



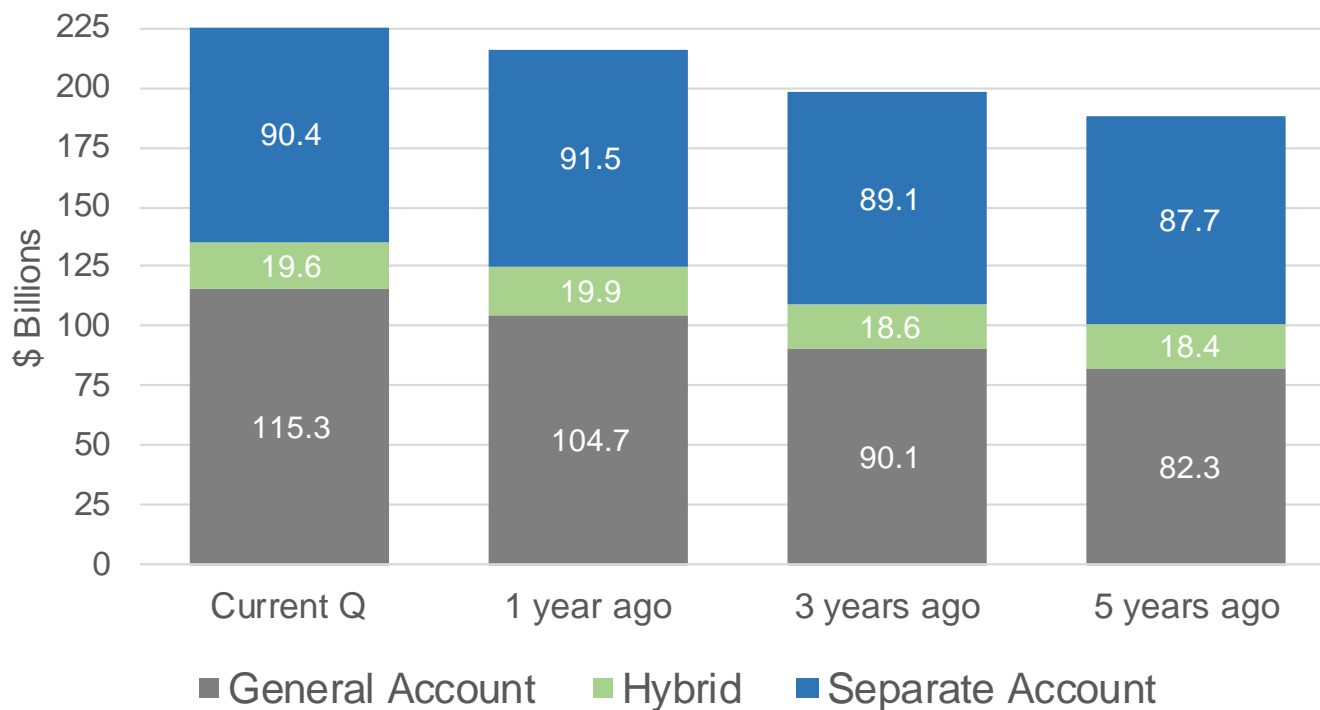
# BOLI INDUSTRY ANALYTICS & ALLOCATIONS

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

2022-Q3

# BANK CALL REPORT BOLI BREAKDOWN

Banks reported \$225.4 billion of BOLI in 2022-Q3, of which \$90.4 billion was SA



