



[WEALTH BUILDER]

– Suite –

**FINANCIAL INDEPENDENCE
HAS YOUR NAME ON IT.**

PROFIT PARTICIPATION PROGRAMS

| | RETROSPECTIVE COMMISSION PROGRAM | CONTROLLED FOREIGN CORPORATION (CFC) | NON-CONTROLLED FOREIGN CORPORATION (NCFC) | POWER CONTROLLED FOREIGN CORPORATION (POWER CFC) | DEALER-OWNED OBLIGOR COMPANY (DOOC) |
|---|--|--|--|--|---|
| Formation Costs | None | Determined by managing / formation firm of CFC; Estimated cost: \$5,000 | Investment: \$5,000 stock purchase | Determined by managing / formation firm of Power CFC; Estimated cost: \$5,000 | Capital requirement of approx. \$50,000 Estimated DOOC licensing, state and lender consumer form filing fees - \$9,000 (assumes 5 products) \$750 state tax fee depending upon geographic location of rooftops |
| Annual Management Fees | None | Determined by managing / formation firm of CFC; Estimated cost: \$4,700 | Determined by managing / formation firm of NCFC; Estimated cost: \$4,000 | Determined by managing / formation firm of Power CFC; Estimated cost: \$4,700 | \$5,500 - \$6,500 per state |
| Investment Options | None | See agreement - typically restricted to NAIC approved investments | Up to 75% in Equity funds for earned premium | See agreement – typically restricted to NAIC approved investments | See agreement - typically restricted to NAIC approved investments |
| Funds Held | In US Trust Account | In US Trust Account | In US Trust Account | In US Trust Account | Held by dealer in US trust account |
| Management | Managed by EFG Companies | GPW and Associates or other industry specialist | Managed by Tricor Automotive Group, Held by Tricor RE | GPW and Associates or other industry specialist | GPW and Associates, administered by EFG Companies |
| Ownership | EFG Companies | Producer Owned/Affiliated Reinsurance Company (PORC/PARC), owned by one or more shareholders | Owned by the collective Tricor (NCFC) group. Dealer is a shareholder in Tricor. | Producer Owned/Affiliated Reinsurance Company (PORC/PARC), owned by one or more shareholders | Dealer (not dealerships) |
| Criteria <i>As of January 1, 2024</i> | Volume tier requirements determined by management: Maximum payout 80% of available underwriting profit | Annual premium of \$2,800,000 on controlled group basis: Over \$2,800,000 consider other structures | Unlimited premium | Unlimited premium | Unlimited premium |
| Domiciled | US | Determined by managing / formation firm of CFC, usually in Turks & Caicos | Tricor - Bermuda | Determined by managing / formation firm of CFC, usually Delaware Tribe | US |
| Minimum Volume Requirements | Any 1 block of business producing on avg a minimum of 50 policies/month with any combination of products | Any 1 block of business producing on avg a minimum of 50 policies/month with any combination of products | Any 1 block of business producing on avg a minimum of 50 policies/month with any combination of products | Any 1 block of business producing on avg a minimum of 50 policies/month with any combination of products | Any 1 block of business producing on avg a minimum of 250 policies/month with any combination of products |
| Corporate Tax | No special treatment | Recognized by IRS as US small Casualty Company [IRS Sec 831(b)]; pays corporate tax on investment income | Not a US taxpayer; pays 1% excise tax on net premium written | Recognized by IRS as a corporation subject to standard tax rates; special accounting processes required to build advantage | Recognized by IRS as a corporation subject to standard tax rates; special accounting processes required to build advantage |
| Tax Treatment of Distributions | Ordinary income | Individuals receiving dividends pay preferred tax rate | Dividends are not “qualified”; taxed as ordinary income; redemptions are taxed as a long term capital gain | Dividends are qualified and individuals receiving them pay preferred tax rates | Dividends are qualified and individuals receiving them pay preferred tax rates |
| Distributions | Payable after 18 months for the first 12 months of production (see agreement for details) | Available upon request and approval of administrator | Dividends are paid semi-annually, Stock redemptions are paid annually | Available upon request and approval of administrator | Determined by ownership of DOOC |
| Cash Flow/Profit | Participation in underwriting income Profit may be limited | Participation in underwriting income and investment income; Ceded as written - high potential for profit | Participation in underwriting income and investment income; Ceded as written - high potential for profit | Participation in underwriting income and investment income; Ceded as written - high potential for profit | Ownership in reserves, underwriting income and investment income; Ceded as written - high potential for profit |

KEY QUESTIONS TO ASK YOUR ADMINISTRATOR

Dealer-Owned Obligor Company

- Am I prepared for the regulatory requirements and ongoing management required by a DOOC?
- Can I use my own CLIP provider? Or, do I have to use the administrator's CLIP provider?
- In the flow of funds, is my contract revenue always within my DOOC's possession?
Or, are dollars retained by the administrator for payment of claims prior to being transferred to my DOOC trust?
- Is the administrator willing to work within my existing DOOC?
- How much upfront capital will be required?
- What access to unearned reserves will I truly have?
- What are the investment guidelines?

