

The Plateau Group

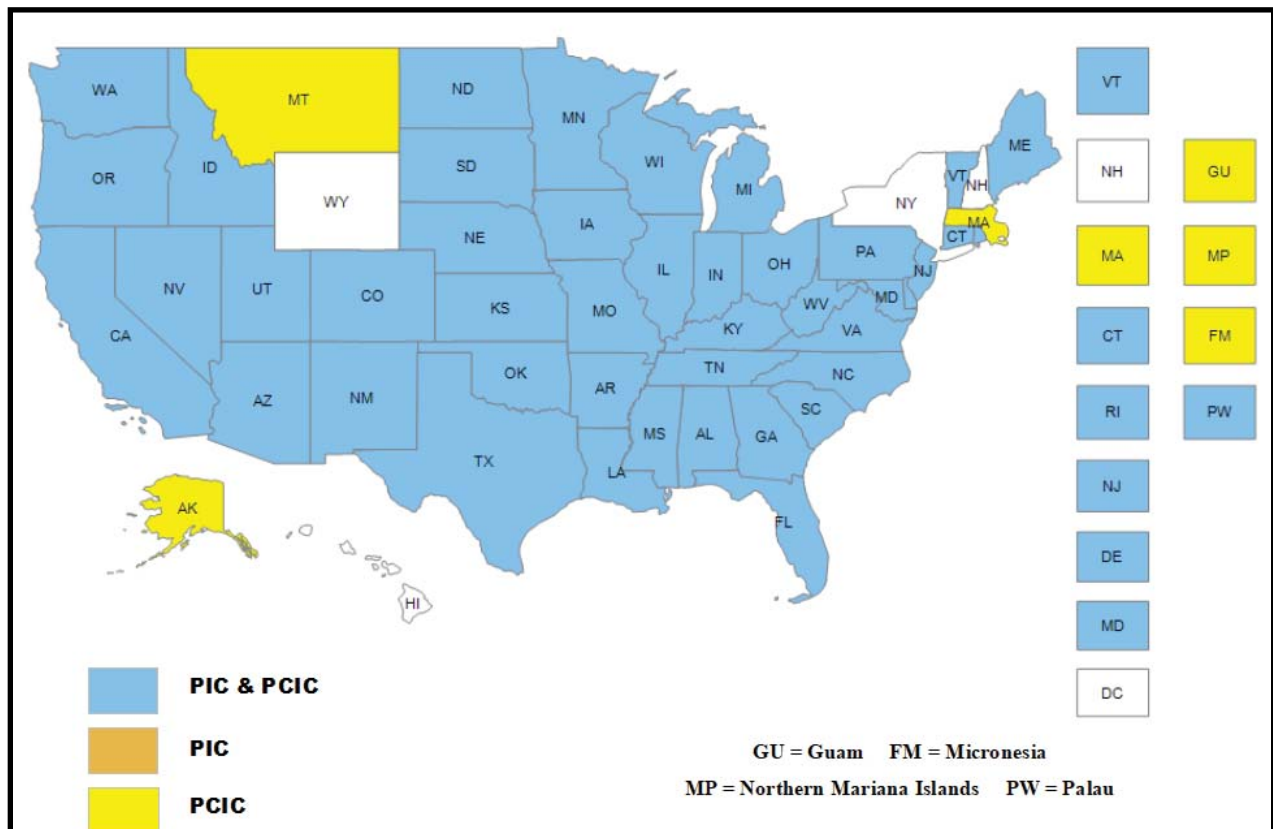


ANNUAL REPORT 2017

Company Profile

Founded in 1981 in Crossville, Tennessee, The Plateau Group, Inc. is an underwriter of payment protection products and a distributor of related financial products and services throughout the United States and South Pacific Islands. Plateau serves clients in the banking, consumer finance, automotive, credit union and retail industries. The company is considered one of the premier providers of products and services to financial institutions. Plateau also holds a national reputation as a provider of reinsurance and reinsurance accounting.

