



Case Study One

PNFP Insurance/Apex Insurance

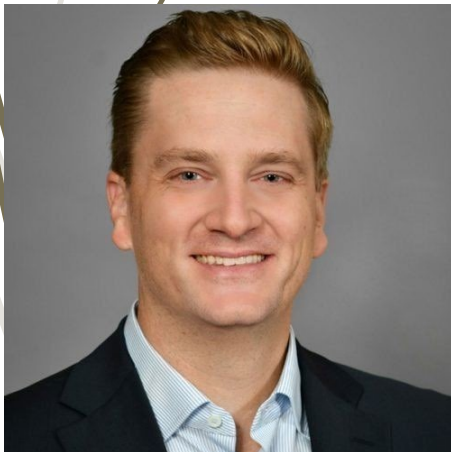
Tuesday April 16, 2024



Michael A. Corbett
Senior Vice President
President – Apex Captive Insurance Co.



Rosemary Wickham
Director – Actuarial Solutions
Merlinos & Associates, Inc. –
A Davies Company



Andrew Rhea
President



Davidson Risk Consulting

Robert Davidson
Principal

Case Study One – History of Pinnacle

Our Vision

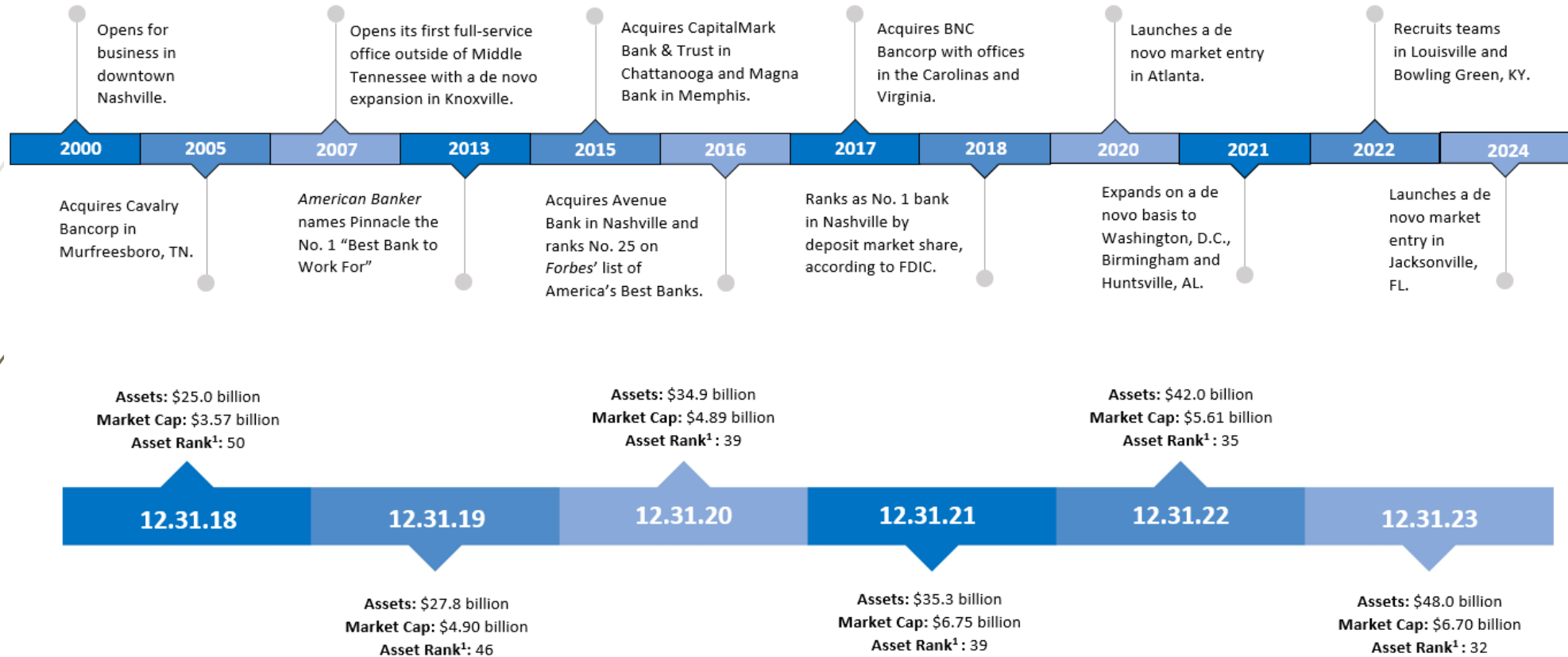
To be the best financial services firm and the best place to work in the Southeast.

