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Bank BOLI Assets Exceed \$126 Billion in 2008 According to Report Issued by Michael White and Meyer-Chatfield

FOR IMMEDIATE RELEASE – Radnor, PA, and Jenkintown, PA, June 23, 2009 – Large bank holding companies (BHCs) and stand-alone banks reported bank-owned life insurance (BOLI) assets of \$126.1 billion in 2008, reflecting a 5.0% increase from \$120.4 billion in 2007, according to the 2009 edition of the *Michael White-Meyer-Chatfield BOLI Holdings Report*[™]. 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 Meyer-Chatfield, the *Michael White-Meyer-Chatfield BOLI Holdings Report*[™] measures and benchmarks the cash surrender values (CSV) of life insurance held by BHCs and banks and the ratios of CSV to capital. The data in this report are submitted to regulators by 880 large top-tier BHCs with assets greater than \$500 million and all 7,495 commercial banks and FDIC-supervised savings banks operating on December 31, 2008. Among the study's most significant findings are these:

- Large top-tier BHCs increased their 2008 BOLI holdings by 5.2% from \$117.5 billion in 2007 to \$123.7 billion in 2008. (See Table 1.)
- Of 1,526 stand-alone banks, those without BHCs, 436 or 28.6% recorded an additional \$2.38 billion in BOLI holdings, down 5.3% from \$2.51 billion in 2007.
- The industry total of BOLI holdings increased 5.0% from \$120.1 billion in 2007 to \$126.1 billion in 2008.
- Of the 880 large top-tier BHCs, 712 or 81.2% reported holding BOLI assets in 2008, representing a 2.3% increase in their number from the 696 in 2007. (See Table 2.)
- BHCs with assets in excess of \$10 billion reported the highest incidence of BOLI ownership, as 61 of 72 of the largest BHCs, or 84.7%, reported having BOLI assets. (See Table 2.)
- BHCs with assets between \$1 billion and \$10 billion reported the second highest incidence of BOLI ownership, as 330 of 392 BHCs, or 84.2%, reported having BOLI assets. (See Table 2.)
- The largest BHCs, those over \$10 billion in assets, accounted for the largest dollar and percentage increase – \$5.5 billion or 5.29% – in their combined BOLI assets. (See Table 1.)
- Of 7,495 banks operating on December 31, 2008, 3,600 or 48.0% reported holding BOLI assets of \$114.5 billion, an increase of 6.0% from \$108.0 billion in 2007. That growth in BOLI assets was at nearly half the rate of 11.4% growth in 2007.

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- The largest numerical and percentage increases in institutions reporting BOLI assets occurred among banks with \$500 million to \$1 billion in assets. Their number increased by 26 or 6.3% from 414 banks in 2007 to 440 in 2008.
- Nationally, mean BHC BOLI assets as a percent of total capital decreased from 13.74% in 2007 to 13.37% in 2008. (See Table 3.)
- According to federal banking regulators, it is generally not prudent for a depository institution to hold BOLI assets with an aggregate cash surrender value (CSV) that exceeds 25 percent of total capital. Depending on the charter of each depository institution, total capital is defined either as Tier 1 capital or as the sum of the institution's Tier 1 capital and the allowance for loan and lease losses. Banks with assets greater than \$10 billion recorded the highest mean BOLI assets as a percent (18.8%) of Tier 1 capital in 2008.

Table 1. Total BOLI Assets (in billions) Held by Bank Holding Companies in 2008			
Large BHCs by Asset Size	2008	2007	Percent Change
Over \$10 billion	\$110.16 billion	\$104.63 billion	5.29%
\$1 billion - \$10 billion	\$ 10.41 billion	\$ 9.89 billion	5.25%
\$500 million - \$1 billion	\$ 3.10 billion	\$ 3.03 billion	2.38%
All	\$123.7 billion	\$117.5 billion	5.21%
Source: <i>Michael White-Meyer· Chatfield BOLI Holdings Report™ – 2009 edition</i>			

Table 2. Number of Large Bank Holding Companies Reporting BOLI Assets in 2008			
Large BHCs by Asset-Size	2008	2007	Percent Change
Over \$10 billion	61	59	3.4%
\$1 billion - \$10 billion	330	315	4.8%
\$500 million - \$1 billion	321	322	-0.3%
All	712	696	2.3%
Source: <i>Michael White-Meyer· Chatfield BOLI Holdings Report™ – 2009 edition</i>			

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	2008	2007	Percent Change
Over \$10 billion	10.25%	16.55%	-38.0%
\$1 billion - \$10 billion	13.04%	13.39%	-2.6%
\$500 million - \$1 billion	14.29%	13.57%	5.4%
All	13.37%	13.74%	-2.7%
Source: <i>Michael White-Meyer· Chatfield BOLI Holdings Report™ – 2009 edition</i>			

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. is the BOLI resource for America's banks through consultation, education and service. Our primary mission is assisting financial institutions in crafting and deploying valuable, tax advantaged, BOLI strategies. Meyer-Chatfield have 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.

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