

**N E W S R E L E A S E**

**Equias Alliance/Michael White Report  
BOLI Assets Reached \$139 Billion in 1Q 2013**

**FOR IMMEDIATE RELEASE** – Radnor, PA, and Memphis, TN, July 9, 2013 – Bank-owned life insurance (BOLI) assets reached over \$139.1 billion in first quarter 2013, reflecting a 4.1% increase from \$133.7 billion in first quarter 2012 BOLI assets held by commercial banks, savings banks and savings associations, according to the *Equias Alliance/Michael White Bank-Owned Life Insurance (BOLI) Holdings Report*<sup>™</sup>.

BOLI is used to recover costs of employee benefits and offset liabilities for retirement benefits, helping banks to keep up with ever-rising benefit costs. BOLI may be differentiated by three types of assets: separate account life insurance or SALI assets, general account life insurance (GALI) assets and hybrid account life insurance (HALI) assets.

Co-produced by Equias Alliance and Michael White Associates, LLC (MWA), the *Equias Alliance/Michael White BOLI Holdings Report*<sup>™</sup> measures and benchmarks the cash surrender values (CSV) of life insurance and ratios of CSV to capital attained by commercial banks, savings banks, and savings associations (the “banks”)<sup>1</sup>. The data in this report were submitted to regulators by all 7,019 banks operating on March 31, 2013. Among the study’s most significant findings are these:

By Institutional Charters:

- Of all 7,019 banks and savings associations, 3,799 or 54.1% reported holding BOLI assets in first quarter 2013, increasing their BOLI holdings by 4.1% from \$133.68 billion in first quarter 2012 to \$139.14 billion in first quarter 2013. (See Tables 1 and 2.)

<b>Table 1. Total BOLI Assets (in billions) Held by Banks</b>			
<b>Banks by Asset Size</b>	<b>1Q 2013</b>	<b>1Q 2012</b>	<b>Percent Change</b>
Over \$10 billion	\$108.72 billion	\$105.40 billion	3.1%
\$1 billion - \$10 billion	\$15.73 billion	\$14.67 billion	7.2%
\$500 million - \$1 billion	\$5.50 billion	\$5.11 billion	7.7%
\$300 million - \$500 million	\$3.64 billion	\$3.34 billion	9.1%
\$100 million - \$300 million	\$4.66 billion	\$4.29 billion	8.6%
Under \$100 million	\$885.0 million	\$876.7 million	0.9%
<b>All</b>	<b>\$139.14 billion</b>	<b>\$133.68 billion</b>	<b>4.1%</b>

Source: *Equias Alliance / Michael White BOLI Holdings Report*<sup>™</sup> - 2013 edition

- Of 1,220 national banks, 637 or 52.2% recorded \$89.01 billion in BOLI holdings, up 1.6% from \$87.61 billion in first quarter 2012.

- Of 378 savings banks, 271 or 71.7% recorded \$4.71 billion in BOLI holdings, up 9.8% from \$4.29 billion in first quarter 2012.
- Of 593 savings associations, 288 or 48.6% recorded \$4.38 billion in BOLI holdings, down 19.7% from \$5.42 billion in first quarter 2012. The status change of one large thrift accounts entirely for this dramatic decline: ING Bank, fsb became inactive on November 1, 2012, as it merged into Capital One, National Association. In first quarter 2012, ING accounted for \$1.13 billion in BOLI assets. Excluding it from 2012 results, savings associations experienced an increase of 1.4% in their first quarter 2013 BOLI assets.
- Of 850 state-chartered member commercial banks, 551 or 64.8% of them reported holding \$20.38 billion in BOLI assets in first quarter 2013, up 17.5% from \$17.34 billion in first quarter 2012.
- Of the 3,978 state-chartered non-member banks, 2,052 or 51.6% of them reported holding \$20.69 billion in BOLI assets in first quarter 2013, up 8.8% from \$19.03 billion in first quarter 2012.

