

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

**Equias Alliance/Michael White Report  
 BOLI Assets Grew 2.0% to \$171.6 Billion as of December 31, 2018**

**FOR IMMEDIATE RELEASE** – Memphis, TN, and Radnor, PA, March 18, 2019 – The Cash Surrender Value (CSV) of bank-owned life insurance (BOLI) policies held by commercial banks, savings banks and savings associations grew 2.0% to \$171.6 billion as of December 31, 2018, up from \$168.2 billion as of December 31, 2017, according to the *Equias Alliance/Michael White Bank-Owned Life Insurance (BOLI) Holdings Report™*.

BOLI is used to offset and recover a portion of the costs of employee 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, an NFP Company, and Michael White Associates (MWA). The information in this report was gathered from data submitted to regulators by all 5,406 banks operating on December 31, 2018. Among the study’s most significant findings are these:

By Asset Size:

- Of the 5,406 banks and savings associations, 3,465 or 64.1% reported holding BOLI assets as of December 31, 2018, and total BOLI CSV climbed by \$3.36 billion (2.0%) from \$168.21 billion as of December 31, 2017 to \$171.57 billion as of December 31, 2018. (See Tables 1 and 2.)

<b>Table 1. Number and Percent of Banks Reporting BOLI Assets by Bank Asset Size</b>				
<b>Banks by Asset Size</b>	<b>Number of Banks</b>		<b>Percent of Banks</b>	
	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2017</b>	<b>2018</b>	<b>2017</b>
Over \$10 billion	108	96	78.8%	78.1%
\$1 billion - \$10 billion	529	510	82.9%	81.3%
\$500 million - \$1 billion	500	525	76.5%	77.9%
\$300 - \$500 million	557	593	74.0%	75.2%
\$100 - \$300 million	1,232	1,282	63.3%	62.5%
Under \$100 million	539	594	42.2%	42.2%
<b>Industry Total</b>	<b>3,465</b>	<b>3,600</b>	<b>64.1%</b>	<b>63.5%</b>

Source: *Equias Alliance / Michael White BOLI Holdings Report™* - 2019 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 70.9% as of December 31, 2018, and for banks with over \$300 million in assets, the percentage owning BOLI stood at 77.6% as of December 31, 2018.

- Although the number of banks holding BOLI declined between December 31, 2017 and December 31, 2018, this decline was, once again, primarily attributable to the continuing trend in the banking industry of mergers and acquisitions rather than banks terminating their BOLI programs.

<b>Table 2. Total BOLI Assets (in billions) Held by Banks</b>				
<b>Banks by Asset Size</b>	<b>As of Dec. 31, 2018</b>	<b>As of Dec. 31, 2017</b>	<b>Percent Change in BOLI Assets</b>	<b>Percent Change in Total No. of Banks</b>
Over \$10 billion	\$135.07 billion	\$128.89 billion	4.0%	11.4%
\$1 billion - \$10 billion	\$21.40 billion	\$22.43 billion	-4.6%	1.8%
\$500 million - \$1 billion	\$6.05 billion	\$6.48 billion	-6.7%	-3.0%
\$300 - \$500 million	\$3.90 billion	\$4.11 billion	-5.1%	-4.6%
\$100 - \$300 million	\$4.39 billion	\$4.47 billion	-1.8%	-5.1%
Under \$100 million	\$752.7 million	\$823.6 million	-8.6%	-9.2%
<b>Industry Total</b>	<b>\$171.57 billion</b>	<b>\$168.21 billion</b>	<b>2.0%</b>	<b>-4.7%</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2019 edition

- Although five of the asset classes showed a decline in the amount of BOLI assets they held, this was not due to the surrender of BOLI policies or a drop in the CSV of the policies, but rather a result of several of the banks that were at the top of their respective asset class category moving into the next higher bracket between December 31, 2017 and December 31, 2018. Thus, banks at the higher end of the asset class categories were replaced by new banks coming into that asset class with smaller amounts of CSV resulting in an overall drop in BOLI assets for that asset class.
- Institutions with assets over \$10 billion attained the only percentage increase (4.0%) in BOLI assets. (See Table 2.)

