



Insurance Premium Finance Quarterly Update: 2022 First Quarter



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Welcome to the quarterly update for the Insurance Premium Finance industry. Colonnade is a leading financial advisor to the insurance premium finance industry, having advised on dozens of M&A transactions over the past two decades. This 2022 First Quarter Report analyzes data from the fourth quarter of 2021.

Insurance premium finance broadly captures commercial lines P&C, personal lines P&C, and life insurance premium finance. Our quarterly updates focus on the commercial lines segment, although we periodically touch on news in adjacent segments, like life insurance premium finance, another growing segment. We cover both the U.S. and Canadian markets.

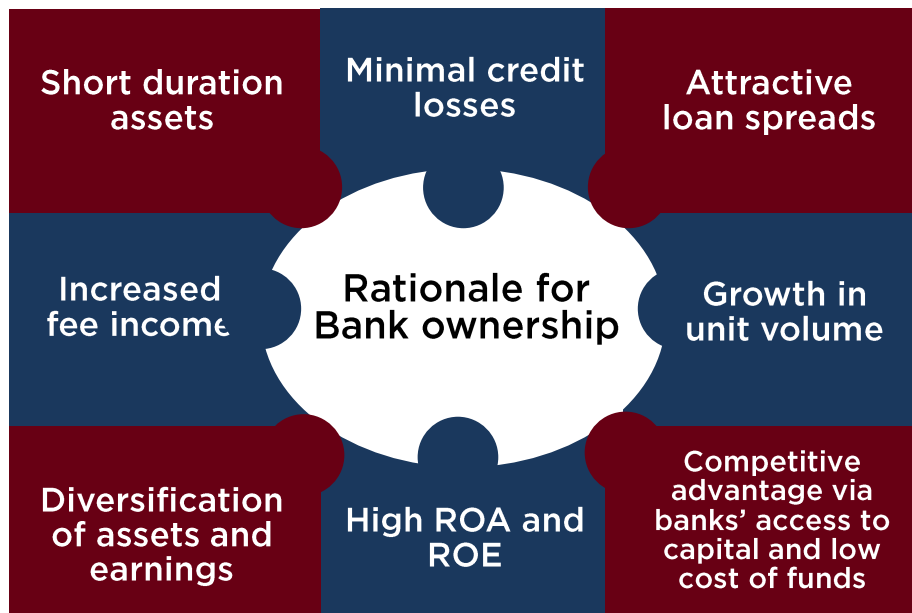
We maintain relationships with the major industry players and provide this commentary to our readers to track relevant industry news, based primarily on those public banks that report segment results for their insurance premium finance groups. On an aggregate basis, this group reported a 2.6% quarterly increase in outstandings and a strong 18.9% year over year uptick.

Our quarterly update covers:

- 1** Market size and participation (bank owned vs. independent)
- 2** Financial results from selected public companies
- 3** Recent transactions - both M&A and financing
- 4** Outlook

