



Evolving Trends in Bank-Owned Life Insurance Market

Complimentary Edition – 2021-Q1

June 2021

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Economic Backdrop

Economic Updates

Federal Reserve Comments on Economy

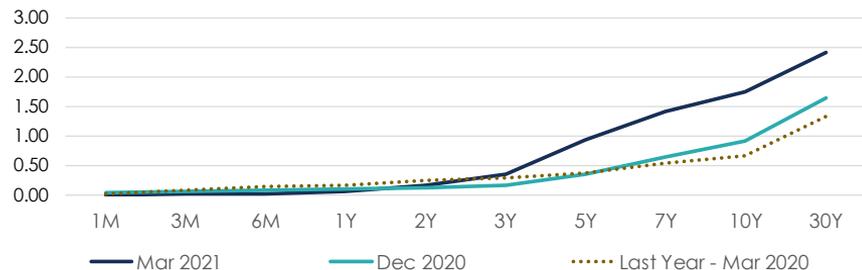
- During the April 28 FOMC meeting, the Committee voted to keep rates unchanged at the 0% to 0.25% range. The [FOMC statement](#) notes that sectors most adversely affected by the pandemic remain weak but have shown improvement.
- The April consumer price index rose 4.2% from the prior year and exceeded the survey estimates of 3.6%.

Inflation Data

- The year-over-year CPI index was 5% for May 2021. This exceeded the Bloomberg survey estimate of 4.7%. The 5% increase was the largest increase since 2008. Energy and automobiles saw the largest year-over-year price increases.

Financial Markets Update

US Treasury Yields



	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y
Mar 2021	0.00	0.02	0.03	0.06	0.16	0.35	0.94	1.42	1.74	2.41
Dec 2020	0.04	0.07	0.09	0.11	0.12	0.17	0.36	0.65	0.92	1.65
Q Change	-0.04	-0.05	-0.05	-0.05	0.04	0.18	0.58	0.78	0.83	0.77
Mar 2020	0.02	0.09	0.15	0.16	0.25	0.30	0.38	0.54	0.67	1.32
Year Change	-0.02	-0.07	-0.12	-0.10	-0.09	0.05	0.56	0.88	1.07	1.09

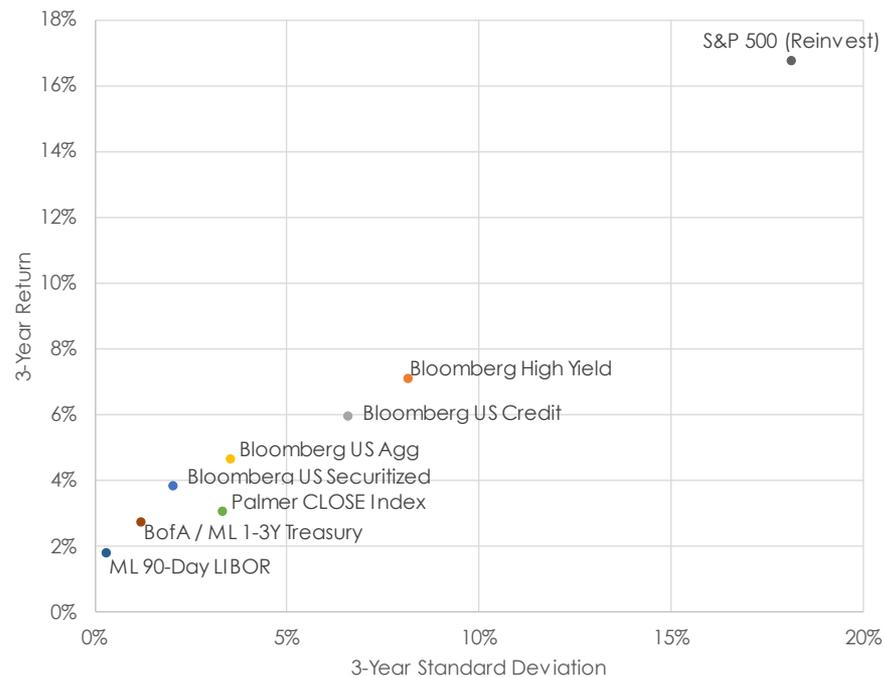
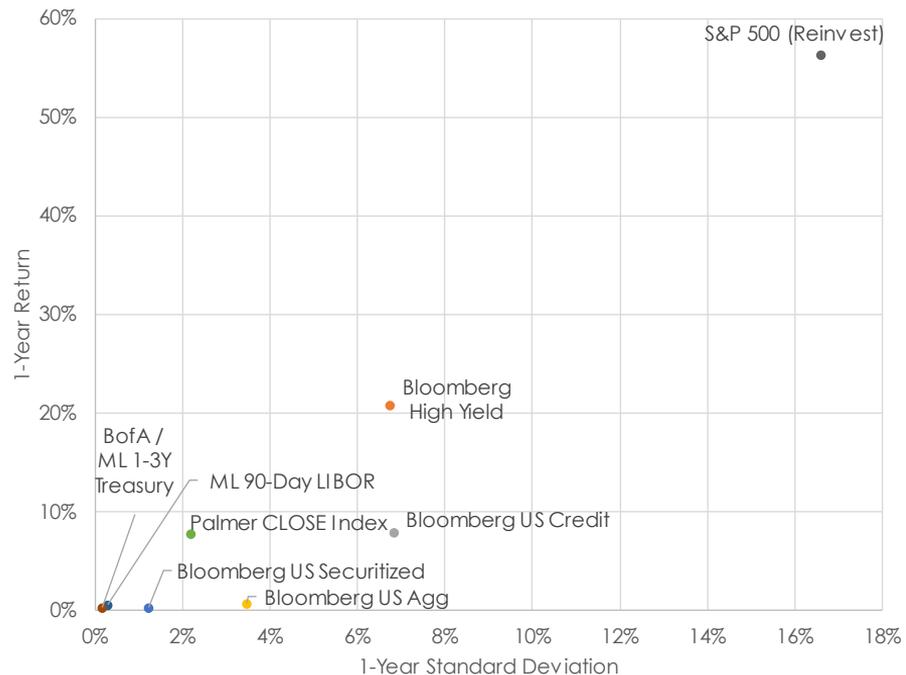
Sector Performance (As of Q1)

	YTW	Duration	OAS*	3M Return	12M Return	3Y Return	5Y Return
Treasuries	1.00%	6.79	-0.01%	-4.25%	-4.43%	4.08%	2.23%
Corporate	2.28%	8.48	0.91%	-4.65%	8.73%	6.19%	4.91%
CMBS	1.71%	5.22	0.71%	-2.32%	4.36%	5.30%	3.50%
ABS	0.56%	2.08	0.35%	-0.16%	4.57%	3.67%	2.56%
Credit Card ABS	0.61%	2.53	0.26%	-0.52%	3.75%	3.64%	2.46%
Auto ABS	0.53%	1.88	0.38%	0.04%	5.03%	3.61%	2.64%
Agency MBS	1.82%	4.09	0.12%	-1.10%	-0.09%	3.74%	2.43%
GNMA	1.78%	3.40	0.06%	-0.98%	-0.36%	3.60%	2.22%
FHLHC	1.84%	4.38	0.12%	-1.21%	-0.10%	3.79%	2.51%
FNMA	1.84%	4.25	0.14%	-1.08%	0.11%	3.83%	2.52%
Palmer CLO AAA	1.43%	1.37	1.07%	0.42%	6.60%	2.95%	3.06%

*Discount Margin

	3M Return	12M Return	3Y Return	5Y Return
SP 500 (Reinvest)	6.17%	56.35%	16.74%	16.30%
Energy	30.85%	75.16%	-5.47%	-0.75%
Materials	9.08%	78.29%	13.96%	14.31%
Industrials	11.41%	69.61%	12.11%	13.72%
Consumer Discretionary	3.11%	70.29%	19.77%	17.88%
Consumer Staples	1.15%	28.38%	12.11%	8.21%
Health Care	3.18%	34.04%	15.06%	13.61%
Financials	15.99%	67.50%	9.76%	15.67%
IT	1.97%	66.61%	28.48%	27.64%
Telecom	8.08%	60.88%	18.74%	10.15%
Utilities	2.80%	19.42%	11.98%	8.92%