By Type of BOLI Asset:

- The BOLI assets most widely held by banks as of December 31, 2018 were GA policies. (See Table 4.) Ninety-seven percent (96.9%) or 3,359 of the 3,465 of the banks reporting BOLI held \$80.12 billion in general account life insurance assets, representing 46.7% of total BOLI assets as of December 31, 2018. (See Tables 3 and 4.) In GA policies, the general assets of the insurance company issuing the policies support their CSV.
- In recent years, banks have gravitated back to general account products because GA products provide more carrier options, somewhat higher yields and simplicity when compared to other BOLI products.

<b>Table 3. Total BOLI Assets (in billions) by Product Type Held by Banks as of December 31, 2018</b>					
<b>Banks by Asset Size</b>	<b>GA</b>	<b>VSA</b>	<b>HSA</b>	<b>TOTAL</b>	<b>Percent of BOLI Assets Held</b>
Over \$10 billion	\$ 51.66	\$ 70.42	\$ 12.99	\$ 135.07	78.73%
\$1 billion - \$10 billion	\$ 15.87	\$ 2.35	\$ 3.19	\$ 21.40	12.48%
\$500 million - \$1 billion	\$ 4.98	\$ 0.18	\$ 0.88	\$ 6.05	3.52%
\$300 - \$500 million	\$ 3.24	\$ 0.06	\$ 0.60	\$ 3.90	2.27%
\$100 - \$300 million	\$ 3.70	\$ 0.11	\$ 0.58	\$ 4.39	2.56%
Under \$100 million	\$ 0.67	\$ 0.03	\$ 0.06	\$ 0.75	0.44%
<b>Total BOLI Assets</b>	<b>\$ 80.12</b>	<b>\$ 73.15</b>	<b>\$ 18.31</b>	<b>\$ 171.57</b>	<b>100.0%</b>
<b>Percentage Growth Since Dec. 31, 2017</b>	<b>4.1%</b>	<b>-0.3%</b>	<b>2.2%</b>	<b>2.0%</b>	

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2019 edition

<b>Table 4. Percent of Banks That Hold BOLI Assets by Product Type as of December 31, 2018</b>				
<b>Banks by Asset Size</b>	<b>GA</b>	<b>VSA</b>	<b>HSA</b>	<b>BOLI</b>
Over \$10 billion	78.1%	62.0%	55.5%	78.8%
\$1 billion - \$10 billion	80.7%	22.6%	44.0%	82.9%
\$500 million - \$1 billion	74.5%	9.2%	32.0%	76.5%
\$300 - \$500 million	72.2%	4.8%	28.8%	74.0%
\$100 - \$300 million	61.1%	4.0%	18.0%	63.3%
Under \$100 million	40.5%	2.0%	6.0%	42.2%
<b>All Banks</b>	<b>62.1%</b>	<b>7.9%</b>	<b>22.4%</b>	<b>64.1%</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2019 edition

- With a balance of \$73.15 billion as of December 31, 2018, VSA BOLI represented 42.6% of all BOLI assets as of December 31, 2018, down from 43.6% as of December 31, 2017. (See Table 3.) 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 held by only 12.4% of the banks reporting BOLI assets.
- Thirty-five percent (34.9%) of banks reporting BOLI held hybrid separate account assets as of December 31, 2018. The \$18.31 billion in HSA assets represented 10.7% of total BOLI assets, making HSA the

smallest reporting category of BOLI assets when measured by CSV. (See Tables 3 and 4.) Hybrid separate account insurance policies combine features of both general and separate account insurance products. Like 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.

By Institutional Charter:

- There was an increase in the dollar amount of BOLI assets held among all charter classes except savings associations. All charter classes except savings associations experienced increases in the percentage of banks reporting BOLI assets. (See Tables 5 and 6.) The significant decline in BOLI assets held by Savings Associations was due to the fact that some of the largest Savings Associations were acquired, and others converted their charters to national banks or state banks. Savings banks and state-chartered Fed member banks had the highest percentage of banks with BOLI assets.

