

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

**Equias Alliance/Michael White Report  
BOLI Assets Surpass \$160 Billion as of September 30, 2016**

**FOR IMMEDIATE RELEASE** – *Memphis, TN, and Radnor, PA, December 29, 2016* – The Cash Surrender Value (CSV) of bank-owned life insurance (BOLI) policies held by commercial banks, savings banks and savings associations surpassed \$160.4 billion as of September 30, 2016, reflecting a 3.8% increase from \$154.5 billion as of September 30, 2015, according to the *Equias Alliance/Michael White Bank-Owned Life Insurance (BOLI) Holdings Report™*.

BOLI is used to recover costs of employee benefits and offset liabilities for retirement 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 and Michael White Associates (MWA). The information in this report was gathered from data submitted to regulators by all 5,980 banks operating on September 30, 2016. Among the study’s most significant findings are these:

By Asset Size:

- Of all 5,980 banks and savings associations, 3,690 or 61.7% reported holding BOLI assets as of September 30, 2016, and total BOLI CSV increased by \$5.95 billion (3.8%) from \$154.52 billion as of September 30, 2015 to \$160.47 billion as of September 30, 2016. (See Tables 1 and 2.)

**Table 1. Number and Percent of Banks Reporting BOLI Assets by Bank Asset Size**

| Banks by Asset Size         | Number of Banks |                | Percent of Banks |              |
|-----------------------------|-----------------|----------------|------------------|--------------|
|                             | Sept. 30, 2016  | Sept. 30, 2015 | 2016             | 2015         |
| Over \$10 billion           | 85              | 82             | 74.6%            | 74.6%        |
| \$1 billion - \$10 billion  | 511             | 487            | 82.3%            | 81.7%        |
| \$500 million - \$1 billion | 503             | 489            | 76.1%            | 73.5%        |
| \$300 - \$500 million       | 592             | 593            | 73.5%            | 72.6%        |
| \$100 - \$300 million       | 1,353           | 1,423          | 61.8%            | 61.1%        |
| Under \$100 million         | 646             | 685            | 40.7%            | 39.1%        |
| <b>Industry Total</b>       | <b>3,690</b>    | <b>3,759</b>   | <b>61.7%</b>     | <b>60.0%</b> |

Source: *Equias Alliance / Michael White BOLI Holdings Report™ - 2016 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 69.3% at September 30, 2016. For banks with over \$300 million in assets, the percentage owning BOLI stood at 76.7% at September 30, 2016.

| <b>Table 2. Total BOLI Assets (in billions)<br/>Held by Banks</b> |                                 |                                 |  |   |
|---|---------------------------------|---------------------------------|--|---|
| <b>Banks by Asset Size</b>  | <b>As of<br/>Sept. 30, 2016</b> | <b>As of<br/>Sept. 30, 2015</b> | <b>Percent<br/>Change<br/>in BOLI<br/>Assets</b> | <b>Percent<br/>Change in<br/>Total No. of<br/>Banks</b> |
| Over \$10 billion   | \$122.66 billion                | \$118.33 billion                | 3.7%   | 3.6%  |
| \$1 billion - \$10 billion  | \$22.09 billion                 | \$20.59 billion                 | 7.3%   | 4.2%  |
| \$500 million - \$1 billion                                       | \$6.19 billion                  | \$5.86 billion                  | 5.7%   | -0.6%   |
| \$300 - \$500 million   | \$3.94 billion                  | \$4.03 billion                  | -2.1%  | -1.3%   |
| \$100 - \$300 million   | \$4.71 billion                  | \$4.81 billion                  | -2.2%  | -6.1%   |
| Under \$100 million   | \$882.5 million                 | \$910.0 million                 | -3.0%  | -9.3%   |
| <b>Industry Total</b>   | <b>\$160.47 billion</b>         | <b>\$154.52 billion</b>         | <b>3.8%</b>                                      | <b>-4.6%</b>  |

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

- Institutions with assets between \$1 billion and \$10 billion attained the largest percentage increase (7.3%) in BOLI assets. (See Table 2.)
- Institutions with assets between \$500 million and \$1 billion had the largest growth (a 5.7% increase) relative to the change in the number of banks in the asset category (a decline of 0.6%).
- Institutions with assets less than \$500 million generally saw a decline in BOLI assets as many of those institutions merged or were acquired by larger banks.