Headquarters:	Nashville, TN
Markets:	Pinnacle operates in 17 primarily urban markets in the Southeast.
Offices:	125 full-service banking locations
Financial Partners:	Pinnacle Bank, Pinnacle Asset Management (investment services), PNFP Capital Markets (broker dealer), Miller Loughry Beach Insurance Services and HPB Insurance Group
Total Assets (MRQ)	\$48 Billion
Website:	www.pnfp.com

As of December 31, 2023



Case Study One – History of Pinnacle



Captive Formation

- 2008 – PNFP Captive Insurance Company – Nevada Domicile
 - Captive Manager – Wilmington Trust Captive Management Services
 - Initial Coverage
 - Property Difference in Conditions
 - Management Liability Deductible Reimbursement and DIC
 - Pollution Liability and Clean-up
 - Workplace Violence Policy
 - Privacy and Network Security Policy
 - Privacy and Network Security Policy
 - FI Bond Excess and Difference in Conditions
 - Reputational Risk and Restoration
 - Merger & Acquisition Representation and Warranty Reimbursement

Original Design – Bob Davidson

- ▶ Davidson Risk Consulting Historical Overview
 - ▶ Pinnacle National Financial Partners History
 - ▶ Captive origin
 - ▶ Why should a bank holding company own a captive insurance company?
 - ▶ Loan Loss Fraud
 - ▶ VSI Insurance
 - ▶ Electronic Transfer of Funds
 - ▶ Merger & Acquisition Reps and Warranties

Actuarial Feasibility Study – Rosemary Wickham

➤ Merlinos & Associates, A Davies Company

➤ Review of Historical Data

- Expiring policies and endorsements, Estimated historical exposures, property schedule, statement of values, etc.
- Historical ground-up loss runs and any relevant claims data not included on the loss runs;
- Frequencies, severities, commercial rates, and loss ratios from captive manager and benchmark sources
- Description of prospective coverage framework (limits, retentions, etc.) and prospective exposures

➤ Preparation of Funding Exhibits for discussion with the Captive Manager and Captive Owner

- Loss Funding- Central (Best) Estimates and Higher Confidence Level Estimates
- Captive Expenses

➤ Discussions/considerations... final decisions

➤ Captive Application Documents

- Actuarial Feasibility Report Documenting the Actuarial Analysis
- Pro Formas- Expected and Adverse Scenarios

➤ Evolution Thereafter...

- Annual Actuarial Reserve Studies
- Annual Renewal Funding Studies

Captive Manager – Andrew Rhea

- ▶ Align Risk Historical Review
 - ▶ Redomestication to Tennessee midnight 2013 (tax savings!)
 - ▶ Initial Program versus Current Program:
 - ▶ Coverages
 - ▶ Premium
 - ▶ Limits
 - ▶ Loss Ratios
 - ▶ Future Uses