1 & 3-Year Benchmark Risk/Return Plots

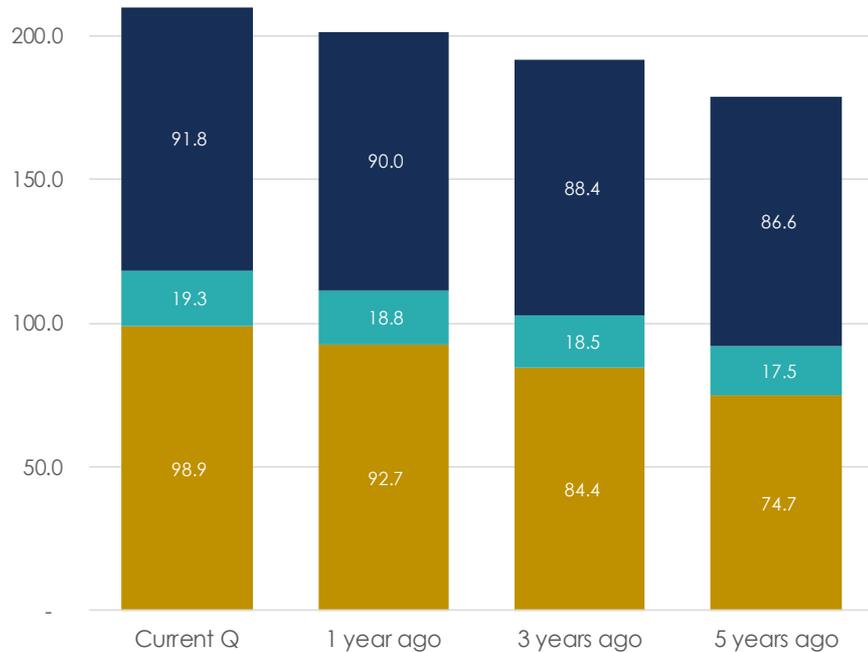


Data as of 2021-Q1

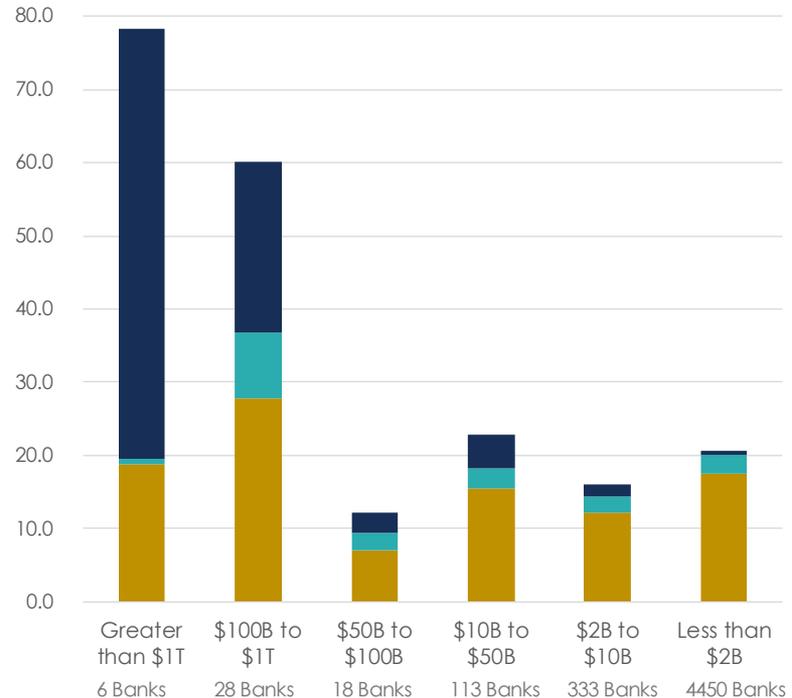
Recent Trends in BOLI

BOLI Market Overview as of 2021-Q1

Total BOLI (\$B) by Type



Current BOLI Type by Institution Total Asset Size



Institutions represent Bank Holding Companies and Stand-Alone Savings & Loans and Banks

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SA

GA

Hybrid

BOLI Market Overview as of 2021-Q1

Bank Size	Number of Banks ¹	% Owning BOLI	Total Assets (Billions)	GA BOLI (Billions)	Hybrid BOLI (Billions)	SA BOLI (Billions)	Total BOLI (Billions)	BOLI / Capital	BOLI / Assets
Greater than \$1 Trillion	6	100%	13,393	18.9	0.6	58.9	78.4	7.62%	0.59%
\$100 Billion to \$1 Trillion	28	79%	6,880	27.9	8.9	23.3	60.1	9.54%	0.87%
\$50 Billion to \$100 Billion	18	89%	1,347	7.1	2.2	2.9	12.2	8.58%	0.91%
\$10 Billion to \$50 Billion	113	85%	2,478	15.5	2.8	4.6	22.8	9.26%	0.92%
\$2 Billion to \$10 Billion	363	81%	1,498	12.1	2.2	1.7	16.0	9.67%	1.07%
Less than \$2 Billion	4,450	64%	1,791	17.5	2.5	0.5	20.6	10.35%	1.15%
TOTALS	4,978	66%	27,388	98.9	19.3	91.8	210.0	8.71%	0.77%

¹ The number of banks represents the number of Top Bank Holding Companies and Stand-Alone Savings & Loan and Banking Institutions. A Bank Holding Company may have several subsidiary banks, but they are not counted individually in this figure.

NEED CUSTOM PEER BANK REPORTS?

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BOLI Risk-Weighted Assets Analysis

Bank Size	Number of Banks ¹	% Owning BOLI	SA Exposure (\$B)	SA RWA (\$B)	Total RWA / Total Exposure	Average Bank RW%
Greater than \$1 Trillion	6	100%	59.0	19.3	32.7%	33.1%
\$100 Billion to \$1 Trillion	28	79%	28.0	11.2	39.9%	56.1%
\$50 Billion to \$100 Billion	18	89%	4.6	3.4	73.8%	63.1%
\$10 Billion to \$50 Billion	113	85%	6.1	3.6	59.7%	78.7%
\$2 Billion to \$10 Billion	363	81%	2.1	1.6	78.3%	82.0%
Less than \$2 Billion	4,450	64%	0.7	0.6	85.8%	95.9%
Total	4,978	66%	100.4	39.7	39.5%	85.1%

Observations

- Bank RW% Median and Mode are both 100%, indicating most banks are defaulting to 100%
- Using category weights from our BOLI Allocations Study, MBSA estimates a ~28% effective risk-weight for the SA industry using the Basel III Standardized Approach
- The largest banks account for over half of SA Exposure, yet achieve lower RW%

Recent BOLI Transaction Counts & Totals

Movement or Transactions of \$10M or More

Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2021-Q1	15	1,072	10	213	25	1,286	1	-44	2	-22	3	-66
1-Year	36	2,181	44	1,183	80	3,364	1	-44	7	-321	8	-365
3-Year	71	5,136	103	2,716	174	7,852	5	-151	19	-776	24	-927
5-Year	158	7,834	180	4,790	338	12,624	8	-278	25	-1,030	33	-1,308
SA												
2021-Q1	0	0	1	16	1	16	1	-44	1	-11	2	-55
1-Year	1	60	4	377	5	437	1	-44	3	-119	4	-163
3-Year	2	78	10	700	12	779	3	-105	8	-364	11	-469
5-Year	4	118	18	975	22	1,093	4	-145	12	-521	16	-666
GA												
2021-Q1	15	1,072	9	198	24	1,270	0	0	1	-11	1	-11
1-Year	35	2,121	40	806	75	2,927	0	0	4	-202	4	-202
3-Year	68	5,054	92	1,999	160	7,053	1	-4	11	-412	12	-416
5-Year	151	7,678	159	3,771	310	11,448	3	-92	13	-509	16	-600
HYBRID												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	1	4	1	16	2	20	1	-42	0	0	1	-42
5-Year	3	38	3	44	6	82	1	-42	0	0	1	-42

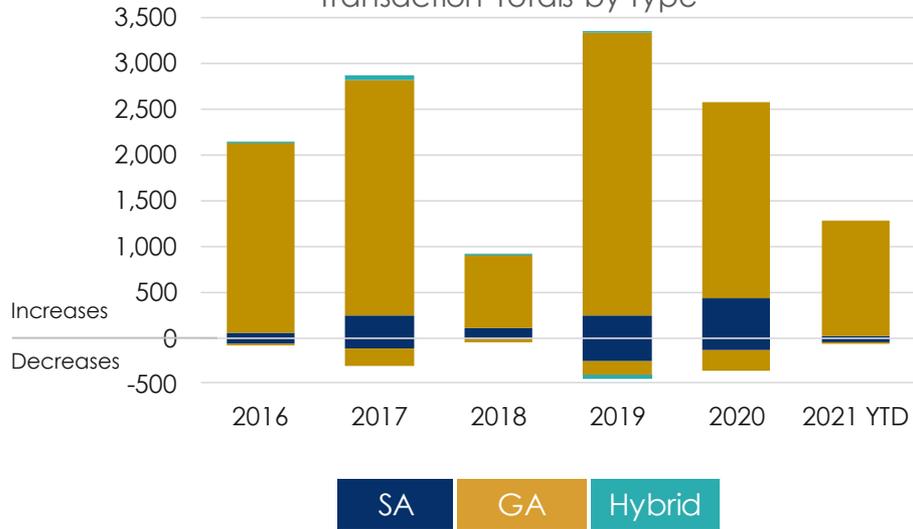
Listings of activity by institution are available upon request

Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Recent BOLI Transactions

Movement or Transactions of \$10M or More

Transaction Totals by Type



Recent Notable Purchases

- In 2021-Q1 Citizens Bank purchased \$375 million of GA
- In 2021-Q1 First Republic purchased \$252 million of GA
- In 2021-Q1 Great Western purchased \$100 million of GA
- In 2020-Q4 Morgan Stanley's SA increased ~\$306 million
- In 2020-Q3 BCB Comm. Bank purchased \$60 million of SA
- In 2020-Q1 Synovus Bank purchased \$250 million of GA

Recent Notable Surrenders

- In 2021-Q1 Hancock Whitney surrendered \$44 million of SA and purchased \$45 million of GA
- In 2020-Q4 Regions performed an **exchange** of SA for GA; MBSA estimates the exchange ~\$250 million
- In 2019-Q3 WSFS surrendered \$59 million of BOLI after acquiring an institution with \$83 million in BOLI in Q1