Authorized States



Financial Performance

Financial Performance Results for 2017 Include:

- Net after tax income of \$2,743,244 compared to \$2,041,100 for 2016; an increase of 34.4%.
- Net income per share of \$2.31 compared to \$1.75 for 2016; an increase of 32%.
- Shareholders' equity at year-end 2017 of \$28,245,086 (\$23.69 per share) compared to \$25,319,219 at year-end 2016 (\$21.69 per share); an increase of 11.56%.
- Return on equity of 10.3% for 2017 compared to 8.4% for 2016.
- Collected insurance premium of \$112,180,589 compared to \$110,301,323 for 2016; an increase of 1.7%.
- Cash and Invested Assets at year-end were \$69,583,526 compared to \$69,518,217 at 2016.
- Investment Income of \$1,359,164 compared to \$993,722 for 2016; an increase of 36.8%.
- Commissions and Fee Income of \$4,871,901 compared to \$4,802,900 for 2016.

NOTE: Total revenues, cash and invested assets and investment income used in this presentation may not coincide with the enclosed balance sheet and income statement because certain components are reclassified for GAAP presentation. The numbers discussed in the Letter to Shareholders and in the Analysis of Premium Section are used consistently for planning and comparison.

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Letter to Shareholders



Dick Williams
President

To our:
Shareholders, Customers, and Prospective Customers:

For 2017, The Plateau Group, Inc. reported record earnings of \$2,743,244, \$2.31 per share compared to \$2,041,100, \$1.75 per share for 2016. This is an increase of 34.4% in earnings and 32% in per share earnings. The earnings were boosted by favorable income tax adjustments in the amount of \$458,000, primarily attributable to the revaluation of deferred tax liabilities at the new lower tax rate. Shareholders' equity increased to \$28,245,086 during 2017 compared to year-end 2016 of \$25,319,219, an increase of 11.56%. Return on equity for 2017 was 10.3% compared to 8.4% for 2016.

Each of our revenue components experienced a gain for the year. Insurance premiums were a record \$112,180,589, an increase of 1.7% compared to 2016. Income generated from premiums, less commissions, claims and premium taxes, increased \$701,917 to \$12,071,598 in underwriting margin, which is the amount available to cover overhead from premiums. The premium by Market Segment chart on this page illustrates the sources of our production and the changes during 2017.

The second largest revenue component is commissions and fee income which was relatively flat at \$4,871,901 for 2017. A portion of this component is derived from administrative fees collected on administered extended service contracts and debt protection products offered by banks. The largest component of this important source is commissions earned by offering valuable products manufactured or underwritten by other vendors.

Our third source of revenue is investment income generated by investing our capital and reserves held on our insurance products. At year end 2017 we held a total of \$69,583,526 in cash and invested assets. Investment earnings for 2017 were \$1,359,164 compared to \$993,722 for 2016, an increase of 36.8%. More than ninety-five percent of our portfolio is invested very conservatively in short term certificates of deposit, fixed income government bonds and fixed income corporate bonds. The average yield on our investments for 2017 was 2% as we continue this conservative investment portfolio.

On the expense side, rising technology costs and regulatory and compliance costs are costs of doing business for Plateau. We utilize prudence in every possible decision we make in these areas but must meet the requirements imposed on our operations to improve business processes and compliance requirements. To a large extent these costs are outside of our control. We focus on the costs within our control. The key performance indicator we use to gauge our efforts on cost control is our ratio of operating expenses to operating revenue. For 2017 this ratio was 26.89%. Our stated goal for this ratio is 25% and we believe we can achieve this target in the next couple of years.

During 2017 we applied for and received Certificates of Authority (CofA) in eleven new states. Plateau Insurance Company obtained four of these new CofA's bringing its total to forty-three states plus three certificates in the South Pacific Islands. Plateau Casualty obtained seven new CofA's bringing its total to forty-six states. This expansion is important to Plateau as we review many of the new business opportunities requiring the need to offer products in multiple states. Now that we have obtained the new CofA's we are taking the next step in filing policy forms for the necessary products. The ability to provide products in the majority of states combined with maintaining a rating of A- with AM Best will continue to bring new business opportunities for our review.

We continued to add experienced professionals to our staff in 2017. Bill Elliott joined our staff in January 2017. Bill brings 39 years of credit insurance experience with four different carriers, the most recent being Transamerica which exited that business in 2016. His role with Plateau is client management, including management of existing accounts and helping assess the new opportunities we identify. In June 2017 Jim Hall, an associate of Bill's at Transamerica, with 28 years of credit insurance experience in a variety of operational areas, including form filings, management of claims, and group mortgage operations, joined our staff. Since Transamerica exited the monthly pay group mortgage business at year end 2016, we have replaced some of the Transamerica policies in force through certain creditors with Plateau Insurance Company policies, picking up approximately one million dollars in annual premium. In 2018 we have identified and are working to replace another million dollars of group mortgage annual premium. Bill and Jim have been very valuable in assisting us with the transition of this business. We now have twelve associates with many years of experience in our business who have joined our staff in the last six years contributing to our marketing, operations and growth.

