

Michael White-Meyer-Chatfield Report Commercial Bank BOLI Assets Hit Record \$115 Billion in First Half 2009

FOR IMMEDIATE RELEASE – Radnor, PA, and Jenkintown, PA, October 6, 2009 – Commercial banks and FDIC-supervised savings banks reported record bank-owned life insurance (BOLI) assets of \$115 billion in the first six months of 2009, reflecting a 2.5% increase from \$112.1 billion in the first half of 2008, according to *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 and ratio of CSV to capital possessed by BHCs and banks. The data herein were reported by 7,402 commercial banks and FDIC-supervised savings banks operating on June 30, 2009. Among the study's most significant findings are these:

- Banks increased their BOLI holdings by 2.5% from \$112.13 billion in first half 2008 to \$114.98 billion in first half 2009. (See Table 1.)
- Total bank BOLI holdings increased 0.44% from \$114.49 billion at year-end 2008 to \$114.98 billion year-to-date on June 30, 2009.
- The total number of banks reporting BOLI assets declined by 100 or 2.7% from 3,648 in first half 2008 to 3,548 banks in first half 2009. (See Table 2.)
- Banks with assets between \$1 billion and \$10 billion had the highest rate of reporting BOLI assets, as 371 of 492 banks or 75.4% reported having them in the first six months of 2009.
- The largest banks, those over \$10 billion in assets, accounted for the largest dollar and percentage increase – \$2.9 billion and 3.2% – in their combined BOLI assets. Banks with assets between \$500 million and \$1 billion registered the second largest percentage increase in total BOLI assets, rising 3.1% from \$3.97 billion in the first half of 2008 to \$4.10 billion in first half 2009. (See Table 1.)
- The largest increase in the number of banks reporting BOLI assets occurred among banks with \$1 billion to \$10 billion in assets. Their number increased by 18 from 353 banks in first half 2008 to 371 in first half 2009. (See Table 2.)
- According to federal banking regulators, it is generally not prudent for a bank 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). The smallest banks, those under \$100 million in assets, recorded the highest mean BOLI assets as a percent (14.66%) of capital at mid-year 2009. (See Table 3.) In part, this increase was due to the 3.0% decrease in these banks' sum of Tier 1 capital and

allowances for loan and lease losses from \$103.54 billion at mid-year 2008 to \$100.43 billion at June 30, 2009.

- Nationally, mean BOLI assets as a percent of the sum of Tier 1 capital and the loss allowances increased slightly from 14.35% in first half 2008 to 14.41% in first half 2009. (See Table 3.) Among the largest banks with assets over \$10 billion, the substantial 75% increase in allowances for loan and lease losses from \$93.7 billion in the first half of 2008 to \$164.0 billion in the first half of 2009 resulted in a 27.7% increase in the sum of Tier 1 Capital and the allowances. These increases in capital and allowances for losses among the largest banks kept a lid on their BOLI-to-capital ratio and that of the industry.

Table 1. Total BOLI Assets (in billions) Held by Banks in First Half 2009			
Banks by Asset Size	1st half 2009	1st Half 2008	Percent Change
Over \$10 billion	\$92.09	\$89.20	3.2%
\$1 billion - \$10 billion	\$11.88	\$11.82	0.5%
\$500 million - \$1 billion	\$ 4.10	\$ 3.97	3.1%
Under \$500 million	\$ 6.91	\$ 7.14	-3.1%
All	\$114.98	\$112.13	2.5%

Source: *Michael White-Meyer·Chatfield BOLI Holdings ReportTM – 2009 edition*

Table 2. Number of Banks Reporting BOLI Assets in First Half 2009			
Banks by Asset Size	1st half 2009	1st Half 2008	Percent Change
Over \$10 billion	63	64	-1.6%
\$1 billion - \$10 billion	371	353	5.1%
\$500 million - \$1 billion	451	436	3.4%
Under \$500 million	2,663	2,795	-4.7%
All	3,548	3,648	-2.7%

Source: *Michael White-Meyer·Chatfield BOLI Holdings ReportTM – 2009 edition*

Table 3. Mean BOLI Assets as a Percentage of the Sum of Tier 1 Capital + Allowance for Loan & Lease Losses in First Half 2009			
Banks by Asset Size	1st half 2009	1st Half 2008	Percent Change
Over \$10 billion	14.56%	16.64%	-12.5%
\$1 billion - \$10 billion	13.38%	14.04%	-4.6%
\$500 million - \$1 billion	13.75%	13.81%	-0.4%
Under \$500 million	14.66%	14.42%	1.7%
All	14.41%	14.35%	0.4%

Source: *Michael White-Meyer·Chatfield BOLI Holdings ReportTM – 2009 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. 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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