BOLI Transactions by Type and Bank Size

Movement or Transactions of \$10M or More



SA

GA

Hybrid

Listing of activity by institution are available upon request

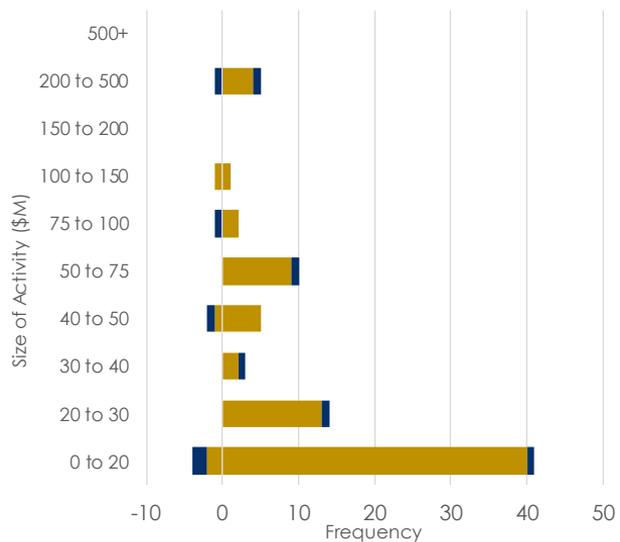
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Frequency of BOLI Transaction Sizes

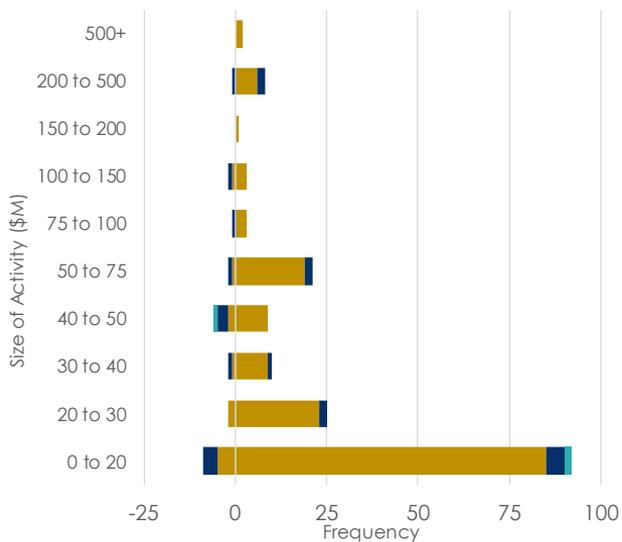
Movement or Transactions of \$10M or More

- Over the past 5 years, over 68% of transactions have been below \$30 Million, while 6% are over \$100 million

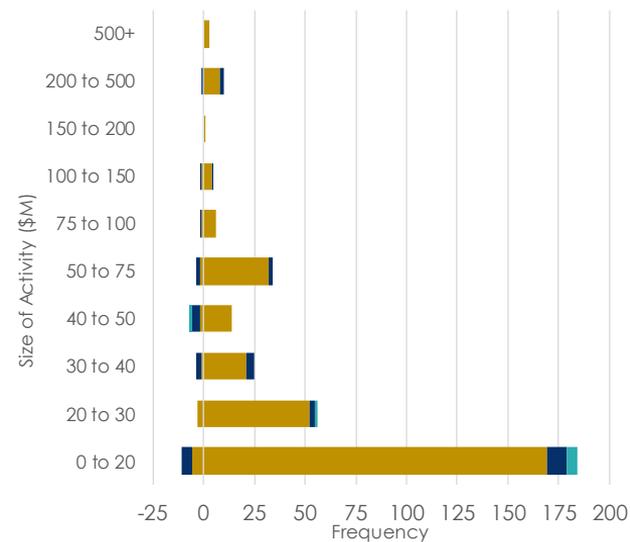
1-Year



3-Year



5-Year



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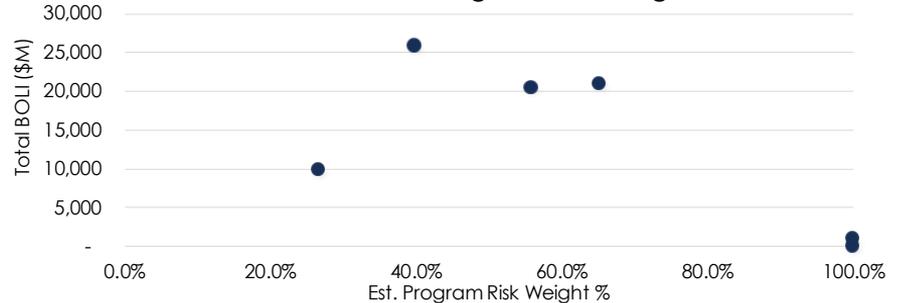
Market Analytics By Bank Size

Banks with over \$1T in Total Assets

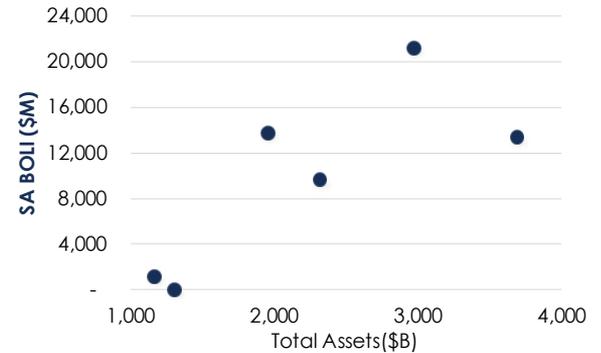
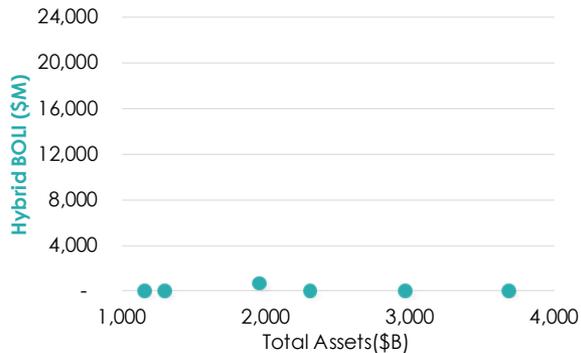
6 of 6 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	18,855	638	58,874	78,367	8%
Average	3,143	106	9,812	13,061	6%
Last Q # of Increases	-	-	-	-	
Increase Total (\$M)	-	-	-	-	
Last Q # of Decreases	-	-	-	-	
Decrease Total (\$M)	-	-	-	-	

Total BOLI vs Est. Program Risk Weight



Types of BOLI by Bank Asset Size



Recent BOLI Transaction Counts & Totals

Banks with over \$1T in Total Assets

Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	1	306	1	306	0	0	0	0	0	0
3-Year	0	0	1	306	1	306	0	0	0	0	0	0
5-Year	0	0	1	306	1	306	0	0	0	0	0	0
SA												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	1	306	1	306	0	0	0	0	0	0
3-Year	0	0	1	306	1	306	0	0	0	0	0	0
5-Year	0	0	1	306	1	306	0	0	0	0	0	0
GA												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	0	0	0	0	0	0	0	0	0	0	0	0
5-Year	0	0	0	0	0	0	0	0	0	0	0	0
HYBRID												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	0	0	0	0	0	0	0	0	0	0	0	0
5-Year	0	0	0	0	0	0	0	0	0	0	0	0

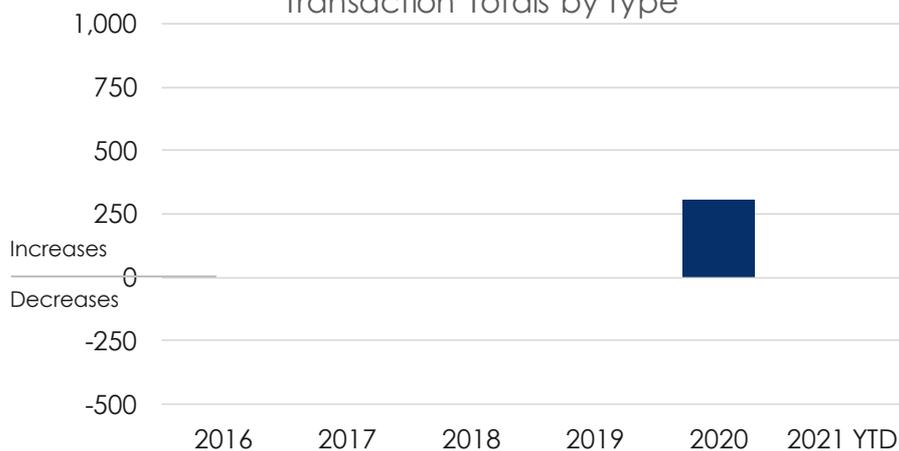
Listings of activity by institution are available upon request

Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Recent BOLI Transactions

Banks with over \$1T in Total Assets

Transaction Totals by Type



SA

GA

Hybrid

Current Quarter Activity

- [None observed]

Recent Notable Actions

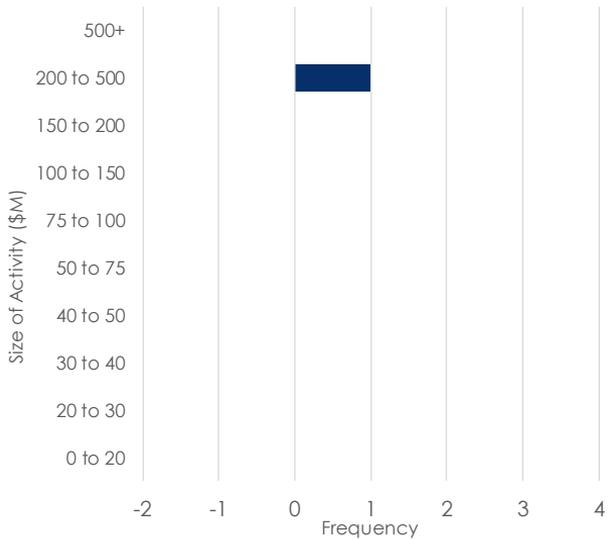
- In 2020-Q4, Morgan Stanley's SA BOLI increased by ~\$306 million

