

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

**Equias Alliance/Michael White Report  
BOLI Assets Surpass \$157 Billion in 1Q 2016**

**FOR IMMEDIATE RELEASE** – Radnor, PA, and Memphis, TN, June 24, 2016 – Bank-owned life insurance (BOLI) assets reached \$157.6 billion in first quarter 2016, reflecting a 4.4% increase from \$151.0 billion in first quarter 2015 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: variable separate account life insurance (VSA) assets; general account life insurance (GA) assets; and hybrid separate account life insurance (HSA) 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”). The data in this report were submitted to regulators by all 6,122 banks operating on March 31, 2016. It is important to note that in the 12 month period between March 31, 2015 and March 31, 2016, the number of banks submitting data to the FDIC shrank from 6,419 to 6,122 - a decline of 297 banks. Among the study’s most significant findings are these:

By Institutional Charters:

- Of all 6,122 banks and savings associations, 3,725 or 60.9% reported holding BOLI assets in first quarter 2016, increasing their BOLI holdings by 4.4% from \$150.95 billion in first quarter 2015 to \$157.57 billion in first quarter 2016. (See Tables 1 and 4.)

<b>Table 1. Total BOLI Assets (in billions) Held by Banks</b>				
<b>Banks by Asset Size</b>	<b>1Q 2016</b>	<b>1Q 2015</b>	<b>Percent Change In BOLI Assets</b>	<b>Percent Change in Total No. of Banks</b>
Over \$10 billion	\$120.37 billion	\$116.06 billion	3.7%	-2.7%
\$1 billion - \$10 billion	\$21.57 billion	\$19.29 billion	11.9%	5.8%
\$500 million - \$1 billion	\$5.98 billion	\$5.81 billion	2.9%	-1.6%
\$300 million - \$500 million	\$4.00 billion	\$4.09 billion	-2.3%	-3.3%
\$100 million - \$300 million	\$4.77 billion	\$4.80 billion	-0.7%	-5.1%
Under \$100 million	\$888.5 million	\$908.0 million	-2.1%	-9.1%
<b>Industry Total</b>	<b>\$157.57 billion</b>	<b>\$150.95 billion</b>	<b>4.4%</b>	<b>-4.6%</b>

Source: *Equias Alliance / Michael White BOLI Holdings Report™* - 2016 edition

- The growth in BOLI holdings in a particular bank charter class is attributable to a variety of factors including an increase in the value of those holdings, first-time purchases of BOLI by banks, and additional purchases by banks already having BOLI on the books. The growth rate within an individual charter or asset class may also be affected by mergers and acquisitions that take place with other financial institutions that have a different type of institutional charter or size. For example, banks with \$1 billion - \$10 billion in assets saw an 11.9% increase in BOLI assets primarily attributable to 15 new banks now being included in this size category due to growth as well as mergers and acquisitions.
- The 1.5% decline in BOLI assets experienced by banks with under \$500 million in assets is principally due to their merger with or acquisition by larger banks. As the table shows, there has been an especially significant decline in the number of banks with assets between \$300 million - \$500 million (-5.1%) and under \$100 million (-9.1%) between March 31, 2015 and March 31, 2016. (See Table 1).
- Of 980 national banks, 587 or 59.9% recorded \$96.98 billion in BOLI holdings, up 2.5% from \$94.58 billion in first quarter 2015. (See Tables 2 and 3.) This growth occurred despite a 5.0% decrease in the number of national banks between March 31, 2015 and March 31, 2016. Of the national banks' total BOLI holdings, \$511.2 million was attributable to 27 national banks that purchased BOLI for the first time and to 103 national banks whose increases in BOLI holdings constituted \$1.25 billion due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.03% to 912.17%.
- Of 350 savings banks, 272 or 77.7% recorded \$5.64 billion in BOLI holdings, up 5.1% from \$5.37 billion in first quarter 2015. This increase of \$272.1 million was primarily attributable to 6 savings banks that purchased \$74.8 million in BOLI for the first time and to 57 savings banks whose increases in BOLI holdings constituted \$248.0 million due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.02% to 96.47%. (See Tables 2 and 3.)
- Of 446 savings associations, 237 or 53.1% recorded \$4.16 billion in BOLI holdings, up 11.4% from \$3.74 billion in first quarter 2015. Of the charter class' total BOLI holdings, \$287.5 million was attributable to 6 savings associations that purchased BOLI for the first time and to 43 savings associations whose increases in BOLI holdings constituted \$264.5 million due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.30% to 1308.65%. (See Tables 2 and 3.)

