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N E W S R E L E A S E

Michael White/Meyer-Chatfield Report BOLI Assets Reached \$146.3 Billion in 1H 2012

FOR IMMEDIATE RELEASE – Radnor, PA, and Jenkintown, PA, October 23, 2012 – Bank-owned life insurance (BOLI) assets reached \$146.3 billion in first half 2012, reflecting an 8.6% increase from \$134.8 billion in first half 2011 BOLI assets held by large bank and savings and loan (or thrift) holding companies (BHCs and THC, collectively, holding companies or HCs) and stand-alone banks, according to the *Michael White/Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*[™].

BOLI is used to recover costs of employee benefits and offset the liabilities of retirement benefits, helping banks to keep up with the rising benefit costs. BOLI may be differentiated by three types of assets: separate account life insurance or SALI assets, general account life insurance (GALI) assets and hybrid account life insurance (HALI) assets. Commercial banks and FDIC-supervised savings banks began reporting these types of assets in 2011, and THCs and savings associations began reporting them during this first half of 2012.

Compiled by Michael White Associates (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, THCs, commercial banks and savings associations (or thrifts). The data in this report were submitted to regulators by 1,070 large top-tier holding companies with assets greater than \$500 million and all 7,246 commercial banks, savings banks, and savings associations operating on June 30, 2012. Several THCs that are historically and traditionally insurance underwriting operations have been excluded from the report. Among the study's most significant findings are these:

By Types of Institutions:

- Of 1,070 bank and thrift holding companies, 881 or 82.3% reported holding BOLI assets in first half 2012, increasing their BOLI holdings by 8.4% from \$131.57 billion in first half 2011 to \$142.64 billion in first half 2012.
- Of 1,322 stand-alone banks, i.e., those banks without parent-BHCs, 475 or 34.5% recorded \$3.69 billion in BOLI holdings in first half 2012, up 14.4% from \$3.23 billion in first half 2011.
- Of 7,246 banks and savings associations (which, henceforth, we will refer to collectively as “banks”), 3,759 or 51.9% reported BOLI assets of \$134.88 billion in first half 2012, an increase of 3.9% from \$129.81 billion in first half 2011. (See Tables 1 and 2.)

By Types of BOLI Assets:

- Among banks, the largest amount of BOLI assets was to be found in separate accounts. Separate account CSV assets totaled \$68.53 billion among banks, representing 50.8% of all BOLI assets in first half 2012. (See Table 3.) At the same time, only 607 or 16.1% of all banks reporting BOLI held separate account assets. (See Table 4.) Thus, among all banks holding BOLI assets, SALI assets, the largest portion of BOLI assets, were held by the fewest number of banks. Separate account life insurance assets are the cash surrender values (CSVs) associated with separate account insurance policies, whose CSVs are supported by assets segregated from the general assets of the insurance carrier. Under such arrangements, the policyholders neither own the underlying separate account created by the insurance carrier on its

behalf, nor control investment decisions in the underlying account. They do assume all investment and price risk so 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.

- The BOLI assets most widely held by banks in first half 2012 were GALI policies. (See Table 4.) Ninety-three percent (92.9%) or 3,491 of the 3,759 banks reporting BOLI assets had \$53.67 billion in general account life insurance assets, representing 39.8% of total BOLI assets. (See Tables 3 and 4.) In GALI policies, the general assets of the insurance company issuing the policies support their CSV.
- 1,007 or 26.8% of the 3,759 institutions reporting BOLI assets held \$12.68 billion in hybrid account life insurance assets in first half 2012, representing 9.4% of total BOLI assets and making HALI the smallest reporting category of BOLI assets. (See Tables 3 and 4.) Hybrid account insurance policies combine features of both general and separate account insurance products. Similar to general account life insurance policies, the general assets of the insurance company issuing hybrid account policies support the policies' cash surrender values. However, like separate account policies, the assets of hybrid accounts are protected from claims on the insurer. Additionally, the banks holding hybrid account life insurance policies are able to select the investment strategies in which the insurance premiums are invested.
- Separate account life insurance (SALI) assets were most heavily concentrated (92.3%) among the largest banks with assets greater than \$10 billion. But, while also concentrated among the big banks, GALI and HALI assets were less so. Smaller banks held 36.8% of general account life insurance assets and 30.2% of hybrid account life insurance assets in first half 2012, as opposed to the much lower 7.7% of SALI assets. (See Table 3.)
- The fastest growing type of BOLI assets in first 2012, in terms of the increase in the number of banks employing them, were hybrid assets. From first half 2011, the number of banks using hybrid accounts increased 31.5% from 766 in first half 2011 to 1,007 banks in first half 2012. Banks employing separate account or SALI assets increased slightly by 9.6% to 607 in first half 2012, up from 554 in first half 2011. The number of banks reporting the three types of BOLI assets increased rather dramatically because thrifts only began reporting them in first half 2012.

