

N E W S R E L E A S E

**Equias Alliance/Michael White Report
BOLI Assets Surpass \$161 Billion as of December 31, 2016**

FOR IMMEDIATE RELEASE – *Memphis, TN, and Radnor, PA, March 27, 2017* – The Cash Surrender Value (CSV) of bank-owned life insurance (BOLI) policies held by commercial banks, savings banks and savings associations stood at \$161.8 billion as of December 31, 2016, reflecting a 3.6% increase from \$156.2 billion as of December 31, 2015, 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, thereby helping banks keep up with ever-rising benefit costs. BOLI may be differentiated by three product types: general account (GA); variable separate account (VSA); and hybrid separate account (HSA).

The *Equias Alliance/Michael White BOLI Holdings Report™* is co-produced by Equias Alliance and Michael White Associates (MWA). The information in this report was gathered from data submitted to regulators by all 5,913 banks operating on December 31, 2016. Among the study’s most significant findings are these:

By Asset Size:

- Of the 5,913 banks and savings associations, 3,680 or 62.2% reported holding BOLI assets as of December 31, 2016, and total BOLI CSV increased by \$5.62 billion (3.6%) from \$156.18 billion as of December 31, 2015 to \$161.80 billion as of December 31, 2016. (See Tables 1 and 2.)

Table 1. Number and Percent of Banks Reporting BOLI Assets by Bank Asset Size

Banks by Asset Size	Number of Banks		Percent of Banks	
	Dec. 31, 2016	Dec. 31, 2015	2016	2015
Over \$10 billion	85	78	74.6%	72.9%
\$1 billion - \$10 billion	514	491	82.8%	82.5%
\$500 million - \$1 billion	504	498	76.1%	74.0%
\$300 - \$500 million	601	588	74.2%	72.7%
\$100 - \$300 million	1,344	1,425	62.1%	61.7%
Under \$100 million	632	659	41.0%	39.0%
Industry Total	3,680	3,739	62.2%	60.5%

Source: *Equias Alliance / Michael White BOLI Holdings Report™* - 2017 edition

- Net growth in BOLI holdings can be attributed to new purchases and earnings on existing CSV, reduced by death claims collected and policy surrenders (if any).

- For banks with over \$100 million in assets, the percentage owning BOLI stood at 69.7% at December 31, 2016. For banks with over \$300 million in assets, the percentage owning BOLI stood at 77.2% at December 31, 2016.
- Although the number of banks holding BOLI declined between December 31, 2015 and December 31, 2016, this decline was primarily attributable to the continuing trend in the banking industry of mergers and acquisitions rather than banks terminating their BOLI programs.

Table 2. Total BOLI Assets (in billions) Held by Banks				
Banks by Asset Size	As of Dec. 31, 2016	As of Dec. 31, 2015	Percent Change in BOLI Assets	Percent Change in Total No. of Banks
Over \$10 billion	\$123.43 billion	\$119.11 billion	3.6%	-6.1%
\$1 billion - \$10 billion	\$22.58 billion	\$21.40 billion	5.5%	4.4%
\$500 million - \$1 billion	\$6.17 billion	\$6.01 billion	2.6%	-1.6%
\$300 - \$500 million	\$4.08 billion	\$3.93 billion	3.7%	0.0%
\$100 - \$300 million	\$4.67 billion	\$4.86 billion	-3.9%	-5.7%
Under \$100 million	\$864.5 million	\$872.9 million	-1.0%	-8.7%
Industry Total	\$161.80 billion	\$156.18 billion	3.6%	-4.4%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2017 edition

- Institutions with assets between \$1 billion and \$10 billion attained the largest percentage increase (5.5%) in BOLI assets. (See Table 2.)
- Institutions with assets over \$10 billion had the largest growth (a 3.6% increase) relative to the change in the number of banks in the asset category (a decline of 6.1%).
- Institutions with assets less than \$300 million generally saw a decline in BOLI assets as many of those institutions merged or were acquired by larger banks.

By Type of BOLI Asset:

- With a balance of \$72.46 billion as of December 31, 2016, VSA BOLI continues to lead when measured by dollar amount. It represents 44.8% of all BOLI assets as of December 31, 2016, down from 46.1% as of December 31, 2015. (See Table 3.) At the same time, only 464 or 7.9% of all banks hold variable separate account assets. (See Table 4.) Thus, although VSA assets account for the largest portion of total BOLI CSVs, VSA assets were held by the fewest number of banks. Variable separate account CSVs are supported by assets legally segregated from the general assets of the insurance carrier. The policyholders neither own the underlying separate account created by the insurance carrier on its behalf, nor control investment decisions in the underlying account, but 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. Most banks that purchase a VSA product use a “stable value wrap” arrangement provided by a carrier or a third party to reduce the income statement volatility. Because of its complexity, VSA is owned primarily by larger banks.

