



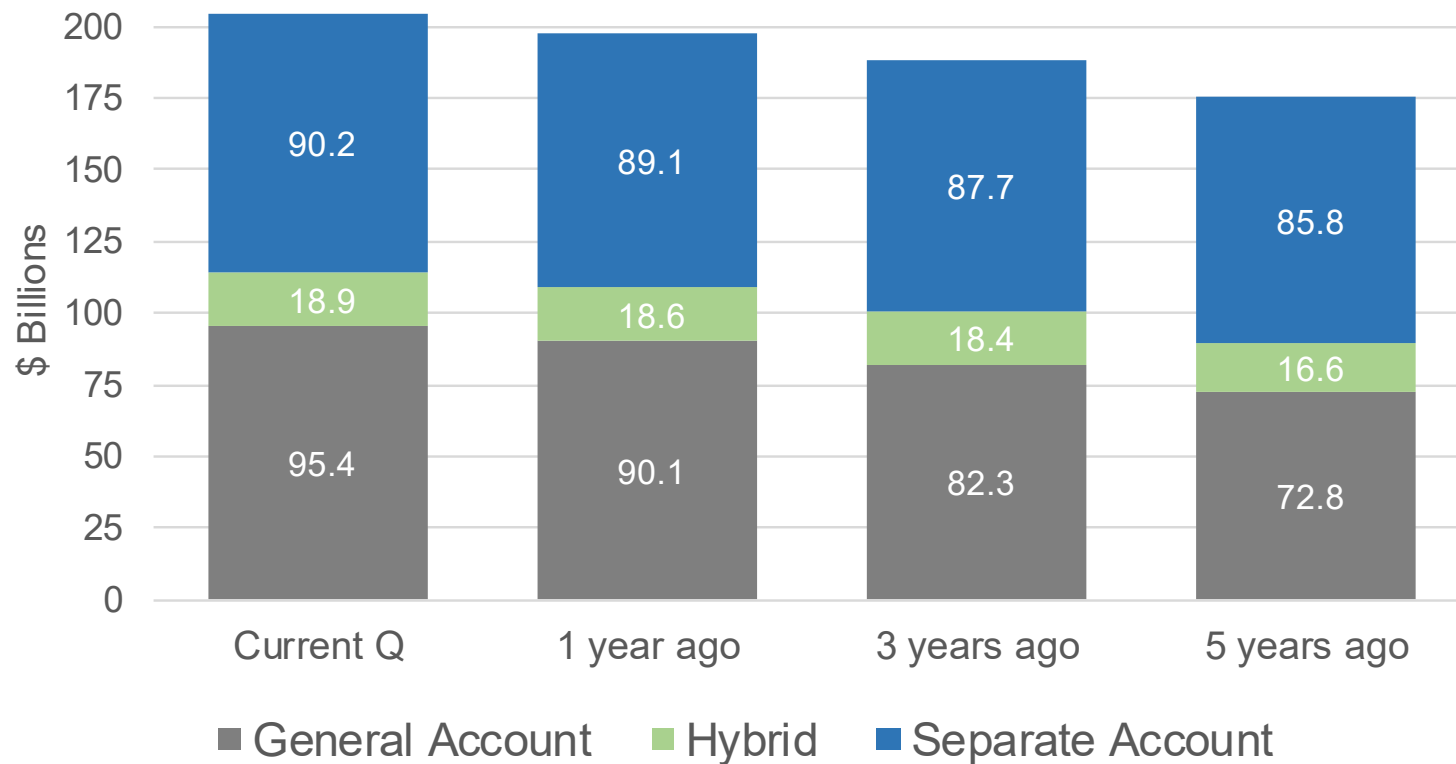
# BOLI INDUSTRY ANALYTICS & ALLOCATIONS

**Proprietary and Confidential – For Discussion Purposes Only**

2020-Q3

# BANK CALL REPORT BOLI BREAKDOWN

Banks reported \$204.5 billion of BOLI in 2020-Q3, of which \$90.2 billion was SA.



# STUDY PURPOSE AND BACKGROUND

Our study attempts to track how SA BOLI is allocated over time.

