

N E W S R E L E A S E

**Equias Alliance/Michael White Report  
BOLI Assets Reach \$159 Billion as of June 30, 2016**

**FOR IMMEDIATE RELEASE** – Radnor, PA, and Memphis, TN, September 29, 2016 – The Cash Surrender Value (CSV) of bank-owned life insurance (BOLI) policies held by commercial banks, savings banks and savings associations reached \$159.0 billion as of June 30, 2016, reflecting a \$5.9 billion (3.8%) increase from \$153.1 billion as of June 30, 2015, according to the *Equias Alliance/Michael White Bank-Owned Life Insurance (BOLI) Holdings Report™*. Further, according to *IBIS Associates*, the premium attributable to 126 institutions purchasing BOLI for the first-time between July 1, 2015 and June 30, 2016 amounted to approximately \$680 million. Total new purchases for new and existing policyholders during this period amounted to \$3.74 billion.

BOLI is used to recover costs of employee benefits and offset liabilities for retirement benefits, helping banks to keep up with ever-rising benefit costs. BOLI may be differentiated by three types of assets: variable separate account life insurance (VSA) assets; general account life insurance (GA) assets; and hybrid separate account life insurance (HSA) assets.

Co-produced by Equias Alliance and Michael White Associates, LLC (MWA), the *Equias Alliance/Michael White BOLI Holdings Report™* measures and benchmarks the CSV of life insurance and ratios of CSV to capital attained by commercial banks, savings banks, and savings associations (the “banks”)<sup>1</sup>. The data in this report were submitted to regulators by all 6,058 banks operating on June 30, 2016. It is important to note that in the 12-month period between June 30, 2015 and June 30, 2016, the number of banks submitting data to the FDIC shrank from 6,348 to 6,058 - a decline of 290 banks. Among the study’s most significant findings are these:

By Institutional Charters:

- Of all 6,058 banks and savings associations, 3,713 or 61.3% reported holding BOLI assets as of June 30, 2016, increasing their BOLI holdings by \$5.87 billion (3.8%) from \$153.11 billion as of June 30, 2015 to \$158.98 billion as of June 30, 2016. (See Tables 1 and 4.)

<b>Banks by Asset Size</b>	<b>As of June 30, 2016</b>	<b>As of June 30, 2015</b>	<b>Percent Change In BOLI Assets</b>	<b>Percent Change in Total No. of Banks</b>
Over \$10 billion	\$121.44 billion	\$117.39 billion	3.5%	0.9%
\$1 billion - \$10 billion	\$21.78 billion	\$20.11 billion	8.3%	4.7%
\$500 million - \$1 billion	\$6.11 billion	\$5.87 billion	4.1%	-0.1%
\$300 million - \$500 million	\$3.96 billion	\$3.97 billion	-0.3%	-1.1%
\$100 million - \$300 million	\$4.80 billion	\$4.85 billion	-1.0%	-6.0%
Under \$100 million	\$893.7 million	\$926.3 million	-3.5%	-9.0%
<b>Industry Total</b>	<b>\$158.98 billion</b>	<b>\$153.11 billion</b>	<b>3.8%</b>	<b>-4.6%</b>

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

- The growth in BOLI holdings in a particular bank asset size is attributable to a variety of factors including earnings on existing CSV, first-time purchases of BOLI by banks, and additional purchases by banks already having BOLI on the books. The growth rate within an individual asset class may also be affected by mergers and acquisitions. For example, banks with \$1 billion - \$10 billion in assets saw an 8.3% increase in BOLI assets primarily attributable to 23 new banks now being included in this size category due to growth as well as mergers.
- Based on data from *IBIS Associates*, new BOLI purchases amounted to approximately \$3.74 billion during the period July 1, 2015 through June 30, 2016. Therefore, if total growth was \$5.87 billion, then there was a net increase in CSVs of \$2.13 billion. The net increase is comprised of interest credited to existing policies reduced primarily by death claims paid.
- There was a 1.0% decline in BOLI CSV experienced by banks with under \$500 million in assets and an especially significant decline among banks under \$100 million (-3.50%) between June 30, 2015 and June 30, 2016, principally due to their merger with or acquisition by larger banks. (See Table 1.)
- 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.
- Of 962 national banks, 582 or 60.5% recorded \$96.98 billion in BOLI holdings, up 2.2% from \$94.92 billion at the end of June 2015. (See Tables 2 and 3.) This growth occurred despite a 4.6% decrease in the number of national banks between June 30, 2015 and June 30, 2016. Of the national banks' total BOLI growth, part of it was attributable to 27 of them that purchased BOLI for the first time and to 112 whose increases in BOLI holdings constituted \$1.26 billion due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.00% to 910.57%.
- Of 346 savings banks, 268 or 77.4% recorded \$5.70 billion in BOLI holdings, up 5.7% from \$5.39 billion at the end of June 2015. This increase of \$306.7 million was primarily attributable to 6 that purchased BOLI for the first time and to 58 whose increases in BOLI holdings constituted \$284.9 million due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.13% to 6,380.89%. (See Tables 2 and 3.)