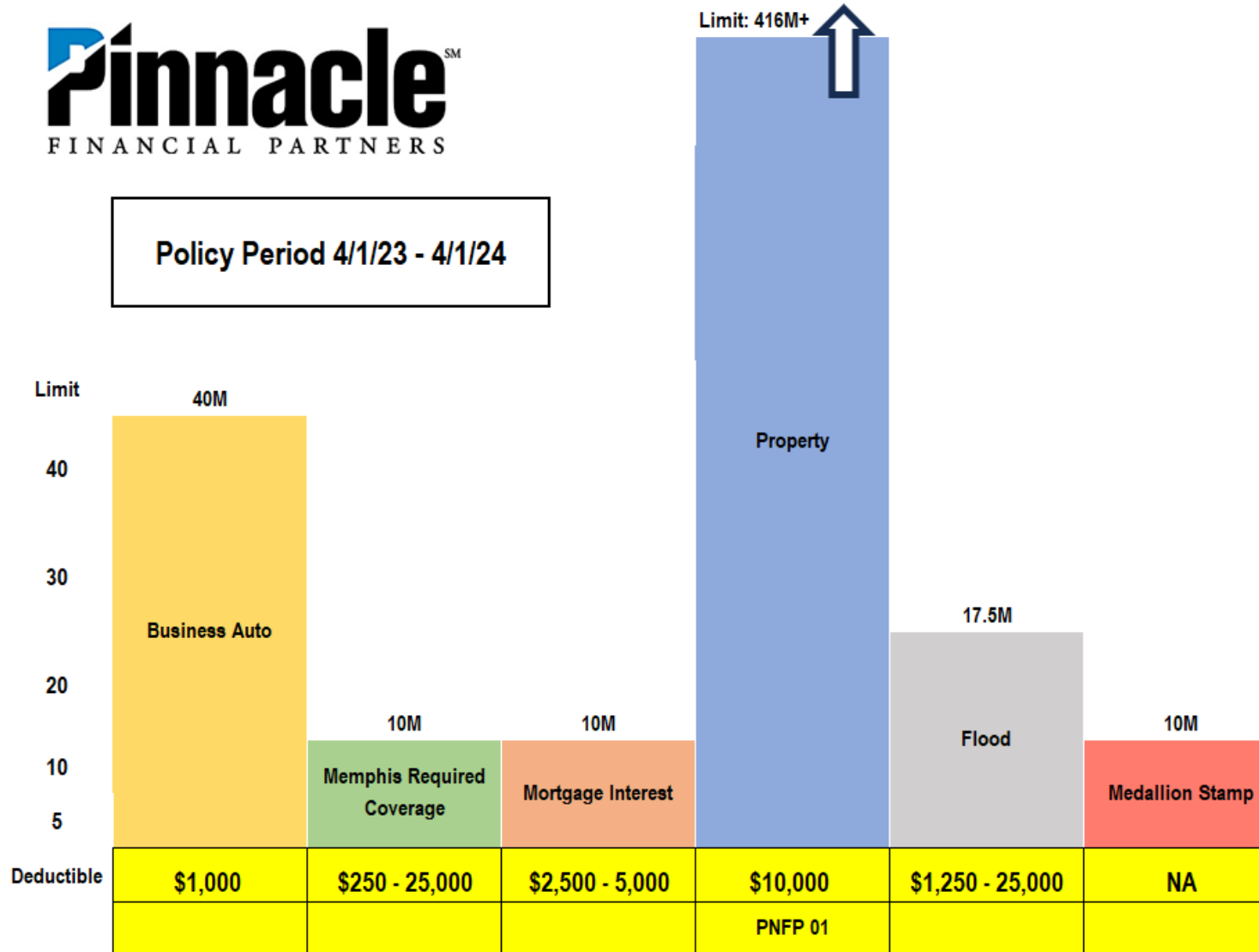
Current Program - Captive

Policy Period 10/1/2023 to 10/1/2024		
Reference Code	Policy Number	Coverage Description
01	22-0001	Property Difference in Conditions
02	22-0002	Management Liability Deductible Reimbursement and DIC
03	22-0003	Pollution Liability and Clean-up
04	22-0004	Workplace Violence Policy
05	22-0005	Privacy and Network Security Policy
06	22-2006	FI Bond Excess and Difference in Conditions
12	22-0012	Reputational Risk and Restoration
15	22-0015	Merger & Acquisition Representation and Warranty Reimbursement

