

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

**Equias Alliance/Michael White Report  
Record BOLI Assets Reach Nearly \$142 Billion in 3Q 2013**

**FOR IMMEDIATE RELEASE** – Radnor, PA, and Memphis, TN, December 18, 2013 – Bank-owned life insurance (BOLI) assets reached over \$141.6 billion at the end of third quarter 2013, reflecting a 3.9% increase from \$136.3 billion at the end of third 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™*.

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™* 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 6,891 banks operating on September 30, 2013. Among the study’s most significant findings are these:

By Institutional Charters:

- Of all 6,891 banks and savings associations, 3,817 or 55.4% reported holding BOLI assets year-to-date (YTD) third quarter 2013, increasing their BOLI holdings by 3.9% from \$136.35 billion YTD third quarter 2012 to \$141.64 billion YTD third 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>3Q 2013</b>	<b>3Q 2012</b>	<b>Percent Change</b>
Over \$10 billion	\$110.00 billion	\$107.20 billion	2.6%
\$1 billion - \$10 billion	\$16.58 billion	\$15.09 billion	9.9%
\$500 million - \$1 billion	\$5.59 billion	\$5.27 billion	6.1%
\$300 million - \$500 million	\$3.68 billion	\$3.38 billion	8.8%
\$100 million - \$300 million	\$4.85 billion	\$4.52 billion	7.4%
Under \$100 million	\$932.8 million	\$892.5 million	4.5%
<b>All</b>	<b>\$141.64 billion</b>	<b>\$136.35 billion</b>	<b>3.9%</b>

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

- Of 1,184 national banks, 632 or 53.4% recorded \$90.16 billion in BOLI holdings, up 1.7% from \$88.61 billion YTD third quarter 2012.

- Of 381 savings banks, 280 or 73.5% recorded \$4.90 billion in BOLI holdings, up 9.0% from \$4.50 billion YTD third quarter 2012.
- Of 573 savings associations, 285 or 49.7% recorded \$4.47 billion in BOLI holdings, down 17.9% from \$5.45 billion YTD third 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. At the end of third quarter 2012, ING accounted for \$1.15 billion in BOLI assets. Excluding ING from the 2012 results, savings associations experienced an increase of 4.0% in their third quarter 2013 BOLI assets.
- Of 846 state-chartered member commercial banks, 553 or 65.4% of them reported holding \$20.51 billion in BOLI assets YTD third quarter 2013, up 14.1% from \$17.98 billion YTD third quarter 2012.
- Of the 3,907 state-chartered non-member banks, 2,067 or 52.9% of them reported holding \$21.59 billion in BOLI assets YTD third quarter 2013, up 9.0% from \$19.81 billion YTD third quarter 2012.
- Overall, the number of banks reporting holding BOLI assets increased by 1.3% between YTD third quarter 2012 and YTD third quarter 2013. Although the number of banks reporting holding BOLI assets declined very slightly in the under \$100 million and \$500 million - \$1 billion asset size categories, this is believed to be primarily attributable to the migration of several of these banks to the next higher asset size category as a result of growth and mergers.