**Table 2. Total BOLI Assets (in billions)  
 Held by Bank Charter**

<b>Banks by Charter</b>	<b>As of June 30, 2016</b>	<b>As of June 30, 2015</b>	<b>Percent Change in BOLI Assets</b>	<b>Percent Change in Total Number of Banks by Charter</b>
National Banks	\$96.98 billion	\$94.92 billion	2.2%	-4.6%
Savings Banks	\$5.70 billion	\$5.39 billion	5.7%	-3.1%
Savings Associations	\$4.21 billion	\$3.98 billion	5.7%	-8.5%
State-Chartered Member Banks	\$24.75 billion	\$23.91 billion	3.5%	-3.0%
State-Chartered Non- Member Banks	\$27.35 billion	\$24.92 billion	9.7%	-4.1%
<b>Industry Total</b>	<b>\$158.98 billion</b>	<b>\$153.11 billion</b>	<b>3.8%</b>	<b>-4.6%</b>

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

- Of 439 savings associations, 235 or 53.5% recorded \$4.21 billion in BOLI holdings, up 5.7% from \$3.98 billion as of June 30, 2015. Of the charter class' total BOLI holdings, growth was attributable to 7 savings associations that purchased BOLI for the first time and to 41 savings associations whose increases in BOLI holdings constituted \$333.1 million due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.36% to 1,319.34%. (See Tables 2 and 3.)
- Of 829 state-chartered Fed member commercial banks, 582 or 70.2% of them reported holding \$24.75 billion in BOLI assets as of June 30, 2016, up 3.5% from \$23.91 billion as of June 30, 2015. This increase was largely attributable to 13 that purchased BOLI for the first time and to 141 whose increase of \$738.8 million was due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5.05% to 14,576.19%. (See Tables 2 and 3.)

**Table 3. Number and Percentage of Banks Reporting BOLI Assets by Charter**

Banks by Charter	Number of Banks as of		Percent of Banks	
	June 30, 2016	June 30, 2015	2016	2015
National Banks	582	599	60.5%	58.3%
Savings Banks	268	272	77.4%	76.2%
Savings Associations	235	252	53.5%	52.5%
State-Chartered Member Banks	582	591	70.2%	69.1%
State-Chartered Non-Member Banks	2,046	2,066	58.8%	56.9%
<b>Industry Total</b>	<b>3,713</b>	<b>3,780</b>	<b>61.3%</b>	<b>59.6%</b>

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

- Of the 3,482 state-chartered non-member banks, 2,046 or 58.8% of them reported holding \$27.35 billion in BOLI assets at the end of June 2016, up 9.7% from \$24.92 billion at the end of June 2015. This increase was largely attributable to 73 state-chartered non-member banks that purchased BOLI for the first time and to 392 whose increase of \$2.36 billion was due to internal growth, additional purchases and/or mergers and acquisitions. Their growth in BOLI assets ranged from 5% to 45,033%. (See Tables 2 and 3.)

