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COMPLIMENTARY WEBINAR

# Expanding Deposit Insurance Options for **Michigan Credit Unions**

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# Learn More About Private Share Insurance

# Helpful Documents

## Private Share Insurance FAQs

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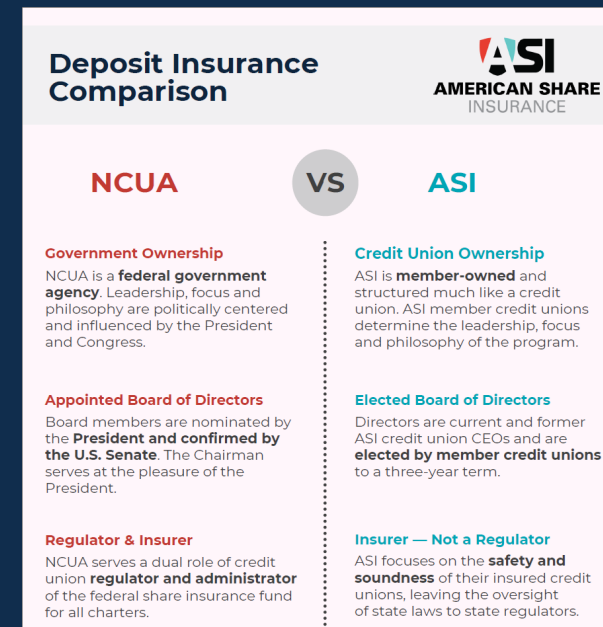
## ASI – Key Benefits of Private Insurance

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## ASI Vs NCUA, Comparison Sheet

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## ASI B2B Brochure – Primary Insurance

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# Meet Today's Presenters



Theresa Mason,  
President & CEO  
American Share



Kurt Loose,  
SVP & COO  
American Share



Jennifer Borowy,  
President & CEO  
Michigan First CU



Carma Peters,  
President & CEO  
Michigan Legacy CU



Bill Hampel,  
Former Chief  
Economist & CPO

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## Other Guests

Jennifer Kelly,  
AVP of Advocacy  
American Share

Victor Pantea,  
Credit Union Advocate

# Agenda

INTRODUCTION

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Theresa Mason, President & CEO | American Share Insurance (ASI)

COLLABORATION WITH ASI

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Kurt Loose, SVP & COO | American Share Insurance (ASI)

PERSONAL TESTIMONIAL

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Jennifer Borowy, President & CEO | Michigan First Credit Union

STATE-CHARTER IMPORTANCE

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Carma Peters, President & CEO | Michigan Legacy Credit Union

QUESTIONS?

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Group Discussion

ASI & THE DUAL CHARTERING SYSTEM

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Bill Hampel, Former Chief Economist & CPO | CUNA

CONCLUSION

Jennifer Kelly, AVP of Advocacy | American Share Insurance (ASI)

You don't know today what you  
might **need tomorrow....**



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Theresa Mason, President & CEO | ASI

# 01. About Private Share Insurance

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# What is CUChoice?

**CUChoice** is an initiative sponsored by American Share Insurance (ASI), that aims to amend current state credit union acts to allow state-chartered credit unions the option to choose deposit insurance providers, either private or federal.

The current Michigan Credit Union Act **denies state-chartered credit unions alternatives when it addresses primary deposit insurance**. Today, state-chartered credit unions must obtain deposit insurance as part of their chartering requirements. But, unlike the credit union acts in the neighboring states of Ohio and Indiana, Michigan state-chartered credit unions have only one deposit insurance option: the National Credit Union Share Insurance Fund (NCUSIF).



# Mission & Vision Statements

A **mission statement** explains why we exist and what makes us different. A well-crafted mission statement should serve as a framework, giving everyone involved a launching point to build when promoting ASI. When it comes to our members, it helps to set us apart without limiting our business purpose.

A **vision statement** describes what we want to achieve in the future. A vision statement is generally looking forward five to ten years, or sometimes even longer. It depicts a vision of what the company will look like in the future and sets a defined direction for the planning and execution of corporate-level strategies.

## ASI's Mission

To be the partner of choice by creating innovative solutions and fostering collaborations, while providing peace of mind.

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## ASI's Vision

To proudly protect and empower credit unions to succeed in their unique missions.

KURT LOOSE, SVP & COO | ASI

## 02. Collaboration with ASI

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# Benefits of Private Insurance

## 01 | Competitive Edge

ASI's **per-account coverage** allows members to keep more of their deposits in one institution – making your credit union a stronger option to be their primary financial service provider. It's a level of coverage that banks simply cannot offer.

