

**N E W S R E L E A S E**

**Equias Alliance/Michael White Report  
BOLI Assets Grew 3.2% to Nearly \$170 Billion as of June 30, 2018**

**FOR IMMEDIATE RELEASE** – *Memphis, TN, and Radnor, PA, September 18, 2018* – The Cash Surrender Value (CSV) of bank-owned life insurance (BOLI) policies held by commercial banks, savings banks and savings associations grew 3.2% to \$169.88 billion as of June 30, 2018, up from \$164.54 billion as of June 30, 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 5,542 banks operating on June 30, 2018. Among the study’s most significant findings are these:

By Asset Size:

- Of the 5,542 banks and savings associations, 3,533 or 63.8% reported holding BOLI assets as of June 30, 2018, and total BOLI CSV climbed by \$5.34 billion (3.2%) from \$169.88 billion as of June 30, 2017 to \$175.22 billion as of June 30, 2018. (See Tables 1 and 2.)

<b>Table 1. Number and Percent of Banks Reporting BOLI Assets by Bank Asset Size</b>				
<b>Banks by Asset Size</b>	<b>Number of Banks</b>		<b>Percent of Banks</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>2018</b>	<b>2017</b>
Over \$10 billion	107	92	79.9%	76.0%
\$1 billion - \$10 billion	526	521	82.6%	82.6%
\$500 million - \$1 billion	504	522	76.6%	76.0%
\$300 - \$500 million	562	576	74.3%	75.3%
\$100 - \$300 million	1,257	1,308	63.3%	61.9%
Under \$100 million	577	615	42.1%	41.8%
<b>Industry Total</b>	<b>3,533</b>	<b>3,634</b>	<b>63.8%</b>	<b>62.8%</b>

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 70.9% as of June 30, 2018, and for banks with over \$300 million in assets, the percentage owning BOLI stood at 77.8% as of June 30, 2018.

- Although the number of banks holding BOLI declined between June 30, 2017 and June 30, 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 small decline in the percentage of banks holding BOLI assets in the \$300-500 million asset class and the stasis among the \$1 billion - \$10 billion size category is primarily attributable to asset growth in these banks pushing some into the next size category as well as some mergers and acquisitions.

<b>Table 2. Total BOLI Assets (in billions) Held by Banks</b>				
<b>Banks by Asset Size</b>	<b>As of June 30, 2018</b>	<b>As of June 30, 2017</b>	<b>Percent Change in BOLI Assets</b>	<b>Percent Change in Total No. of Banks</b>
Over \$10 billion	\$133.78 billion	\$126.23 billion	6.0%	10.7%
\$1 billion - \$10 billion	\$20.85 billion	\$22.59 billion	-7.7%	1.0%
\$500 million - \$1 billion	\$6.04 billion	\$6.38 billion	-5.4%	-4.2%
\$300 - \$500 million	\$3.94 billion	\$3.91 billion	0.9%	-1.2%
\$100 - \$300 million	\$4.46 billion	\$4.58 billion	-2.5%	-6.0%
Under \$100 million	\$809.4 million	\$845.5 million	-4.3%	-6.7%
<b>Industry Total</b>	<b>\$169.88 billion</b>	<b>\$164.54 billion</b>	<b>3.2%</b>	<b>-4.2%</b>

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

- Institutions with assets over \$10 billion attained the largest percentage increase (6.0%) in BOLI assets. (See Table 2.) This increase may be due, in part, to the movement of one or more banks from the \$1 billion - \$10 billion asset size category to the over \$10 billion asset size category.
- Institutions with assets over \$10 billion also had the largest percentage growth (10.7%) in the number of banks. Once again, this growth is due to mergers.
- 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 June 30, 2018 were GA policies. (See Table 4.) Sixty-one percent (61.8%) or 3,422 of all 5,542 banks had \$78.55 billion in general account life insurance assets, representing 46.2% of total BOLI assets as of June 30, 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.