Current Program - Property



Policy Period 4/1/23 - 4/1/24



Maturity and Redesign

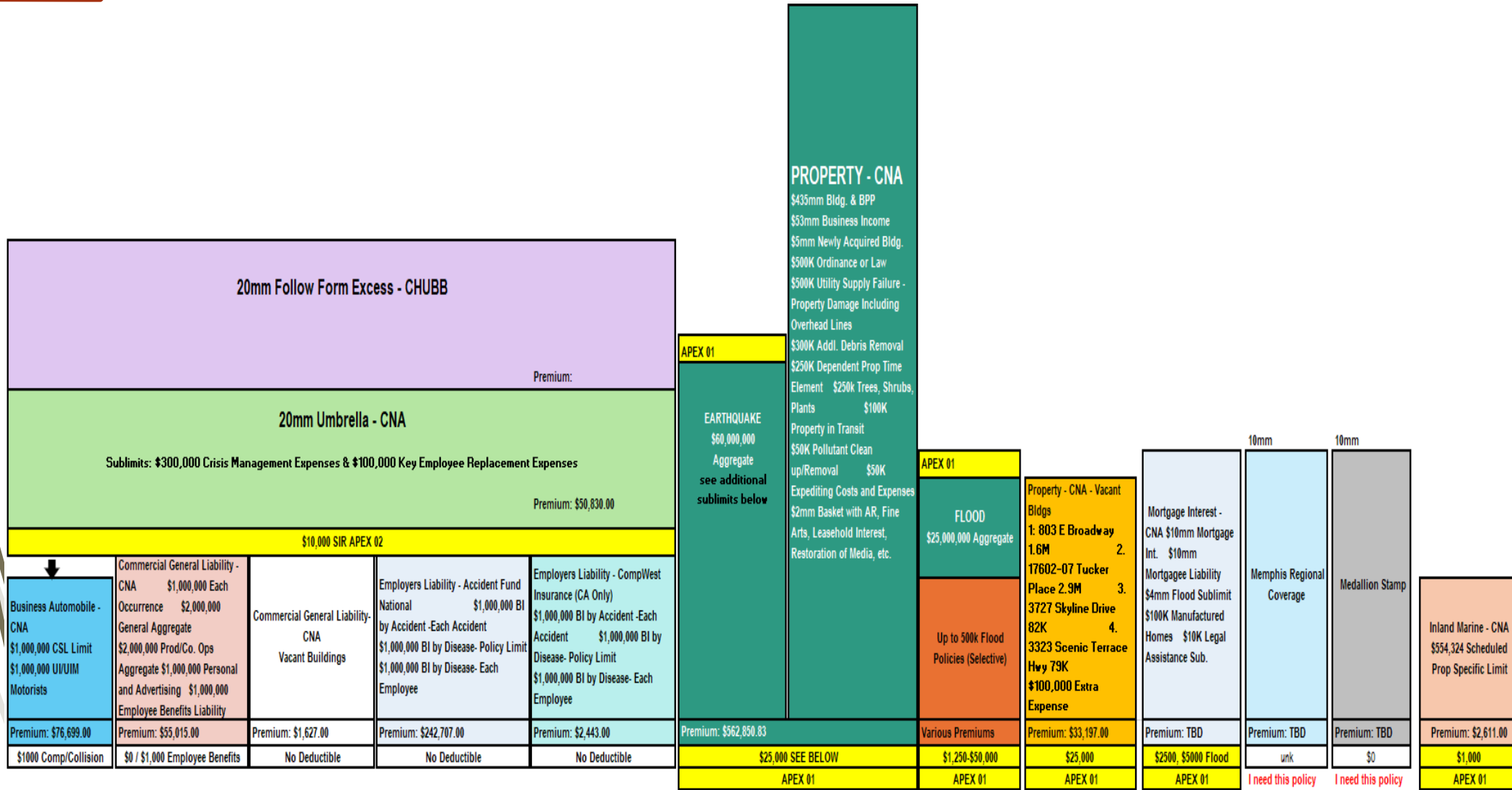
- ▶ Holding company insurance program
- ▶ Realization that captive was reset last instead of first
- ▶ Renewed 2024 program with goal of starting fresh
- ▶ Auditor call about 831b status
- ▶ December spent converting to 831a
- ▶ In process to reset captive prior to renegotiating property and management liability coverage

Maturity and Redesign

APEX CAPTIVE INSURANCE COMPANY POLICIES (subject to 5mm program aggregate limit)

COMMERCIAL PROPERTY DIC	MANAGEMENT LIABILITY DIC	POLLUTION LIABILITY	WORKPLACE VIOLENCE	NETWORK SECURITY	FI BOND EXCESS AND DIC	REPUTATIONAL	M&A REP AND WARRANTY
APEX 01	APEX 02	APEX 03	APEX 04	APEX 05	APEX 06	APEX 12	APEX 15
\$5,000,000 General Aggregate \$5,000,000 Policy Aggregate \$5,000,000 Excess Mortgage Protection	\$5,000,000 General Aggregate \$5,000,000 Each Occurrence \$5,000,000 Prod. Co. Ops \$5,000,000 Professional Liability \$5,000,000 Wrongful Act	\$5,000,000 Each Occurrence Limit \$5,000,000 General Aggregate	\$1,000,000 Each Occurrence \$1,000,000 Policy Aggregate	\$10,000,000 Each Occurrence \$10,000,000 Policy Aggregate	\$5,000,000 Each Occurrence \$5,000,000 General Aggregate	\$5,000,000 Each Occurrence \$5,000,000 General Aggregate	\$5,000,000 Each Occurrence \$5,000,000 General Aggregate
Premium: \$307,000	Premium \$805,000	Premium \$52,000	Premium: \$41,000	Premium: \$399,000	Premium: \$173,000	Premium: \$123,000	Premium: \$143,000

