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N E W S R E L E A S E

## **Michael White/Meyer-Chatfield Report BOLI Assets Reached \$147.8 Billion at End of 3Q 2012**

**FOR IMMEDIATE RELEASE** – Radnor, PA, and Jenkintown, PA, February 25, 2013 – Bank-owned life insurance (BOLI) assets reached \$147.82 billion in three quarters of 2012, reflecting an 8.8% increase from \$134.8 billion in the same period of 2011. These BOLI assets are held by large bank and savings and loan (or thrift) holding companies (collectively, bank holding companies or BHCs) and stand-alone banks, according to the *Michael White/Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*<sup>™</sup>.

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. 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. Over the past two years, Commercial banks and FDIC-supervised savings banks began reporting these types of assets, and THC's and savings associations began reporting them in 2012.

Compiled by Michael White Associates (MWA) and sponsored by Meyer-Chatfield, the *Michael White/Meyer-Chatfield BOLI Holdings Report*<sup>™</sup> measures and benchmarks the cash surrender values (CSV) of life insurance and ratios of CSV to capital attained by BHCs, THC's, commercial banks and savings associations (or thrifts). The data in this report were submitted to regulators by 1,061 large top-tier holding companies with assets greater than \$500 million and all 7,246 commercial banks, savings banks, and savings associations operating on September 30, 2012. Several THC's that are historically and traditionally insurance underwriting operations have been excluded from the report. Among the study's most significant findings are these:

### By Types of Institutions:

- Of 1,061 bank and thrift holding companies, 871 or 82.1% reported holding BOLI assets in the first three quarters of 2012, increasing their BOLI holdings by 8.6% from \$132.55 billion in the first nine months of 2011 to \$143.94 billion.
- Of 1,302 stand-alone banks, i.e., those banks without parent-BHCs, 492 or 37.8% recorded \$3.88 billion in BOLI holdings in three quarters of 2012, up 18.4% from \$3.28 billion in 2011.
- Of 7,181 banks and savings associations (which, henceforth, we will refer to collectively as "banks"), 3,767 or 52.5% reported BOLI assets of \$136.35 billion in the first three quarters of 2012, an increase of 4.3% from \$130.79 billion in nine months of 2011. (See Tables 1 and 2.)

### By Types of BOLI Assets:

- Among banks, the largest amount of BOLI assets was to be found in separate accounts. Separate account CSV assets totaled \$68.65 billion among banks, representing 50.4% of all BOLI assets in three quarters of 2012. (See Table 3.) At the same time, only 599 or 15.9% of all banks reporting BOLI held separate account assets. (See Table 4.) So, among all banks holding BOLI assets, the fewest number hold the type of account (SALI) constituting the greatest portion of BOLI assets. Separate account life insurance assets are the cash surrender values (CSVs) associated with separate account insurance policies. These CSVs are supported by assets segregated from the general assets of the insurance carrier. 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. They do assume all investment and price risk so the investment income and investment gains or losses generally accrue directly to the policyholders and are not accounted for in the general account of the insurer.

- The BOLI assets most widely held by banks in three quarters of 2012 were GALI policies. (See Table 4.) Ninety-three percent (92.9%) or 3,499 of the 3,767 banks reporting BOLI assets had \$54.73 billion in general account life insurance assets, representing 40.1% of total BOLI assets. (See Tables 3 and 4.) In GALI policies, the general assets of the insurance company issuing the policies support their CSV.
- 1,040 or 27.6% of the 3,767 institutions reporting BOLI assets held \$12.96 billion in hybrid account life insurance assets in nine months of 2012, representing 9.5% 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 the investment strategies in which the insurance premiums are invested.
- Separate account life insurance (SALI) assets were most heavily concentrated (92.4%) among the largest banks with assets greater than \$10 billion. But, while also concentrated among the big banks, GALI and HALI assets were less so. Smaller banks held 36.5% of general account life insurance assets and 30.3% of hybrid account life insurance assets in the first nine months of 2012, as opposed to the much lower 7.6% of SALI assets. (See Table 3.)
- The fastest growing type of BOLI assets over three quarters of 2012, in terms of the increase in the number of banks employing them, were hybrid assets. For the first nine months, the number of banks using hybrid accounts increased 3.3% from 1,007 at end of 2011 to 1,040 banks at the end of three quarters in 2012. Banks employing separate account or SALI assets decreased slightly by 1.3% to 599 on September 30, 2012, up from 607 at end of 2011. The number of banks reporting the three types of BOLI assets increased rather dramatically because thrifts only began reporting them in 2012.

