



2011

ABIA Annual Conference

Balancing the New Realities of Bank-Insurance: **Leadership Solutions**
for Evolving Customer Needs

September 26-28 | Washington, DC



Emerging Trends in Small Business Lending:
Insuring Personal Guarantee Risk



Today's Speaker



Mark L. Ricciardelli

- Co-Founder, CEO and Executive Director of Asterisk Financial
- Former CEO of Alea Group Holdings, a publicly-traded reinsurance and specialty insurance company
- Former CEO of GE ERC Global Casualty, Chairman and CEO Asia Pacific

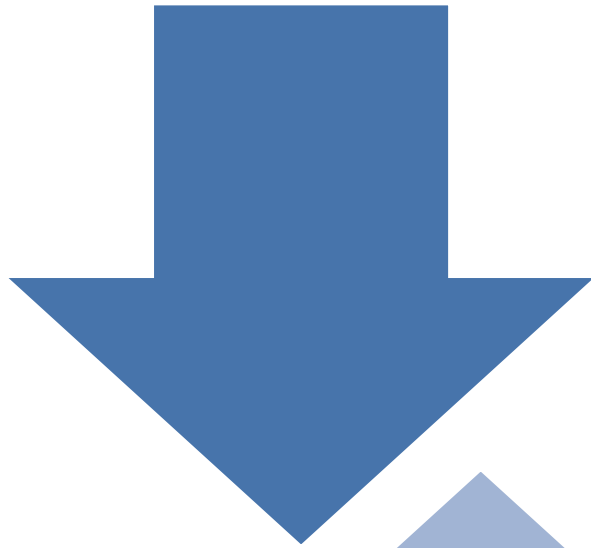


Agenda

- Trends in Small Business Lending
- Personal Guarantee Insurance
- Bank-owned Agency Case Studies
- Proven Process
- Q&A



