

N E W S R E L E A S E

**Equias Alliance/Michael White Report
BOLI Assets Grew 3.8% to \$169.4 Billion by March 31, 2018**

FOR IMMEDIATE RELEASE – *Memphis, TN, and Radnor, PA, July 2, 2018* – The Cash Surrender Value (CSV) of bank-owned life insurance (BOLI) policies held by commercial banks, savings banks and savings associations grew 3.8% to \$169.42 billion as of March 31, 2018, up from \$163.18 billion as of March 31, 2017, according to the *Equias Alliance/Michael White Bank-Owned Life Insurance (BOLI) Holdings Report™*.

BOLI is used to offset and recover a portion of the costs of employee 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, an NFP Company, and Michael White Associates (MWA). The information in this report was gathered from data submitted to regulators by all 5,606 banks operating on March 31, 2018. Among the study’s most significant findings are these:

By Asset Size:

- Of the 5,606 banks and savings associations, 3,564 or 63.6% reported holding BOLI assets as of March 31, 2018, and total BOLI CSV climbed by \$6.24 billion (3.8%) from \$169.42 billion as of March 31, 2017 to \$163.18 billion as of March 31, 2018. (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	
	Mar. 31, 2018	Mar. 31, 2017	2018	2017
Over \$10 billion	105	89	79.6%	75.4%
\$1 billion - \$10 billion	517	523	82.2%	82.8%
\$500 million - \$1 billion	513	509	76.8%	75.3%
\$300 - \$500 million	570	598	74.6%	75.5%
\$100 - \$300 million	1,272	1,323	62.9%	61.9%
Under \$100 million	587	621	42.2%	41.4%
Industry Total	3,564	3,663	63.6%	62.6%

Source: *Equias Alliance / Michael White BOLI Holdings Report™* - 2018 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 70.7% as of March 31, 2018, and for banks with over \$300 million in assets, the percentage owning BOLI stood at 77.8% as of March 31, 2018.
- Although the number of banks holding BOLI declined between March 31, 2017 and March 31, 2018, this decline was, once again, primarily attributable to the continuing trend in the banking industry of mergers and acquisitions rather than banks terminating their BOLI programs.
- The very slight decline in the percentage of banks holding BOLI assets in the \$300-500 million and \$1 billion - \$10 billion size categories is primarily attributable to asset growth in these banks pushing some into the next size category as well as some mergers and acquisitions.

Table 2. Total BOLI Assets (in billions) Held by Banks				
Banks by Asset Size	As of Mar. 31, 2018	As of Mar. 31, 2017	Percent Change in BOLI Assets	Percent Change in Total No. of Banks
Over \$10 billion	\$132.54 billion	\$124.72 billion	6.3%	11.9%
\$1 billion - \$10 billion	\$21.40 billion	\$22.75 billion	-5.9%	0.5%
\$500 million - \$1 billion	\$6.21 billion	\$6.23 billion	-0.2%	-1.2%
\$300 - \$500 million	\$3.96 billion	\$4.05 billion	-2.2%	-3.5%
\$100 - \$300 million	\$4.49 billion	\$4.58 billion	-1.9%	-5.4%
Under \$100 million	\$820.7 million	\$857.7 million	-4.3%	-7.3%
Industry Total	\$169.42 billion	\$163.18 billion	3.8%	-4.3%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

- Institutions with assets over \$10 billion attained the largest percentage increase (6.3%) in BOLI assets. (See Table 2.)
- Institutions with assets over \$10 billion also had the largest percentage growth (11.9%) in the number of banks.
- Institutions with assets less than \$300 million saw a decline in BOLI assets as many of those institutions merged or were acquired by larger banks.

By Type of BOLI Asset:

- The BOLI assets most widely held by banks as of March 31, 2018 were GA policies. (See Table 4.) Sixty-one percent (61.5%) or 3,447 of all 5,606 banks had \$77.93 billion in general account life insurance assets, representing 46.0% of total BOLI assets as of March 31, 2018. (See Tables 3 and 4.) In GA policies, the general assets of the insurance company issuing the policies support their CSV.
- In recent years, banks have gravitated back to general account products because GA products provide more carrier options, somewhat higher yields and simplicity when compared to other BOLI products.

