

Insurance Agency Refinance – Case Study

SYNOPSIS

The owner made an acquisition of a book of business two years earlier, using a loan. The monthly loan payments under the existing loan structure were making reinvestment into the agency difficult. In addition, the existing loan contained a balloon payment that was an ongoing concern.

To grow the agency, the owner needed working capital to hire a producer and service person to focus specifically on selling insurance and related financial services to high net worth individuals in a five county area. Included in the plan was engagement of an insurance marketing firm to assist in lead generation and marketing material. Given the current debt service, the owner needed help in restructuring the agency's finances to improve cash flow and support growth.

Live Oak was introduced to the agency and developed an appropriate capital structure to refinance the existing loan. Under the Live Oak structure, the agency refinanced into a supportive, hands-off structure which significantly improved monthly cash flow, eliminated the uncertainty related to the eventual balloon payment due, while also providing additional working capital to support ongoing agency investment. With no pre-payment penalty, this loan structure gave the owner increased flexibility to manage his cash flow and make critical investments in his business to support growth for years to come.

*Example Refinance with Working Capital**

	EXISTING LOAN	LIVE OAK BANK REFINANCE
Loan Amount:	\$622,036	\$750,000**
Loan Term (<i>original</i>)	5 years	10 years
Payment Amortization(<i>original</i>)	7 years	10 years
Interest Rate	6.00%	5.75%
Monthly Payment	\$14,609	\$8,233
Balloon Payment	\$329,610	Not Applicable

Benefits to the Business:

- Growth Capital/Liquidity: The refinance plus working capital provide additional cash proceeds to support growth efforts and liquidity at the agency.
- Reduced Loan Payment: The loan payment in this example has decreased by \$6,376 a month.

Example for illustration purpose only. Above example assumes \$1,000,000 original loan balance to be refinanced following a 3-year period. Please see our **Refinance Calculator to calculate the benefit of a Live Oak Bank refinance for your agency.*

***Refinance includes all costs to refinance and an approximate \$107,000 in additional proceeds for working capital.*

Contact Us Today!



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