



MICHAEL WHITE ASSOCIATES
BANK INSURANCE CONSULTANTS

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Michael White-Meyer-Chatfield Report BOLI Assets Hit Record \$138.4 Billion in First Half 2010

FOR IMMEDIATE RELEASE – Radnor, PA, and Jenkintown, PA, November 1, 2010 – Bank-owned life insurance (BOLI) assets reached \$138.40 billion in the first half of 2010, reflecting a 3.3% increase from \$133.97 billion in the first half of 2009, according to *The Michael White-Meyer-Chatfield BOLI Holdings Report*[™]. The first half 2010 total for BOLI holdings is the sum of BOLI assets held by large bank holding companies (BHCs), stand-alone banks, and savings associations (i.e., thrifts). BOLI is used to recover costs of employee benefits and offset the liabilities of retirement benefits, helping banks to keep up with the rising benefit costs.

Compiled by Michael White Associates, LLC (MWA) and sponsored by Meyer-Chatfield, *The Michael White-Meyer-Chatfield BOLI Holdings Report*[™] measures and benchmarks the cash surrender values (CSV) of life insurance and ratio of CSV to capital possessed by BHCs and banks. The data herein were reported by 930 large top-tier BHCs with assets greater than \$500 million and 7,830 commercial banks, thrifts and FDIC-supervised savings banks operating on June 30, 2010. Among the study's most significant findings are these:

- Large top-tier BHCs increased their BOLI holdings by 4.0% from \$123.96 billion in first half 2009 to \$128.86 billion in first half 2010.
- Of 1,421 stand-alone banks, those without BHCs, 424 or 29.8% recorded \$2.48 billion in first-half BOLI holdings, up 5.0% from \$2.36 billion in first half 2009.
- Of 753 savings association, 344 or 45.7% recorded \$7.06 billion in BOLI holdings, down 7.8% from \$7.65 billion in first half 2009.
- Of the 930 large top-tier BHCs, 754 or 81.1% reported holding BOLI assets in first half 2010, representing a 0.4% increase in their number from the 751 in first half 2009.
- BHCs with assets greater than \$10 billion reported the highest incidence of BOLI ownership, as 66 of 77 BHCs, or 85.7%, reported having BOLI assets.
- Of 7,830 banks and savings associations operating on June 30, 2010, 3,800 or 48.5% reported holding BOLI assets of \$123.88 billion, an increase of 1.0% from \$122.64 billion in first half 2009.
- The total number of banks and thrifts reporting BOLI assets decreased 100 or 2.6% from 3,900 in first half 2009 to 3,800 banks and thrifts in first half 2010. (See Table 2.)
- Banks and thrifts with assets between \$1 billion and \$10 billion had the highest rate of reporting BOLI assets, as 408 of 555 banks or 73.5% reported having them in the first half of 2010.
- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase – \$1.14 billion – in their combined BOLI assets. Banks with assets between \$300 million and \$500 million registered the largest percentage increase in total BOLI assets, rising 2.9% from \$3.01 billion in the first half of 2009 to \$3.10 billion in first half 2010. (See Table 1.)

- Every asset class experienced a decrease in the number of banks and thrifts reporting BOLI assets. The largest decrease occurred among depository institutions under \$100 million in assets. Their number decreased by 52 from 926 in first half 2009 to 874 banks and thrifts in first half 2010. In the case of the 7.8% decline in the largest banks reporting BOLI assets, the change can be misleading, since it did not reflect bank decisions to leave the BOLI market. Five banks experienced an increase in their assets and joined the above-\$10 billion group, and three banks experienced a decline in their assets below the \$10 billion threshold. In addition, eight institutions (five banks and three thrifts) were merged out of existence into other financial institutions. So, the decline was due to some banks merging or getting smaller, not because they surrendered their BOLI 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 the bank'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 only slightly from 14.64% in first half 2009 to 14.88% in first half 2010. (See Table 3.)
- Among the largest bank holding companies (BHCs) with assets over \$10 billion, the 99.5% increase in allowances for loan and lease losses from \$11.1 billion in the first half of 2009 to \$22.2 billion in the first half of 2010 helped produce an 8.0% increase in the sum of Tier 1 Capital and the allowances. By comparison, Tier 1 capital rose 6.7% during the same period. These increases in capital and allowances for losses among the largest BHCs resulted in a decline in their BOLI-to-capital ratios and kept a lid on those ratios for the industry as a whole.