<b>Table 2. Number of Banks Reporting BOLI Assets</b>			
<b>Asset Size</b>	<b>3Q 2013</b>	<b>3Q 2012</b>	<b>Percent Change</b>
Over \$10 billion	73	72	1.4%
\$1 billion - \$10 billion	443	423	4.7%
\$500 million - \$1 billion	481	486	-1.0%
\$300 million - \$500 million	551	541	1.8%
\$100 million - \$300 million	1,499	1,464	2.4%
Under \$100 million	770	781	-1.4%
<b>All</b>	<b>3,817</b>	<b>3,767</b>	<b>1.3%</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 \$70.04 billion among banks, representing 49.5% of all BOLI assets YTD third quarter 2013, down from 50.4% YTD third quarter 2012. (See Table 3.) At the same time, only 588 or 15.4% 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 YTD third quarter 2013 were GALI policies. (See Table 4.) Ninety-three percent (93.3%) or 3,563 of the 3,817 banks reporting BOLI assets had \$57.23 billion in general account life insurance assets, representing 40.4% of total BOLI assets YTD third quarter 2013. (See Tables 3 and 4.) In GALI policies, the general assets of the insurance company issuing the policies support their CSV.
- Nearly twelve hundred (1,168) or 30.6% of the 3,817 institutions reported BOLI assets, up from 1,040 banks (27.6%) of 3,767 YTD third quarter 2012. They held \$14.36 billion in hybrid account life insurance assets, representing 10.1% 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 YTD third quarter 2013</b>				
<b>Banks by Asset Size</b>	<b>GALI</b>	<b>SALI</b>	<b>HALI</b>	<b>TOTAL</b>
Over \$10 billion	\$ 35.26	\$ 65.29	\$ 9.44	\$ 110.00
\$1 billion - \$10 billion	\$ 10.30	\$ 3.72	\$ 2.57	\$ 16.58
\$500 million - \$1 billion	\$ 4.14	\$ 0.54	\$ 0.92	\$ 5.59
\$300 million - \$500 million	\$ 2.92	\$ 0.17	\$ 0.58	\$ 3.68
\$100 million - \$300 million	\$ 3.85	\$ 0.25	\$ 0.75	\$ 4.85
Under \$100 million	\$ 0.77	\$ 0.07	\$ 0.09	\$ 0.93
<b>All</b>	<b>\$ 57.23</b>	<b>\$ 70.04</b>	<b>\$ 14.36</b>	<b>\$ 141.64</b>

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

- Separate account life insurance (SALI) assets were most heavily concentrated (93.2%) 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 38.4% (up nearly 2 points from 36.5% YTD third quarter 2012) of general account life insurance assets and 34.2% (up nearly 4 points from 30.3% YTD third quarter 2012) of hybrid account life insurance assets in 2013, compared to their much lower 6.8% of SALI assets. Furthermore, banks under \$1 billion in assets held 20.4% of GALI assets, 16.3% of HALI assets, but only 1.5% of SALI assets. (See Table 3.)
- The fastest growing type of BOLI assets YTD third quarter 2013, in terms of the number of banks holding them, was hybrid assets. Since third quarter 2012, the number of banks using hybrid accounts increased 12.3% from 1,040 to 1,168 banks YTD third quarter 2013. During the same period, banks owning separate account or SALI assets decreased by 1.8% from 599 to 588.

By Size of Institution:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between \$1 billion and \$10 billion, as 443 of 561 banks and thrifts or 79.0% reported having them YTD third quarter 2013. The lowest rate of BOLI ownership occurred among depository institutions with assets under \$100 million, as 770 of 2,117, or 36.4%, declared they had BOLI assets.

- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase (\$2.8 billion) in BOLI YTD third quarter 2013. Institutions with assets between \$1 billion and \$10 billion attained the largest percentage increase (9.9%) in BOLI assets. (See Table 1.)
- Four of six bank asset-size classes experienced increases YTD third quarter 2013 in the number of banks and thrifts reporting BOLI assets. The largest percentage increase in banks with BOLI was 4.7% among depository institutions with assets between \$1 and \$10 billion. The largest numerical increase of 35 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 (3.2%) from 15.27% in third quarter 2012 to 15.76% in third quarter 2013. Nationally, median BOLI assets as a percent of total capital increased (3.9%) from 15.20% in third quarter 2012 to 15.80% in third quarter 2013.

<b>Table 4. Number of Banks Reporting BOLI Assets YTD third quarter 2013</b>				
<b>Banks by Asset Size</b>	<b>GALI</b>	<b>SALI</b>	<b>HALI</b>	<b>TOTAL</b>
Over \$10 billion	66	61	38	73 of 107 (68%)
\$1 billion - \$10 billion	414	163	201	443 of 561 (79%)
\$500 million - \$1 billion	464	89	203	481 of 677 (71%)
\$300million - \$500 million	524	54	196	551 of 803 (69%)
\$100 million - \$300 million	1,387	148	421	1,499 of 2,626 (57%)
Under \$100 million	708	73	109	770 of 2,117 (36%)
<b>All</b>	<b>3,563</b>	<b>588</b>	<b>1,168</b>	<b>3,817 of 6,819 (55%)</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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