1 MARKET SIZE AND PARTICIPATION (BANK OWNED VS. INDEPENDENT)

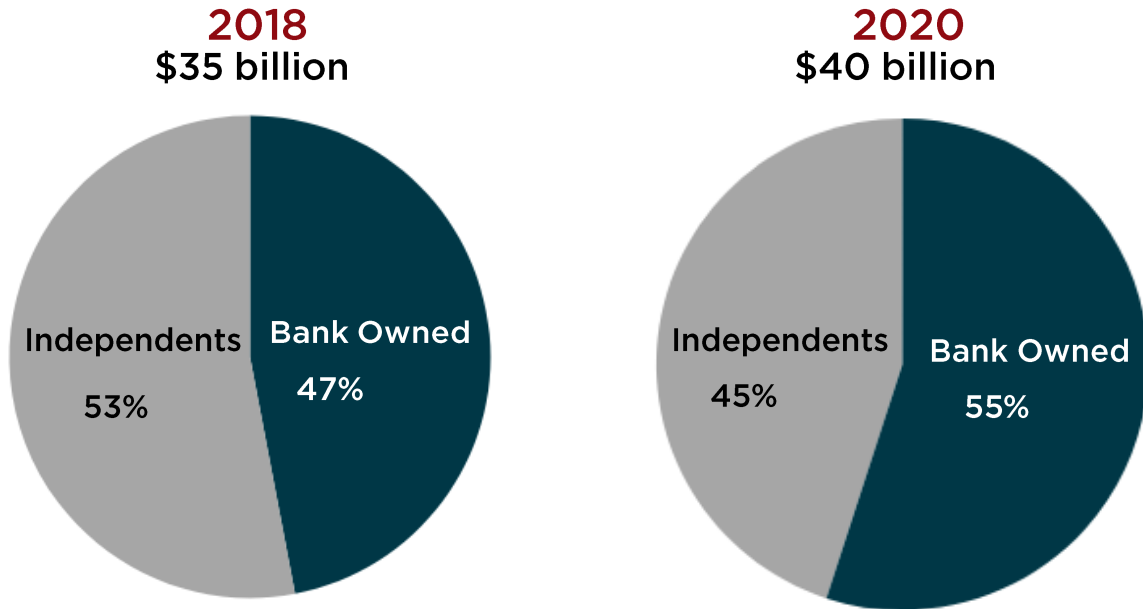
Commercial lines insurance premium finance is a well-established, high margin, high growth commercial lending activity that generates low credit quality costs. Banks remain highly interested in the segment, owing to the strong industry fundamentals and the success of many of the leading participants.



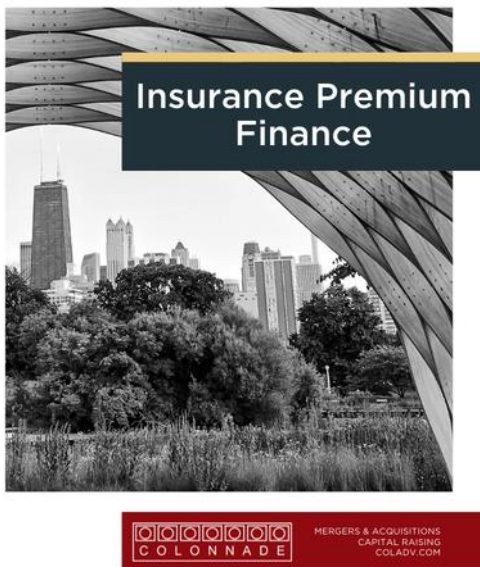
We estimate the commercial segment generates roughly \$35 - 40 billion of annual originations. Combined with the personal lines segment, the total P&C market is estimated at close to \$50 billion of annual loan volume.



Market share of commercial lines premium finance originations



Our [Industry Report of 2019](#) goes into great detail on market dynamics and recent activity. Our recent [podcast](#) on the Insurance Premium Finance industry may also be of interest.









2

FINANCIAL RESULTS FROM SELECTED PUBLIC COMPANIES

Of the top 10 largest firms, only four are owned by public banks that report segment data for their premium finance groups. We track quarterly data to highlight trends in the market.

On an aggregate basis, this group reported a 2.6% quarterly increase in outstandings and a strong 18.9% year over year uptick.

Reported commercial lines premium finance receivables

Company	Outstandings (\$mm)	Q / Q change	Y / Y change
 FIRST INSURANCE [®] FUNDING	\$4,855	5.2%	19.8%
 US PREMIUM FINANCE [®] <small>A DIVISION OF AMERIS BANK</small>	798	(5.0%)	16.1%
 AFS  IBEX <small>A division of MetaBank[®]</small>	385	(10.1%)	14.0%
 Peoples PREMIUM FINANCE 	136	1.0%	18.6%
Aggregate reported		2.6%	18.9%

Commentary

A hard P&C market combined with a faster than expected U.S. economic recovery has resulted in strong growth in outstandings over the past 12 months.

- Wintrust commented, “FIRST Insurance Funding and FIFC Canada originated approximately \$11.3 billion in property and casualty insurance premium finance receivables during 2021 as compared to approximately \$9.9 billion in 2020.