By Type of BOLI Asset:

| <b>Table 3. Total BOLI Assets (in billions) by Product Type<br/>Held by Banks as of September 30, 2016</b> |                 |                 |                 |                  |  |
|--|-----------------|-----------------|-----------------|------------------|--|
| <b>Banks by Asset Size</b>   | <b>GA</b>       | <b>VSA</b>      | <b>HSA</b>      | <b>TOTAL</b>     | <b>Percent of<br/>BOLI Assets<br/>Held</b> |
| Over \$10 billion  | \$ 43.07        | \$ 68.40        | \$ 11.19        | \$ 122.66        | 76.44%                                     |
| \$1 billion - \$10 billion   | \$ 15.00        | \$ 3.57         | \$ 3.52         | \$ 22.09         | 13.77%                                     |
| \$500 million - \$1 billion  | \$ 4.89         | \$ 0.22         | \$ 1.08         | \$ 6.19          | 3.86%                                      |
| \$300 - \$500 million  | \$ 3.24         | \$ 0.08         | \$ 0.62         | \$ 3.94          | 2.49%                                      |
| \$100 - \$300 million  | \$ 3.86         | \$ 0.13         | \$ 0.72         | \$ 4.71          | 2.93%                                      |
| Under \$100 million  | \$ 0.77         | \$ 0.04         | \$ 0.07         | \$ 0.88          | 0.55%                                      |
| <b>Total BOLI Assets</b>   | <b>\$ 70.82</b> | <b>\$ 72.44</b> | <b>\$ 17.21</b> | <b>\$ 160.47</b> | <b>100.0%</b>                              |
| <b>Percentage Growth<br/>Since September 30,<br/>2015</b>  | <b>6.8%</b>     | <b>1.0%</b>     | <b>4.5%</b>     | <b>3.8%</b>      |  |

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

- With a balance of \$72.44 billion as of September 30, 2016, VSA BOLI continues to lead when measured by dollar amount. It represents 45.1% of all BOLI assets as of September 30, 2016, down from 46.4% as of September 30, 2015. (See Table 3.) At the same time, only 465 or 7.8% of all banks hold variable separate account assets. (See Table 4.) Thus, although VSA assets account for the largest portion of total BOLI CSVs, VSA assets were held by the fewest number of banks. 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.
- Nearly thirteen hundred (1,272) or 21.3% of all banks reported holding hybrid separate account assets as of September 30, 2016. They held \$17.21 billion in HSA assets, representing 10.7% of total BOLI assets and 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. Similar to 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.

**Table 4. Percent of Banks  
 Reporting BOLI Assets as of September 30, 2016 That Own:**

| <b>Banks by Asset Size</b>  | <b>GA</b>    | <b>VSA</b>  | <b>HSA</b>   | <b>BOLI</b>  |
|-----------------------------|--------------|-------------|--------------|--------------|
| Over \$10 billion           | 71.9%        | 60.5%       | 45.6%        | 74.6%        |
| \$1 billion - \$10 billion  | 79.4%        | 26.6%       | 44.0%        | 82.3%        |
| \$500 million - \$1 billion | 74.0%        | 9.1%        | 34.0%        | 76.1%        |
| \$300 - \$500 million       | 70.8%        | 5.5%        | 26.8%        | 73.5%        |
| \$100 - \$300 million       | 59.0%        | 4.2%        | 18.8%        | 61.8%        |
| Under \$100 million         | 38.6%        | 2.3%        | 6.0%         | 40.7%        |
| <b>All Banks</b>            | <b>59.2%</b> | <b>7.8%</b> | <b>21.3%</b> | <b>61.7%</b> |

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

- The type of BOLI assets most widely held by banks as of September 30, 2016 was GA policies. (See Table 4.) Ninety-six percent (96.0%) or 3,541 of the 3,690 banks reporting BOLI assets had \$70.82 billion in general account life insurance assets, representing 44.1% of total BOLI assets as of September 30, 2016. (See Tables 3 and 4.) In GA policies, the general assets of the insurance company issuing the policies support their CSV.