Challenging Environment



Long term declines in
commercial loan volume
Sustained market
uncertainty

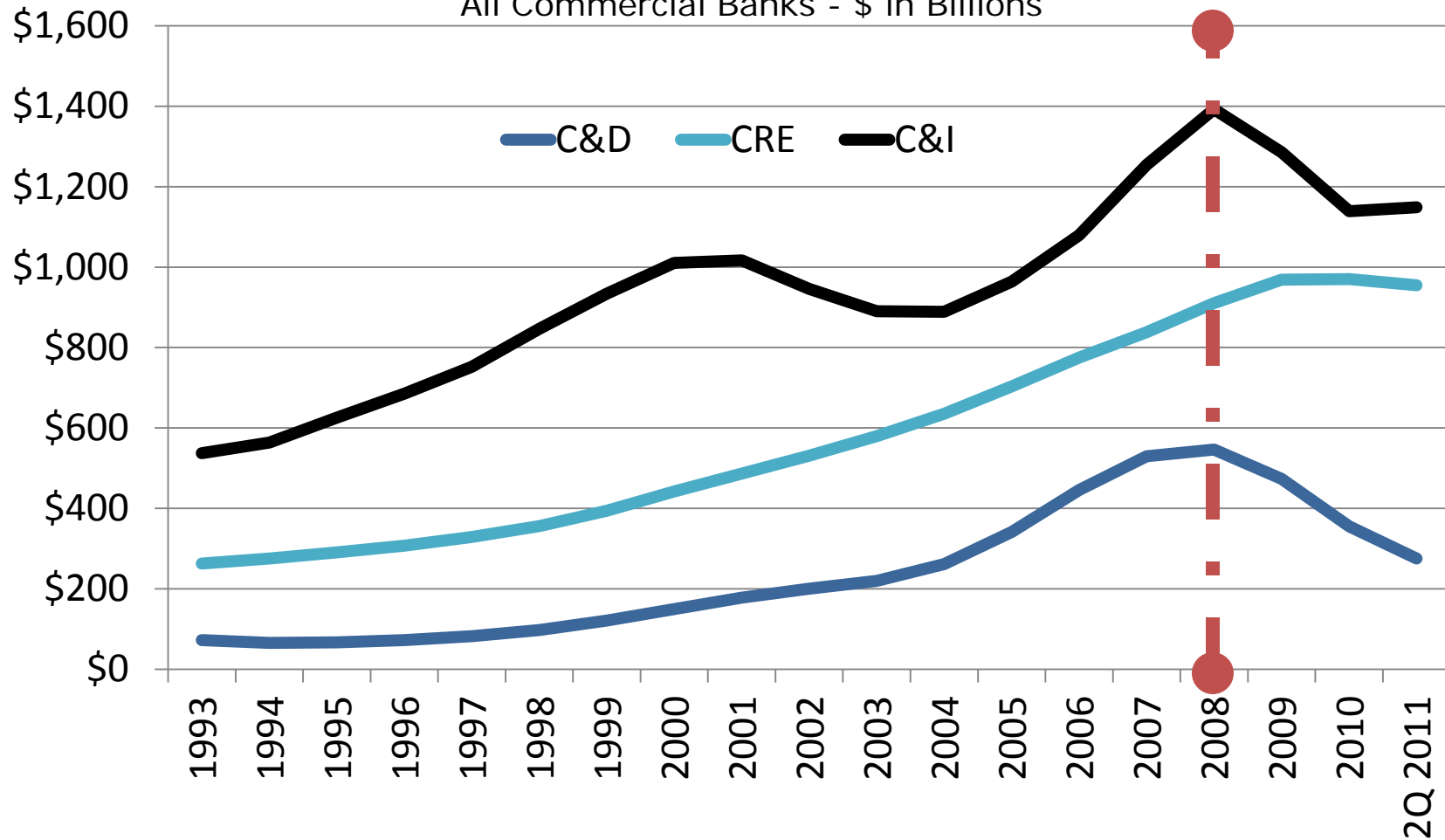


High rates of charge offs
Stricter regulatory
standards

Business Loans Declining Since '08

Loan Volume By Loan Category

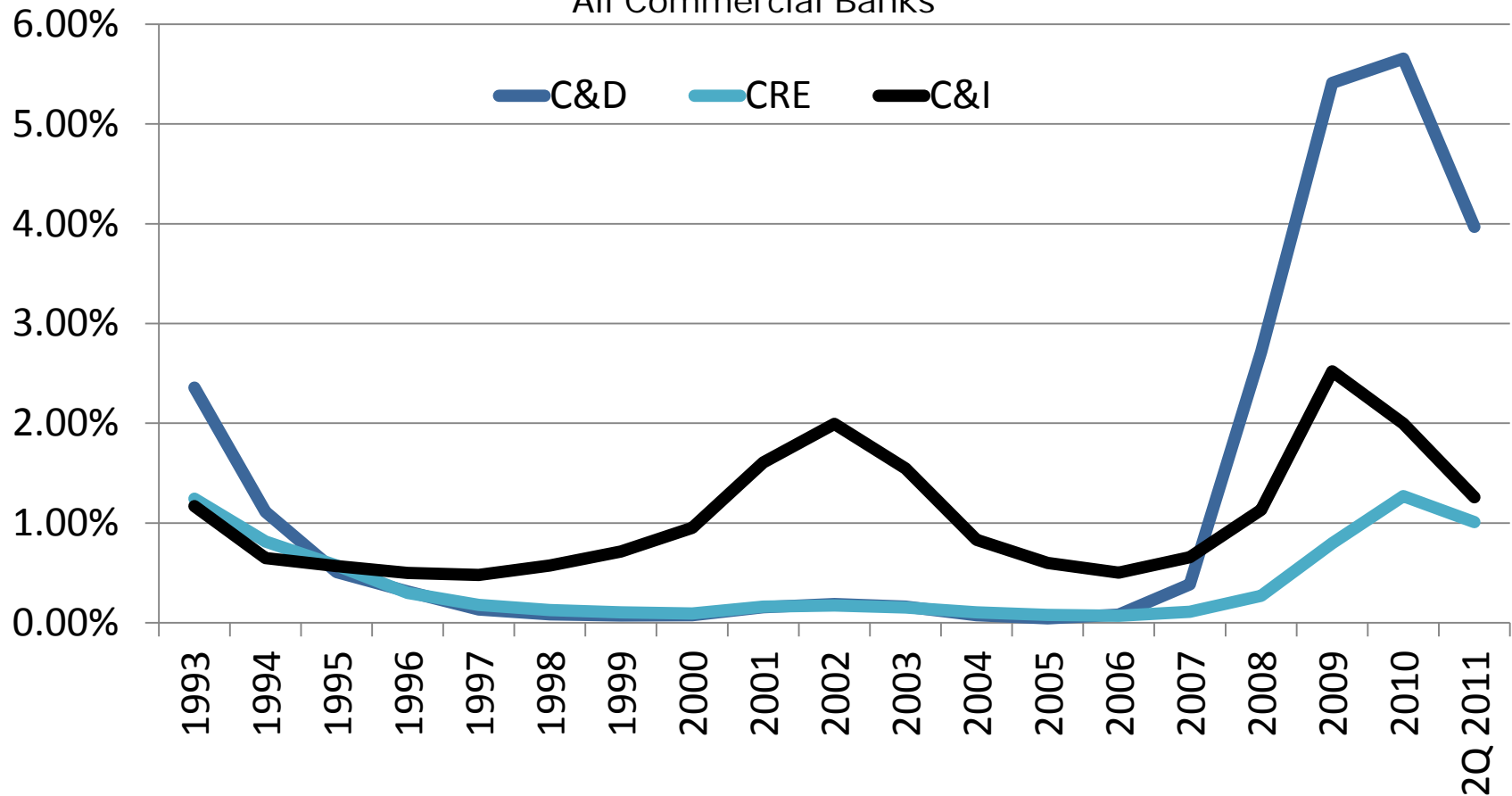