Frequency of BOLI Transaction Sizes

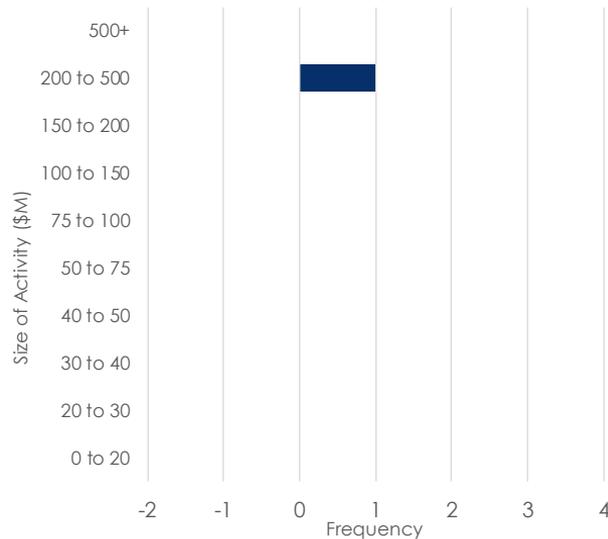
Banks with over \$1T in Total Assets

- While they own over a third of all BOLI, MBSA has only tracked one purchase over the last 5 years for \$1 Trillion+ banks

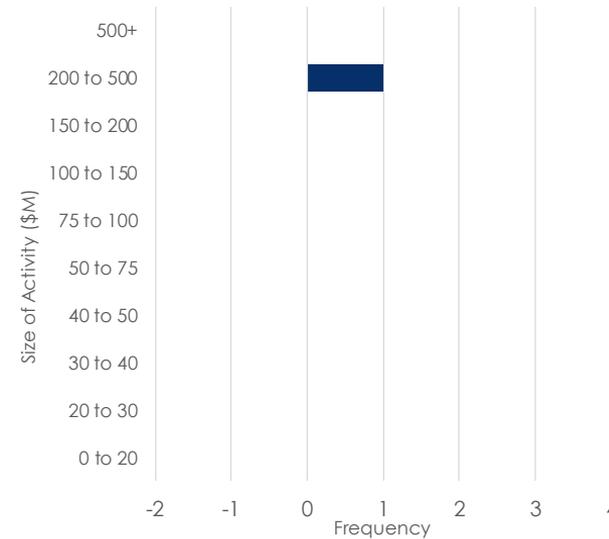
1-Year



3-Year



5-Year



Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

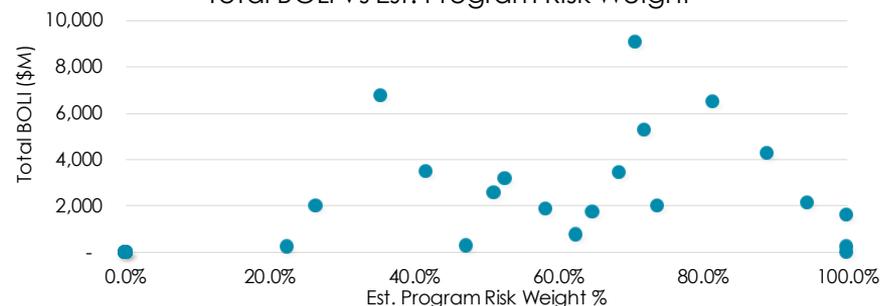
Market Analytics By Bank Size

Banks with \$100B to \$1T in Total Assets

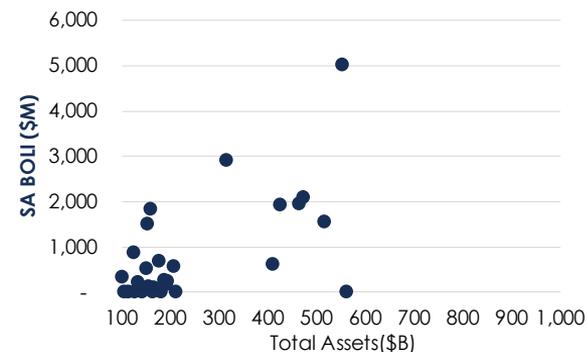
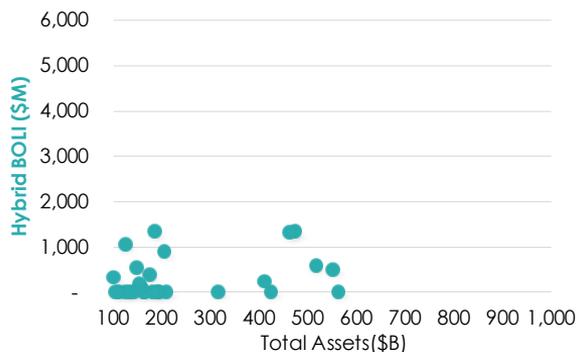
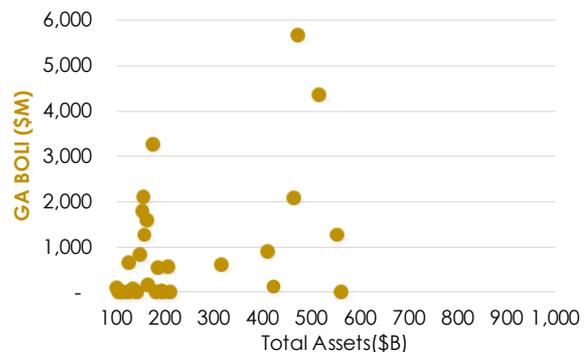
22 of 28 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	27,867	8,910	23,287	60,065	10%
Average	995	318	832	2,145	22%
Last Q # of Increases	2	-	-	2	
Increase Total (\$M)	628	-	-	628	
Last Q # of Decreases	-	-	1	1	
Decrease Total (\$M)	-	-	(11)	(11)	

Total BOLI vs Est. Program Risk Weight



Types of BOLI by Bank Asset Size



Recent BOLI Transaction Counts & Totals

Banks with \$100B to \$1T in Total Assets

Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2021-Q1	2	628	0	0	2	628	0	0	1	-11	1	-11
1-Year	4	1,193	0	0	4	1,193	0	0	3	-237	3	-237
3-Year	8	2,912	1	205	9	3,117	0	0	4	-284	4	-284
5-Year	8	2,912	4	770	12	3,682	0	0	5	-354	5	-354
SA												
2021-Q1	0	0	0	0	0	0	0	0	1	-11	1	-11
1-Year	0	0	0	0	0	0	0	0	2	-104	2	-104
3-Year	1	18	1	205	2	223	0	0	2	-104	2	-104
5-Year	1	18	2	339	3	357	0	0	3	-174	3	-174
GA												
2021-Q1	2	628	0	0	2	628	0	0	0	0	0	0
1-Year	4	1,193	0	0	4	1,193	0	0	1	-133	1	-133
3-Year	7	2,894	0	0	7	2,894	0	0	2	-180	2	-180
5-Year	7	2,894	2	432	9	3,326	0	0	2	-180	2	-180
HYBRID												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	0	0	0	0	0	0	0	0	0	0	0	0
5-Year	0	0	0	0	0	0	0	0	0	0	0	0

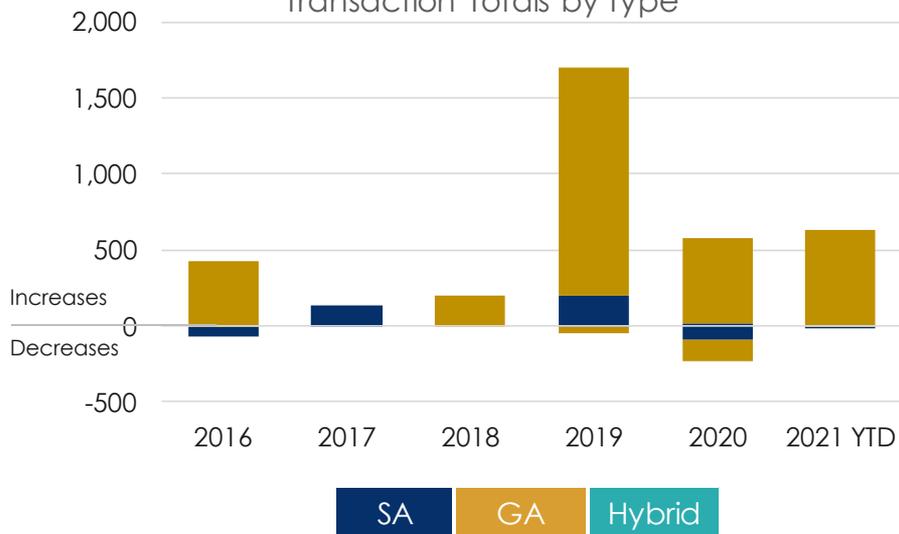
Listings of activity by institution are available upon request

Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Recent BOLI Transactions

Banks with \$100B to \$1T in Total Assets

Transaction Totals by Type



Current Quarter Activity

- Citizens Bank purchased \$375 million of GA
- First Republic purchased \$253 million of BOLI; Primarily GA, with some SA
- Capital One's SA BOLI decreased by \$11.4 million