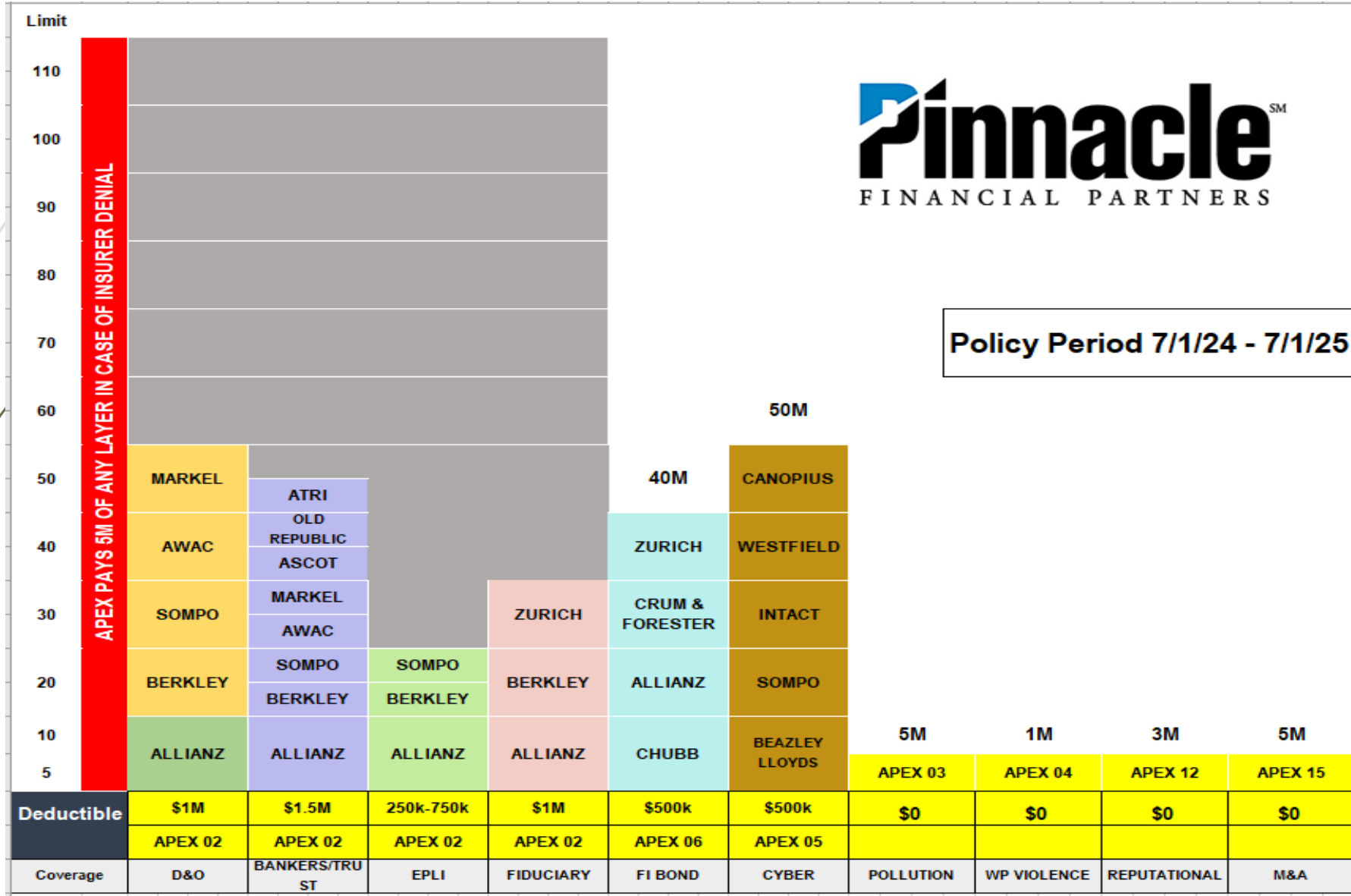
Maturity and Redesign



Maturity and Redesign



Policy Period 7/1/24 - 7/1/25



Summary

- Why was the captive formed?
 - Control
 - Coverage
 - Capacity
- What were the potential disadvantages?
 - Time and cost to set up
 - Long term ownership
 - Time and cost to manage
 - Constituent buy-in
- Was it worth it?
 - Heck yes!!!



Questions?