



Insurance Premium Finance Quarterly Update: 2021 Fourth 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 2021 Fourth Quarter Report analyzes data from the third 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.

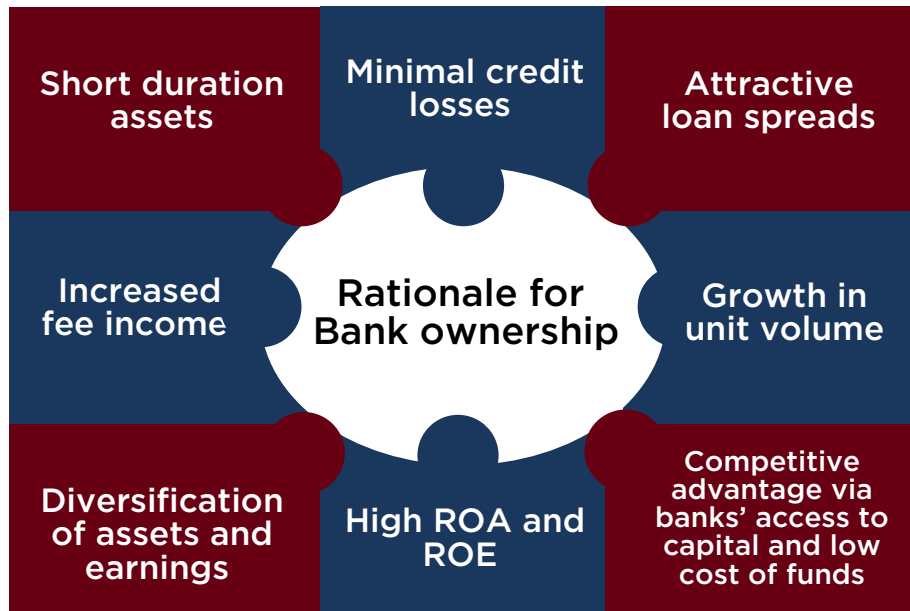
We maintain relationships with the major industry players and provide this commentary to our readers to track relevant industry news, based primarily on those public banks that report segment results for their insurance premium finance groups.

Our quarterly updates cover:

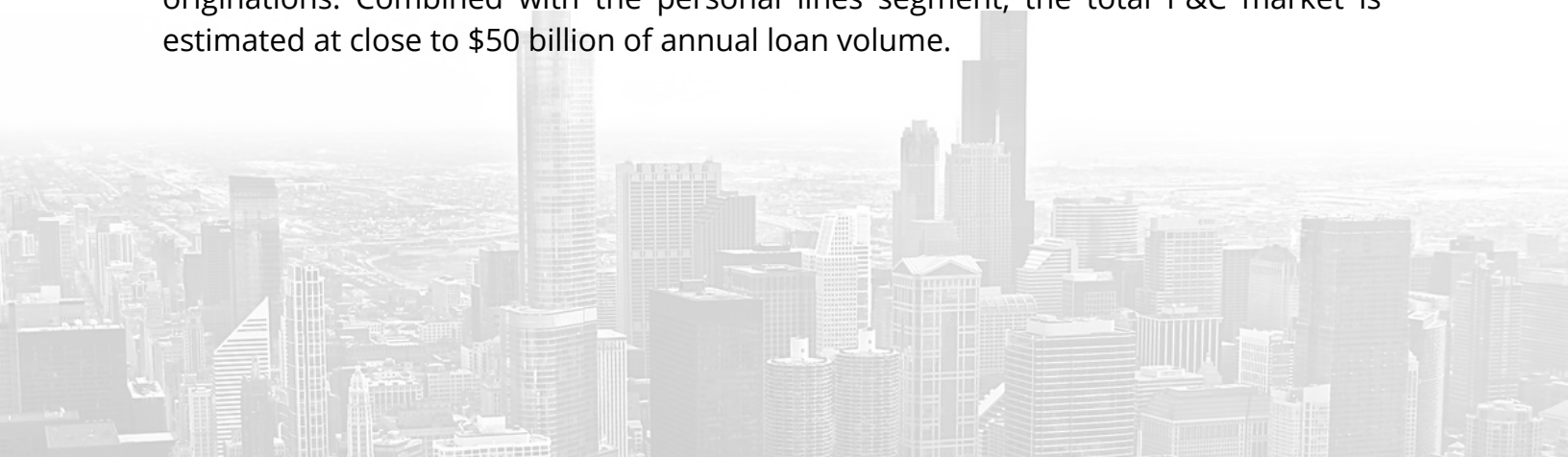
- 1** Market size and participation (bank owned vs. independent)
- 2** Financial results from selected public companies
- 3** Recent transactions - both M&A and financing
- 4** Outlook