Recent Notable Actions

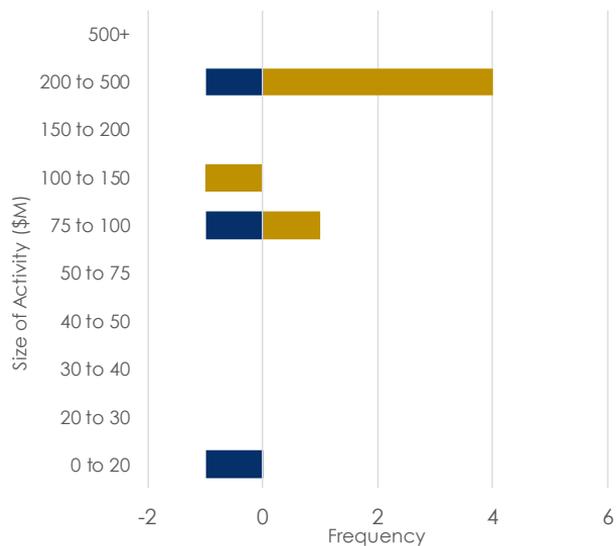
- In 2020-Q4 Regions performed an exchange of SA for GA; MBSA estimates the exchange ~\$250 million
- In 2020, First Republic purchased a total of \$565 million of GA and \$18 million of SA
- In 2019, Northern Trust purchased a total of \$1.5 billion of GA

Frequency of BOLI Transaction Sizes

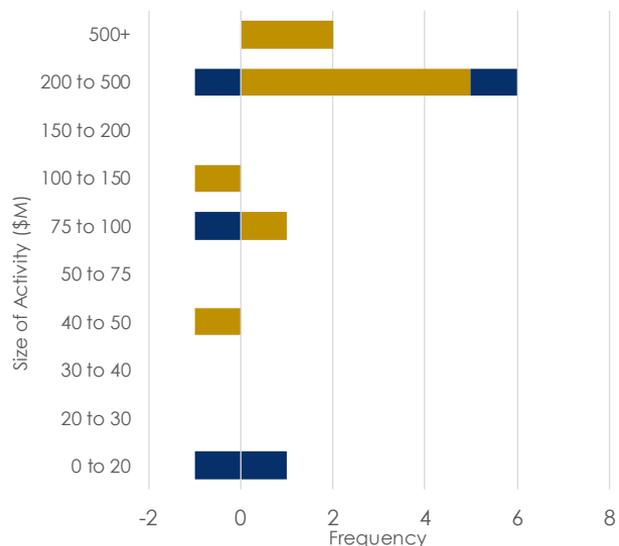
Banks with \$100B to \$1T in Total Assets

- Most recent deals for large banks have been over \$200 million, including two over \$500 million

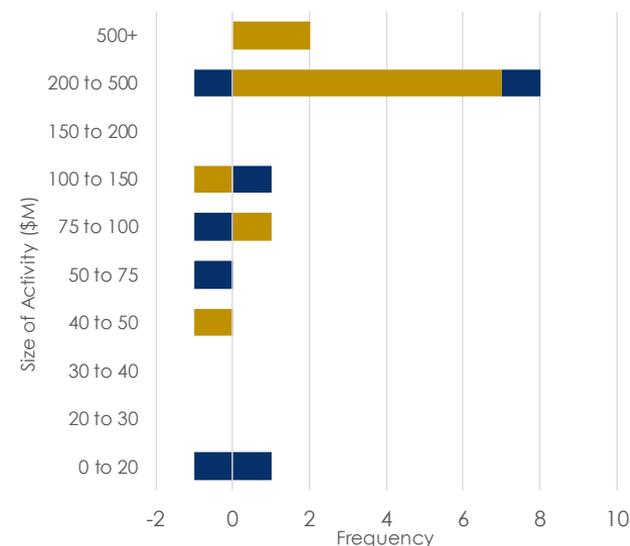
1-Year



3-Year



5-Year



Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

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SA

GA

Hybrid

Recent BOLI Transaction Counts & Totals

Banks with \$50B to \$100B in Total Assets

Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2021-Q1	0	0	1	16	1	16	0	0	0	0	0	0
1-Year	1	50	3	71	4	121	0	0	0	0	0	0
3-Year	5	505	7	322	12	827	0	0	3	-146	3	-146
5-Year	7	576	7	322	14	898	0	0	3	-146	3	-146
SA												
2021-Q1	0	0	1	16	1	16	0	0	0	0	0	0
1-Year	0	0	3	71	3	71	0	0	0	0	0	0
3-Year	0	0	4	83	4	83	0	0	3	-146	3	-146
5-Year	0	0	4	83	4	83	0	0	3	-146	3	-146
GA												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	1	50	0	0	1	50	0	0	0	0	0	0
3-Year	5	505	3	239	8	744	0	0	0	0	0	0
5-Year	7	576	3	239	10	816	0	0	0	0	0	0
HYBRID												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	0	0	0	0	0	0	0	0	0	0	0	0
5-Year	0	0	0	0	0	0	0	0	0	0	0	0

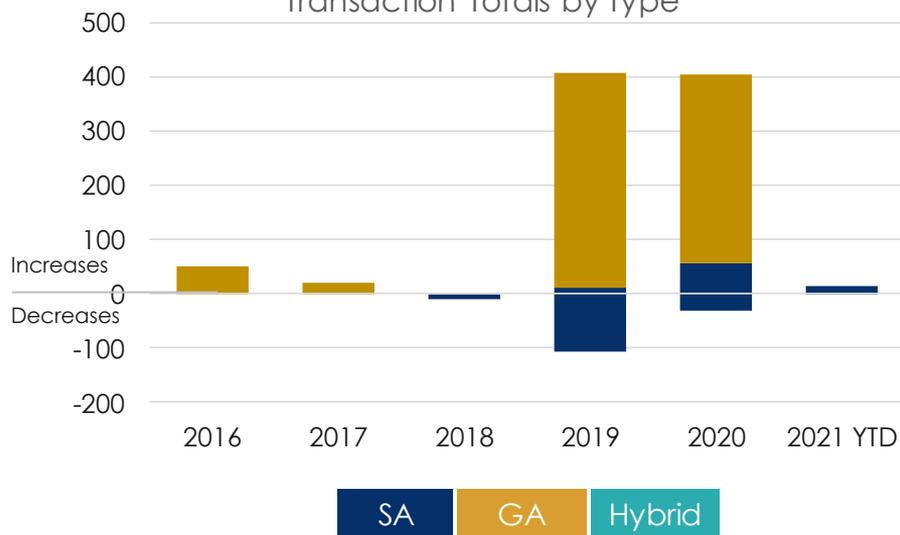
Listings of activity by institution are available upon request

Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Recent BOLI Transactions

Banks with \$50B to \$100B in Total Assets

Transaction Totals by Type



Current Quarter Activity

- City National's SA BOLI increased by ~\$16 million

Recent Notable Actions

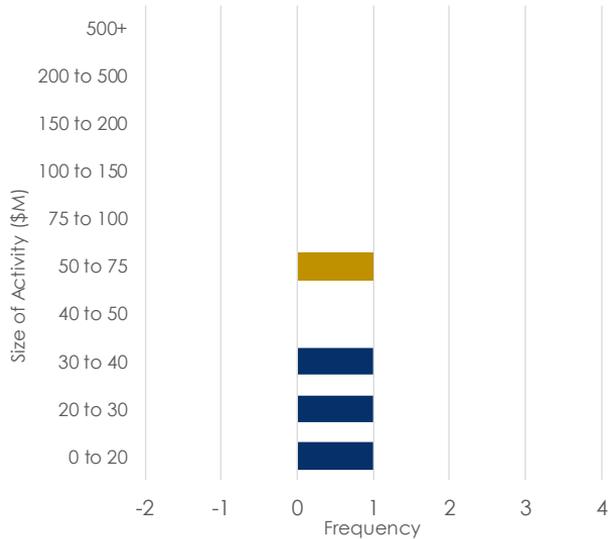
- In 2020-Q1 Synovus purchased \$250 million of GA
- In 2020 City's SA BOLI increased by ~\$67 million
- From 2019-2020 CIT Bank increased its GA by over \$300 million
- In 2019-Q4 Bank of the West's SA decreased by ~\$105 million

Frequency of BOLI Transaction Sizes

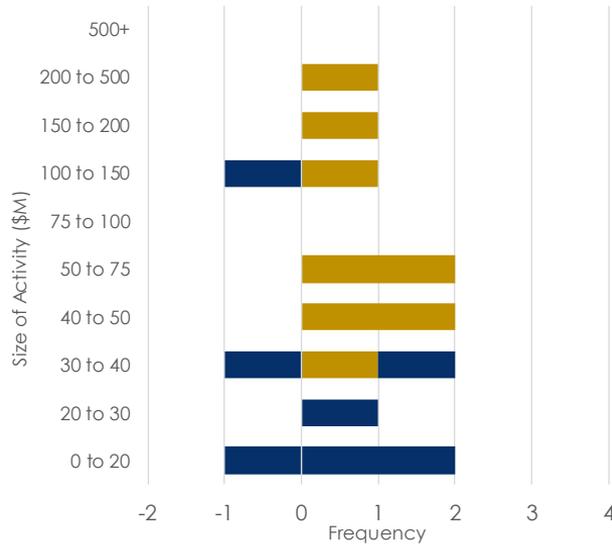
Banks with \$50B to \$100B in Total Assets

