

THE MARKET AT A GLANCE:

- Over \$ 1 trillion in assets nationwide
- More than 7,300 credit unions in the US
- More than 94 million members

PRE-PURCHASE ANALYSIS:

- Quantify the amount of insurance appropriate for the institution's objectives
- Assess vendor qualifications
- Review the characteristics of the available insurance products
- Help select an insurance carrier by providing financial due diligence on recommended carriers
- Analyze the associated risks and the ability to monitor and respond to those risks
- Evaluate alternatives
- Document decision

RECORDKEEPING & COMPLIANCE

- Suggested general ledger entries for both CUOLI and benefits (if applicable)
- Quarterly Social Security sweeps to track deceased former employees
- Quarterly review of insurance carrier ratings and financial profiles
- Automatic email notification of change in carrier ratings (compiled every 14 days)
- Quarterly analysis of peer group CUOLI holdings (to the extent such data is publically available)

ANNUAL RISK MANAGEMENT

The Pangburn Group provides a comprehensive detailed annual analysis of the pertinent risks and associated financial results of the CUOLI holdings.



CREDIT UNION OWNED LIFE INSURANCE (CUOLI)

FACT SHEET

Providing credit union management with the tools to maintain prudent oversight regarding the purchase, reporting, and risk management of CUOLI.

Why CUOLI?

Credit unions have authority to purchase life insurance under 12 CFR part 701.19 as an informal funding vehicle for certain Employee Benefits. CUOLI also may provide financial assistance to a credit union when it faces the costs associated with recruiting and training new employees in the event of the premature death of current key employees. The performance of CUOLI typically exceeds the return offered by other permissible investments, while the employee benefits can be used to attract, retain and reward key executives.

Post-Purchase Compliance Requirements:

To maintain an effective CUOLI program, any purchase of CUOLI should incorporate an ongoing risk management process to assist credit union management with a detailed annual (or more frequently if desired) assessment of their CUOLI holdings.

IRS Code Section 101(j)

IRS Code Section 101(j) provides that death benefits paid on an "employer-owned life insurance contract" will remain tax-free only if proper notice is given to the covered employee and the employee gives written consent to be insured before the coverage is issued. Insurance carriers will include this documentation with your applications. The Pangburn Group will provide an annual report reminding you to file the 8925 form.

Why The Pangburn Group?

The Pangburn Group offers credit unions an unbiased analysis of their CUOLI holdings and is in a unique position to assist with the implementation and/or post-sale assessment of risk management programs.

Credit unions should be aware that a product vendor's financial benefit from the sale of insurance may provide the vendor with an incentive to emphasize the benefits of a CUOLI purchase to the institution without a commensurate explanation of the associated risks. Therefore, reliance solely upon pre-packaged, vendor-supplied compliance information does not demonstrate prudence with respect to the purchase of insurance.