# STUDY PURPOSE AND BACKGROUND

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

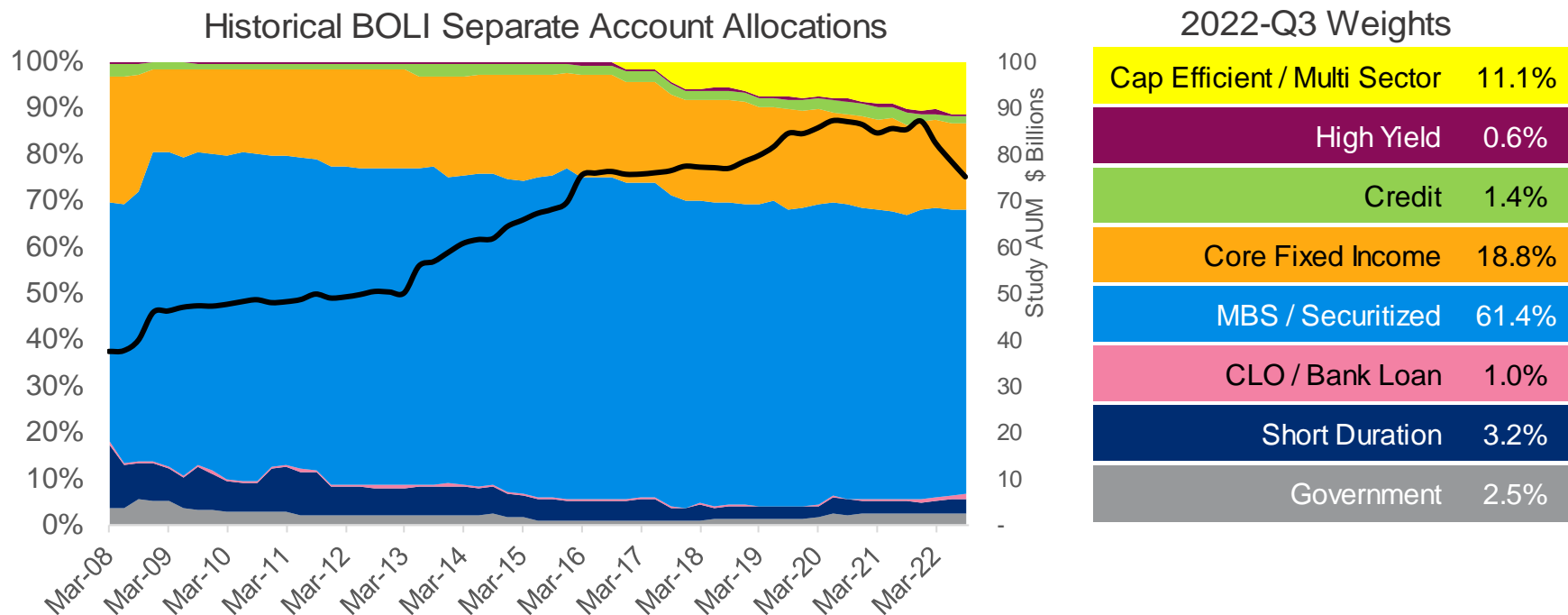
- Gathered SA BOLI AUM data is categorized into portfolio types
  - Capital Efficient / Multi-Sector / Target RW
  - High Yield
  - Credit
  - Core Fixed Income
  - MBS / Securitized (ABS / CMBS)
  - CLO / Bank Loan
  - Short Duration
  - Government
- Portfolio types represent full portfolio MVs and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