All Commercial Banks - \$ in Billions



Losses Have Hit Lenders Hard

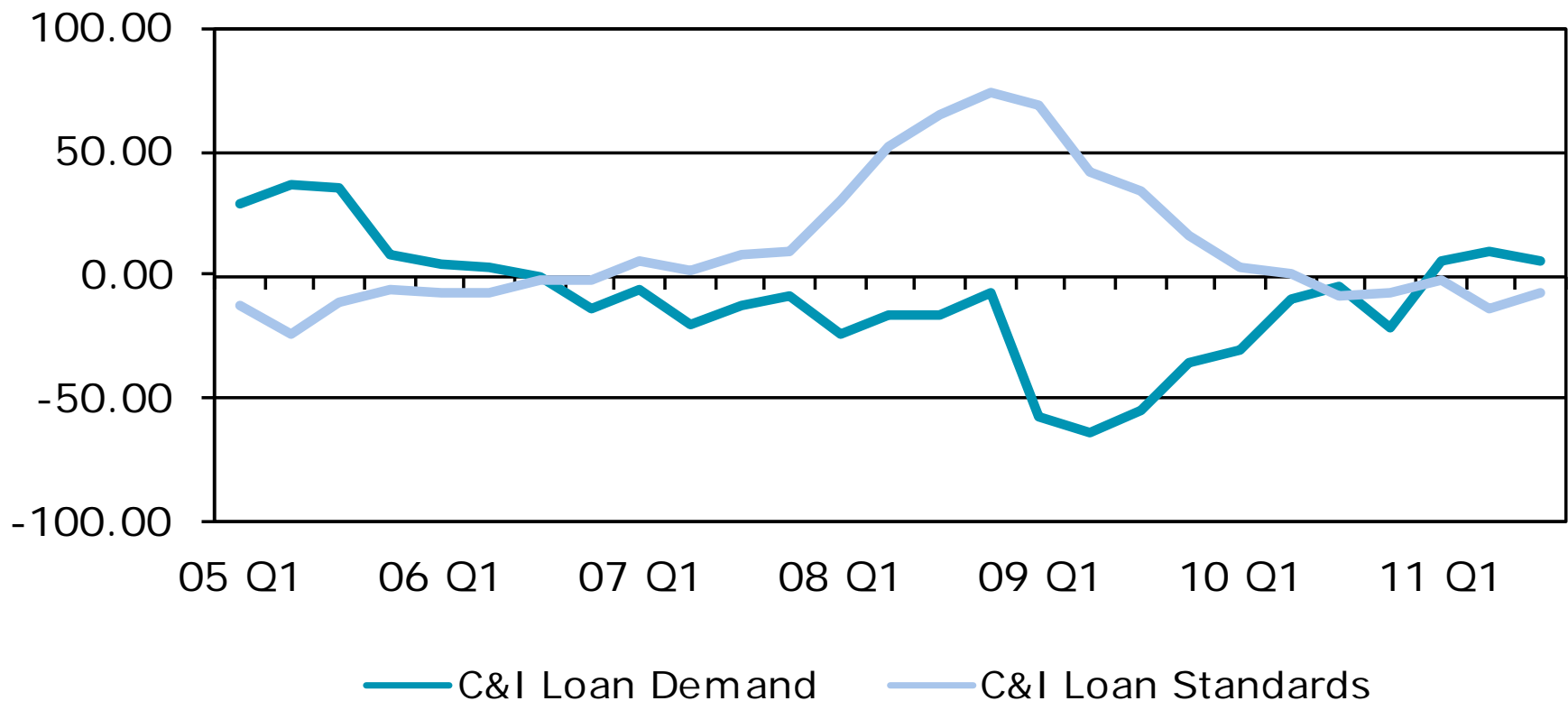
Gross Charge-off Rates by Loan Category

All Commercial Banks



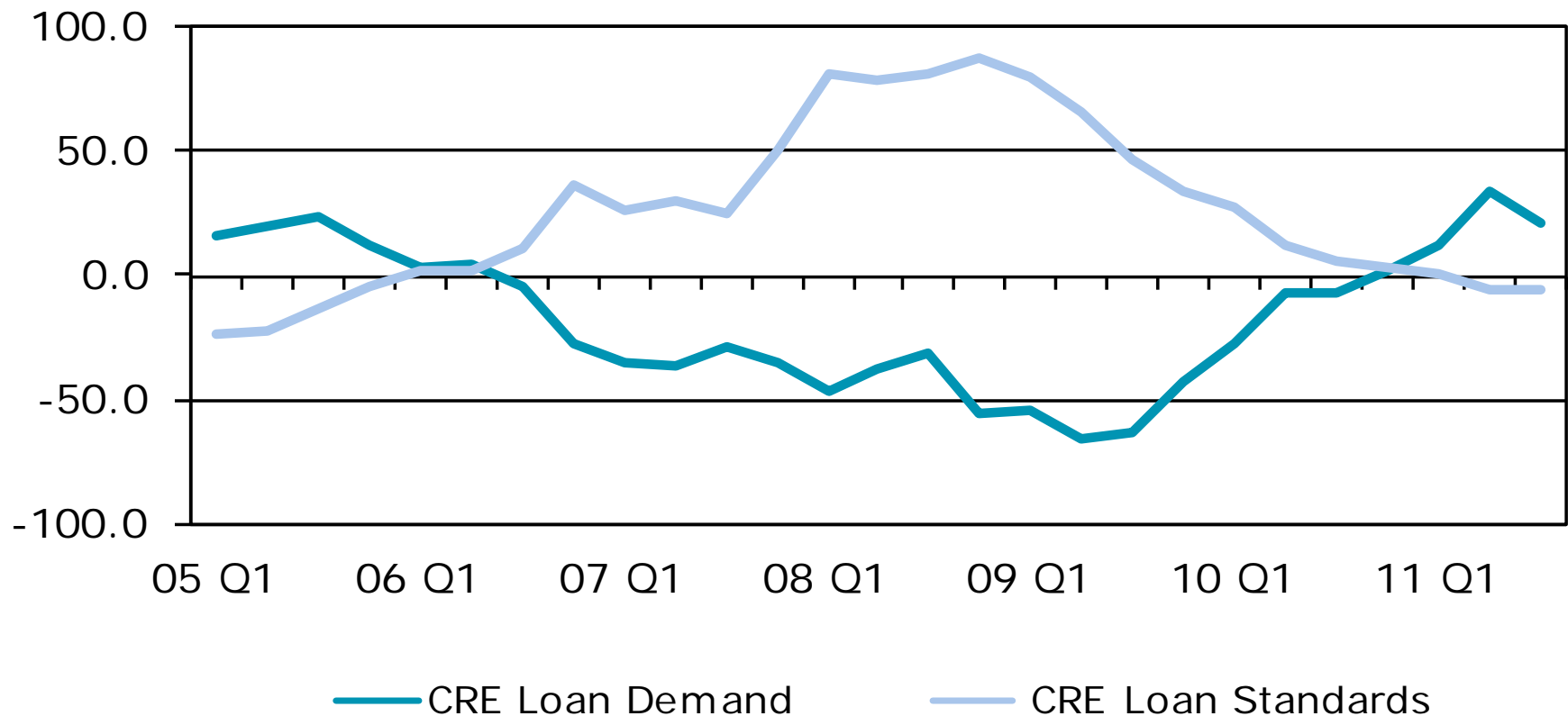
C&I Standards and Demand

Change C&I Loan Standards and Demand (Federal Reserve Survey of Senior Credit Officers)



CRE Standards and Demand

Change in CRE Loan Standards and Demand
(Federal Reserve Survey of Senior Credit Officers)





What does all this mean?

- Recovery from recession proving to be slow & disciplined
- Tight regulatory standards are here to stay for the foreseeable future
- Lower commercial loan volumes mean an increased focus on all of you

Tough to Balance Revenue and Risk



Both lenders and borrowers facing the same pressures:

Aggressive competition for revenue and a reduced appetite for risk

The Personal Guarantee

PGs Pierce the Corporate Shield...