<b>Table 3. Total BOLI Assets (in billions) by Product Type Held by Banks as of June 30, 2018</b>					
<b>Banks by Asset Size</b>	<b>GA</b>	<b>VSA</b>	<b>HSA</b>	<b>TOTAL</b>	<b>Percent of BOLI Assets Held</b>
Over \$10 billion	\$ 50.46	\$ 70.45	\$ 12.86	\$ 133.78	78.75%
\$1 billion - \$10 billion	\$ 15.43	\$ 2.40	\$ 3.02	\$ 20.85	12.27%
\$500 million - \$1 billion	\$ 4.92	\$ 0.20	\$ 0.92	\$ 6.04	3.55%
\$300 - \$500 million	\$ 3.30	\$ 0.05	\$ 0.59	\$ 3.94	2.32%
\$100 - \$300 million	\$ 3.71	\$ 0.12	\$ 0.63	\$ 4.46	2.63%
Under \$100 million	\$ 0.72	\$ 0.03	\$ 0.06	\$ 0.81	0.48%
<b>Total BOLI Assets</b>	<b>\$ 78.55</b>	<b>\$ 73.25</b>	<b>\$ 18.08</b>	<b>\$ 169.88</b>	<b>100.0%</b>
<b>Percentage Growth Since June 30, 2017</b>	<b>6.4%</b>	<b>0.3%</b>	<b>2.0%</b>	<b>3.2%</b>	

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

<b>Table 4. Percent of Banks That Hold BOLI Assets by Product Type as of June 30, 2018</b>				
<b>Banks by Asset Size</b>	<b>GA</b>	<b>VSA</b>	<b>HSA</b>	<b>BOLI</b>
Over \$10 billion	78.4%	61.9%	56.0%	79.9%
\$1 billion - \$10 billion	80.4%	22.3%	43.2%	82.6%
\$500 million - \$1 billion	74.8%	9.4%	32.2%	76.6%
\$300 - \$500 million	72.6%	4.1%	28.4%	74.3%
\$100 - \$300 million	61.0%	4.4%	18.6%	63.3%
Under \$100 million	40.4%	2.1%	5.8%	42.1%
<b>All Banks</b>	<b>61.8%</b>	<b>7.9%</b>	<b>22.1%</b>	<b>63.8%</b>

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

- With a balance of \$73.25 billion as of June 30, 2018, VSA BOLI represented 43.1% of all BOLI assets as of June 30, 2018, down from 44.4% as of June 30, 2017. (See Table 3.) 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.

- Over twelve hundred (1,226 or 22.1%) banks held hybrid separate account assets as of June 30, 2018. The \$18.08 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 experienced declines in the percentage of banks reporting BOLI assets due to the continuing decline in the number of U.S. banks. (See Tables 5 and 6.) Savings banks and state-chartered Fed member banks had the highest percentage of banks with BOLI assets.

<b>Table 5. Total BOLI Assets (in billions) Held by Bank Charter</b>				
<b>Banks by Charter</b>	<b>As of June 30, 2018</b>	<b>As of June 30, 2017</b>	<b>Percent Change in BOLI Assets</b>	<b>Percent Change in Total Number of Banks by Charter</b>
National Banks	\$102.64	\$99.10	3.6%	-5.2%
Savings Banks	\$6.34	\$6.07	4.6%	-6.6%
Savings Associations	\$3.31	\$4.16	-20.5%	-11.5%
State-Chartered Member Banks	\$27.99	\$26.62	5.2%	-2.2%
State-Chartered Non-Member Banks	\$29.60	\$28.60	3.5%	-3.3%
<b>Industry Total</b>	<b>\$169.88</b>	<b>\$164.54</b>	<b>3.2%</b>	<b>-4.2%</b>

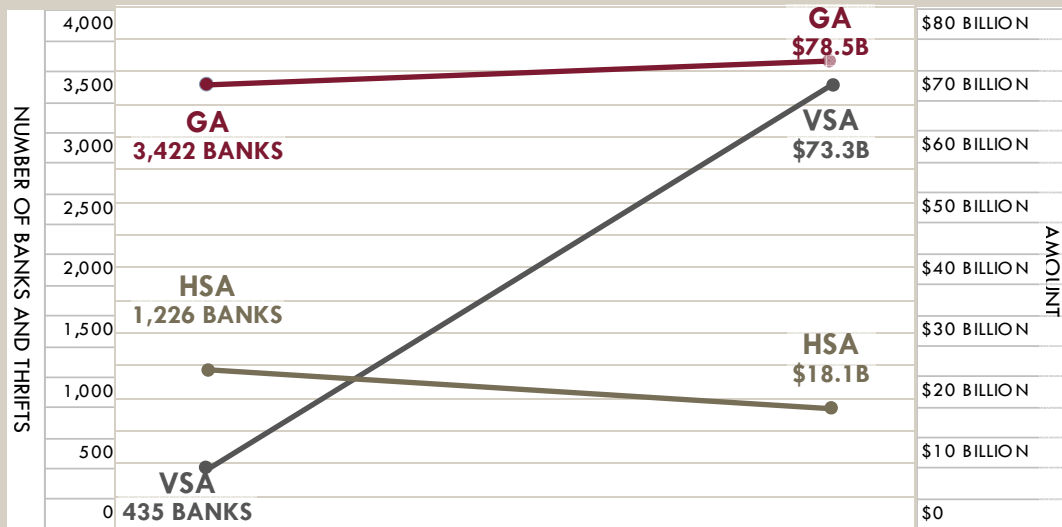
Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