Wintrust Life Finance originated approximately \$1.6 billion in life insurance premium finance receivables in 2021 as compared to \$1.4 billion in 2020. The Company continues to experience a high level of competition and pricing pressure within the current market.”

- Ameris reported, “Loan production in the lines of business (including retail mortgage, warehouse lending, SBA, and premium finance) amounted to an additional \$5.5 billion during the fourth quarter of 2021, with weighted average yields of 3.43%, compared with \$5.8 billion and 3.37%, respectively, during the third quarter of 2021 and \$7.7 billion and 3.25%, respectively, during the fourth quarter of 2020”.

- Primis Financial started a life insurance premium finance business in Q4/2021.



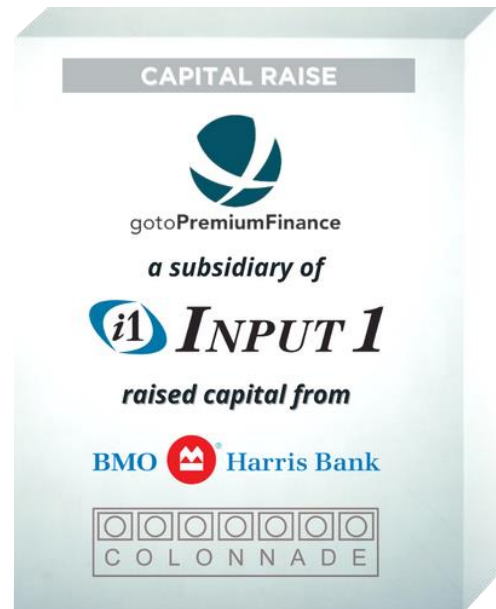
3 RECENT TRANSACTIONS

M&A Activity

- In November 2021, Wintrust Financial announced the purchase of a \$570 million loan portfolio from Allstate and agreed to become the preferred national lender to Allstate Agents. The portfolio is comprised of approximately 1,800 loans to Allstate agents nationally, which agents use to establish and grow their businesses, as well as meet other working capital needs. In addition to acquiring the loans, Wintrust has agreed to become the national preferred provider of loans to Allstate agents. A team of Allstate agency lending specialists will join the Wintrust team, to augment and expand Wintrust’s existing insurance agency finance business.

Financing Transactions

- After completing five securitizations and raising more than \$2.0 billion in the capital markets in 2020, IPFS raised more than \$1.1 billion across three transactions in 2021.
- Gracie Point raised nearly \$200 million in each of 2020 and 2021 in the ABS markets.
- Input 1 and its premium finance subsidiary, gotoPremiumFinance, raised capital from BMO. Terms were not disclosed.
- Standard Premium Finance completed its listing on the OTCQX market in March 2022 under the ticker SPFX. Standard, based in Miami, had roughly \$47 million of outstandings at year end 2021.



4

OUTLOOK

Insurance premium finance remains a great asset class for banks and independent operators. Market tailwinds are generating significant growth in assets and earnings. Incumbents are growing organically with the hard P&C market and are actively seeking acquisitions. Consolidation over the past two decades has significantly reduced the inventory of properties available, which creates a favorable dynamic for sellers.

Conclusion

Colonnade has either been the sell-side or buy-side M&A advisor on most of the insurance premium finance transactions that have taken place over the last two decades. These complex transactions require an investment banking team with deep industry knowledge, insider level mastery, competitive positioning, and buyer relationships. If you own an insurance premium finance company or you are a potential buyer, please contact us, and we can help you think through your next steps.



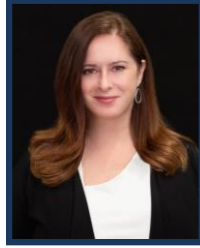
Colonnade is a leading advisor to the insurance premium finance industry

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This advertisement was prepared March 2022. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: SEC filings, investor presentations, The Motley Fool, Seeking Alpha, Finsight, Colonnade research.

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