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BOLI Assets Reached Over \$142 Billion in 2010, Says Michael White/Meyer-Chatfield Report

FOR IMMEDIATE RELEASE – Radnor, PA, and Jenkintown, PA, May 23, 2011 – Bank-owned life insurance (BOLI) assets reached \$142.43 billion in 2010, according to the 2011 edition of the *Michael White/Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*[™]. The banking industry's 2010 total reflected a 5.8% increase from \$134.60 billion in 2009 BOLI assets held by large bank holding companies (BHCs), stand-alone banks and savings associations. BOLI is used to recover costs of employee benefits and offset the liabilities of retirement benefits, helping banks to keep up with rising benefit costs.

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 ratios of CSV to capital attained by BHCs, banks and thrifts. The data in this report were submitted to regulators by 911 large top-tier BHCs with assets greater than \$500 million and all 7,657 commercial banks, savings banks, and savings associations or thrifts that were operating on December 31, 2010. Among the study's most significant findings are these additional results:

- Of 911 large top-tier BHCs, 737 or 80.9% reported holding BOLI assets in 2010, increasing their BOLI holdings by 5.9% from \$124.8 billion in 2009 to \$132.10 billion in 2010.
- Of 1,393 stand-alone banks, i.e., those without parent-BHCs, 434 or 31.2% recorded \$3.05 billion in BOLI holdings, up 25.0% from \$2.44 billion in 2009.
- Of 730 savings association, 338 or 46.3% recorded \$7.28 billion in BOLI holdings, down 1.3% from \$7.38 billion in 2009.
- Of 7,657 banks and savings associations, 3,768 or 49.2% reported BOLI assets of \$127.44 billion, an increase of 3.8% from \$122.81 billion in 2009. (See Table 1.)
- The total number of banks and thrifts reporting BOLI assets decreased by 66 or 1.7% from 3,834 in 2009 to 3,768 banks and thrifts in 2010. (See Table 2.)
- Among banks and thrifts, those with assets between \$1 billion and \$10 billion were most likely to report BOLI assets, as 413 of 560 banks and thrifts or 73.8% reported having them in 2010. Among BHCs, those with assets greater than \$10 billion reported the highest incidence of BOLI ownership, as 64 of 75 BHCs, or 85.3%, declared they had BOLI assets.
- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase (\$3.70 billion) in BOLI, and institutions with assets between \$1 billion and \$10 billion attained the largest percentage increase (6.1%) in BOLI assets. (See Table 1.) Among BHCs, it was the largest that accounted for the biggest dollar increase (\$6.71 billion), as well as the greatest percentage increase (6.0%), in their combined BOLI assets.

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- Four of six asset classes experienced a decrease in 2010 in the number of banks and thrifts reporting BOLI assets. The largest numerical decrease, 39 banks and thrifts, occurred among depository institutions under \$100 million in assets. The largest percentage decrease was 4.9% among banks and thrifts with assets between \$300 million and \$500 million. Declines in banks and thrifts reporting BOLI assets generally did not reflect decisions to leave the BOLI market. The declines were primarily due to some banks and thrifts merging or being sold with FDIC assistance. (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, mean bank BOLI assets as a percent of the sum of Tier 1 capital and the loss allowances increased only slightly (0.5%) from 14.86% in 2009 to 14.93% in 2010. (See Table 3.) Nationally, mean BHC BOLI assets as a percent of total capital decreased from 13.73% in 2009 to 13.63% in 2010.
- Among the largest bank holding companies (BHCs) with assets over \$10 billion, the 6.6% increase in Tier 1 capital from \$1.01 trillion in 2009 to \$1.08 trillion in 2010 helped produce a 5.5% increase in the sum of Tier 1 Capital and the allowances for loan and lease losses. By comparison, the allowances hardly changed, decreasing only 0.1% from year to year. The increase in Tier 1 capital among the largest BHCs helped keep a lid on their mean BOLI-to-capital ratio and that of the industry as a whole, as those mean ratios dropped, respectively, 8.9% and 0.7% in 2010.

Table 1. Total BOLI Assets (in billions) Held by Banks and Thrifts			
Banks & Thrifts by Asset Size	2010	2009	Percent Change
Over \$10 billion	\$100.78 billion	\$97.08 billion	3.8%
\$1 billion - \$10 billion	\$ 13.90 billion	\$13.10 billion	6.1%
\$500 million - \$1 billion	\$ 4.75 billion	\$ 4.70 billion	1.1%
\$300 million - \$500 million	\$ 3.09 billion	\$ 3.19 billion	-3.0%
\$100 million - \$300 million	\$ 4.01 billion	\$ 3.83 billion	4.8%
Under \$100 million	\$ 901.5 million	\$ 905.4 million	-0.4%
All	\$127.44 billion	\$122.81 billion	3.8%

Source: Michael White/Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report™ – 2011 edition

Table 2. Number of Banks and Thrifts Reporting BOLI Assets			
Banks & Thrifts by Asset Size	2010	2009	Percent Change
Over \$10 billion	71	71	0.0%
\$1 billion - \$10 billion	413	414	-0.2%
\$500 million - \$1 billion	479	494	-3.0%
\$300 million - \$500 million	520	547	-4.9%
\$100 million - \$300 million	1,442	1,426	1.1%
Under \$100 million	843	882	-4.4%
All	3,768	3,834	-1.7%

Source: Michael White/Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report™ – 2011 edition

Table 3. Mean Bank and Thrift BOLI Assets as a Percentage of the Sum of Tier 1 Capital + Allowance for Loan & Lease Losses			
Banks & Thrifts by Asset Size	2010	2009	Percent Change
Over \$10 billion	12.98%	16.73%	-24.1%
\$1 billion - \$10 billion	14.01%	13.33%	5.1%
\$500 million - \$1 billion	14.27%	14.16%	0.8%
\$300 million - \$500 million	15.31%	15.11%	1.3%
\$100 million - \$300 million	14.72%	14.63%	0.6%
Under \$100 million	16.07%	16.04%	0.2%
All	14.93%	14.86%	0.5%

Source: *Michael White/Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report™ – 2011 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, 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. 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. has become the BOLI resource for America's banks because of our history of providing consultation, education and service to our clients. Our primary mission is assisting 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.

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