Plateau must maintain compliance with laws and regulations from multiple sources. Insurance is regulated

by each state, each of which has its own unique laws and regulations. Our staff must be well aware of the unique requirements of each state. The majority of our products are offered by lenders which have their own set of regulatory requirements on a state by state basis, as well as federal lending laws imposed on their business. For Plateau, the Consumer Financial Protection Bureau has been the elephant in the room since its inception under the leadership of Richard Cordray, where the bureau applied enforcement actions and imposed very expensive settlement agreements. Since his resignation late in 2017, Mick Mulvaney has led the bureau as a very reasonable director. It appears that under Mulvaney's leadership, and hopefully the permanent director who follows him, the bureau will be led in ways that are fair to all parties, including lenders.

Plateau remains well positioned to deliver on strategic priorities and create long-term value for our shareholders. With our expanded footprint of CofA's we expect to attract new business opportunities. We anticipate cross selling our products in the commercial bank market to existing clients, growing the automobile market through recently contracted agents and third-party administrators, and growing the consumer finance market as we attract new producers. As we build on the momentum of our diversification over the past eight years, we remain dedicated to providing excellent and differentiated service for our customers.

I want to offer a sincere thanks to our associates, our management team, and our board for their dedication, commitment to quality service and their openness to innovation and improvement. To our investors and clients, I thank you for your trust. We understand we must continue to earn it and we look forward to the challenge.

Regards,



Marketing/Sales Development



*Reed Gass
Chief Marketing Officer*



*Thom Hagan
Middle Tennessee*



*David Greene
West Tennessee*



*Cameron Rogers
East Tennessee*



*Doyle Kelly
Southeast*



*Greg Janssen
Indiana*



*Bob Joyce
Northeast*



*Dave Karr
Financial Institutions*



*Andrea Bower
Kansas*



*Tony Snow
Indiana*



*Melody Williams
Director of Training*



*Bill Elliott
Client Management*



*John Manning
Alabama Agent*



*John Kelly
Southeast Agent*



*Michael Boozer
South Carolina Agent*



*Fred Antley
South Carolina*

Management



*David Hardegree
Chief Financial Officer
Executive Vice President*



*Euretha Roberts
Sr. Vice President
Operations*



*Mike Graham
Sr. Vice President
Reinsurance Accounting*



*Eric Shaver
Sr. Vice President
Information Technology*



*Michael Ramsey, CPA
Vice President
Treasurer*



*Skip Davis
Sr. Vice President
Products/Marketing*



*Steve Douglas
Vice President
General Counsel*



*Elaine Pelletier, FSA, MAAA
Sr. Vice President
Actuary*



*Sharon Tabor,
Vice President
Property & Casualty*



*Shelia Newberry
Vice President
Title Insurance*



*Sandy Whitson
Vice President
Premium Processing*



*Doris Davis
Vice President
Credit Claims*



*Judy Hicks
Vice President
Accounting*



*Terri Hammons
Vice President
Agent Services*



*Sissie Turner
Vice President
Group Mortgage/MOB*



*Deedy Adams
Vice President
Compliance*



*Joy Whited
Vice President
Underwriting*



*Eric Shaver II
Information Technology
Security Officer*

Consolidated Balance Sheets

THE PLATEAU GROUP, INC. AND SUBSIDIARIES

(Unaudited)

As of December 31,

2017 2016

Assets

Debt securities	\$ 49,036,688	\$ 50,092,765
Equity securities	1,503,050	806,362
Cash and cash equivalents	13,427,345	12,730,265
Certificates of deposit	3,813,256	3,910,423
Notes Receivable	1,474,433	1,525,000
Investment in reinsurance companies	295,600	295,600
Other invested assets	33,154	157,801
Total cash and invested assets	<u>69,583,526</u>	<u>69,518,216</u>
Accrued interest and dividends	433,614	354,214
Accounts receivable	4,495,372	6,085,526
Reinsurance recoverable on losses and loss adjustment expenses	5,356,837	5,107,398
Prepaid reinsurance premium	62,556,430	58,431,766
Deferred policy acquisition cost	17,581,559	18,898,325
Goodwill	279,562	279,562
Intangible assets	3,031,079	3,494,816
Office property and equipment	3,805,777	4,200,161
Income tax recoverable	18,198	260,457
Other assets	2,086,412	1,883,680
Total Assets	<u>\$ 169,228,366</u>	<u>\$ 168,514,121</u>