**Table 4. Number and Percent of Banks Reporting BOLI Assets by Bank Asset Size**

Banks by Asset Size	Number of Banks as of		Percent of Banks	
	June 30, 2016	June 30, 2015	2016	2015
Over \$10 billion	84	80	75.0%	72.1%
\$1 billion - \$10 billion	507	484	81.9%	81.9%
\$500 million - \$1 billion	502	489	75.8%	73.2%
\$300 million - \$500 million	586	592	73.0%	72.9%
\$100 million - \$300 million	1,381	1,436	62.1%	60.7%
Under \$100 million	653	699	39.9%	38.9%
<b>Industry Total</b>	<b>3,713</b>	<b>3,780</b>	<b>61.3%</b>	<b>59.6%</b>

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

By Type of BOLI Assets:

- The largest portion of BOLI assets was found to be held in variable separate accounts. Variable separate account CSV assets totaled \$72.28 billion among banks, representing 45.5% of all BOLI assets as of June

30, 2016, down from 47.0% as of June 30, 2015. (See Table 5.) At the same time, only 481 or 13.0% of all banks reporting BOLI held variable separate account assets. (See Table 6.) Thus, although VSA assets account for the largest portion of total BOLI CSVs, VSA assets were actually held by the fewest number of banks. Variable separate account life insurance assets are the cash surrender values (CSVs) associated with variable separate account insurance policies whose CSVs are supported by assets legally segregated from the general assets of the insurance carrier. While 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. 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. VSAs owned by banks typically include a mechanism called a “stable value wrap” to help smooth out the accounting treatment of investment gains and losses.

- The type of BOLI assets most widely held by banks as of June 30, 2016 was GA policies. (See Table 6.) Ninety-six percent (95.8%) or 3,558 of the 3,713 banks reporting BOLI assets had \$69.64 billion in general account life insurance assets, representing 43.8% of total BOLI assets as of June 30, 2016. (See Tables 5 and 6.) In GA policies, the general assets of the insurance company issuing the policies support their CSV.

**Table 5. Total BOLI Assets (in billions)  
 Held by Banks as of June 30, 2016**

<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	\$ 42.22	\$ 68.15	\$ 11.07	\$ 121.44	76.39%
\$1 billion - \$10 billion	\$ 14.68	\$ 3.60	\$ 3.50	\$ 21.78	13.70%
\$500 million - \$1 billion	\$ 4.79	\$ 0.27	\$ 1.04	\$ 6.11	3.84%
\$300 million - \$500 million	\$ 3.23	\$ 0.09	\$ 0.64	\$ 3.96	2.49%
\$100 million - \$300 million	\$ 3.93	\$ 0.13	\$ 0.74	\$ 4.80	3.02%
Under \$100 million	\$ 0.78	\$ 0.04	\$ 0.07	\$ 0.89	0.56%
<b>Total BOLI assets</b>	<b>\$ 69.64</b>	<b>\$ 72.28</b>	<b>\$ 17.06</b>	<b>\$ 158.98</b>	<b>100.0%</b>
<b>Percentage growth since June 30, 2015</b>	<b>7.4%</b>	<b>0.5%</b>	<b>4.2%</b>	<b>3.8%</b>	

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

- Nearly thirteen hundred (1,277) or 34.4% of the 3,713 institutions with BOLI assets reported holding hybrid separate account assets at the end of the first half of 2016. This was down from 1,304 (34.5%) of 3,780 banks at the end of the first half of 2015, but up from 1,235 (32.3%) of 3,824 banks at the end of the first half of 2014. They held \$17.06 billion in hybrid separate account life insurance assets, representing 10.7% of total BOLI assets and making HSA the smallest reporting category of BOLI assets. (See Tables 5 and 6.) Until recently, HSA has been the fastest growing type of BOLI asset. 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 account policies support the policies’ cash surrender values. However, like separate account policies, the assets of hybrid separate accounts are protected from claims on the insurer. Additionally, the banks holding hybrid separate account life insurance policies may be able to select from among certain investment strategies in which the insurance premiums are invested. As the financial crisis has passed and banks have become more comfortable with the long-term credit quality of carriers, a higher percentage of new purchases have been allocated to GA and less to HSA policies than in the past.