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

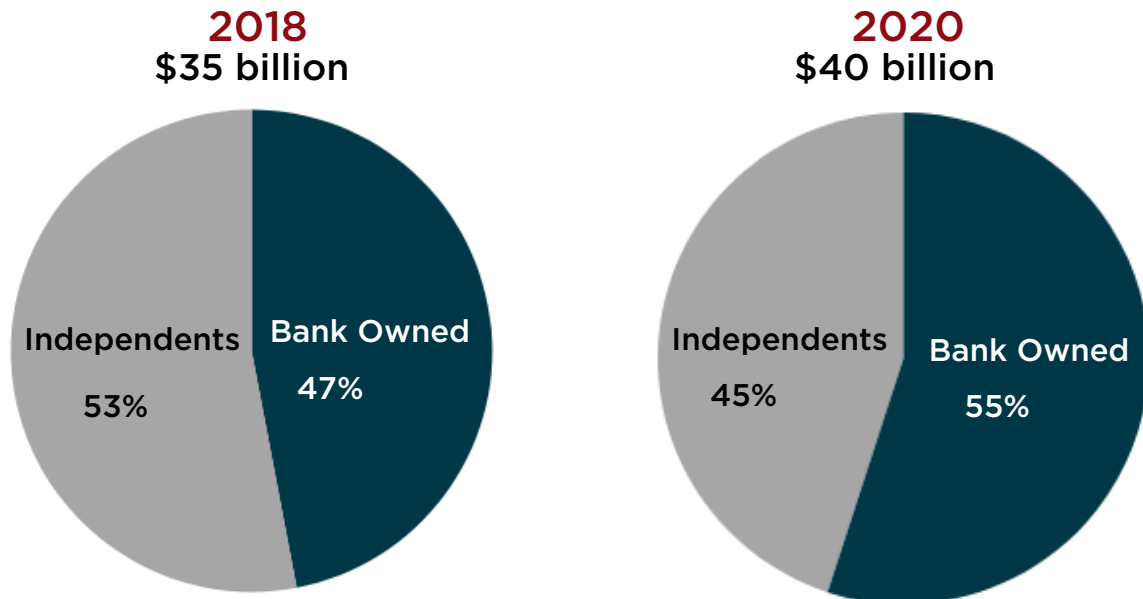
Commercial lines insurance premium finance is a well-established, high margin, high growth commercial lending activity that generates low credit quality costs. Banks remain highly interested in the segment, owing to the strong industry fundamentals and the success of many of the leading participants.



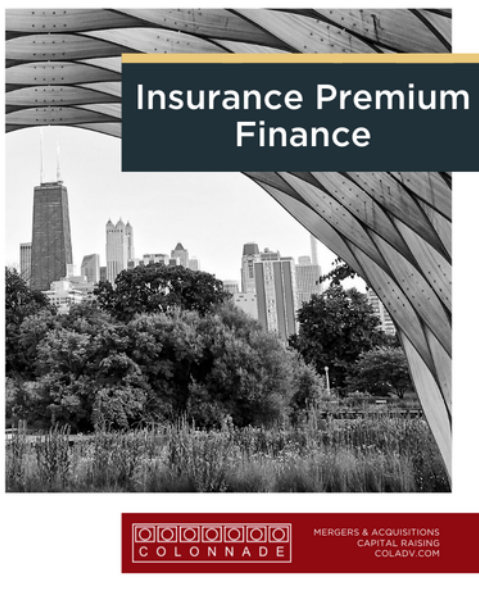
We estimate the commercial segment generates roughly \$35 - 40 billion of annual originations. Combined with the personal lines segment, the total P&C market is estimated at close to \$50 billion of annual loan volume.



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.

| Company / Parent | |
|--|---|
|   | <p>First Insurance Funding is the second largest P&C player in the U.S. and the largest in Canada, with total outstandings of \$4.6 billion. First also has a substantial portfolio of life insurance premium finance assets, totaling \$6.7 billion.</p> <p>Combined, Wintrust’s exposure to the premium finance business totals \$11.3 billion of loans or 34% of its total loan portfolio. Wintrust is a longtime player in the industry, having grown organically and through several key acquisitions, including the life business from AIG during the Financial Crisis.</p> |
|   | <p>US Premium Finance manages a portfolio of \$840 million and is ranked a top-five player in the industry. Ameris Bank acquired US Premium Finance in 2018 and has grown organically and through a series of strategic funding relationships.</p> |



A division of MetaBank®







AFS/IBEX is a top-10 player with \$430 million of portfolio. AFS/IBEX was acquired by MetaBank in 2014 and has grown steadily since the acquisition.