Controlled Foreign Corporation

- Is your Administrator passing through 100% of investment income and underwriting profit
- Are they charging actual or estimated premium tax rates?
- Are they charging ceding fees?
- Do they charge an incremental fee per claim administered?
- Do they charge a bankruptcy or security fee per contract?
- Is there a monthly fee per in-force contract to run off your book of business in the event you terminate your relationship?
- Can the Administrator defer distributions upon your request?

Retrospective Structures

- Is there an initial vesting period (i.e., a period when you don't participate)?
- Are you receiving investment income (or just underwriting profits)?
- Is the investment income paid at a low, defined rate (say, the 30- to 90-day T-bill rate) or is it based upon actual earnings?
- Can the Administrator discontinue your participation if you terminate your writing relationship with the Administrator?

Non-Controlled Foreign Corporation

Ask the same fee-related questions of your Administrator as suggested for a CFC as well as:

- How long has the NCFC company been in business?
- Does the cell structure reflect any true risk to the dealer?
- What rate of return has been earned by the NCFC in recent years?
- What is the cost of the stop-loss coverage and when does it "attach"?
(And, get a copy of the stop-loss policy.)
- What is my exposure to losses from other dealer positions, and what has been the history of passing through unrelated losses?

Power Controlled Foreign Corporation

Ask the same fee-related questions of your Administrator as suggested for a CFC as well as:

- What are their investment criteria (bond vs. equity)?
- What are their restrictions to access unearned premiums?
- How is the tax treatment being managed?
- Are you selling the administrator obligor products already approved in every state you do business?
- Are they charging formation costs?
- Do you have unlimited premium limits?
- Do you have a proper exit strategy?



MUTUAL FUND-LIKE CFC INVESTMENT MANAGEMENT

The reserve assets of each Reinsurance Company are divided into two separate accounts:

"A" Accounts hold Unearned Reserves

- Funds from all Reinsurance Companies are aggregated into a common portfolio and fully invested.
- The common trust pool is unitized such that each Reinsurance Company receives/owns units of the common trust.
- There will be separate trust pools for each underwriter.

"B" Accounts hold Earned Reserves in Excess of Claims (i.e. underwriting profit)

- When Earned Reserves in excess of claims (i.e., underwriting profit) exceed \$100,000, those funds may be transferred into a separate B account belonging solely to the Reinsurance Company. Transfers to a B account may be made quarterly, with a minimum requirement of \$10,000.
- The Reinsurance Company owner will choose from a menu of mutual fund investment options based on their own personal risk tolerance.
- Active clients are able to make monthly B account transfers.

"At GPW & Associates, we see a wide spectrum of reinsurance reporting packages. From our perspective, the reinsurance reporting package provided by EFG Companies is transparent and comprehensive, and hands down one of the best in the industry."

Greg Petrowski
Senior Vice President
GPW & Associates, Inc.



FREQUENTLY ASKED QUESTIONS

STRUCTURE

| | |
|---|---|
| How many dealers has EFG worked with in participating retro and reinsurance programs? | EFG: More than 1,000 |
| Once business is remitted, how long before it's deposited into the bank? | EFG: Almost immediate. |
| Can you invest both un-earned and earned premiums from day one? | EFG: Yes |
| Can I borrow against both un-earned and earned premiums from day one? | EFG: Yes (75% from NCFC day one) |
| Can you reinsure all products sold in F&I? | EFG: Yes |
| Do you receive 100% of the investment income (un-earned and earned) and underwriting profits from day one? | EFG: Yes |
| Do I have to sell a certain number of policies a year? | EFG: Yes We have a production minimum of 600 policies per year to ensure position viability |
| Has this structure been tested and approved by the I.R.S and issued a technical advice memorandum stating so? | EFG: Yes |

ADMINISTRATION

| | |
|---|-----------------|
| Do you provide ON DEMAND reporting covering claims, loss ratios, claim frequency, claim severity, loss per contract, % earned, by store, by group, trend analysis and prediction? | EFG: Yes |
| Do you provide on-line contract submission with DMS integration for all products sold in F&I? | EFG: Yes |
| Can you request a cancellation quote for all products on-line? | EFG: Yes |
| Can you remit contracts on-line? | EFG: Yes |

CLAIMS

| | |
|---|---|
| Who is your claims administrator? | EFG: EFG Companies has adjudicated its own claims, since inception, for almost 50 years |
| Do you have a 50 mile tie back clause in your policy? | EFG: Yes, all new and used car customers will be encouraged to return to the selling dealer. |
| Will I be notified on any transient claim over \$500? | EFG: Yes |



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REPUTATION & BRAND MANAGEMENT



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