- 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.

<b>Table 6. Number and Percentage of Banks Reporting BOLI Assets by Charter</b>				
<b>Banks by Charter</b>	<b>Number of Banks</b>		<b>Percent of Banks</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>2018</b>	<b>2017</b>
National Banks	533	552	62.6%	61.5%
Savings Banks	251	261	81.2%	78.9%
Savings Associations	210	225	58.2%	55.1%
State-Chartered Member Banks	571	580	71.2%	70.7%
State-Chartered Non-Member Banks	1,968	2,016	61.1%	60.5%
<b>Industry Total</b>	<b>3,533</b>	<b>3,634</b>	<b>63.8%</b>	<b>62.8%</b>

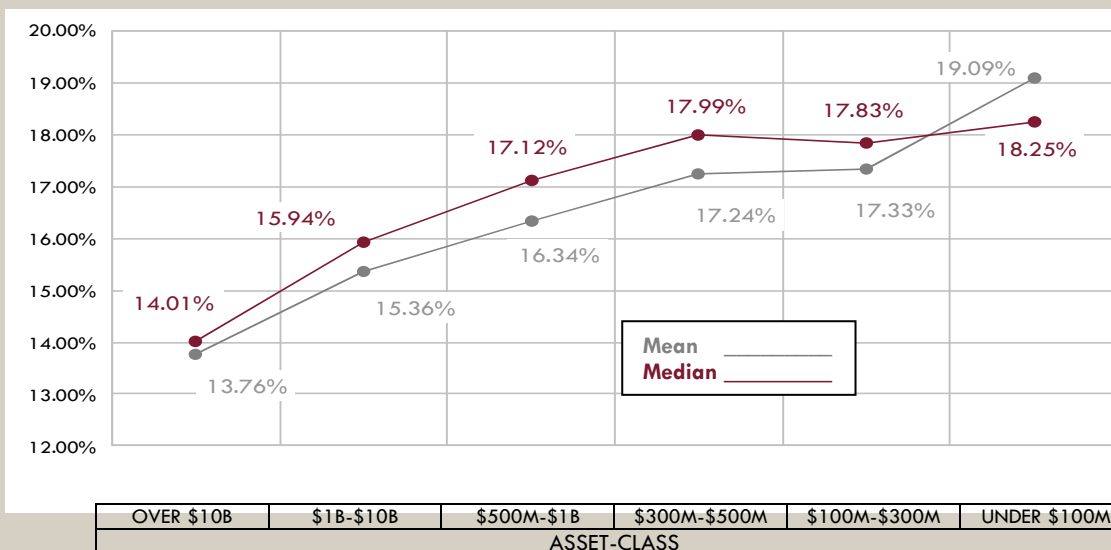
Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2018 edition

**Table 7. Number of Banks and Thrifts Holding GA, VSA AND HSA Assets and Dollar Amounts Held – as of June 30, 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 December 31, 2017**



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

<b>Table 9. Number and Percentage of Banks Holding BOLI Assets Reporting CSV of Life Insurance as a Percent of Tier 1 Capital Over 25%</b>					
<b>Banks with BOLI Over 25% of Tier 1 Capital</b>	<b>As of June 30, 2018</b>	<b>As of June 30, 2017</b>	<b>As of June 30, 2016</b>	<b>As of June 30, 2015</b>	<b>As of June 30, 2014</b>
Number	486 <i>of 3,533</i>	527 <i>of 3,634</i>	556 <i>of 3,713</i>	587 <i>of 3,780</i>	621 <i>of 3,824</i>
Percentage	13.8%	14.5%	15.0%	15.5%	16.2%

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](http://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](http://www.BankInsurance.com).

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