- Recent purchases have been fairly spread out in over all size

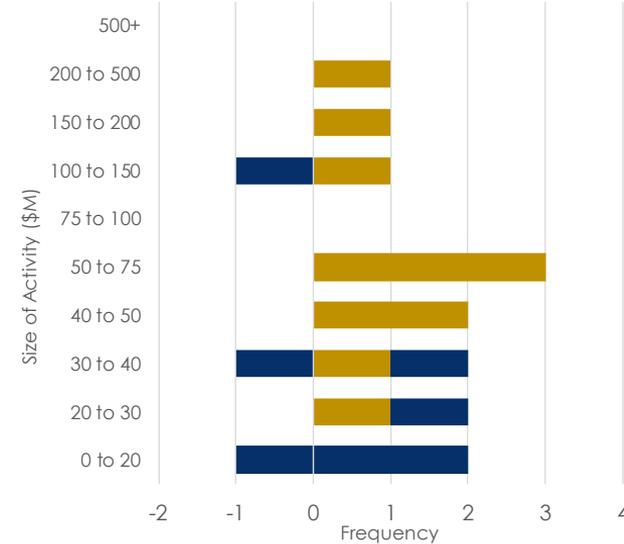
1-Year



3-Year

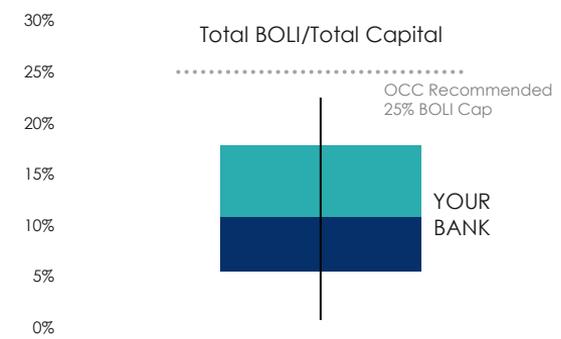
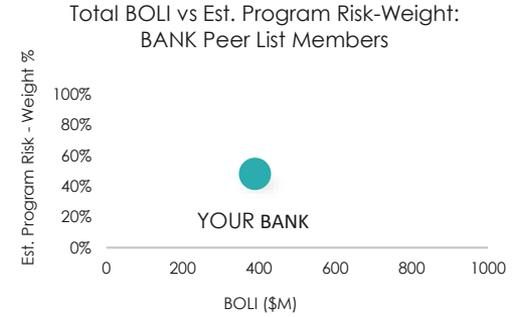
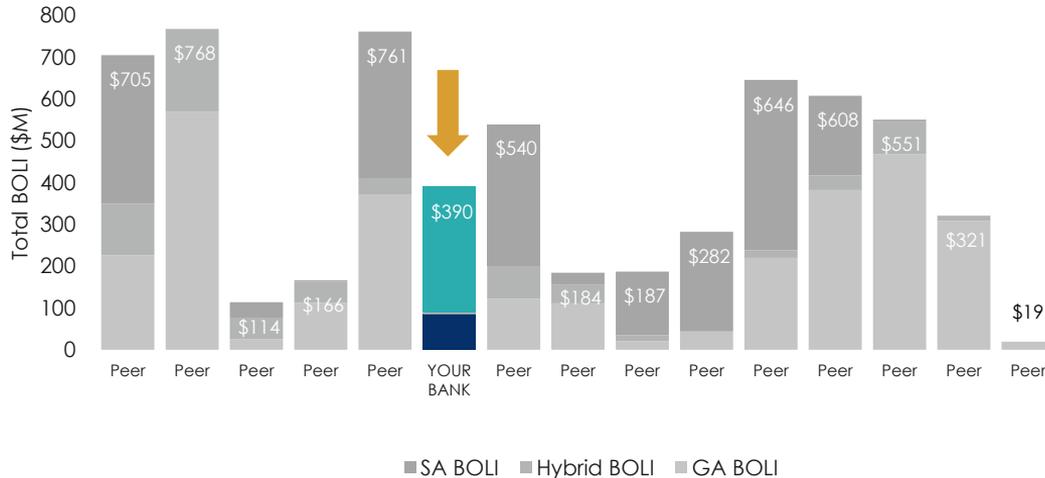


5-Year



CUSTOM PEER BANK REPORTS

- ✓ **Customizable**— Create your peer group & choose which banks to include
- ✓ **Risk Management**— Extensive peer BOLI monitoring
- ✓ **Comprehensive Updates**— Quarterly review of BOLI market activity



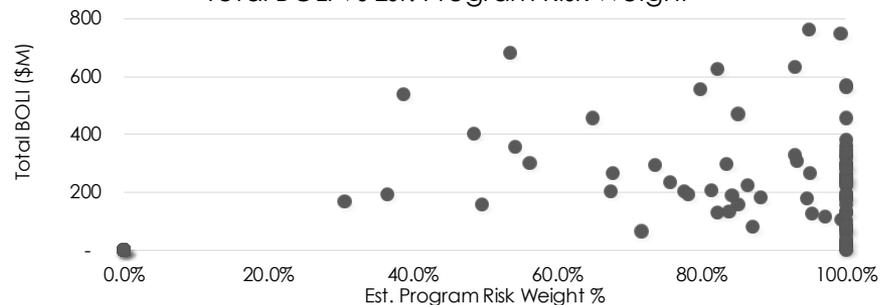
Market Analytics By Bank Size

Banks with \$10B to \$50B in Total Assets

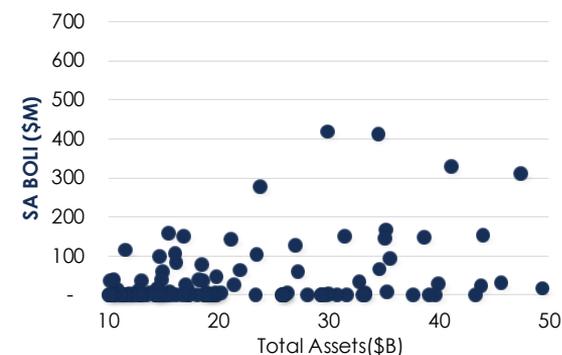
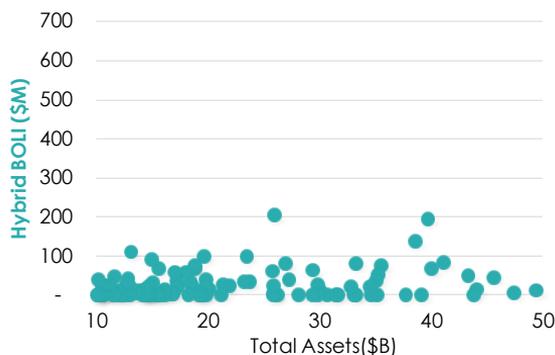
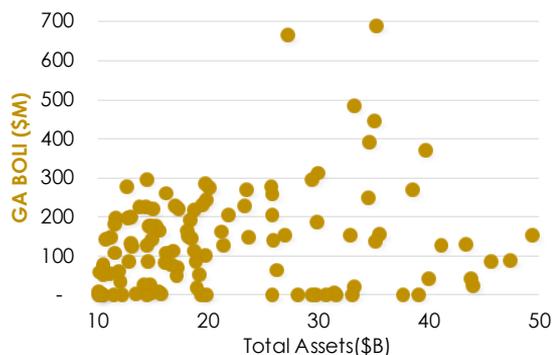
9% of 113 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	15,460	2,806	4,554	22,820	9%
Average	137	25	40	202	12%
Last Q # of Increases	4	-	-	4	
Increase Total (\$M)	242	-	-	242	
Last Q # of Decreases	-	-	1	1	
Decrease Total (\$M)	-	-	(44)	(44)	

Total BOLI vs Est. Program Risk Weight



Types of BOLI by Bank Asset Size



Recent BOLI Transaction Counts & Totals

Banks with \$10B to \$50B in Total Assets

Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2021-Q1	3	185	1	57	4	242	1	-44	0	0	1	-44
1-Year	8	421	5	254	13	674	1	-44	2	-28	3	-72
3-Year	14	766	17	738	31	1,505	5	-151	5	-162	10	-313
5-Year	42	2,435	27	1,036	69	3,471	6	-175	7	-275	13	-451
SA												
2021-Q1	0	0	0	0	0	0	1	-44	0	0	1	-44
1-Year	0	0	0	0	0	0	1	-44	1	-15	2	-59
3-Year	0	0	2	81	2	81	3	-105	3	-114	6	-219
5-Year	1	30	4	133	5	163	3	-105	4	-144	7	-249
GA												
2021-Q1	3	185	1	57	4	242	0	0	0	0	0	0
1-Year	8	421	5	254	13	674	0	0	1	-13	1	-13
3-Year	14	766	15	657	29	1,424	1	-4	2	-48	3	-52
5-Year	40	2,391	23	903	63	3,294	2	-29	3	-131	5	-160
HYBRID												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	0	0	0	0	0	0	1	-42	0	0	1	-42
5-Year	1	14	0	0	1	14	1	-42	0	0	1	-42