- With a balance of \$73.52 billion as of March 31, 2018, VSA BOLI was behind GA BOLI when measured by dollar amount. It represented 43.4% of all BOLI assets as of March 31, 2018, down from 44.6% as of March 31, 2017. (See Table 3.) At the same time, only 439 or 7.8% of all banks held variable separate account assets. (See Table 4.) Now, VSA assets account for the second largest portion of total BOLI CSVs. 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 March 31, 2018

Banks by Asset Size	GA	VSA	HSA	TOTAL	Percent of BOLI Assets Held
Over \$10 billion	\$ 49.75	\$ 70.05	\$ 12.74	\$ 132.54	78.23%
\$1 billion - \$10 billion	\$ 15.35	\$ 3.05	\$ 2.99	\$ 21.40	12.63%
\$500 million - \$1 billion	\$ 5.03	\$ 0.20	\$ 0.98	\$ 6.21	3.67%
\$300 - \$500 million	\$ 3.33	\$ 0.05	\$ 0.58	\$ 3.96	2.34%
\$100 - \$300 million	\$ 3.74	\$ 0.12	\$ 0.62	\$ 4.49	2.65%
Under \$100 million	\$ 0.73	\$ 0.03	\$ 0.06	\$ 0.82	0.48%
Total BOLI Assets	\$ 77.93	\$ 73.52	\$ 17.97	\$ 169.42	100.0%
Percentage Growth Since Mar. 31, 2017	6.9%	1.1%	2.3%	3.8%	

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

Table 4. Percent of Banks Reporting BOLI Assets as of March 31, 2018 That Own:

Banks by Asset Size	GA	VSA	HSA	BOLI
Over \$10 billion	77.3%	59.9%	55.3%	79.6%
\$1 billion - \$10 billion	80.0%	23.5%	42.9%	82.2%
\$500 million - \$1 billion	74.9%	9.0%	33.8%	76.8%
\$300 - \$500 million	72.8%	4.2%	27.0%	74.6%
\$100 - \$300 million	60.5%	4.5%	18.2%	62.9%
Under \$100 million	40.5%	2.2%	6.0%	42.2%
All Banks	61.5%	7.8%	21.9%	63.6%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

- Over twelve hundred (1,225 or 21.9%) of all banks held hybrid separate account assets as of March 31, 2018. The \$17.97 billion in HSA assets represented 10.6% of total BOLI assets, 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. Like 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.

By Institutional Charter:

- There was an increase in the dollar amount of BOLI assets held among all charter classes except savings associations. All charter classes except state-chartered Fed-member banks experienced growth in the percentage of banks reporting BOLI assets. (See Tables 5 and 6.) Savings banks and state-chartered Fed member banks had the highest percentage of banks with BOLI assets.

Table 5. Total BOLI Assets (in billions) Held by Bank Charter				
Banks by Charter	As of Mar. 31, 2018	As of Mar. 31, 2017	Percent Change in BOLI Assets	Percent Change in Total Number of Banks by Charter
National Banks	\$102.54	\$98.56	4.0%	-5.1%
Savings Banks	\$6.24	\$5.84	6.9%	-8.3%
Savings Associations	\$3.49	\$4.35	-19.7%	-10.0%
State-Chartered Member Banks	\$27.66	\$26.38	4.9%	-2.7%
State-Chartered Non-Member Banks	\$29.49	\$28.07	5.1%	-3.3%
Industry Total	\$169.42	\$163.18	3.8%	-4.3%

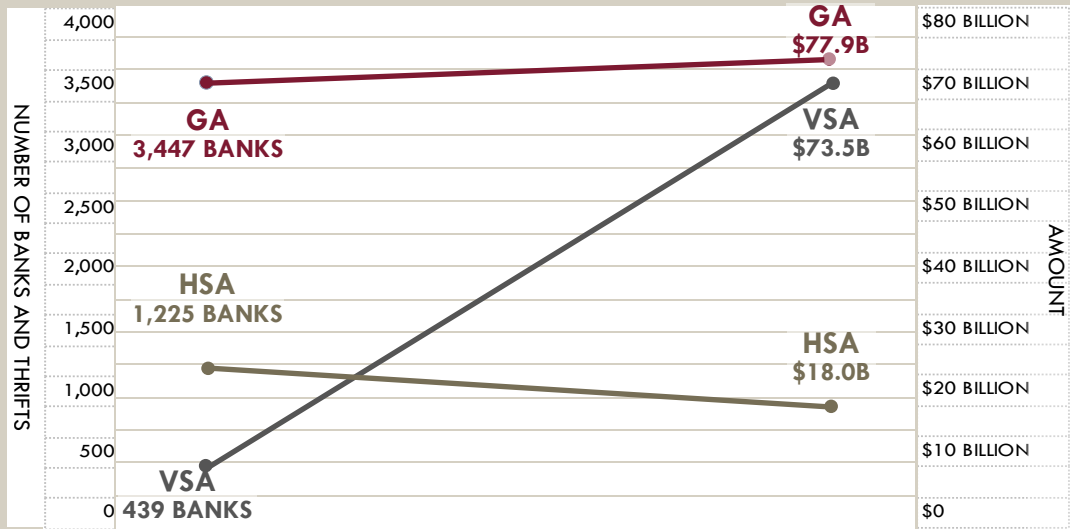
Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

- 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 or acquisitions by larger banks.