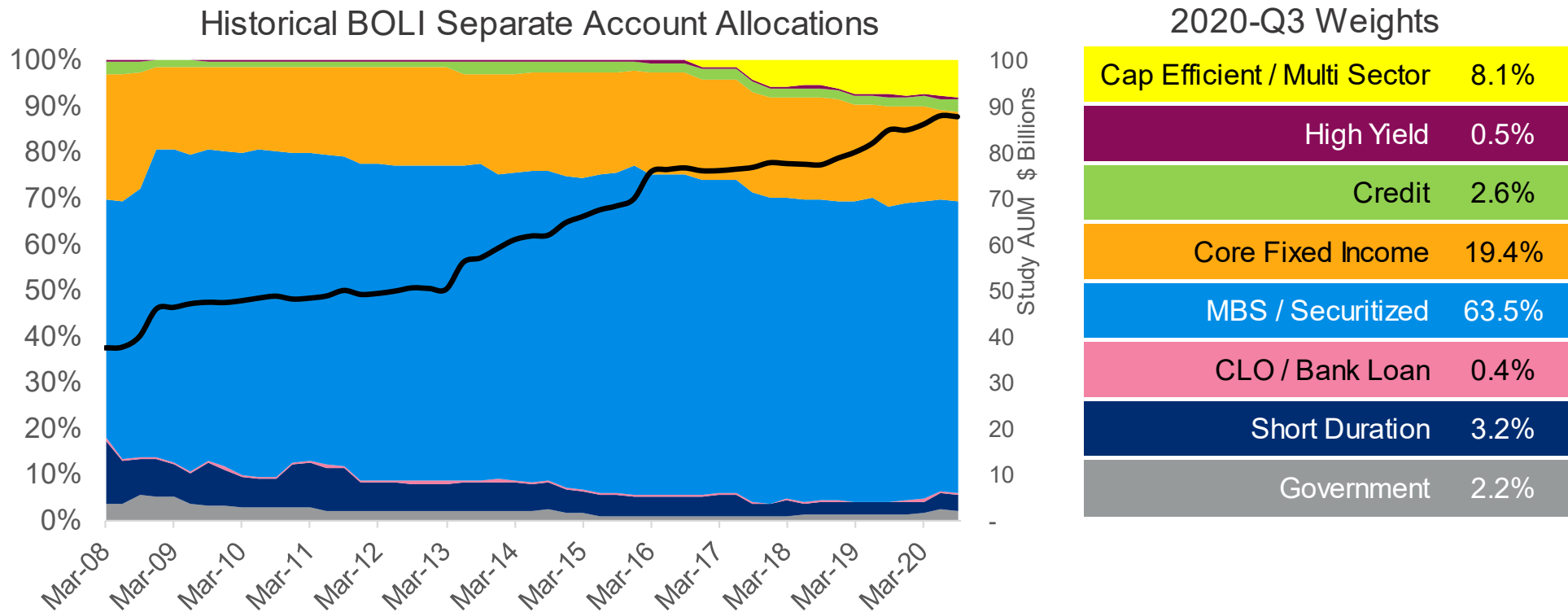
- Gathered SA BOLI AUM data is categorized into portfolio types
  - Capital Efficient / Multi-Sector / Target RW
  - High Yield
  - Credit
  - Core Fixed Income
  - MBS / Securitized (ABS / CMBS)
  - CLO / Bank Loan
  - Short Duration
  - Government
- Portfolio types represent full portfolio MVs and do not look through to the holdings sector weights

