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Bank BOLI Assets Reach Nearly \$104 Billion in 2006 According to a Report Issued by Michael White and MullinTBG

FOR IMMEDIATE RELEASE – Radnor, PA, and Los Angeles, CA, May 8, 2007 – Large bank holding companies (BHCs) and stand-alone banks reported bank-owned life insurance (BOLI) assets of \$103.9 billion in 2006, reflecting a 48.6% increase from \$69.9 billion in 2005, according to the 2007 edition of *The Michael White-MullinTBG BOLI Holdings Report*TM. BOLI is used to recover the cost of supplemental employee health insurance benefits and to offset the liabilities of retirement benefits.

Compiled by Michael White Associates, LLC (MWA) and sponsored by MullinTBG, *The Michael White-MullinTBG BOLI Holdings Report*TM measures and benchmarks the cash surrender values (CSV) of life insurance held by BHCs and banks and their ratios of CSV to capital. The data are reported by 854 large top-tier BHCs with consolidated assets of at least \$500 million, and over 7,800 commercial banks and FDIC-supervised savings banks operating on December 31, 2006. Among the study's most significant findings are these:

- Large top-tier bank holding companies increased their 2006 BOLI holdings by 56.4% from \$64.59 billion in 2005 to \$101.0 billion in 2006. (See Table 1.) The significant increase in 2006-reported BOLI assets was due largely to a reporting requirement change. The former requirement was that BOLI assets only be reported when they reached a threshold of 25% of certain "other assets" on the balance sheet. The 2006 requirement was that all banks and BHCs with assets greater than \$500 million report all their BOLI assets.
- Stand-alone banks, those without bank holding companies, recorded an added \$2.5 billion in BOLI holdings. Another 70 BHCs with assets between \$300 million and \$500 million reported \$400.2 million in BOLI assets. Including these additional sources, the industry total of BOLI holdings increased 48.6% from \$69.9 billion in 2005 to \$103.9 billion in 2006.
- Of 854 large BHCs with assets greater than \$500 million, 687 or 80.4% reported holding BOLI assets in 2006. That represented an increase of 38.5% from 496 BHCs reporting BOLI in 2005. (See Table 2.) Again, much of that increase was due to the change in reporting requirements.
- BHCs with assets between \$1 billion and \$10 billion had the highest rate of reporting BOLI assets, as 306 of 360 BHCs, or 85.0%, reported having BOLI assets.
- The largest bank holding companies, those over \$10 billion in assets, accounted for the largest dollar and percentage increase – \$34.2 billion or 62.8% – in their combined BOLI assets. BHCs with assets between \$500 million to \$1 billion registered the second largest percentage increase in total BOLI assets, rising 28.4% from \$2.23 billion in 2005 to \$2.86 billion in 2006. (See Table 1.)
- The largest increase in the number of BHCs reporting BOLI assets occurred among BHCs with \$1 billion to \$10 billion in assets. Their number increased by 85 from 221 BHCs in 2005 to 306 in 2006. (See Table 2.)

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- According to the Federal Reserve, it is generally not prudent for a BHC to hold BOLI assets with an aggregate cash surrender value (CSV) that exceeds 25 percent of the sum of the institution's Tier 1 capital and the allowance for loan and lease losses. The largest BHCs, those over \$10 billion in assets, recorded the highest mean BOLI assets as a percent (15.3%) of total capital in 2006. (See Table 3.)
- Nationally, mean BOLI assets as a percent of total capital declined from 15.2% in 2005 to 13.3% in 2006. (See Table 3.) This decrease was due to the increased number of BHCs reporting because of the change in reporting requirements. For these additional BHCs, BOLI assets as a percent of capital was typically lower and, therefore, helped to decrease the mean ratio.

Table 1. Total BOLI Assets (in billions) Held by Bank Holding Companies in 2006			
Large BHCs by Asset Size	2006	2005	Percent Change
Over \$10 billion	\$88.59	\$54.43	62.8%
\$1 billion - \$10 billion	\$ 9.55	\$ 7.93	20.4%
\$500 million - \$1 billion	\$ 2.86	\$ 2.23	28.4%
All	\$101.0	\$64.59	56.4%

Source: *Michael White-MullinTBG BOLI Holdings Report – 2007 edition*

Table 2. Number of Large Bank Holding Companies Reporting BOLI Assets in 2006			
Large BHCs by Asset Size	2006	2005	Percent Change
Over \$10 billion	63	40	57.5%
\$1 billion - \$10 billion	306	221	38.5%
\$500 million - \$1 billion	318	235	35.3%
All	687	496	38.5%

Source: *Michael White-MullinTBG BOLI Holdings Report – 2007 edition*

Table 3. Mean BOLI Assets as a Percentage of the Sum of Tier 1 Capital + Allowance for Loan & Lease Losses			
Large BHCs by Asset Size	2006	2005	Percent Change
Over \$10 billion	15.32%	20.10%	-23.8%
\$1 billion - \$10 billion	12.77%	14.30%	-10.7%
\$500 million - \$1 billion	13.37%	14.16%	-5.6%
All	13.28%	15.17%	-12.5%

Source: *Michael White-MullinTBG BOLI Holdings Report – 2007 edition*

About the *Michael White-MullinTBG BOLI Holdings Report*[™]

The Michael White-MullinTBG BOLI Holdings Report[™] measures and benchmarks the cash surrender values (CSV) of life insurance held by bank holding companies and banks and their ratios of CSV to capital. It is one of several reports dealing with bank fee income activities published by Michael White Associates, LLC (MWA), a bank insurance consulting firm headquartered in Radnor, PA. Another report, *The MWA BOLI Capital Concentration Report*[™], meets the regulatory requirement that each banking company conduct a peer analysis of their BOLI holdings relative to capital and statistically assess whether its BOLI program is an outlier. All reports may be purchased online at www.BankInsurance.com or by mail.

MullinTBG is the exclusive sponsor of *The Michael White-MullinTBG BOLI Holdings Report*[™]. MullinTBG is one of the nation's largest providers of nonqualified executive benefits, with more than 600 customized plans and \$18 billion in total assets (as of April 30, 2007) representing over 50,000 corporate executives. The firm operates two client service centers, one from its Los Angeles headquarters and one from Chicago, and has regional offices in Baltimore, Boston, Dallas, New York and Newport Beach. For more information, please visit www.MullinTBG.com.

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