## 03 | Enhanced Collaboration

Many of ASI's partners prefer private insurance because it allows greater flexibility. At the heart of ASI's business model is their belief in the right of credit unions to **meet the needs of their members** without undue outside interference.

## 02 | Unsurpassed Flexibility

Rather than a “one-size-fits-all” approach, ASI works with their member credit unions and state regulators to develop **flexible programs** that focus on meeting consumer needs and sustaining charters.

## 04 | Greater Coverage

ASI's coverage is more comprehensive than what is provided by the federal government. ASI's protection is per account, not per member, **with no limit to the number of individual member accounts that can be insured.**

# 05. ASI & The Dual Chartering System

Bill Hampel, Former Chief Economist & CPO | CUNA  
[mdbhampel@gmail.com](mailto:mdbhampel@gmail.com)

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# Agenda

- **Advantages of charter options:**
  - For credit unions
  - For the credit union system
- **American Share Insurance and dual chartering**
- **The efficacy of American Share Insurance**
  - Past performance
  - Reasons for that performance
  - Current condition

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Whether credit unions are state or federally chartered, the entire industry has thrived from a strong, dual charter system for more than a century. This methodology allows flexibility, versatility, and fluidity within the credit union system.

State charters, those chartered through their state governments as opposed to the National Credit Union Administration (NCUA), hold several advantages, such as local supervision, lower operating fees, and greater investment authority.

**NASCUS**  
The National Association of State Credit Union Supervisors

# Advantages of a Michigan Credit Union Charter

- Local regulation and supervision
- Access to policy makers
- Greater investment authorities
- Field of membership advantages
- Incidental powers
- Lower operating fees
- Greater access to CUSO-related services
- Savings or loan participation raffles
- Supervisory committee not required
- More conducive to innovation

# Private Share Insurance **Enhances** and **Empowers** the State Charter

- Federal share insurance brings with it federal supervision
- Federally insured state credit unions are subject to two sources of examination, either separate exams or a joint exam
  - Michigan Department of Insurance and Financial Services
  - NCUA
- Private share insurance insulates a credit union from federal regulation and supervision (exams)
- The proportion of credit unions with state charters has increased in states with access to private share insurance and decreased in the other states.



# CUNA/League Major Exam Survey, 2013

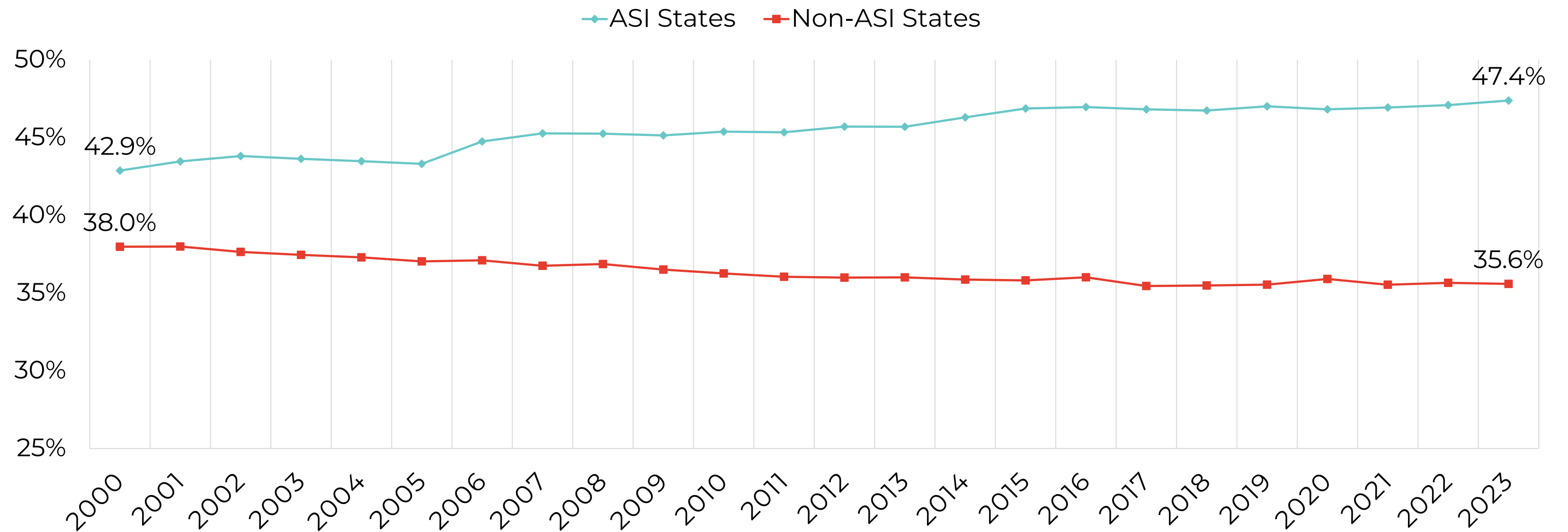
Examining Agency	Average Exam Satisfaction 5 Point Scale
Overall	<b>3.5</b>
State Agency only	<b>3.7</b>
NCUA only	<b>3.5</b>
Both (Joint Exam)	<b>3.1</b>