<b>Table 2. Number of Banks Reporting BOLI Assets</b>			
<b>Asset Size</b>	<b>1Q 2013</b>	<b>1Q 2012</b>	<b>Percent Change</b>
Over \$10 billion	75	71	5.6%
\$1 billion - \$10 billion	428	422	1.4%
\$500 million - \$1 billion	480	485	-1.0%
\$300 million - \$500 million	570	542	5.2%
\$100 million - \$300 million	1,490	1,438	3.6%
Under \$100 million	756	796	-5.0%
<b>All</b>	<b>3,799</b>	<b>3,754</b>	<b>1.2%</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2013 edition

By Type of BOLI Assets:

- The largest portion of BOLI assets was found to be held in separate accounts. Separate account CSV assets totaled \$69.45 billion among banks, representing 49.9% of all BOLI assets in first quarter 2013, down from 51.0% in first quarter 2012. (See Table 3.) At the same time, only 592 or 15.6% of all banks reporting BOLI held separate account assets. (See Table 4.) Thus, although SALI assets account for the largest portion of total BOLI assets, SALI assets were actually held by the fewest number of banks. Separate account life insurance assets are the cash surrender values (CSVs) associated with separate account insurance policies whose CSVs are supported by assets legally segregated from the general assets of the insurance carrier. While under such arrangements, the policyholders neither own the underlying separate account created by the insurance carrier on its behalf, nor control investment decisions in the underlying account, however, they do assume all investment and price risk. Accordingly, the investment income and investment gains and losses generally accrue directly to the policyholders and are not accounted for in the general account of the insurer, nor are values guaranteed by the general account of the insurer.
- The type of BOLI assets most widely held by banks in first quarter 2013 were GALI policies. (See Table 4.) Ninety-three percent (93.0%) or 3,533 of the 3,799 banks reporting BOLI assets had \$55.92 billion in general account life insurance assets, representing 40.2% of total BOLI assets in first quarter 2013. (See Tables 3 and 4.) In GALI policies, the general assets of the insurance company issuing the policies support their CSV.
- Nearly eleven hundred (1,114) or 29.3% of the 3,799 institutions reported BOLI assets, up from 979 banks (26.1%) of 3,754 in first quarter 2012. They held \$13.78 billion in hybrid account life insurance

assets, representing 9.9% of total BOLI assets and making HALI the smallest reporting category of BOLI assets. (See Tables 3 and 4.) Hybrid account insurance policies combine features of both general and separate account insurance products. Similar to general account life insurance policies, the general assets of the insurance company issuing hybrid account policies support the policies' cash surrender values. However, like separate account policies, the assets of hybrid accounts are protected from claims on the insurer. Additionally, the banks holding hybrid account life insurance policies are able to select from among certain investment strategies in which the insurance premiums are invested.

<b>Table 3. Total BOLI Assets (in billions) Held by Banks in First Quarter 2013</b>				
<b>Banks by Asset Size</b>	<b>GALI</b>	<b>SALI</b>	<b>HALI</b>	<b>TOTAL</b>
Over \$10 billion	\$ 34.86	\$ 64.56	\$ 9.30	\$ 108.72
\$1 billion - \$10 billion	\$ 9.66	\$ 3.82	\$ 2.26	\$ 15.73
\$500 million - \$1 billion	\$ 4.06	\$ 0.55	\$ 0.89	\$ 5.50
\$300 million - \$500 million	\$ 2.90	\$ 0.19	\$ 0.54	\$ 3.64
\$100 million - \$300 million	\$ 3.71	\$ 0.25	\$ 0.70	\$ 4.66
Under \$100 million	\$ 0.73	\$ 0.07	\$ 0.08	\$ 0.89
<b>All</b>	<b>\$ 55.92</b>	<b>\$ 69.45</b>	<b>\$ 13.77</b>	<b>\$ 139.14</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2013 edition

- Separate account life insurance (SALI) assets were most heavily concentrated (93.0%) among the largest banks with assets greater than \$10 billion. But, while significant amounts of other BOLI assets are also held by the big banks, GALI and HALI types of BOLI assets are less concentrated among bigger banks. Banks under \$10 billion in assets held 37.7% (up 1.0 point from 36.7% in first quarter 2012) of general account life insurance assets and 32.5% (up 2.8 points from 29.7% in first quarter 2012) of hybrid account life insurance assets in 2013, compared to their much lower 7.0% of SALI assets. Furthermore, banks under \$1 billion in assets held 20.4% of GALI assets, 16.1% of HALI assets, but only 1.5% of SALI assets. (See Table 3.)
- The fastest growing type of BOLI assets in first quarter 2013, in terms of the number of banks holding them, was hybrid assets. Since first quarter 2012, the number of banks using hybrid accounts increased 13.8% from 979 to 1,114 banks in first quarter 2013. During the same period, banks owning separate account or SALI assets decreased by 2.0% from 604 to 592.