Peoples Premium Finance is another top-10 player with \$135 million of portfolio. Peoples Bank acquired the premium finance business from Triumph Bank in 2020. Triumph Premium Finance was started de-novo in 2015.

Reported commercial lines premium finance receivables

| Company | Outstandings (\$mm) | Q / Q change | Y / Y change |
|---|---------------------|--------------|--------------|
|  | \$4,617 | 2.1% | 13.7% |
|  | 841 | 7.7% | 17.2% |
|  | 429 | 2.7% | 26.9% |
|  | 135 | 15.2% | 30.8% |
| Aggregate reported | | 3.2% | 15.4% |

Commentary

On an aggregate basis, this group reported a 3.2% quarterly increase in outstandings and a significant 15.4% year-over-year uptick. 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.

- FIRST Insurance reported an increase of \$95 million (2.1%) at its P&C premium finance segment, including both the U.S. and Canada. “FIRST originated approximately \$2.8 billion in commercial insurance premium finance receivables in the third quarter of 2021 as compared to \$2.5 billion of originations in the third quarter of 2020.”
- Ed Wehmer, CEO of Wintrust, commented, “The market continues to get harder, people are thinking maybe 20%, 30% ... additional increase in premiums on the commercial side.”
- Chuck Sulerzyski, CEO of Peoples Bank, commented, “I would like to circle back on some of the highlights for the quarter, which include phenomenal performance by our premium finance and leasing divisions. ...Obviously, the premium finance and the leasing businesses had extraordinary growth and we expect them to have excellent growth in the fourth quarter...”



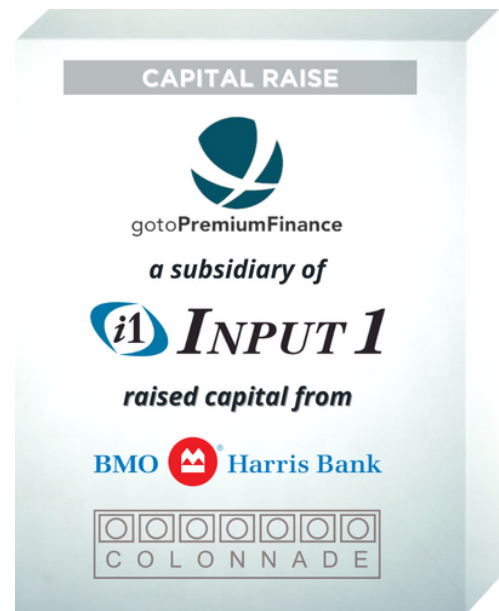
3 RECENT TRANSACTIONS

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 \$950 million across two 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.



CAPITAL RAISE

gotoPremiumFinance
a subsidiary of

i1 INPUT 1
raised capital from

BMO  Harris Bank

COLONNADE

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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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| <p>SELLSIDE</p> <p>was sold to</p> <p>COLONNADE</p> | <p>SELLSIDE</p> <p>a subsidiary of</p> <p>was sold to</p> <p>COLONNADE</p> | <p>BUYSIDE</p> <p>acquired</p> <p>the Premium Finance subsidiary of</p> <p>COLONNADE</p> | <p>SELLSIDE</p> <p>was sold to</p> <p>COLONNADE</p> | <p>CAPITAL RAISE</p> <p>raised capital from</p> <p>COLONNADE</p> | <p>SELLSIDE</p> <p>was sold to</p> <p>COLONNADE</p> |
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| <p>SELLSIDE</p> <p>a subsidiary of</p> <p>was sold to</p> <p>COLONNADE</p> | <p>SELLSIDE</p> <p>BROADWAY PREMIUM FUNDING CORP</p> <p>a portfolio company of</p> <p>was sold to</p> <p>COLONNADE</p> | <p>SELLSIDE</p> <p>was sold to</p> <p>COLONNADE</p> | <p>CAPITAL RAISE</p> <p>raised capital from</p> <p>COLONNADE</p> | <p>SELLSIDE</p> <p>was sold to</p> <p>COLONNADE</p> | <p>CAPITAL RAISE</p> <p>a subsidiary of</p> <p>raised capital from</p> <p>COLONNADE</p> |

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This advertisement was prepared January 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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