...Leaving Personal Assets at Risk

Your Commercial Client's Situation

Reconsidering the risk



- Experienced guarantors concerned with asset protection

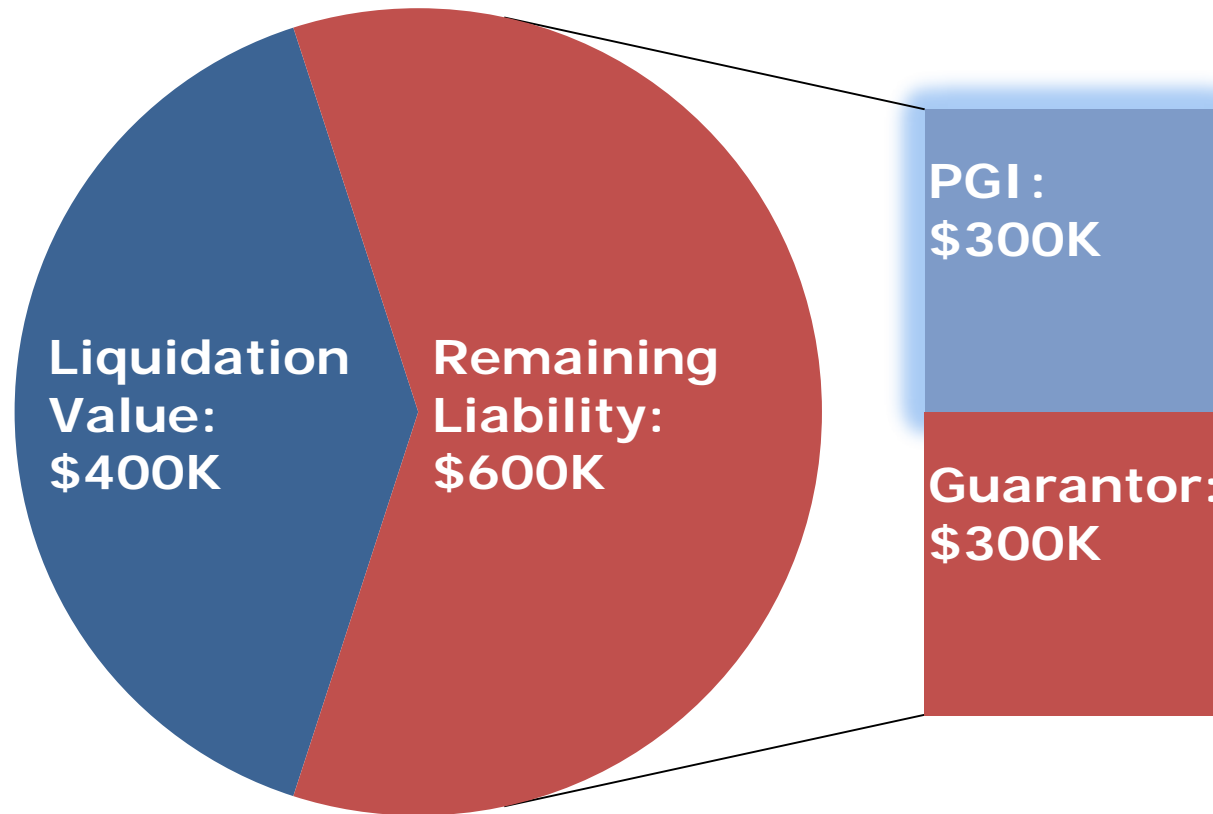
First time PG signers



- Business experience and wealth no longer negotiating tools

PGI : Coverage Example (50%)

\$1M Business Loan



30% to 70% Coverage Against Net Liability (Liability After Business Liquidation)



PGI: Eligibility & Underwriting

- Business loans including commercial real estate and development projects
- Coverage up to \$2.5 MM in any one risk
- Typical loans: \$500,000 to \$8 MM
 - General guidelines only, covered loans can be larger or smaller
- Unique renewal policy



Who Needs this Insurance?

- Owners with a limited time to rebuild
- Partnerships
- Owners with outside guarantors
- Commercial real estate investors
- Franchisees/Franchisors

Who is the Carrier?

- AmTrust Financial Services, Inc. (AFSI)
 - Rated "A" (Excellent) Financial Size IX:
A.M. Best
 - Focused on the needs of small and medium sized businesses
 - \$1.6 billion in 2010 gross written premium with an 85.3% combined ratio
 - Substantial surplus and a strong track record of paying claims
 - www.amtrustgroup.com

Bank Owned Insurance Agencies

- Capitalize on unique lead source
- Create cross sell opportunities
- Improve client relationships
- Generate income via lead generation program





PGI Selling Process

Agency

Introduce
PGI to
Clients

Present
Quote to
Client

Underwriter

Collect
Documents
and Prepare
Quote

Bill Client,
Send Policy,
and Handle
Renewals



CIT Case Study

Arlene Lasagna, VP of Commercial Insurance

- Why PGI was a good fit for CIT
- How CIT is preparing our producers to sell PGI to our commercial clients
- CIT's roll-out plans for PGI

Tools to Help You Sell PGI

- Collateral for producers and consumers
- personalguarantee.com/producers
 - Access to online tools and materials
 - Sign up for regular webinars



Question & Answer Session

Q & A

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