Liabilities and Shareholders' Equity

Liabilities:

Reserve for losses and loss adjustment expenses	\$ 13,476,291	\$ 13,343,042
Net deferred tax liability	549,523	1,090,757
Unearned premium	110,134,112	107,565,763
Reinsurance payable	3,848,138	5,115,756
Accounts payable and accrued expenses	8,670,455	10,003,764
Notes payable	4,304,761	6,075,820
Total Liabilities	<u>140,983,280</u>	<u>143,194,902</u>

Shareholders' Equity :

Common stock - \$1 par value, 2,000,000 shares authorized, 1,192,527 in 2017 and 1,167,583 in 2016 issued and outstanding	1,192,527	1,167,583
Additional paid-in capital	5,706,253	5,135,298
Retained earnings	21,674,397	19,560,926
Accumulated other comprehensive loss	(328,091)	(544,588)
Total Shareholders' Equity	<u>28,245,086</u>	<u>25,319,219</u>
 Total Liabilities and Shareholders' Equity	 <u>\$ 169,228,366</u>	 <u>\$ 168,514,121</u>

Consolidated Earnings

THE PLATEAU GROUP, INC. AND SUBSIDIARIES

(Unaudited)

	Years ended December 31,	
	<u>2017</u>	<u>2016</u>
Operating Revenues		
Premium earned	\$ 45,807,250	\$ 42,989,747
Ceding fees on premium reinsured	4,816,390	4,416,272
Net commission income	1,636,719	1,592,380
Other income	3,235,182	3,210,520
Total operating revenues	<u>55,495,541</u>	<u>52,208,919</u>
Losses and Expenses		
Death benefits	4,128,502	4,953,332
Accident and health benefits	1,361,903	1,851,608
Losses and loss adjustment expenses	13,556,975	9,973,605
Other underwriting expenses incurred	34,870,894	33,769,616
Total losses and expenses	<u>53,918,274</u>	<u>50,548,161</u>
Operating gain before investment activity	1,577,267	1,660,758
Interest, dividends and realized gains	1,359,164	1,255,872
Other-than-temporary impairment loss	-	(262,150)
Net investment income earned	<u>1,359,164</u>	<u>993,722</u>
Income before income tax expense	<u>2,936,431</u>	<u>2,654,480</u>
Income Tax Expense (Benefit)		
Current	845,293	139,491
Deferred	(652,106)	473,889
Total income tax expense	<u>193,187</u>	<u>613,380</u>
Net income	2,743,244	2,041,100
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) arising during period, net of tax (expense) benefit of (\$87,214) and \$58,533, respectively	178,723	(96,218)
Reclassification adjustment for losses realized in net income, net of tax benefit of (\$23,658) and (\$82,435), respectively	37,774	160,843
Other comprehensive income, net of tax	<u>216,497</u>	<u>64,625</u>
Total comprehensive income	<u>\$ 2,959,741</u>	<u>\$ 2,105,725</u>

Consolidated Statements of Changes in Shareholders' Equity

THE PLATEAU GROUP, INC. AND SUBSIDIARIES

(Unaudited)