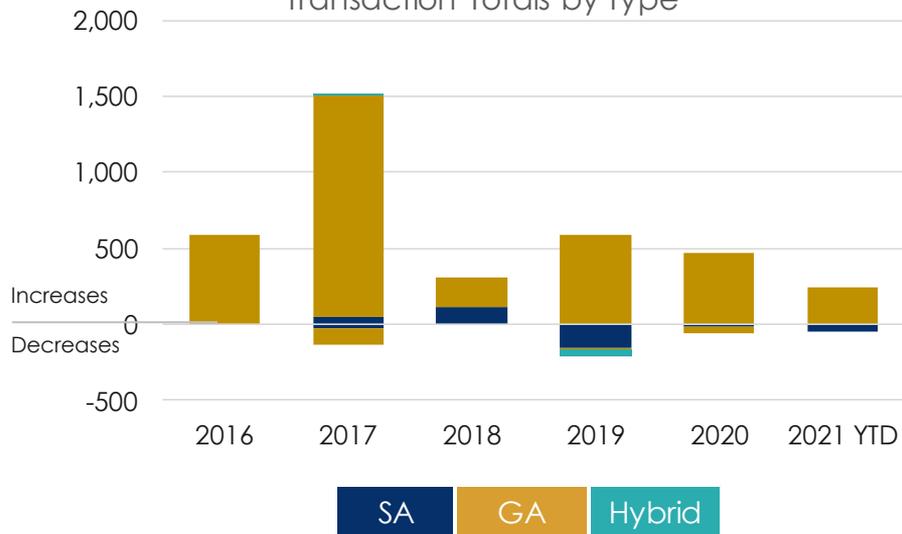
Listings of activity by institution are available upon request

Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Recent BOLI Transactions

Banks with \$10B to \$50B in Total Assets

Transaction Totals by Type



Current Quarter Activity

- Great Western purchased \$100 million of GA
- FirstBank's (TN) GA increased by ~\$57 million
- Hancock Whitney Surrendered ~\$44 million of SA
- Hancock Whitney purchased \$45 million of GA
- Rockland Trust purchased \$40 million of GA

Recent Notable Actions

- In 2020, UMB purchased a total of \$100 million of GA
- In 2019-Q3 Fulton Bank purchased \$100 million of GA
- In 2019 Apple Bank for Savings purchased a total of \$152 million of GA
- In 2018 and 2019, Pinnacle Bank purchased a total of \$163 million of GA
- In 2017-Q3, CIT Bank purchased \$650 million of GA; At the time, CIT's total assets were ~\$49B (now over \$50B)

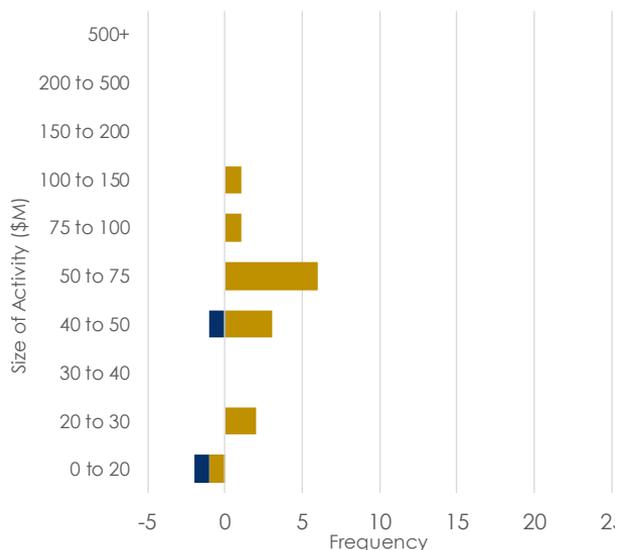
Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Frequency of BOLI Transaction Sizes

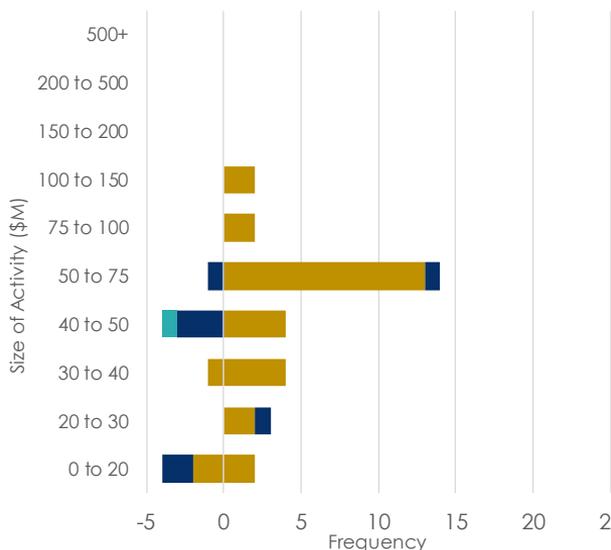
Banks with \$10B to \$50B in Total Assets

- With a few outliers, most purchases for these sized banks are under \$75 million
- Decreases have been primarily under \$50 million

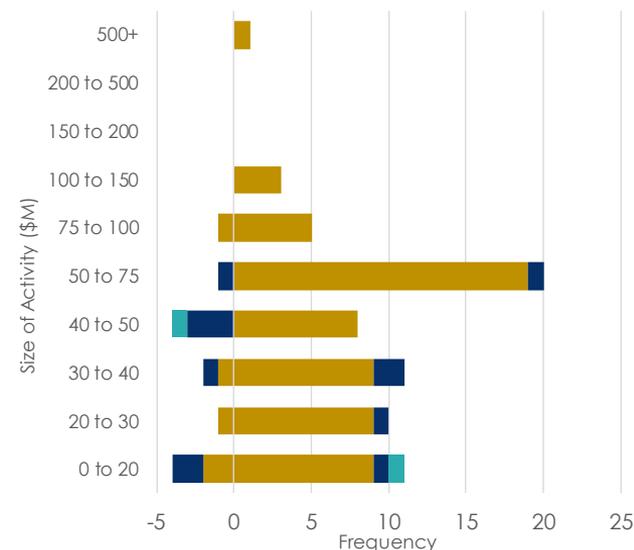
1-Year



3-Year



5-Year



Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

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SA

GA

Hybrid

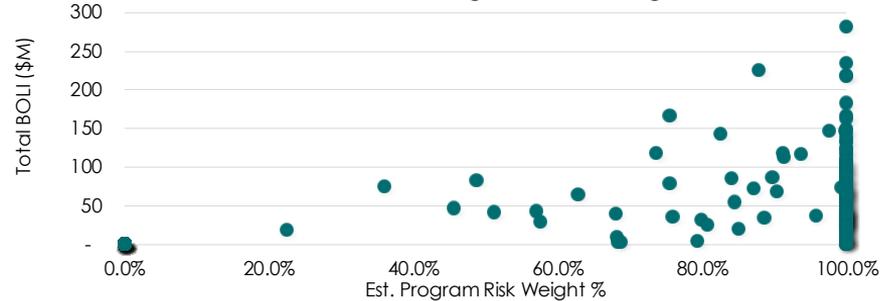
Market Analytics By Bank Size

Banks with \$2B to \$10B in Total Assets

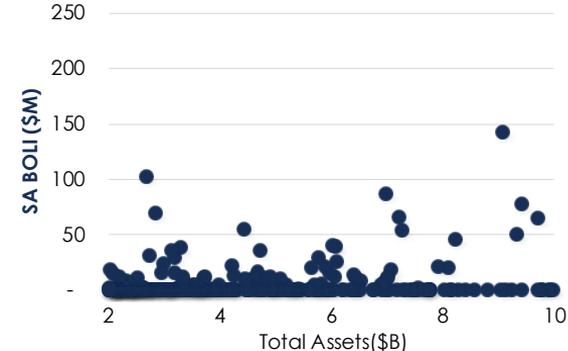
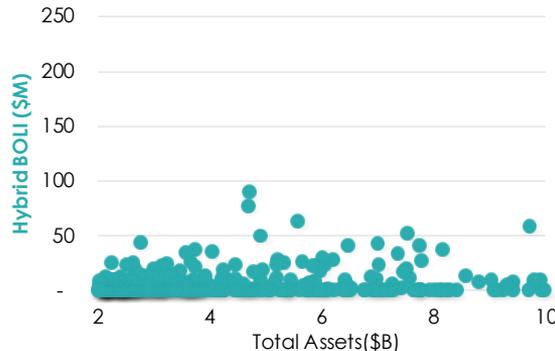
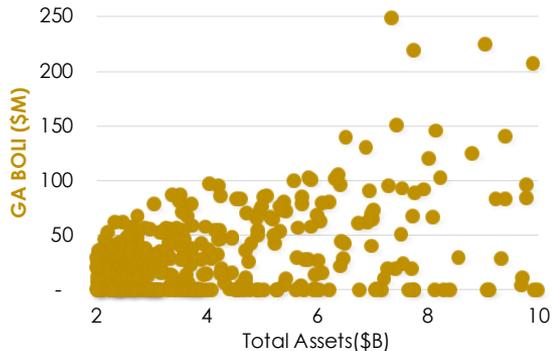
271 of 333 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	11,621	2,119	1,617	15,357	10%
Average	35	6	5	46	11%
Last Q # of Increases	14	-	-		
Last Q Increase Total	340	-	-		
Last Q # of Decreases	1	-	-		
Last Q Decrease Total	(11)	-	-		