# Private Share Insurance **Enhances** and **Empowers** the State Charter

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# Comparing State Charters to Total Credit Unions

## The Gap Widens: ASI vs Non-ASI States



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**Sounds great,**  
but is ASI a viable,  
dependable  
option?

- **Concerns some have raised:**
  - ASI doesn't have the resources that NCUA does
  - The "Tall Tree" problem
  - Members want federal deposit insurance
- **How reliable is it as an insurance option?**
  - How well capitalized is it?
  - What is its insurance loss history?

# Resources vs. Demands on Those Resources

## ASI has a single mission:

- Credit Union share/deposit insurance.

## NCUA has multiple missions:

- Department of Examination and Insurance
- Share Insurance
- Office of Examination and Insurance (including items other than safety and soundness)
- Office of Minority and Women Inclusion
- Office of Consumer Protection
- Office of Credit Union Resources and Expansion
- Office of Business Innovation
- Office of Ethics Council
- Ombudsman
- Central Liquidity Facility

# “Tall Tree” Exposures

	ASI	NCUA
Insurance Fund and Reserves to Largest CU’s Insured Shares	23.8%	16.7%
Largest CU’s Insured Shares to Insurance Fund and Reserves	4.2 times	6.0 times
5% Loss at Largest Insured CU to Insurance Fund and Reserves*	21%	30%

\*Loss rates in event of default can exceed 20% at very small institutions (fraud) but are much lower at larger, more scrutinized institutions.

# Asset Growth by Insurance Type and Asset Size

Averages: 2014 to 2023, ASI States

	ASI-Insured Credit Unions	Federally Insured State Credit Unions
Merger Adjusted Asset Growth	5.4%	7.7%
Average Asset Size During the Period	\$193 million	\$518 million
Asset Peer Merger Adjusted Asset Growth	4.8%	6.6%

# ASI and NCUA Capital Ratios

Percent on Insured  
Shares, 2023

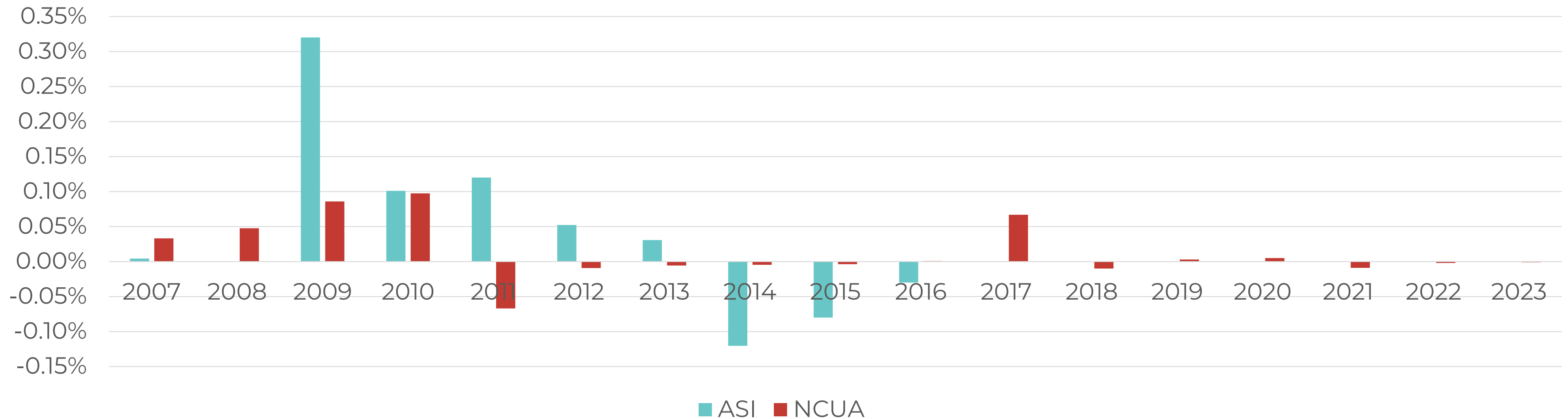
	ASI	NCUA
GAAP Retained Earnings*	0.20%	0.23%
-/+ Unrealized Gains/Losses on Investments	0.11%	0.07%
+ Capital Contributions	1.30%	1.00%
= Net Worth	1.61%	1.30%
+ Reserves for Losses	0.14%	0.01%
+ Total Loss Absorbing Capacity	1.75%	1.31%