By Size of Institutions:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between \$1 billion and \$10 billion, as 425 of 553 banks and thrifts or 76.9% reported having them in first half 2012. The same-sized holding companies reported the highest incidence of BOLI ownership, as 401 of 470 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 (\$3.43 billion) in BOLI. Institutions with assets between \$300 million and \$500 million attained the largest percentage increase (8.3%) in BOLI assets. (See Table 1.) Among holding companies, it was the largest that accounted for the biggest dollar increase (\$7.43 billion) year-over-year, but holding companies with assets between \$1 billion and \$10 billion attained the greatest percentage increase (27.5%) in their combined BOLI assets in first half, as thrift holding companies began reporting BOLI for the first time.
- Five of six asset classes experienced increases in first half 2012 in the number of banks and thrifts reporting BOLI assets. The largest numerical and percentage increases, 34 banks and thrifts and 4.5%, respectively, occurred among depository institutions between \$100 million and \$300 million and between \$300 million and \$500 million in assets. (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, median bank BOLI assets as a percent of the sum of Tier 1 capital and the loss allowances increased (1.8%) from 14.93% in first half 2011 to 15.19% in first half 2012. Nationally, median BHC BOLI assets as a percent of total capital increased (11.4%) from 13.22% in first half 2011 to 14.72% in 2012.

Table 1. Total BOLI Assets (in billions) Held by Banks and Thrifts			
Asset Size	1H 2012	1H 2011	Percent Change
Over \$10 billion	\$106.05 billion	\$102.62 billion	3.3%
\$1 billion - \$10 billion	\$ 15.04 billion	\$ 14.25 billion	5.6%
\$500 million - \$1 billion	\$ 5.13 billion	\$ 4.86 billion	5.6%
\$300 million - \$500 million	\$ 3.33 billion	\$ 3.07 billion	8.3%
\$100 million - \$300 million	\$ 4.43 billion	\$ 4.10 billion	8.1%
Under \$100 million	\$ 889.7 million	\$ 897.4 million	-0.9%
All	\$134.88 billion	\$129.81 billion	3.9%

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

Table 2. Number of Banks and Thrifts Reporting BOLI Assets			
Asset Size	1H 2012	1H 2011	Percent Change
Over \$10 billion	71	71	0.0%
\$1 billion - \$10 billion	425	418	1.7%
\$500 million - \$1 billion	482	479	0.6%
\$300 million - \$500 million	532	509	4.5%
\$100 million - \$300 million	1,461	1,427	2.4%
Under \$100 million	788	830	-5.1%
All	3,759	3,734	0.7%

Source: *Michael White/Meyer-Chatfield BOLI Holdings Report*™

Table 3. Total BOLI Assets (in billions) Held by Banks and Thrifts in First Half 2012				
Asset Size	GALI	SALI	HALI	TOTAL
Over \$10 billion	\$33.93	\$63.28	\$ 8.85	\$106.05
\$1 billion - \$10 billion	\$ 8.99	\$ 4.16	\$ 1.89	\$15.04
\$500 million - \$1 billion	\$ 3.82	\$ 0.53	\$ 0.78	\$ 5.13
\$300 million - \$500 million	\$ 2.63	\$ 0.24	\$ 0.46	\$ 3.33
\$100 million - \$300 million	\$ 3.55	\$ 0.26	\$ 0.62	\$ 4.43
Under \$100 million	\$ 0.74	\$ 0.07	\$ 0.08	\$ 0.89
All	\$53.67	\$68.53	\$12.68	\$134.88

Source: *Michael White/Meyer-Chatfield BOLI Holdings Report*™

Table 4. Number of Banks and Thrifts Reporting BOLI Assets in First Half 2012				
Asset Size	GALI	SALI	HALI	TOTAL
Over \$10 billion	66	56	33	71 (of 107)
\$1 billion - \$10 billion	395	167	168	425 (of 553)
\$500 million - \$1 billion	459	92	184	482 (of 690)
\$300 million - \$500 million	505	62	160	532 (of 813)
\$100 million - \$300 million	1,347	153	368	1,461 (of 2,741)
Under \$100 million	719	77	94	788 (of 2,342)
All	3,491	607	1,007	3,759 (of 7,246)

Source: *Michael White/Meyer-Chatfield BOLI Holdings Report*™

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.

During the last 20 years, Meyer-Chatfield has grown from a highly respected BOLI specialist to a comprehensive solutions company. The firm works with C-level executives in the banking industry and their Boards to create unique earning opportunities, design compensation programs and develop turnkey administrative solutions that work. 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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