- Variable separate account life insurance (VSA) assets were most heavily concentrated (94.3%) among the largest banks with assets greater than \$10 billion. These banks also held significant amounts of GA and HSA BOLI assets. The predominant types of BOLI assets held by banks under \$10 billion in assets were GA and HSA. Banks under \$10 billion in assets held 39.4% (same as of June 30, 2015) of general account life insurance assets and 35.1% (up slightly from 35.0% as of June 30, 2015 and 4.9 points from 30.2% as of June 30, 2012) of hybrid separate account life insurance assets in 2016, with just 5.7% of VSA assets. Furthermore, banks under \$1 billion in assets held 18.3% of GA assets, 14.6% of HSA assets, but only 0.7% of VSA assets. (See Table 5.)
- As mentioned above, the fastest growing type of BOLI assets in terms of the number of banks holding them has for several years been hybrid separate account assets, which experienced its first decline as of June 30, 2016. Since June 30, 2011, the number of banks using hybrid separate accounts increased from 766 banks to 1,304 banks as of June 30, 2015. Though it has declined 2.1% to 1,277 banks at the end of June 2016, the rate of HSA growth has exceeded that of other types of asset accounts. During the period (2012-2016), banks owning VSA assets decreased from 607 banks as of June 30, 2012 to 481 banks as of June 30, 2016.

By Size of Institution:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between \$1 billion and \$10 billion, as 507 of 619 banks and thrifts or 81.9% reported having them at the end of June 2016. The lowest rate of BOLI ownership occurred among depository institutions with assets under \$100 million, as 653 of 1,637, or 39.9%, declared they had BOLI assets.
- The largest banks and thrifts, those over \$10 billion in assets, accounted for the largest dollar increase (\$4.1 billion) in BOLI as of June 30, 2016. Institutions with assets between \$1 billion and \$10 billion attained the largest percentage increase (8.3%), followed by institutions with assets between \$500 million and \$1 billion with the second largest percentage increase (4.1%) in BOLI assets. (See Table 1.)
- Three of six bank asset-size classes experienced increases as of June 30, 2016 in the number of banks and thrifts reporting BOLI assets. The largest percentage increase was 5.0% among depository institutions with assets over \$10 billion. The largest numerical increase of 23 banks and thrifts occurred among those between \$1 billion and \$10 billion in assets. (See Table 4.)

<b>Table 6. Number of Banks Reporting BOLI Assets as of June 30, 2016</b>				
<b>Banks by Asset Size</b>	<b>GA</b>	<b>VSA</b>	<b>HSA</b>	<b>TOTAL</b>
Over \$10 billion	81	68	51	84 of 112 (75%)
\$1 billion - \$10 billion	489	163	274	507 of 619 (82%)
\$500 million - \$1 billion	484	65	218	502 of 662 (76%)
\$300 million - \$500 million	565	49	219	586 of 803 (73%)
\$100 million - \$300 million	1,317	97	418	1,381 of 2,225 (62%)
Under \$100 million	622	39	97	653 of 1,637 (40%)
<b>All banks</b>	<b>3,558</b>	<b>481</b>	<b>1,277</b>	<b>3,713 of 6,058 (61%)</b>

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

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### **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) of life insurance held by commercial banks, savings banks, and savings associations and their ratios of CSV to capital. It is one of several reports dealing with bank fee and other noninterest income activities published by Equias Alliance / Michael White Associates, LLC (MWA).

Equias Alliance, LLC (“Equias”), through its group of nationwide consultants, has assisted over 800 community banks in the design and implementation of bank-owned life insurance as well as nonqualified benefit plans for selected executives. These plans help institutions increase earnings and shareholder value as well as recruit, retain and reward key officers and directors. If a bank should decide to implement a BOLI or nonqualified benefit plan, Equias has the experienced and professional staff (including attorneys and CPAs) needed to properly administer and oversee these plans. 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 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). Other reports include the *MWA BOLI Capital Concentration Report*<sup>™</sup>. This report assists with 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*<sup>™</sup> compare, rank and rate a particular financial institution’s insurance or other noninterest fee income program nationally, regionally, statewide and by asset-peer group.

*This analysis excludes BOLI held at the holding company level. It was excluded because it represents a relatively small portion of total BOLI assets and because the holding company data is not available at the same time as the bank data and would delay the release of this report.*

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