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Shareholders' Equity</u>
Balance as of January 1, 2016	1,153,454	4,632,952	18,119,962	(609,213)	23,297,155
Net income			2,041,100		2,041,100
Other comprehensive income				64,625	64,625
Stock issued - 18,358 shares	18,358	362,732			381,090
Retirement of stock - 17,244 shares	(17,244)	(103,506)	(23,409)		(144,159)
Dividends to stockholders			(576,727)		(576,727)
Dividend reinvestment - 13,015 shares	13,015	243,120			256,135
Total	<u>14,129</u>	<u>502,346</u>	<u>1,440,964</u>	<u>64,625</u>	<u>2,022,064</u>
Balance as of December 31, 2016	1,167,583	5,135,298	19,560,926	(544,588)	25,319,219
Net income			2,743,244		2,743,244
Other comprehensive income				216,497	216,497
Stock issued - 30,650 shares	30,650	628,801			659,451
Retirement of stock - 14,723 shares	(14,723)	(234,128)	(52,997)		(301,848)
Dividends to stockholders			(576,776)		(576,776)
Dividend reinvestment - 9,017 shares	9,017	176,282			185,299
Total	<u>24,944</u>	<u>570,955</u>	<u>2,113,471</u>	<u>216,497</u>	<u>2,925,867</u>
Balance as of December 31, 2017	\$ <u>1,192,527</u>	\$ <u>5,706,253</u>	\$ <u>21,674,397</u>	\$ <u>(328,091)</u>	\$ <u>28,245,086</u>