Currently comprises \$88 billion – a massive share of the industry.<sup>1</sup>

# HISTORICAL BOLI/COLI SEPARATE ACCOUNT ALLOCATIONS

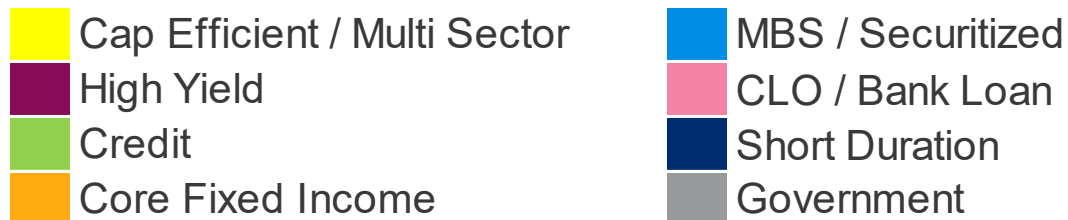
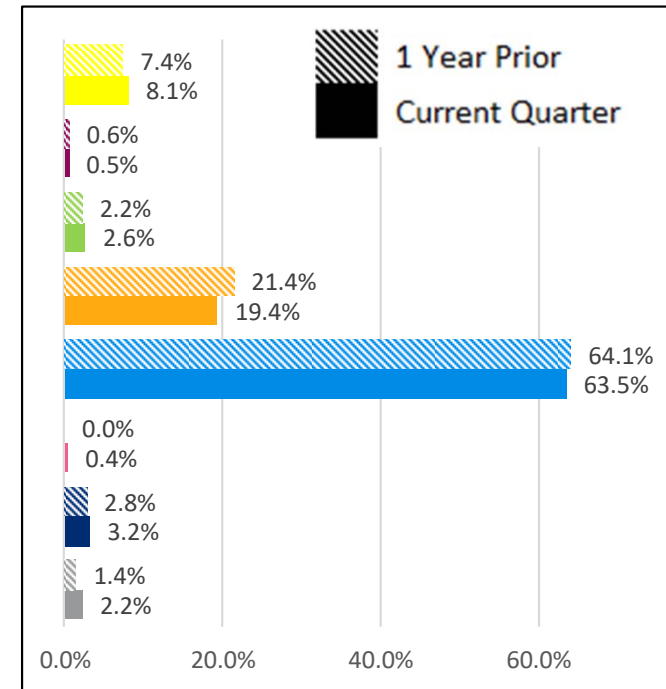
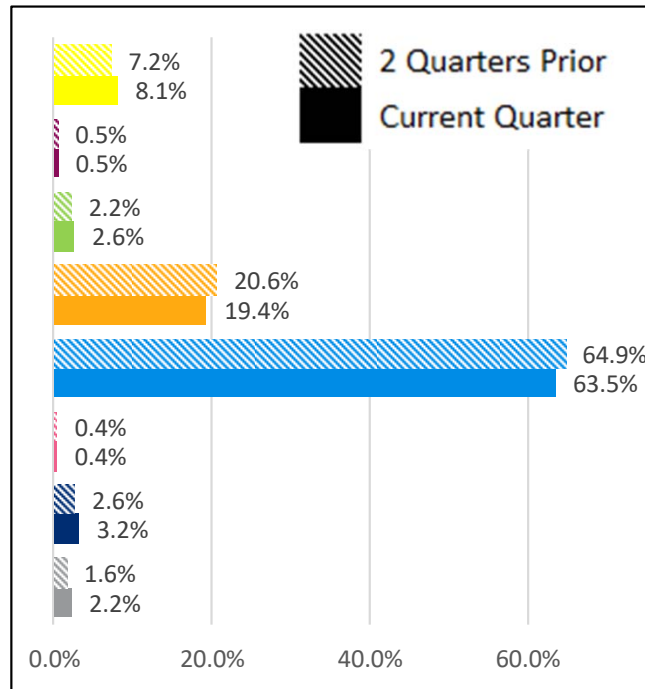
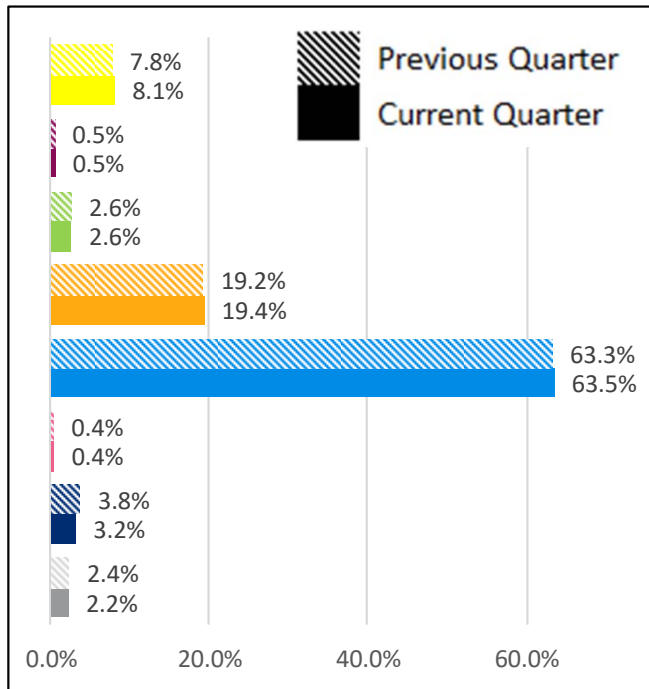
For the last decade, allocations have been dominated by MBS / Securitized portfolios. More recently, capital efficient / multi-sector type portfolios are gaining traction.