Table 6. Number and Percentage of Banks Reporting BOLI Assets by Charter				
Banks by Charter	Number of Banks		Percent of Banks	
	Mar. 31, 2018	Mar. 31, 2017	2018	2017
National Banks	541	561	62.4%	61.4%
Savings Banks	251	263	81.0%	77.8%
Savings Associations	221	230	58.5%	54.8%
State-Chartered Member Banks	572	589	71.0%	71.1%
State-Chartered Non-Member Banks	1,979	2,020	61.0%	60.2%
Industry Total	3,564	3,663	63.6%	62.6%

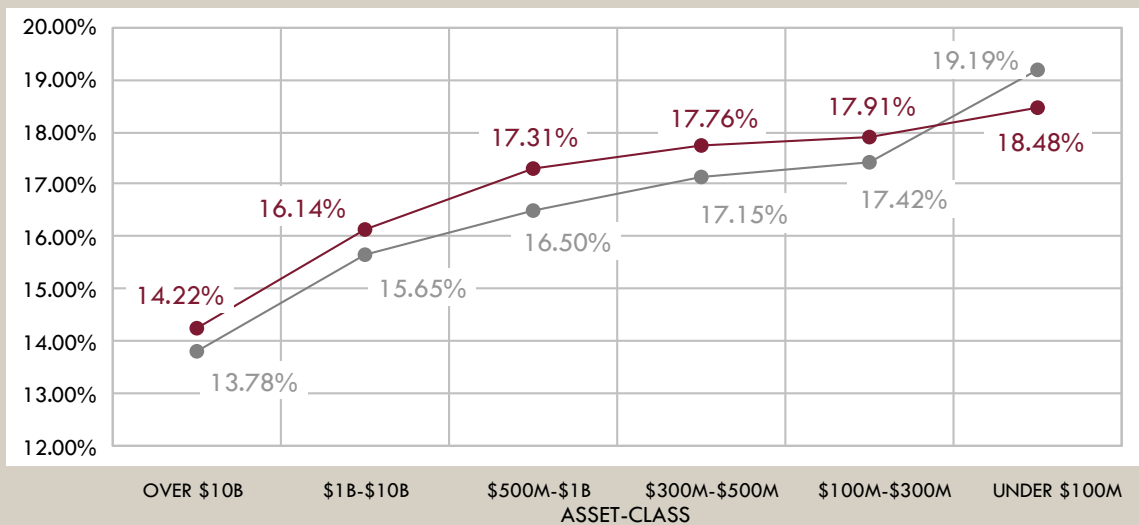
Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

Table 7. Number of Banks and Thrifts Holding GA, VSA AND HSA Assets and Dollar Amounts Held – as of March 31, 2018



SOURCE: EQUIAS ALLIANCE / MICHAEL WHITE BOLI HOLDINGS REPORT™ - 2018 EDITION

Table 8. Bank/Thrift BOLI Assets as a Percentage of Tier 1 Capital Mean Vs. Median by Asset-Class – as of March 31, 2018



SOURCE: EQUIAS ALLIANCE / MICHAEL WHITE BOLI HOLDINGS REPORT™ - 2018 EDITION

Table 9. Number and Percentage of Banks Holding BOLI Assets Reporting CSV of Life Insurance as a Percent of Tier 1 Capital Over 25%					
Banks with BOLI Over 25% of Tier 1 Capital	As of Mar. 31, 2018	As of Mar. 31, 2017	As of Mar. 31, 2016	As of Mar. 31, 2015	As of Mar. 31, 2014
Number	512 <i>of 3,564</i>	555 <i>of 3,663</i>	574 <i>of 3,725</i>	597 <i>of 3,785</i>	631 <i>of 3,829</i>
Percentage	14.4%	15.2%	15.4%	15.8%	16.5%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 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, an NFP Company, (“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 and 9 state banking associations for BOLI. Equias (www.equiasalliance.com) has 18 consultants located in 15 offices throughout the U.S.

Michael White Associates (“MWA”) is a bank insurance consulting firm headquartered in Radnor, PA. 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 programs nationally, regionally, statewide and by asset-peer group. MWA’s published reports can be obtained at www.BankInsurance.com.

For additional information contact:

David Shoemaker, CPA/PFS, CFP®
 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
 Michael White Associates, LLC
 823 King of Prussia Road
 Radnor, PA 19087
 Phone: 601-254-0440
 Email: MWA@BankInsurance.com

AN NFP COMPANY

Insurance services provided by Equias Alliance, LLC, a subsidiary of NFP Corp. (NFP). Services offered through Kestra Investment Services, LLC (Kestra IS), member of FINRA/SIPC. Kestra IS is not affiliated with Equias Alliance, LLC or NFP.

Michael White is not a Representative of Equias Alliance, LLC.