Table 1. Total BOLI Assets (in billions) Held by Banks in First Half 2010			
Banks by Asset Size	1st Half 2010	1st Half 2009	Percent Change
Over \$10 billion	\$97.91	\$96.77	1.2%
\$1 billion - \$10 billion	\$13.30	\$13.40	-0.8%
\$500 million - \$1 billion	\$ 4.79	\$ 4.74	1.1%
\$300 million - \$500 million	\$ 3.10	\$ 3.01	2.9%
\$100 million - \$300 million	\$ 3.86	\$ 3.78	2.1%
Under \$100 million	\$ 0.92	\$ 0.93	-1.2%
All	\$123.88	\$122.64	1.0%

Source: *Michael White-Meyer-Chatfield BOLI Holdings Report™ – 2010 edition*

Table 2. Number of Banks Reporting BOLI Assets in First Half 2010			
Banks by Asset Size	1st Half 2010	1st Half 2009	Percent Change
Over \$10 billion	71	77	-7.8%
\$1 billion - \$10 billion	408	425	-4.0%
\$500 million - \$1 billion	496	503	-1.4%
\$300 million - \$500 million	527	533	-1.1%
\$100 million - \$300 million	1,424	1,436	-0.8%
Under \$100 million	874	926	-5.6%
All	3,800	3,900	-2.6%

Source: *Michael White-Meyer-Chatfield BOLI Holdings Report™ – 2010 edition*

Table 3. Mean BOLI Assets as a Percentage of the Sum of Tier 1 Capital + Allowance for Loan & Lease Losses in First Half 2010			
Banks by Asset Size	1st Half 2010	1st Half 2009	Percent Change
Over \$10 billion	15.16%	16.35%	-7.3%
\$1 billion - \$10 billion	13.69%	13.66%	-0.2%
\$500 million - \$1 billion	14.49%	16.03%	-9.6%
\$300 million - \$500 million	15.56%	13.00%	19.7%
\$100 million - \$300 million	14.50%	14.38%	0.8%
Under \$100 million	17.30%	15.40%	12.3%
All	14.88%	14.64%	1.7%

Source: *Michael White-Meyer-Chatfield BOLI Holdings Report™ – 2010 edition*

About the *Michael White-Meyer-Chatfield BOLI Holdings Report™*

The *Michael White-Meyer-Chatfield 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, and at www.BankInsurance.com. Another report, the *MWA BOLI Capital Concentration Report™*, meets 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.

Meyer Chatfield, Corp. has become the BOLI resource for America's banks because of our history of providing consultation, education and service to our clients. Our primary mission is assisting financial institutions in crafting and deploying valuable, tax advantaged, BOLI strategies. Meyer-Chatfield has initiated, managed and serviced billions of dollars in BOLI transactions for hundreds of banks nationwide. The company is committed to compliance; its principals have been advisors to the regulators since 1994 and worked with the OCC on the inter-agency guidance for BOLI, OCC 2004-56. Meyer-Chatfield's headquarters are in Jenkintown, PA with expert consultants in offices nationally. For the most extensive set of unified BOLI information online, go to www.meyerchatfield.com.

For additional information contact:

Michael D. White, Ph.D., CLU, ChFC
 President
 Michael White Associates, LLC
 823 King of Prussia Road
 Radnor, PA 19087
 Phone: (610) 254-0440
 Email: MWA@BankInsurance.com

Chris Pezalla, FSA, MAAA
 Senior Vice President
 Meyer-Chatfield, Corp.
 261 Old York Rd., Suite 604
 Jenkintown, PA 19046
 Phone: (215) 935-1125
 Email: c.pezalla@meyerchatfield.com