- The chart below shows the study's total AUM (black line), and portfolio type breakdown (colored areas) over time.



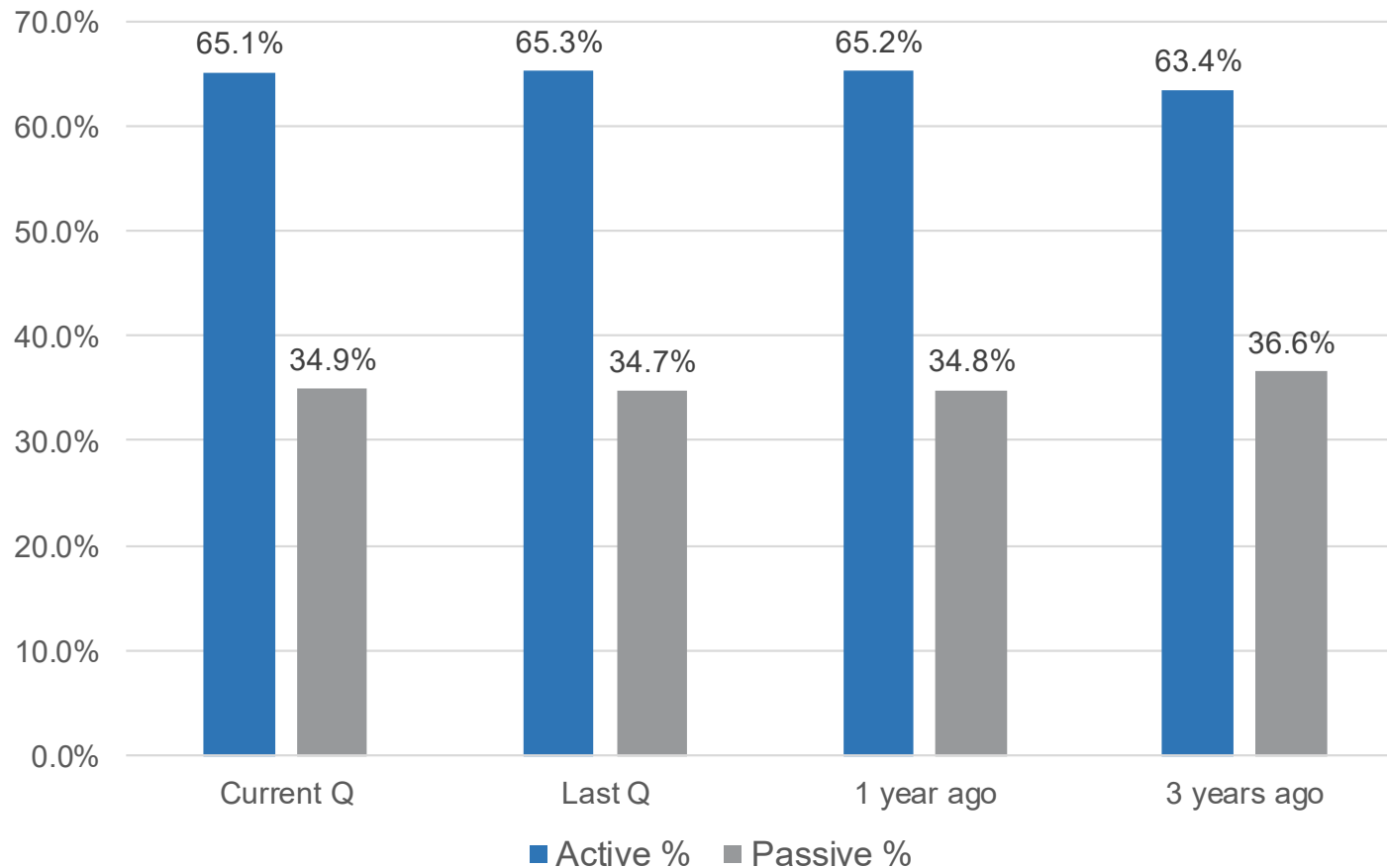
# SEPARATE ACCOUNT ALLOCATION CHANGES

While some changes can be attributed to asset growth, periodic comparisons can indicate potential reallocations.<sup>2</sup>



# BREAKDOWN OF PORTFOLIOS (ACTIVE VS PASSIVE)

Of the \$88 billion in the study, 65% of the allocations are actively managed.