By Size of Institution:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between \$1 billion and \$10 billion, as 428 of 553 banks and thrifts or 77.4% reported having them in first quarter 2013. The lowest rate of BOLI ownership occurred among depository institutions with assets under \$100 million, as 788 of 2,342, or 33.7%, declared they had BOLI assets.
- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase (\$3.3 billion) in BOLI in first quarter 2013. Institutions with assets between \$300 million and \$500 million attained the largest percentage increase (9.1%) in BOLI assets. (See Table 1.)
- Four of six bank asset-size classes experienced increases in first quarter 2013 in the number of banks and thrifts reporting BOLI assets. The largest percentage increase was 5.6% among depository institutions with assets over \$10 billion. The largest numerical increases of 52 banks and thrifts occurred among those between \$100 million and \$300 million in assets. (See Table 2.)

- According to federal banking regulators, it is generally not prudent for a banking company to hold BOLI assets with an aggregate cash surrender value (CSV) that exceeds 25 percent of the sum of the institution's total capital. (Depending on an institution's charter, total capital is defined either as Tier 1 capital or the sum of Tier 1 capital and the allowance for loan and lease losses). Nationally, mean bank BOLI assets as a percent of the sum of Tier 1 capital and the loss allowances increased (2.6%) from 15.21% in first quarter 2012 to 15.61% in first quarter 2013. Nationally, median BOLI assets as a percent of total capital increased (3.6%) from 15.00% in first quarter 2012 to 15.54% in first quarter 2013.

<b>Table 4. Number of Banks Reporting BOLI Assets in First Quarter 2013</b>				
<b>Banks by Asset Size</b>	<b>GALI</b>	<b>SALI</b>	<b>HALI</b>	<b>TOTAL</b>
Over \$10 billion	68	60	38	75 of 109 (69%)
\$1 billion - \$10 billion	399	164	182	428 of 553 (77%)
\$500 million - \$1 billion	459	88	204	480 of 676 (71%)
\$300million - \$500 million	543	61	187	570 of 847 (67%)
\$100 million - \$300 million	1,373	148	405	1,490 of 2,672 (56%)
Under \$100 million	691	71	98	756 of 2,162 (35%)
<b>All</b>	<b>3,533</b>	<b>592</b>	<b>1,114</b>	<b>3,799 of 7,019 (54%)</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2013 edition

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### **About the Equias Alliance / Michael White BOLI Holdings Report™**

The Equias Alliance / Michael White BOLI Holdings Report™ measures and benchmarks the cash surrender values (CSV) of life insurance held by commercial banks, savings banks, and savings associations and their ratios of CSV to capital. It is one of several reports dealing with bank fee and other noninterest income activities published by Equias Alliance / Michael White Associates, LLC (MWA).

Michael White Associates is a bank insurance consulting firm headquartered in Radnor, PA and published reports can be obtained at [www.BankInsurance.com](http://www.BankInsurance.com). Other reports include the *MWA BOLI Capital Concentration Report™*. This report assists with the regulatory requirement that each banking company must conduct a peer analysis of their BOLI holdings relative to capital and statistically assess whether its BOLI program is an outlier. Additionally, *MWA Fee Income Ratings Reports™* compare, rank and rate a particular financial institution's insurance or other noninterest fee income program nationally, regionally, statewide and by asset-peer group.

Equias Alliance, LLC ("Equias"), through its group of nationwide consultants, has assisted over 800 community banks in the design and implementation of bank-owned life insurance ("BOLI") as well as nonqualified benefit plans for selected executives. These plans help institutions increase earnings and shareholder value as well as recruit, retain and reward key officers and directors. If a bank should decide to implement a BOLI or nonqualified benefit plan, Equias has the experienced and professional staff (including attorneys and CPAs) needed to properly administer and oversee these plans. As evidence of its leadership position in the market, Equias has the exclusive endorsement of the ABA (through its subsidiary, the Corporation for American Banking) and 10 state banking associations for BOLI. Equias ([www.equiasalliance.com](http://www.equiasalliance.com)) is headquartered in Memphis, Tennessee with offices throughout the U.S.

<sup>1</sup> This analysis excludes BOLI held at the holding company level. It was excluded because it represents a relatively small portion of total BOLI assets and because the holding company data is not available at the same time as the bank data and would delay the release of this report.

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