<b>Table 5. Total BOLI Assets (in billions) Held by Bank Charter</b>				
<b>Banks by Charter</b>	<b>As of Dec. 31, 2018</b>	<b>As of Dec. 31, 2017</b>	<b>Percent Change in BOLI Assets</b>	<b>Percent Change in Total Number of Banks by Charter</b>
National Banks	\$103.11	\$101.56	1.5%	-6.3%
Savings Banks	\$6.48	\$6.15	5.4%	-6.2%
Savings Associations	\$3.28	\$3.76	-12.6%	-10.7%
State-Chartered Member Banks	\$28.74	\$27.57	4.2%	-2.6%
State-Chartered Non-Member Banks	\$29.96	\$29.18	2.7%	-3.9%
<b>Industry Total</b>	<b>\$171.57</b>	<b>\$168.21</b>	<b>2.0%</b>	<b>-4.7%</b>

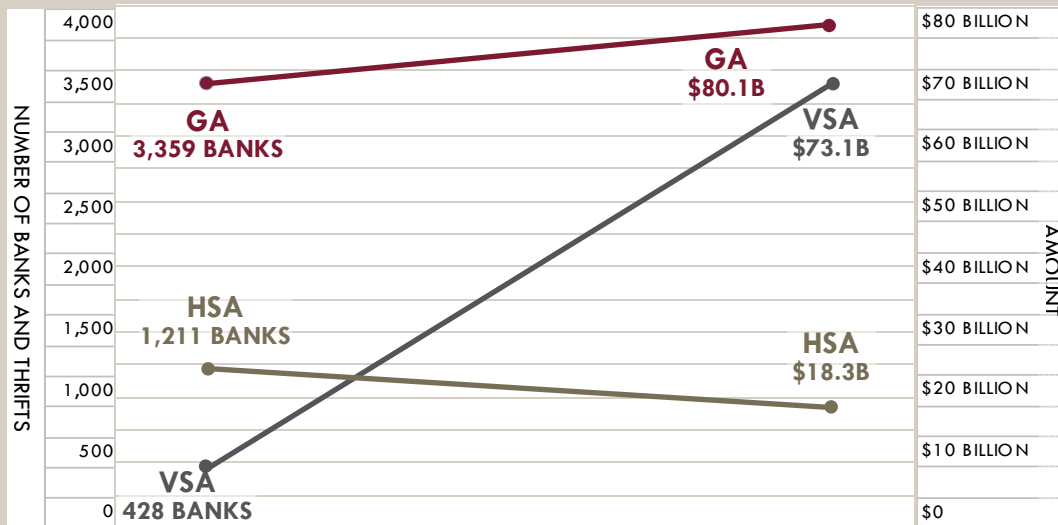
Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2019 edition

<b>Table 6. Number and Percentage of Banks Reporting BOLI Assets by Charter</b>				
<b>Banks by Charter</b>	<b>Number of Banks</b>		<b>Percent of Banks</b>	
	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2017</b>	<b>2018</b>	<b>2017</b>
National Banks	521	541	63.6%	61.9%
Savings Banks	247	25	81.3%	79.6%
Savings Associations	201	228	57.6%	58.3%
State-Chartered Member Banks	571	579	71.9%	71.0%
State-Chartered Non-Member Banks	1,925	1,994	61.3%	61.1%
<b>Industry Total</b>	<b>3,465</b>	<b>3,600</b>	<b>64.1%</b>	<b>63.5%</b>