# ALLOCATION COMMON BENCHMARK PERFORMANCE

Using common benchmarks for the categories, a proxy for the industry's SA Q3 MV performance is estimated at 0.41%.

	Benchmark	Quarter	1-Year	3-Year	Weights
Cap Efficient / Multi Sector	[Proxied By Blend of Below]	0.82%	4.83%	4.09%	8.07%
High Yield	<i>Barclays High Yield</i>	3.98%	4.44%	4.86%	0.54%
Credit	<i>Barclays US Credit</i>	1.50%	7.51%	6.20%	2.63%
Core Fixed Income	<i>Barclays US Agg</i>	0.62%	6.98%	5.24%	19.37%
MBS / Securitized	<i>Barclays US Securitized</i>	0.24%	4.52%	3.80%	63.54%
CLO / Bank Loan	<i>Palmer CLOSE Index</i>	2.00%	2.45%	2.96%	0.42%
Short Duration	<i>ML 90-Day LIBOR</i>	0.08%	1.56%	1.99%	3.19%
Government	<i>BofA / ML 1-3Y Treasury</i>	0.10%	3.57%	2.63%	2.24%
Industry Proxy Performance using above weights:		<b>0.41%</b>	<b>4.98%</b>	<b>4.08%</b>	

# CALL REPORT BOLI ANALYTICS

The overall effective RW for SA BOLI was ~38%; however, many banks default to 100%.

- Using the Q3 category weights and proxy portfolios, **MBSA estimates a ~29%** effective risk-weight for SA BOLI in our Study using the Basel III Standardized Approach

## All Banks

	# of Banks	GA BOLI (\$B)	Hybrid BOLI (\$B)	SA BOLI (\$B)	SA Exposure (\$B)	SA RWA (\$B)	Total RWA / Total Exposure	Average Bank RW%
<b>Current Q</b>	<b>3,279</b>	<b>95.4</b>	<b>18.9</b>	<b>90.2</b>	<b>98.5</b>	<b>37.3</b>	<b>37.9%</b>	<b>85.0%</b>
Last Q	3,295	93.9	18.8	90.4	101.7	40.3	39.6%	90.1%
1 year ago	3,386	90.1	18.6	89.1	99.4	37.5	37.7%	86.2%
3 years ago	3,647	80.3	18.3	87.9	100.2	40.3	40.3%	90.4%

Bank RW% median and mode were 100% for all periods

## \$25B+ Banks

	# of Banks	GA BOLI (\$B)	Hybrid BOLI (\$B)	SA BOLI (\$B)	SA Exposure (\$B)	SA RWA (\$B)	Total RWA / Total Exposure	Average Bank RW%
<b>Current Q</b>	<b>87</b>	<b>58.6</b>	<b>12.6</b>	<b>86.1</b>	<b>93.3</b>	<b>33.4</b>	<b>35.8%</b>	<b>55.5%</b>
Last Q	85	57.3	12.6	86.3	93.5	33.9	36.2%	57.0%
1 year ago	78	53.4	11.9	84.6	91.4	31.5	34.5%	53.7%
3 years ago	69	46.4	11.2	81.5	87.7	31.6	36.1%	77.0%

For larger banks, the mode Bank RW% is still 100%, but median drops to ~38%



## FOOTNOTES / DISCLAIMERS

1. Regarding industry coverage;
  - Some of the data included in the study may include portfolios that are comingled with corporations or non-banking entities
  - Some of the missing assets may include equity portfolios, which are excluded from this study
2. “Reallocations” assumed by significant changes in categorical weights without a parallel change in total assets. May or may not reflect any actual reallocation activity.

\*Call Report Data may include BHC data from Y-9C Reports

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