Currently comprises \$75 billion – a massive share of the industry<sup>1</sup>

# HISTORICAL BOLI/COLI SEPARATE ACCOUNT ALLOCATIONS

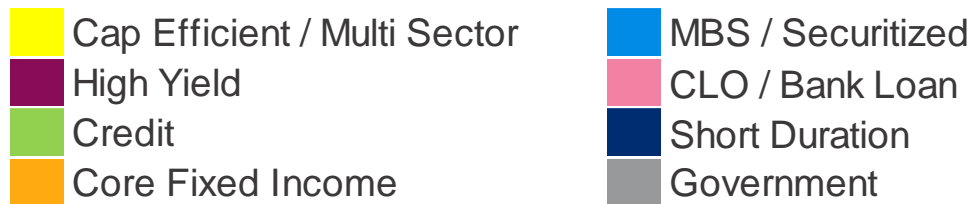
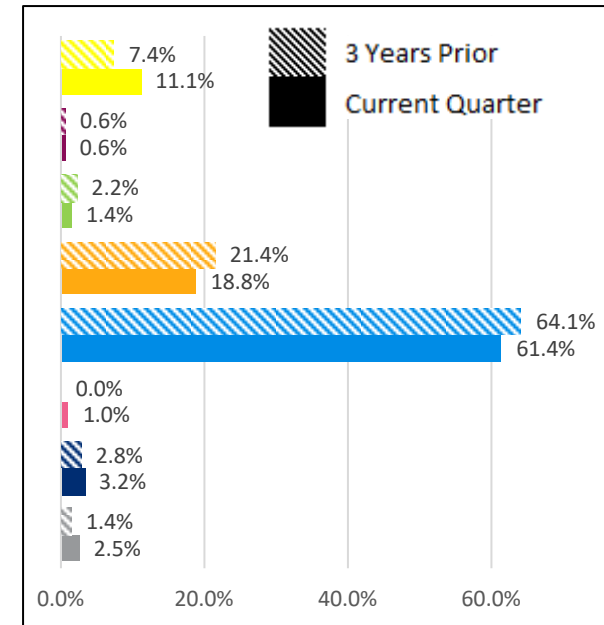
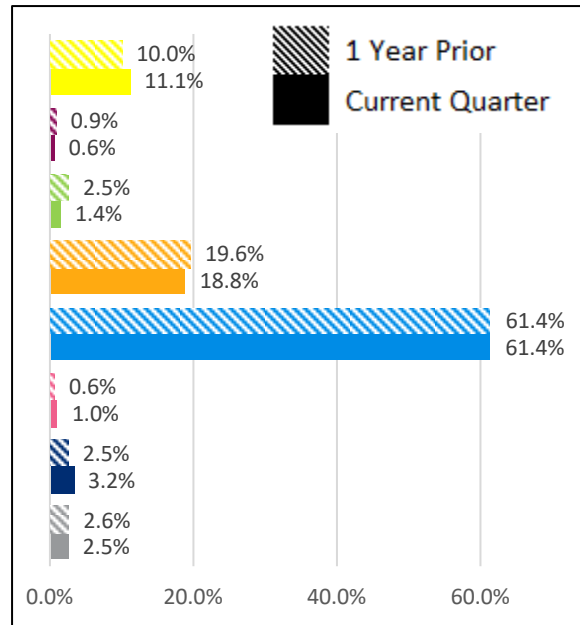
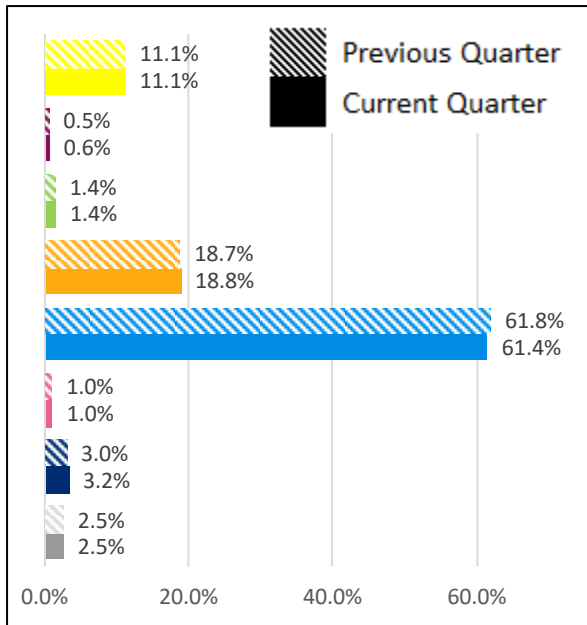
Historically, allocations have been dominated by MBS / Securitized portfolios. More recently, capital efficient / multi-sector type portfolios have gained a solid share.

