05%	2.42%	2.36%	1.99%	20%	Yes	1.00%	Yes
		Separate Account-2	5.30%	4.35%	4.28%	3.79%	3.50%	2.87%	2.83%	2.50%	100%	Yes	1.00%	Yes
		Separate Account-3	5.89%	4.95%	4.89%	4.45%	3.89%	3.26%	3.23%	2.94%	100%	Yes	1.00%	Yes

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# Prospecting Support Package

<u>Bank Name - Location</u>	<u>Distance In Miles From Ripley, TN</u>	<u>Total Assets</u> <sup>1</sup>	<u>Tier 1 Capital</u> <sup>1</sup>	<u>Total Reported BOLI</u> <sup>1</sup>	<u>Change in Cash Value</u>	<u>BOLI as Percent of Tier 1 Capital</u>	<u>NQDC Plan In Place?</u>	<u>UBPR</u> <sup>3</sup> Peer Group
<b>Bank of Ripley - Ripley, TN</b>	<b>0</b>	<b>\$209,241,000</b>	<b>\$28,628,000</b>	<b>\$4,299,000</b>	<b>3.19%</b>	<b>15.02%</b>		<b>5</b>
Gates Banking and Trust Company - Gates, TN	9	\$41,637,000	\$4,557,000	\$1,302,000	2.84%	28.57%		15
Bank of Halls - Halls, TN	13	\$66,262,000	\$8,050,000	\$2,169,000	3.09%	26.94%		11
The Lauderdale County Bank - Halls, TN	13	\$48,414,000	\$4,431,000	\$377,000	N/A	8.51%	Yes	13
Brighton Bank - Brighton, TN	19	\$57,923,000	\$3,859,000	\$0				8
Trust Company Bank - Mason, TN	25	\$33,943,000	\$980,000	\$0				12
Bank of Crockett - Bells, TN	25	\$136,901,000	\$15,431,000	\$3,495,000	3.10%	22.65%		5
Bank Star of the BootHeel - Steele, MO	28	\$107,159,000	\$8,536,000	\$0			Yes	7
Security Bank - Newbern, TN	32	\$171,983,000	\$19,829,000	\$5,942,000	3.16%	29.97%		5
The Somerville Bank & Trust Company - Somerville, TN	34	\$204,626,000	\$18,096,000	\$0				4
The Farmers & Merchants Bank - Dyer, TN	37	\$99,131,000	\$10,291,000	\$2,020,000	3.01%	19.63%	Yes	5
The Bank of Jackson - Jackson, TN	37	\$142,043,000	\$15,188,000	\$723,000	2.70%	4.76%		4
Medina Banking Co. - Medina, TN	41	\$41,853,000	\$6,547,000	\$0				13
First Alliance Bank - Cordova, TN	42	\$118,996,000	\$10,239,000	\$2,981,000	3.44%	29.11%		4
The Bank of Milan - Milan, TN	43	\$61,973,000	\$6,025,000	\$1,227,000	2.59%	20.37%		11
Little River Bank - Lepanto, AR	43	\$41,282,000	\$4,720,000	\$0				14
Merchants & Planters Bank - Bolivar, TN	44	\$89,683,000	\$11,250,000	\$3,630,000	2.69%	32.27%	Yes	9
Kennett National Bank - Kennett, MO	44	\$92,647,000	\$12,430,000	\$3,350,000	3.46%	26.95%		11
Senath State Bank - Senath, MO	45	\$65,238,000	\$9,575,000	\$0				11
BankTennessee - Collierville, TN	47	\$245,279,000	\$29,205,000	\$5,895,000	2.83%	20.18%		4
First Capital Bank - Germantown, TN	47	\$213,739,000	\$20,745,000	\$0				6
First Community Bank of Eastern Arkansas - Marion, AR	48	\$133,764,000	\$16,664,000	\$1,471,000	3.16%	8.83%	Yes	6
Tri-State Bank of Memphis - Memphis, TN	49	\$150,270,000	\$11,894,000	\$0				4
First Delta Bank - Marked Tree, AR	50	\$71,691,000	\$6,194,000	\$0				8
<b>Local Peer Group (Median of 24 total institutions)</b>		<b>\$95,889,000</b>	<b>\$10,265,000</b>	<b>\$2,777,214</b>	<b>3.02%</b>	<b>20.98%</b>	<b>20.83%</b>	
<b>National Group (Median of 6,949 total institutions)</b>		<b>\$2,073,568,851</b>	<b>\$231,984,209</b>	<b>\$36,791,934</b>		<b>17.10%</b>		

<sup>1</sup> Source: September 30, 2013 Bank Call Reports - Schedules RC, RC-R, RC-F

<sup>2</sup> Includes Allowance for Loans and Lease Losses - Source: September 30, 2013 Bank Call Reports - Schedule RC

<sup>3</sup> Peer definition includes selected Banks within 50 miles of Ripley, TN with Total Assets between \$0 and \$250,000,000 within 50 miles of Ripley, TN

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# Prospecting Support Package

- We'll co-brand our marketing materials with you

The collage displays three marketing materials:

- BOLI Portfolio Assessment**: A report from NFP Executive Benefits and HR. It includes a quote: "A sound pre-purchase analysis, meaningful ongoing monitoring program, reliable accounting process and accurate assessment of risk-based capital requirements are all components of the type of risk management process the agencies expect institutions to employ." and a section titled "What is a NFP Executive Benefits Assessment SM?".
- Bank Owned Life Insurance**: A presentation for Community National Bank, Midland, TX, presented in conjunction with STA BENEFITS, dated June 2013. It features the NFP Executive Benefits logo.
- Continuation Services**: A document titled "Continuation Services" with a sub-heading "Continuation Services on Delivery System (CPADS)". It includes images of a man and a woman in business attire.

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# Step Four –Board Approval/Implementation

## #4



- Obtain Board approval
- Carrier & product selection
- Census information
- Illustrations
- Accounting/legal considerations
- Plan implementation

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# Step Five – Administer the plan

## #5



- BOLI/COLI Asset Accounting
- Benefit Plan Accounting-- NQ Deferred Comp/Split Dollar etc.
- Regulatory Compliance
- Policy Services (SS sweeps, death claims, etc.)

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# Step Five – Administer the plan

## CPADS – Online Delivery System of BOLI Administration



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# Questions?

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# Contact Us



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