**Table 2. Total BOLI Assets (in billions)  
 Held by Bank Charter**

<b>Banks by Charter</b>	<b>1Q 2016</b>	<b>1Q 2015</b>	<b>Percent Change in BOLI Assets</b>	<b>Percent Change in Total Number of Banks by Charter</b>
National Banks	\$96.98 billion	\$94.58 billion	2.5%	-6.7%
Savings Banks	\$5.64 billion	\$5.37 billion	5.1%	-3.3%
Savings Associations	\$4.16 billion	\$3.74 billion	11.4%	-8.4%
State-Chartered Member Banks	\$24.35 billion	\$22.71 billion	7.2%	-1.5%
State-Chartered Non-Member Banks	\$26.44 billion	\$24.57 billion	7.6%	-4.4%
<b>Industry Total</b>	<b>\$157.57 billion</b>	<b>\$150.95 billion</b>	<b>4.4%</b>	<b>-4.6%</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

- Of 836 state-chartered member commercial banks, 584 or 69.9% of them reported holding \$24.35 billion in BOLI assets in first quarter 2016, up 7.2% from \$22.71 billion in first quarter 2015. This increase was largely attributable to 20 state-chartered member banks that purchased \$325.2 million of BOLI for the first time and to 131 banks whose increase of \$1.30 billion was due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.00% to 14490.48%. (See Tables 2 and 3.)

<b>Table 3. Number and Percentage of Banks Reporting BOLI Assets by Charter</b>				
<b>Banks by Charter</b>	<b>Number of Banks</b>		<b>Percent of Banks</b>	
	<b>1Q 2016</b>	<b>1Q 2015</b>	<b>1Q 2016</b>	<b>1Q 2015</b>
National Banks	587	603	59.9%	57.4%
Savings Banks	272	277	77.7%	76.5%
Savings Associations	237	252	53.1%	51.7%
State-Chartered Member Banks	584	575	69.9%	67.7%
State-Chartered Non-Member Banks	2,045	2,075	58.3%	56.5%
<b>Industry Total</b>	<b>3,725</b>	<b>3,782</b>	<b>60.9%</b>	<b>58.9%</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

- Of the 3,510 state-chartered non-member banks, 2,045 or 58.3% of them reported holding \$26.44 billion in BOLI assets in first quarter 2016, up 7.6% from \$24.57 billion in first quarter 2015. This large increase was primarily due to 71 state-chartered non-member banks that purchased \$293.7 million in BOLI assets for the first time and to 389 non-member banks whose increase of \$2.13 billion was due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.00% to 44700.00%. (See Tables 2 and 3.)

<b>Table 4. Number and Percent of Banks Reporting BOLI Assets by Bank Asset Size</b>				
<b>Banks by Asset Size</b>	<b>Number of Banks</b>		<b>Percent of Banks</b>	
	<b>1Q 2016</b>	<b>1Q 2015</b>	<b>1Q 2016</b>	<b>1Q 2015</b>
Over \$10 billion	80	79	73.4%	70.5%
\$1 billion - \$10 billion	506	474	82.1%	81.4%
\$500 million - \$1 billion	496	483	75.4%	72.2%
\$300 million - \$500 million	594	610	73.3%	72.8%
\$100 million - \$300 million	1,395	1,435	61.6%	60.1%
Under \$100 million	654	701	39.3%	38.3%
<b>Industry Total</b>	<b>3,725</b>	<b>3,782</b>	<b>60.9%</b>	<b>58.9%</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

By Type of BOLI Assets:

- The largest portion of BOLI assets was found to be held in variable separate accounts. Variable separate account CSV assets totaled \$72.12 billion among banks, representing 45.8% of all BOLI assets in first quarter 2016, down from 47.3% in first quarter 2015. (See Table 5.) At the same time, only 484 or 13.0% of all banks reporting BOLI held variable separate account assets. (See Table 6.) Thus, although VSA assets account for the largest portion of total BOLI assets, VSA assets were actually held by the

fewest number of banks. Variable separate account life insurance assets are the cash surrender values (CSVs) associated with variable 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 2016 was GA policies. (See Table 6.) Nearly ninety-six percent (95.8%) or 3,568 of the 3,725 banks reporting BOLI assets had \$68.44 billion in general account life insurance assets, representing 43.4% of total BOLI assets in first quarter 2016. (See Tables 5 and 6.) In GA policies, the general assets of the insurance company issuing the policies support their CSV.

<b>Table 5. Total BOLI Assets (in billions) Held by Banks in First Quarter 2016</b>				
<b>Banks by Asset Size</b>	<b>GA</b>	<b>VSA</b>	<b>HSA</b>	<b>TOTAL</b>
Over \$10 billion	\$ 41.32	\$ 67.96	\$ 11.08	\$ 120.37
\$1 billion - \$10 billion	\$ 14.50	\$ 3.61	\$ 3.46	\$ 21.57
\$500 million - \$1 billion	\$ 4.67	\$ 0.30	\$ 1.01	\$ 5.98
\$300 million - \$500 million	\$ 3.25	\$ 0.09	\$ 0.65	\$ 4.00
\$100 million - \$300 million	\$ 3.92	\$ 0.12	\$ 0.73	\$ 4.77
Under \$100 million	\$ 0.78	\$ 0.04	\$ 0.07	\$ 0.89
<b>Total BOLI assets</b>	<b>\$ 68.44</b>	<b>\$ 72.12</b>	<b>\$ 17.01</b>	<b>\$ 157.57</b>
<b>Percentage growth since 1Q 2015</b>	<b>7.9%</b>	<b>1.0%</b>	<b>5.6%</b>	<b>4.4%</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

- Nearly thirteen hundred (1,283) or 34.4% of the 3,725 institutions with BOLI assets reported holding hybrid separate account assets in first quarter 2016. This was down from 1,297 (34.3%), but up from 1,273 (33.5%) of 3,803 banks in first quarter 2014, 1,188 banks (30.9%) of 3,840 in first quarter 2013, 1,077 banks (28.5%) of 3,782 in first quarter 2012, and 868 banks (23.3%) of 3,725 in first quarter 2011. They held \$17.01 billion in hybrid separate account life insurance assets, representing 10.8% of total BOLI assets and making HSA the smallest reporting category of BOLI assets. (See Tables 5 and 6.) However, in the past few years, HSA has been the fastest growing type of BOLI asset. Hybrid separate 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 separate account policies support the policies' cash surrender values. However, like variable separate account policies, the assets of hybrid separate accounts are protected from claims on the insurer. Additionally, the banks holding hybrid separate account life insurance policies are able to select from among certain investment strategies in which the insurance premiums are invested.
- Variable separate account life insurance (VSA) assets were most heavily concentrated (94.2%) among the largest banks with assets greater than \$10 billion. These banks also held significant amounts of GA and HSA BOLI assets. The predominant types of BOLI assets held by banks under \$10 billion in assets were GA and HSA. Banks under \$10 billion in assets held 39.6% (up from 39.2% in first quarter 2015 and 38.2% in first quarter 2013) of general account life insurance assets and 34.8% (down from 35.0% in first quarter 2015, up from 34.5% in first 2013 and 30.0% in first quarter 2012) of hybrid separate account life

insurance assets in first quarter 2016, with just 5.8% of VSA assets. Furthermore, banks under \$1 billion in assets held 18.43% of GA assets, 14.51% of HSA assets, but only 0.76% of VSA assets. (See Table 5.)