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



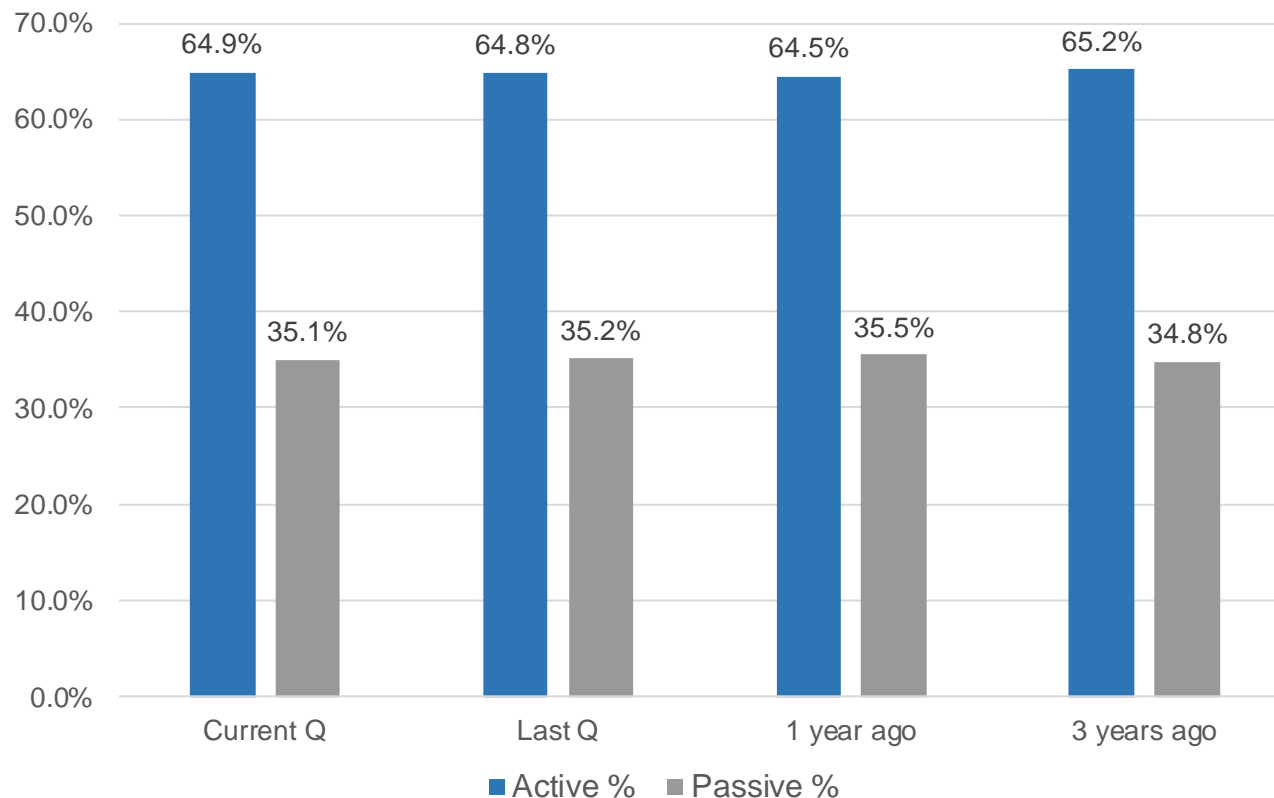
# SEPARATE ACCOUNT ALLOCATION CHANGES

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 \$75 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 -4.50% while the stable value proxy was 0.39%