By Institutional Charter:

| <b>Table 5. Total BOLI Assets (in billions)<br/>Held by Bank Charter</b> |                                     |                                     |  |   |
|--|-------------------------------------|-------------------------------------|--|---|
| <b>Banks by Charter</b>  | <b>As of<br/>Sept. 30,<br/>2016</b> | <b>As of<br/>Sept. 30,<br/>2015</b> | <b>Percent<br/>Change<br/>in BOLI Assets</b> | <b>Percent Change in<br/>Total Number of<br/>Banks by Charter</b> |
| National Banks   | \$97.59 billion                     | \$95.66 billion                     | 2.0%   | -6.6%   |
| Savings Banks  | \$5.74 billion                      | \$5.49 billion                      | 4.4%   | -4.5%   |
| Savings Associations   | \$4.29 billion                      | \$4.00 billion                      | 7.4%   | -7.1%   |
| State-Chartered Member<br>Banks  | \$25.12 billion                     | \$23.64 billion                     | 6.3%   | -2.7%   |
| State-Chartered Non-<br>Member Banks                                     | \$27.73 billion                     | \$25.74 billion                     | 7.8%   | -4.2%   |
| <b>Industry Total</b>  | <b>\$160.47 billion</b>             | <b>\$154.52 billion</b>             | <b>3.8%</b>                                  | <b>-4.6%</b>  |

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

- There was an increase in the dollar amount held as well as the percentage of banks owning BOLI among all charter classes. Savings banks and state-chartered Fed member banks had the highest percentage of banks with BOLI assets.

| <b>Table 6. Number and Percentage of Banks<br/>Reporting BOLI Assets by Charter</b> |                        |                       |                         |              |
|---|------------------------|-----------------------|-------------------------|--------------|
| <b>Banks by Charter</b>   | <b>Number of Banks</b> |                       | <b>Percent of Banks</b> |              |
|   | <b>Sept. 30, 2016</b>  | <b>Sept. 30, 2015</b> | <b>2016</b>             | <b>2015</b>  |
| National Banks  | 576                    | 600                   | 60.8%                   | 59.1%        |
| Savings Banks   | 264                    | 273                   | 77.6%                   | 76.7%        |
| Savings Associations  | 236                    | 245                   | 54.4%                   | 52.5%        |
| State-Chartered Member<br>Banks   | 580                    | 586                   | 70.6%                   | 69.4%        |
| State-Chartered Non-Member<br>Banks   | 2,034                  | 2,055                 | 59.2%                   | 57.3%        |
| <b>Industry Total</b>   | <b>3,690</b>           | <b>3,759</b>          | <b>61.7%</b>            | <b>60.0%</b> |

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2016 edition

**About the *Equias Alliance / Michael White BOLI Holdings Report*<sup>™</sup>**

**The *Equias Alliance / Michael White BOLI Holdings Report*<sup>™</sup>** 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 fee and other noninterest income activities published by Equias Alliance or Michael White Associates (MWA).

**Equias Alliance, LLC (“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 (through its subsidiary, the Corporation for American Banking) and 10 state banking associations for BOLI. Equias ([www.equiasalliance.com](http://www.equiasalliance.com)) is headquartered in Memphis, Tennessee with 20 consultants located in 15 offices throughout the U.S.

**Michael White Associates (“MWA”)** is a bank insurance consulting firm headquartered in Radnor, PA, and its published reports can be obtained at [www.BankInsurance.com](http://www.BankInsurance.com). In addition to the *Equias Alliance / Michael White BOLI Holdings Report*<sup>™</sup>, MWA offers a series of bank fee income reports, including the *MWA Fee Income Ratings Reports*<sup>™</sup> which compare, rank and rate a particular financial institution’s insurance or other noninterest fee income program nationally, regionally, statewide and by asset-peer group.

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