- As mentioned above, the fastest growing type of BOLI assets, in terms of the number of banks holding them, has for several years been hybrid separate account assets, which experienced their first decline in first quarter 2016. Since first quarter 2012, the number of banks using hybrid separate accounts increased 37.3% from 713 banks in first quarter 2011 to 979 banks in first quarter 2012, to an increase of 13.8% from 979 to 1,114 banks at the end of first quarter 2013, up 9.6% from that to 1,221 banks in first quarter 2014, and up 6.2% to 1,297 banks in first quarter 2015. The number declined 1.1% to 1,283 banks in first quarter 2016. Though it has declined, the rate of HSA growth has outstripped that of other types of asset accounts. During the same period (2011-2016), banks owning VSA assets increased by 3.8% from 582 in first quarter 2011 to 604 banks in first quarter 2012, decreased 2.0% in first quarter 2013 to 592 banks, declined 0.3% to 590 banks in first quarter 2014, dropped 12.7% to 515 banks in first quarter 2015, and declined 6.0% to 484 banks in first quarter 2016.

By Size of Institution:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between \$1 billion and \$10 billion, as 506 of 616 banks and thrifts or 82.1% reported having them in first quarter 2016. The lowest rate of BOLI ownership occurred among depository institutions with assets under \$100 million, as 654 of 1,663 or 39.3%, declared they had BOLI assets.
- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase (\$4.3 billion) in BOLI in first quarter 2016. Institutions with assets between \$1 billion and \$10 billion attained the largest percentage increase (11.9%), followed by institutions with over \$1 billion in assets with the second largest percentage increase (3.7%) in BOLI assets. (See Table 1.)
- Three of six bank asset-size classes experienced increases in first quarter 2016 in the number of banks and thrifts reporting BOLI assets. The largest percentage increase was 6.8% among depository institutions with assets between \$1 billion and \$10 billion. The largest numerical increase of 32 banks and thrifts also occurred among those between \$1 billion and \$10 billion in assets. (See Table 4.)

<b>Table 6. Number of Banks Reporting BOLI Assets in First Quarter 2016</b>				
<b>Banks by Asset Size</b>	<b>GA</b>	<b>VSA</b>	<b>HSA</b>	<b>TOTAL</b>
Over \$10 billion	77	67	50	80 of 109 (73%)
\$1 billion - \$10 billion	488	163	271	506 of 616 (82%)
\$500 million - \$1 billion	476	69	218	496 of 658 (75%)
\$300 million - \$500 million	573	52	219	594 of 810 (73%)
\$100 million - \$300 million	1,334	91	428	1,395 of 2,266 (62%)
Under \$100 million	620	42	97	654 of 1,663 (39%)
<b>All banks</b>	<b>3,568</b>	<b>484</b>	<b>1,283</b>	<b>3,725 of 6,122 (61%)</b>
<b>Percentage change since 1Q 2015</b>	<b>-0.6%</b>	<b>-6.0%</b>	<b>-1.1%</b>	<b>-1.5%</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

New Buyers of BOLI and Growth of BOLI Assets:

- Of 3,725 banks reporting BOLI assets at March 31, 2016, 3,622 banks owned BOLI assets at March 31, 2015. The difference of 103 banks represents most of the banks that were new buyers of BOLI in the last 12 months. But, of the 3,622 banks that owned BOLI a year ago, 27 of them had run their BOLI assets to

zero by March 31, 2016. That means, in the last year, there were net 130 banks (103 + 27) that were new buyers of BOLI policies since 2015.

- Two hundred forty-seven (247) of the 3,782 banks that owned BOLI a year ago experienced a decline in their BOLI assets, and 23 banks had no change in the value of their BOLI assets. One hundred sixty (160) banks with BOLI assets in first quarter 2015 disappeared by first quarter 2016. Of the remaining 3,352 banks that experienced growth in their BOLI assets from a year ago, 723 of them witnessed growth of 5% or more in those assets.

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

The *Equias Alliance / Michael White BOLI Holdings Report*<sup>™</sup> 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).

**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 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 20 consultants located in 15 offices throughout the U.S.

**Michael White Associates (MWA)** is a bank insurance consulting firm headquartered in Radnor, PA whose published reports can be obtained at [www.BankInsurance.com](http://www.BankInsurance.com). Other reports include the *MWA BOLI Capital Concentration Report*<sup>™</sup>. 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*<sup>™</sup> compare, rank and rate a particular financial institution’s insurance or other noninterest fee income program nationally, regionally, statewide and by asset-peer group.

*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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