Table 3. Total BOLI Assets (in billions) by Product Type Held by Banks as of December 31, 2016					
Banks by Asset Size	GA	VSA	HSA	TOTAL	Percent of BOLI Assets Held
Over \$10 billion	\$ 43.66	\$ 68.49	\$ 11.28	\$ 123.43	76.29%
\$1 billion - \$10 billion	\$ 15.43	\$ 3.49	\$ 3.67	\$ 22.58	13.96%
\$500 million - \$1 billion	\$ 4.88	\$ 0.23	\$ 1.05	\$ 6.17	3.81%
\$300 - \$500 million	\$ 3.36	\$ 0.08	\$ 0.64	\$ 4.08	2.52%
\$100 - \$300 million	\$ 3.86	\$ 0.13	\$ 0.69	\$ 4.67	2.89%
Under \$100 million	\$ 0.75	\$ 0.04	\$ 0.07	\$ 0.86	0.53%
Total BOLI Assets	\$ 71.94	\$ 72.46	\$ 17.40	\$ 161.80	100.0%
Percentage Growth Since December 31, 2015	6.7%	0.7%	3.6%	3.6%	

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2017 edition

- Nearly thirteen hundred (1,261) or 21.3% of all banks reported holding hybrid separate account assets as of December 31, 2016. They held \$17.40 billion in HSA assets, representing 10.8% of total BOLI assets and making HSA the smallest reporting category of BOLI assets. (See Tables 3 and 4.) 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.
- In recent years, banks have gravitated back to general account products because GA products provide more carrier options as well as somewhat higher yields than HSA products.

Table 4. Percent of Banks Reporting BOLI Assets as of December 31, 2016 That Own:				
Banks by Asset Size	GA	VSA	HSA	BOLI
Over \$10 billion	71.9%	60.5%	45.6%	74.6%
\$1 billion - \$10 billion	79.7%	25.9%	44.4%	82.8%
\$500 million - \$1 billion	74.0%	9.1%	33.4%	76.1%
\$300 - \$500 million	71.7%	5.7%	27.3%	74.2%
\$100 - \$300 million	59.4%	4.3%	18.3%	62.1%
Under \$100 million	39.2%	2.2%	6.1%	41.0%
All Banks	59.8%	7.9%	21.3%	62.2%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2017 edition

- The type of BOLI assets most widely held by banks as of December 31, 2016 was GA policies. (See Table 4.) Ninety-six percent (96.1%) or 3,537 of the 3,680 banks reporting BOLI assets had \$71.94 billion in general account life insurance assets, representing 44.5% of total BOLI assets as of December 31, 2016. (See Tables 3 and 4.) In GA policies, the general assets of the insurance company issuing the policies support their CSV.

By Institutional Charter:

Table 5. Total BOLI Assets (in billions) Held by Bank Charter				
Banks by Charter	As of Dec. 31, 2016	As of Dec. 31, 2015	Percent Change in BOLI Assets	Percent Change in Total Number of Banks by Charter
National Banks	\$97.89 billion	\$96.51 billion	1.4%	-4.4%
Savings Banks	\$5.82 billion	\$5.55 billion	5.0%	-3.7%
Savings Associations	\$4.33 billion	\$4.04 billion	7.3%	-6.6%
State-Chartered Member Banks	\$25.95 billion	\$24.13 billion	7.6%	-1.2%
State-Chartered Non-Member Banks	\$27.80 billion	\$25.96 billion	7.1%	-4.1%
Industry Total	\$161.80 billion	\$156.18 billion	3.6%	-4.4%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2017 edition

- There was an increase in the dollar amount held as well as the percentage of banks owning BOLI among all charter classes. Savings banks and state-chartered Fed member banks had the highest percentage of banks with BOLI assets.
- Once again, we see that the overall number of banks in each charter class has declined and that the decline is primarily due to mergers.

Table 6. Number and Percentage of Banks Reporting BOLI Assets by Charter				
Banks by Charter	Number of Banks		Percent of Banks	
	Dec. 31, 2016	Dec. 31, 2015	2016	2015
National Banks	568	596	61.5%	60.1%
Savings Banks	263	272	77.6%	77.3%
Savings Associations	232	241	54.6%	53.0%
State-Chartered Member Banks	587	586	70.8%	69.8%
State-Chartered Non-Member Banks	2,030	2,044	59.8%	57.7%
Industry Total	3,680	3,739	62.2%	60.5%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2017 edition

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) and other data pertaining to life insurance held by commercial banks, savings banks, and savings associations. It is one of several reports dealing with bank financial performance as well as bank fee and non-interest income activities published by Equias Alliance or Michael White Associates (MWA).

Equias Alliance, LLC (“Equias”), through its group of nationwide consultants, has assisted over 800 community banks in the design and implementation of BOLI as well as nonqualified benefit plans for selected executives. 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) 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, and its published reports can be obtained at www.BankInsurance.com. In addition to the *Equias Alliance / Michael White BOLI Holdings Report*[™], MWA offers a series of bank fee income reports, including the *MWA Fee Income Ratings Reports*[™] which compare, rank and rate a particular financial institution’s insurance or other noninterest fee income program nationally, regionally, statewide and by asset-peer group.

For additional information contact:

David Shoemaker, CPA/PFS, CFP[®]
President
Equias Alliance, LLC
8000 Centerview Parkway, Suite 525
Memphis, TN 38018
Phone: 901-754-4924
Email: dshoemaker@equiasalliance.com

Michael D. White, Ph.D., CLU, ChFC
President
Michael White Associates, LLC
823 King of Prussia Road
Radnor, PA 19087
Phone: 601-254-0440
Email: MWA@BankInsurance.com

Securities offered through ProEquities, Inc., a Registered Broker/Dealer and member FINRA & SIPC.
Equias Alliance, LLC is independent of ProEquities, Inc.

Michael White is not a Registered Representative of ProEquities, Inc. nor a Representative of Equias Alliance, LLC.