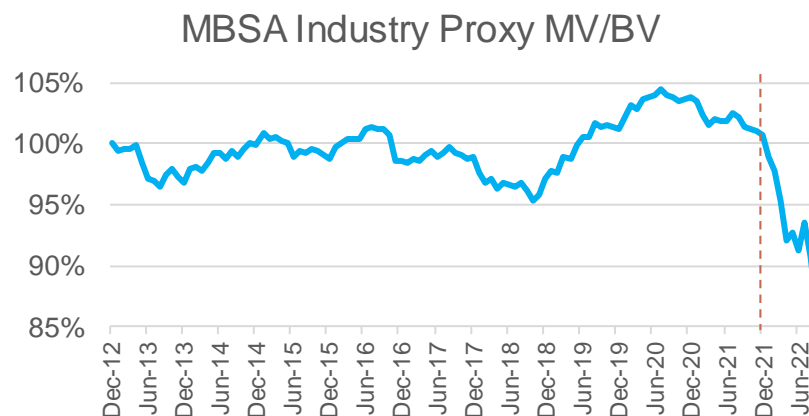
	Benchmark	Quarter	1-Year	3-Year	5-Year	Weights
Cap Efficient / Multi Sector	[Proxied By Blend of Below]	-2.75%	-9.90%	-1.39%	0.78%	11.09%
High Yield	<i>Bloomberg High Yield</i>	-0.76%	-13.50%	-0.88%	1.46%	0.57%
Credit	<i>Bloomberg US Credit</i>	-4.95%	-17.89%	-3.61%	-0.05%	1.44%
Core Fixed Income	<i>Bloomberg US Agg</i>	-4.75%	-14.60%	-3.26%	-0.27%	18.78%
MBS / Securitized	<i>Bloomberg US Securitized</i>	-5.20%	-13.79%	-3.52%	-0.80%	61.38%
CLO / Bank Loan	<i>Palmer CLOSE Index</i>	0.42%	-1.20%	1.14%	1.96%	0.99%
Short Duration	<i>ICE BofA USD 3M DOR</i>	0.40%	0.41%	0.72%	1.31%	3.25%
Government	<i>BofA / ML 1-3Y Treasury</i>	-1.56%	-4.86%	-0.48%	0.57%	2.51%
Industry Proxy MV Performance using rolling weights:		<b>-4.50%</b>	<b>-12.88%</b>	<b>-2.95%</b>	<b>-0.36%</b>	
Industry Proxy Stable Value Performance:		<b>0.39%</b>	<b>1.88%</b>	<b>2.22%</b>	<b>2.36%</b>	

# INDUSTRY MV/BV RATIO DEVELOPMENTS

With continued yield *increases*, MV/BV ratios continued to *decline* – resulting in some breeches of SVP contractual thresholds (e.g., write-downs or forced reallocations)

- MBSA requested and compiled market value and book value data from carriers (each provided in the aggregate) to begin monitoring the overall MV/BV ratios of BOLI allocations
- Additionally, using our proxy MV and BV performance monitoring from the prior page, we calculate a proxy overall MV/BV ratio for the industry

	<b>Carrier Aggregate MV/BV</b>	<b>MBSA Industry Proxy MV/BV</b>
12/31/2021	<b>100.9%</b>	<b>100.9%</b>
3/31/2022	<b>95.1%</b>	<b>95.5%</b>
6/30/2022	<b>91.1%</b>	<b>91.2%</b>
9/30/2022	<b>86.7%</b>	<b>86.7%</b>



- As of 2022-Q3, the total MV in the carrier aggregate values above was ~52 billion
- The aggregate carrier ratios compare closely to our industry proxy MV and stable value performance values



# 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 the industry **could achieve a ~27%** effective risk-weight 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>3,220</b>	<b>115.3</b>	<b>19.6</b>	<b>90.4</b>	<b>98.6</b>	<b>37.7</b>	<b>38.2%</b>	<b>86.8%</b>
Last Q	3,223	113.2	19.7	91.2	103.4	42.0	40.6%	90.9%
1 year ago	3,260	104.7	19.9	91.5	100.8	39.4	39.1%	85.6%
3 years ago	3,386	90.1	18.6	89.1	99.4	37.5	37.7%	86.2%

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>89</b>	<b>70.9</b>	<b>13.7</b>	<b>86.9</b>	<b>93.3</b>	<b>33.6</b>	<b>36.0%</b>	<b>59.1%</b>
Last Q	89	69.4	13.8	87.7	95.5	35.5	37.2%	58.0%
1 year ago	92	62.8	13.8	87.7	95.8	35.6	37.1%	60.1%
3 years ago	78	53.4	11.9	84.6	91.4	31.5	34.5%	53.7%

For larger banks, the mode Bank RW% is still 100%, but median drops to ~53%

## 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
  - Data included in the study is Market Value. In bank call reports, wrapped BOLI is reported at Book value.
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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