#### By Size of Institutions:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between \$1 billion and \$10 billion. 423 of 551 banks and thrifts or 76.8% reported having them through three quarters of 2012. The same-sized holding companies reported the highest incidence of BOLI ownership, as 398 of 465 BHCs or 85.6% declared they had BOLI assets.
- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase (\$3.90 billion) in BOLI. Institutions with assets between \$300 million and \$500 million attained the largest percentage increase (8.7%) in BOLI assets. (See Table 1.) Among holding companies, it was the largest that accounted for the biggest dollar increase (\$7.69 billion) year-over-year, but holding companies with assets between \$1 billion and \$10 billion attained the greatest percentage increase (27.6%) in their combined BOLI assets in nine months, as thrift holding companies began reporting BOLI for the first time.
- Five of six asset classes experienced increases in three quarters of 2012 in the number of banks and thrifts reporting BOLI assets. The largest numerical and percentage increases, 30 banks and thrifts and 5.7%, respectively, occurred among depository institutions between \$100 million and \$300 million and between \$300 million and \$500 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, median bank BOLI assets as a percent of the sum of Tier 1 capital and the loss allowances increased (2.2%) from 14.88% at September 30, 2011 to 15.20% at the same time in 2012. Nationally, median BHC BOLI assets as a percent of total capital increased (13.3%) from 13.11% in nine months to 14.86% in 2012.

<b>Table 1. Total BOLI Assets Held by Banks and Thrifts at End of Third Quarter</b>			
<b>Asset Size</b>	<b>2012</b>	<b>2011</b>	<b>Percent Change</b>
Over \$10 billion	\$107.20 billion	\$103.30 billion	3.8%
\$1 billion - \$10 billion	\$ 15.09 billion	\$ 14.42 billion	4.6%
\$500 million - \$1 billion	\$ 5.27 billion	\$ 4.86 billion	8.4%
\$300 million - \$500 million	\$ 3.38 billion	\$ 3.11 billion	8.7%
\$100 million - \$300 million	\$ 4.52 billion	\$ 4.19 billion	7.8%
Under \$100 million	\$ 892.5 million	\$ 906.8 million	-1.6%
<b>All</b>	<b>\$136.35 billion</b>	<b>\$130.79 billion</b>	<b>4.3%</b>

Source: *Michael White/Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*™

<b>Table 2. Number of Banks and Thrifts Reporting BOLI Assets at End of Third Quarter</b>			
<b>Asset Size</b>	<b>2012</b>	<b>2011</b>	<b>Percent Change</b>
Over \$10 billion	72	70	2.9%
\$1 billion - \$10 billion	423	417	1.4%
\$500 million - \$1 billion	486	475	2.3%
\$300 million - \$500 million	541	512	5.7%
\$100 million - \$300 million	1,464	1,434	2.1%
Under \$100 million	781	830	-5.9%
<b>All</b>	<b>3,767</b>	<b>3,738</b>	<b>0.8%</b>

Source: *Michael White/Meyer-Chatfield BOLI Holdings Report*™

<b>Table 3. Total BOLI Assets (in billions) Held by Banks and Thrifts at End of Third Quarter 2012</b>				
<b>Asset Size</b>	<b>GALI</b>	<b>SALI</b>	<b>HALI</b>	<b>TOTAL</b>
Over \$10 billion	\$34.75	\$63.41	\$ 9.04	\$107.20
\$1 billion - \$10 billion	\$ 9.03	\$ 4.16	\$ 1.89	\$15.09
\$500 million - \$1 billion	\$ 3.87	\$ 0.57	\$ 0.83	\$ 5.27
\$300 million - \$500 million	\$ 2.75	\$ 0.18	\$ 0.46	\$ 3.38
\$100 million - \$300 million	\$ 3.60	\$ 0.25	\$ 0.67	\$ 4.52
Under \$100 million	\$ 0.74	\$ 0.07	\$ 0.08	\$ 0.89
<b>All</b>	<b>\$54.73</b>	<b>\$68.65</b>	<b>\$12.96</b>	<b>\$136.35</b>

Source: *Michael White/Meyer-Chatfield BOLI Holdings Report*™

<b>Table 4. Number of Banks and Thrifts Reporting BOLI Assets at End of Third Quarter 2012</b>				
<b>Asset Size</b>	<b>GALI</b>	<b>SALI</b>	<b>HALI</b>	<b>TOTAL</b>
Over \$10 billion	67	57	36	72 (of 108)
\$1 billion - \$10 billion	391	168	174	423 (of 551)
\$500 million - \$1 billion	462	94	190	486 (of 699)
\$300 million - \$500 million	517	53	157	541 (of 819)
\$100 million - \$300 million	1,348	150	389	1,464 (of 2,717)
Under \$100 million	714	77	94	781 (of 2,287)
<b>All</b>	<b>3,499</b>	<b>599</b>	<b>1,040</b>	<b>3,767 (of 7,181)</b>

Source: *Michael White/Meyer-Chatfield BOLI Holdings Report*™

### **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, banks and savings associations 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](http://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.

During the last 20 years, Meyer-Chatfield has grown from a highly respected BOLI specialist to a comprehensive solutions company. The firm works with C-level executives in the banking industry and their Boards to create unique earning opportunities, design compensation programs and develop turnkey administrative solutions that attain the investment goals of our clients. Meyer-Chatfield assists 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](http://www.meyerchatfield.com).

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