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2019 edition

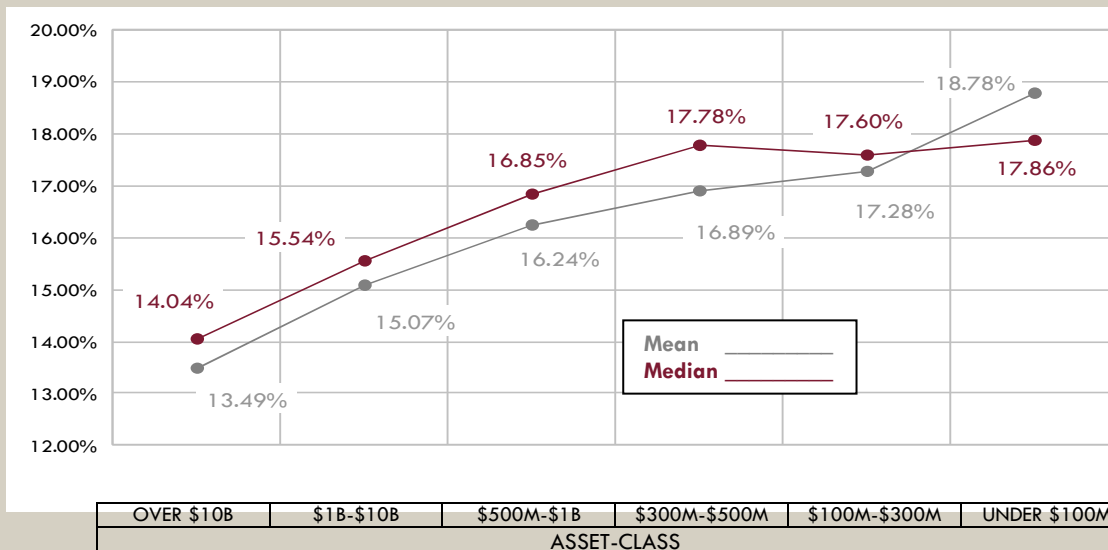
- Once again, we see that the overall number of banks in each charter class has declined and that the decline is primarily due to mergers or charter changes.

**Table 7. Number of Banks and Thrifts Holding GA, VSA AND HSA Assets and Dollar Amounts Held – as of December 31, 2018**



SOURCE: EQUIAS ALLIANCE / MICHAEL WHITE BOLI HOLDINGS REPORT™ - 2019 EDITION

**Table 8. Bank/Thrift BOLI Assets as a Percentage of Tier 1 Capital Mean Vs. Median by Asset-Class – as of December 31, 2018**



SOURCE: EQUIAS ALLIANCE / MICHAEL WHITE BOLI HOLDINGS REPORT™ - 2019 EDITION

<b>Table 9. Number and Percentage of Banks Holding BOLI Assets Reporting CSV of Life Insurance as a Percent of Tier 1 Capital Over 25%</b>					
<b>Banks with BOLI Over 25% of Tier 1 Capital</b>	<b>As of Dec. 31, 2018</b>	<b>As of Dec. 31, 2017</b>	<b>As of Dec. 31, 2016</b>	<b>As of Dec. 31, 2015</b>	<b>As of Dec. 31, 2014</b>
Number	455 <i>of 3,465</i>	532 <i>of 3,600</i>	546 <i>of 3,680</i>	578 <i>of 3,739</i>	622 <i>of 3,803</i>
Percentage	13.1%	14.8%	14.8%	15.5%	16.4%

Source: Equias Alliance / Michael White BOLI Holdings Report™ - 2019 edition

### **About the Equias Alliance / Michael White BOLI Holdings Report™**

The *Equias Alliance / Michael White BOLI Holdings Report™* 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 financial performance as well as bank fee and non-interest income activities published by Equias Alliance or Michael White Associates (MWA).

**Equias Alliance, LLC, an NFP Company, (“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 and 9 state banking associations for BOLI. Equias ([www.equiasalliance.com](http://www.equiasalliance.com)) has 18 consultants located in 15 offices throughout the U.S.

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

### **For additional information contact:**

David Shoemaker, CPA/PFS, CFP®  
 Equias Alliance, LLC  
 8000 Centerview Parkway, Suite 525  
 Memphis, TN 38018  
 Phone: 901-754-4924  
 Email: [dshoemaker@equiasalliance.com](mailto:dshoemaker@equiasalliance.com)

Michael D. White, Ph.D., CLU, ChFC  
 Michael White Associates, LLC  
 823 King of Prussia Road  
 Radnor, PA 19087  
 Phone: 601-254-0440  
 Email: [MWA@BankInsurance.com](mailto:MWA@BankInsurance.com)

### **AN NFP COMPANY**

Insurance services provided by Equias Alliance, LLC, a subsidiary of NFP Corp. (NFP). Securities offered through Kestra Investment Services, LLC (Kestra IS), member of FINRA/SIPC. Kestra IS is not affiliated with Equias Alliance, LLC, NFP, or any other entity listed herein. Kestra IS does not provide tax or legal advice and is not a Certified Public Accounting (CPA) firm.

Michael White is not a Representative of Equias Alliance, LLC.