\*ASI's retained earnings are net of \$9 million (0.05% of insured shares) for the maximum retained loss before reinsurance for secondary insurance losses.



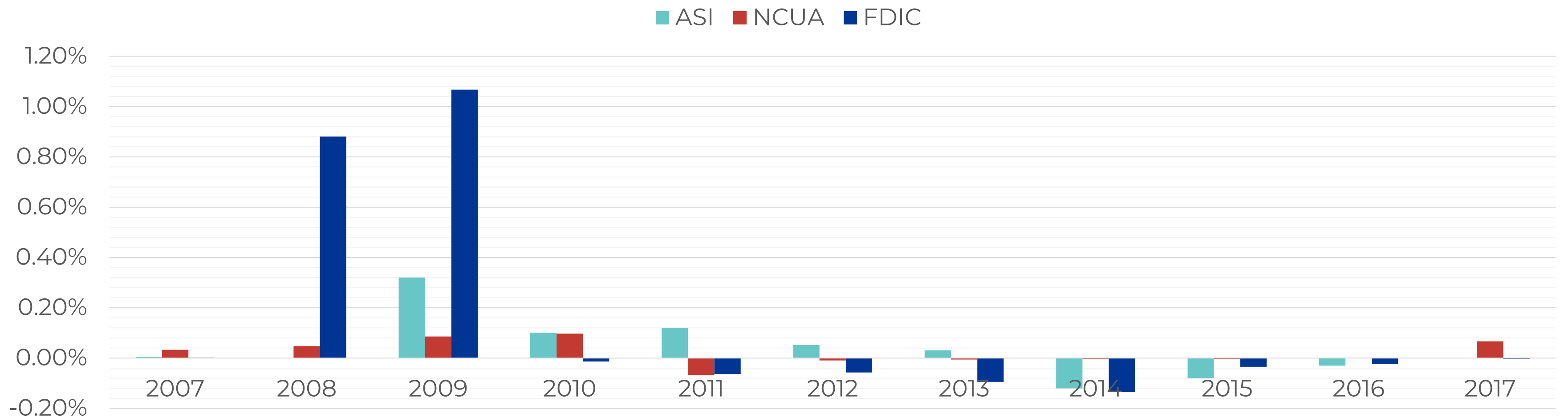
# Annual Insurance Losses

## Percent of Insured Shares



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# Just for Context



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# Losses and Exposure to the “Sand States”

- In terms of home price declines and peak foreclosure rates, the four states most negatively impacted by financial crisis of 2008 – 2010 were NV, FL, AZ, CA.
- **As of December 2007:**
  - 44.8% of ASI insured shares were in NV and CA
  - 22.9% of NCUA insured shares in the four states

## Average Annual Insurance Losses: Percent of Insured Shares

	ASI	NCUA
2007 - 2023	0.02%	0.01%
2007 - 2012	0.10%	0.03%
2013- 2023	-0.02%	0.00%
Percent of Insured Shares in NV, FL, AZ, CA in 2007	44.8%	22.9%

## Reasons for ASI's **Strong, Stable Performance**

- **ASI insures only credit unions**
  - Cooperatives known to be more risk averse than investor-owned firms
- **Not all credit unions seeking ASI insurance are accepted**
  - Minimizes risk in the insurance pool
- **ASI closely monitors and examines insured credit unions**
- **ASI operates in multiple states compared to other, defunct private insurers**
  - Provides geographical diversification
  - No ties to any particular state, so no implied state backing or requirement to insure all state-chartered credit unions

# Summary

- **The dual chartering system benefits credit unions and the broader financial system.**
- **The availability of American Share Insurance in a state strengthens the state-charter option.**
- **ASI has performed well in good times and in bad, and is well capitalized.**

You don't know today what you might **need tomorrow**....

**Let's connect**

800.521.6342

LinkedIn - @AmericanShareInsurance

[www.AmericanShare.com/CUChoice](http://www.AmericanShare.com/CUChoice)



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