Plateau Associates



*April Fagan, AVP
Credit Claims*



*Kimberly Vincent
Credit Claims*



*Victoria Stepp
Credit Claims*



*Megan Sherrill
Credit Claims*



*Jessie Stepp
Credit Claims*



*Gina Keener
Credit Claims*



*Renee Holbrook
Credit Claims*



*Lauren Bilbrey
Credit Claims*



*Erin Young, AVP
Credit Operations*



*Jo Reagan
Credit Operations*



*Tonya Iles
Credit Operations*



*Brandy Thompson
Credit Operations*



*Sarah Rary
Credit Operations*



*Joshua VanWinkle
Credit Operations*



*Tasha Higdon
Credit Operations*



*Tiffany Thompson
Credit Operations*



*Pamela Pingree
Credit Operations*



*Bre Weidner
Credit Operations*



*Cassie Iles
Credit Operations*



*Leanne Landers
Credit Operations*



*Hannah Lau
Group Mortgage/MOB*



*Jackie Wilbanks
Group Mortgage/MOB*



*Shaina Hardy
Group Mortgage/MOB*



*Kelley Miller
Group Mortgage/MOB*



*Sandra Bradberry
Underwriting*



*Becky Johnston
Underwriting*



*Meredith Mullen
Underwriting*



*Dana Redwine
Underwriting*



*Brandy Adkins
Underwriting*

Plateau Associates



*Keli Smith
Agent Services*



*Margaret Mullinax
Agent Services*



*Shannon Graham
Agent Services*



*Katie Castelow
Agent Services*



*Laura Looney
Agent Services*



*Andrew Eller
Agent Services*



*Amanda Dyer
Licensing*



*Jessica Hawn
Licensing*



*Mary Franc Graham
Compliance*



*Alexis Deibler
Compliance*



*Beverly Jolly
Compliance*



*James Hall
Compliance*



*Daniel Carey
Information Technology*



*JoAnn Ramsey
Information Technology*



*Troy Bolen
Information Technology*



*Skye Pearson
Information Technology*



*Greg Baughman
Information Technology*



*Julie Howard
Information Technology*



*LeeAnn Roberts, AVP
P&C/Auto*



*Terry Walter
P&C/Auto*



*Heather Johnson
P&C/Auto*



*Brandi Wyatt
P&C/Auto*



*Whitney Henry
P&C/Auto*



*Cammie Elmore
P&C/Auto*

Plateau Associates



*Vicki Mason
General Services*



*Vicki Carlson
General Services*



*Stephanie Carey
General Services*



*Brett Suggs
General Services*



*Glenna Jackson
General Services*



*Melissa Dyer
Title Services*



*Tracy Graham, AVP
Accounting*



*Margaret Smith
Accounting*



*Lynette Durant
Accounting*



*Christy Reed
Credit Claims*



*Michele Standefer
Accounting*



*Scarlett Sapp-Holmes
Accounting*



*Johnnie Whittenburg
Reinsurance*



*Kaye Barnett
Reinsurance*



*Hannah Zies
Reinsurance*



*Crystal Davidson
Reinsurance*



*Nick Donathan
Reinsurance*



*Martha Lindsay
Plateau West*



*Andrea Shumate
Plateau West*



*Natasha Collins
Plateau West*



*Tamara Burton
Plateau West*

Executive Committee



*Steve Miller, Chairman
The Plateau Group, Inc.
Crossville, TN*



*Dick Williams, President
The Plateau Group, Inc.
Crossville, TN*



*John Barker, CEO
Citizens Tri-County Bank
Dunlap, TN*



*John Bruno
Brentwood, TN*



*Wib Evans, President
First Bank Ventures
Lexington, TN*



*John Haile
Cleveland, TN*

Board of Directors

David Barnes, President
Bank of Frankewing
Frankewing, TN

Randy Graham, President, CEO
First National Bank of Tennessee
Livingston, TN

Andy Nash, EVP
The Farmers Bank
Portland, TN

Bill Bates, CEO
Bank of Perry County
Lobelville, TN

David Hardegree, CFO
The Plateau Group, Inc.
Crossville, TN 38555

David Williamson, President, CEO
Bank of Putnam County
Cookeville, TN

James England, Chairman
Decatur County Bank
Decaturville, TN

Mark Hayes, Chairman, CEO
First National Bank
Pulaski, TN

Chad Wilson, President
Foundation Bank/McKenzie Banking Co.
Jackson, TN

Craig Fitzhugh, Chairman, CEO
Bank of Ripley
Ripley, TN

Wright Hickerson, III, Director
FCB Corporation
Manchester, TN

Plateau Associates by Department

Corporate

Dick Williams
David Hardegree, CPA
Euretha Roberts
Mike Graham
Eric Shaver
Skip Davis
Elaine Pelletier, FSA, MAAA
Steven Douglas, Atty
Bill Elliott

Marketing Staff

Reed Gass
Thom Hagan
David Greene
Cameron Rogers
Doyle Kelly
Fred Antley
Bob Joyce
Greg Janssen
Tony Snow
Andrea Bower
Dave Karr
Melody Williams, Trainer

Marketing Agents

Jim Smartt
Hank Loveday
John Manning
Donna Brown
Michael Boozer
John Kelly

Information Technology

Eric Shaver
JoAnn Ramsey
Daniel Carey
Troy Bolen
Eric Shaver II
Skye Pearson
Greg Baughman
Julie Howard
Garrett Davis

Group Mortgage/MOB

Sissie Turner
Hannah Lau
Jackie Wilbanks
Shaina Hardy
Kelley Miller

Agent Services

Terri Hammons
Keli Smith
Margaret Mullinax
Shannon Graham
Katie Castelow
Laura Looney
Andrew Eller
Amanda Dyer
Jessica Hawn

General Services

Vicki Mason
Stephanie Carey
Brett Suggs
Vicki Carlson
Craig Wyatt
Jewell Selby
Glenna Jackson

Corporate Accounting

Michael Ramsey, CPA
Judy Hicks
Margaret Smith
Tracy Graham
Christy Reed
Lynette Durant
Scarlet Sapp
Michele Standefer

Reinsurance Accounting

Mike Graham
Johnnie Whittenburg
Kaye Barnett
Hannah Zies
Crystal Davidson
Nick Donathan

P & C / Auto

Sharon Tabor
LeeAnn Roberts
Terry Walter
Brandi Wyatt
Heather Johnson
Whitney Henry
Cammie Elmore

Title Insurance

Shelia Newberry
Melissa Dyer

Compliance

Deedy Adams
Beverly Jolly
Alexis Deibler
Mary Franc Graham, Atty
James Hall

Credit Operations

Sandy Whitson
Erin Young
Jo Reagan
Joshua VanWinkle
Tasha Higdon
Pamela Pingree
Tonya Iles
Bre Weidner
Sarah Rary
Tiffany Thompson
Brandy Flynn
Cassie Iles
Leanne Landers
Henri Calahan

Underwriting

Joy Whited
Sandra Bradberry
Becky Johnston
Meredith Mullen
Dana Redwine
Brandy Adkins

Credit Claims

Doris Davis
April Fagan
Kimberly Vincent
Victoria Houston
Megan Sherrill
Jessie Stepp
Gina Keener
Renee Holbrook
Lauren Bilbrey

Plateau West

Martha Lindsay
Natasha Collins
Tamara Burton
Andrea Shumate

Plateau Customers



Plateau Corporate Office



Crossville, Tennessee

The background is a detailed, natural stone marble pattern in shades of beige, tan, and cream, with darker brown and gold flecks. A large, solid black circle is centered on the page, containing the company's name and contact information in white text.

The Plateau Group

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Crossville, TN 38555

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Crossville, TN 38557-7001

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