Total BOLI vs Est. Program Risk Weight



Types of BOLI by Bank Asset Size



Recent BOLI Transaction Counts & Totals

Banks with \$2B to \$10B in Total Assets

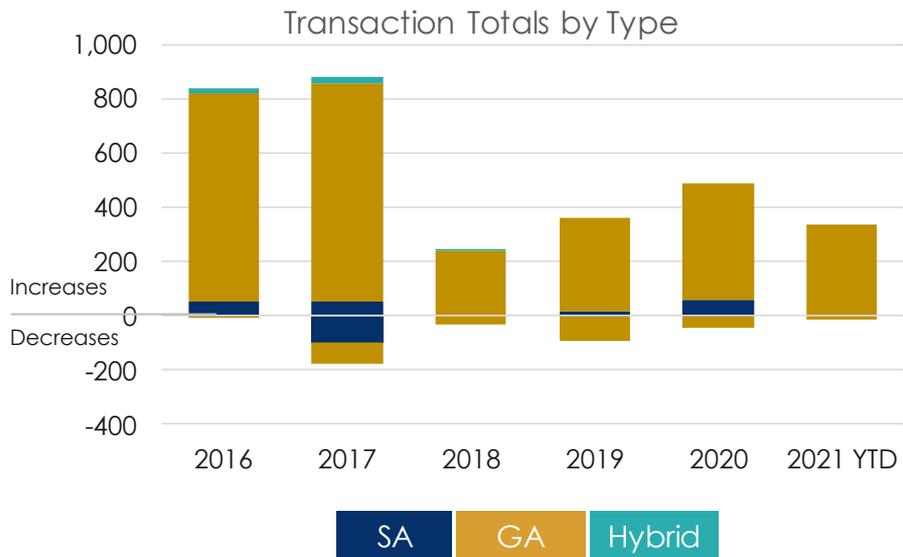
Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2021-Q1	10	259	4	81	14	340	0	0	1	-11	1	-11
1-Year	20	479	13	274	33	753	0	0	2	-56	2	-56
3-Year	36	806	27	496	63	1,302	0	0	7	-183	7	-183
5-Year	76	1,581	70	1,413	146	2,994	2	-103	10	-255	12	-358
SA												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	1	60	0	0	1	60	0	0	0	0	0	0
3-Year	1	60	1	16	2	76	0	0	0	0	0	0
5-Year	2	70	5	95	7	165	1	-40	2	-57	3	-97
GA												
2021-Q1	10	259	4	81	14	340	0	0	1	-11	1	-11
1-Year	19	419	13	274	32	693	0	0	2	-56	2	-56
3-Year	34	742	26	480	60	1,222	0	0	7	-183	7	-183
5-Year	72	1,487	64	1,302	136	2,788	1	-63	8	-198	9	-261
HYBRID												
2021-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	1	4	0	0	1	4	0	0	0	0	0	0
5-Year	2	24	1	17	3	41	0	0	0	0	0	0

Listings of activity by institution are available upon request

Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Recent BOLI Transactions

Banks with \$2B to \$10B in Total Assets



Current Quarter Activity

- Byline purchased \$50 million of GA
- SmartBank purchased \$40 million of GA
- The Bank of Greene County purchased \$40 million of GA
- CapStar Bank purchased \$31 million of GA
- Equity Bank purchased \$25 million of GA
- First Mid Bank & Trust purchased \$25 million of GA
- b1Bank purchased \$15 million of GA
- The First, A National Banking Assoc. purchased \$12 million of GA
- River Bank & Trust purchased \$11 million of GA
- Shore United purchased \$10 million of GA
- Poppy Bank increase of \$25 million to GA
- Choice Financial Group increase of \$20 million to GA
- Johnson Bank increase of \$19 million to GA
- First PREMIER increase of \$16 million to GA
- Happy State increase of \$11 million to GA

Recent Notable Actions

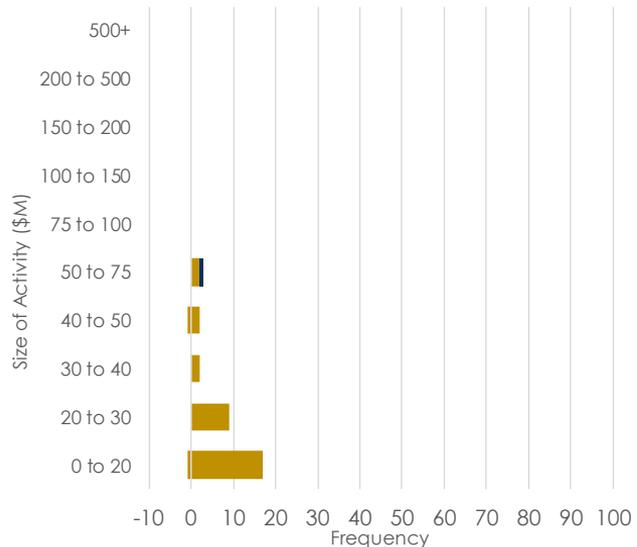
- In 2020-Q3 Bank Leumi's GA increased ~\$53 million
- In 2020-Q3, BCB Community Bank purchased \$60 million of SA

Frequency of BOLI Transaction Sizes

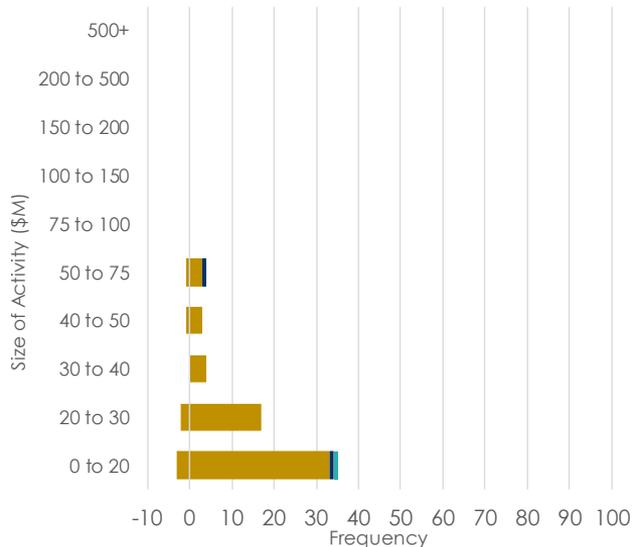
Banks with \$2B to \$10B in Total Assets

- This smaller bank tier has not seen a recent purchase over \$75 million, with the majority under \$30 million
- Purchase activity slowed post 2018

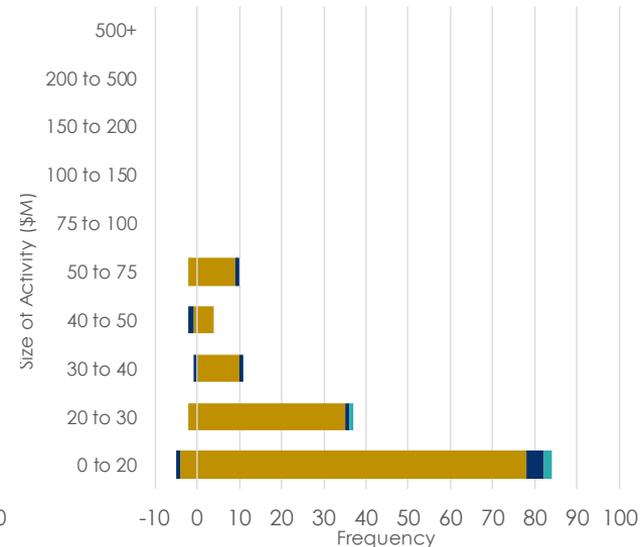
1-Year



3-Year



5-Year



BOLI Industry Allocations & Analytics

MBSA BOLI Industry Allocations Study

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

Gathered SA BOLI AUM data is categorized into portfolio types

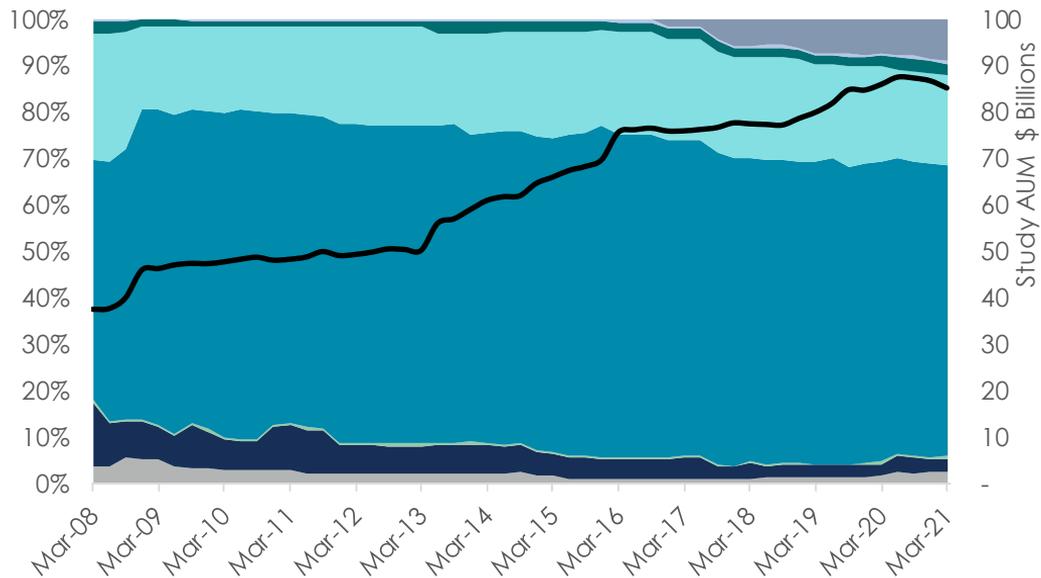
- Capital Efficient / Multi-Sector / Target RW
- High Yield
- Credit
- Core Fixed Income
- MBS / Securitized (ABS / CMBS)
- CLO / Bank Loan
- Short Duration
- Government

Portfolio types represent full portfolio MVs and do not look through to the holdings sector weights

Currently comprises \$85 billion – a massive share of the industry

SA BOLI Industry Allocations

SA BOLI Allocations Over Time

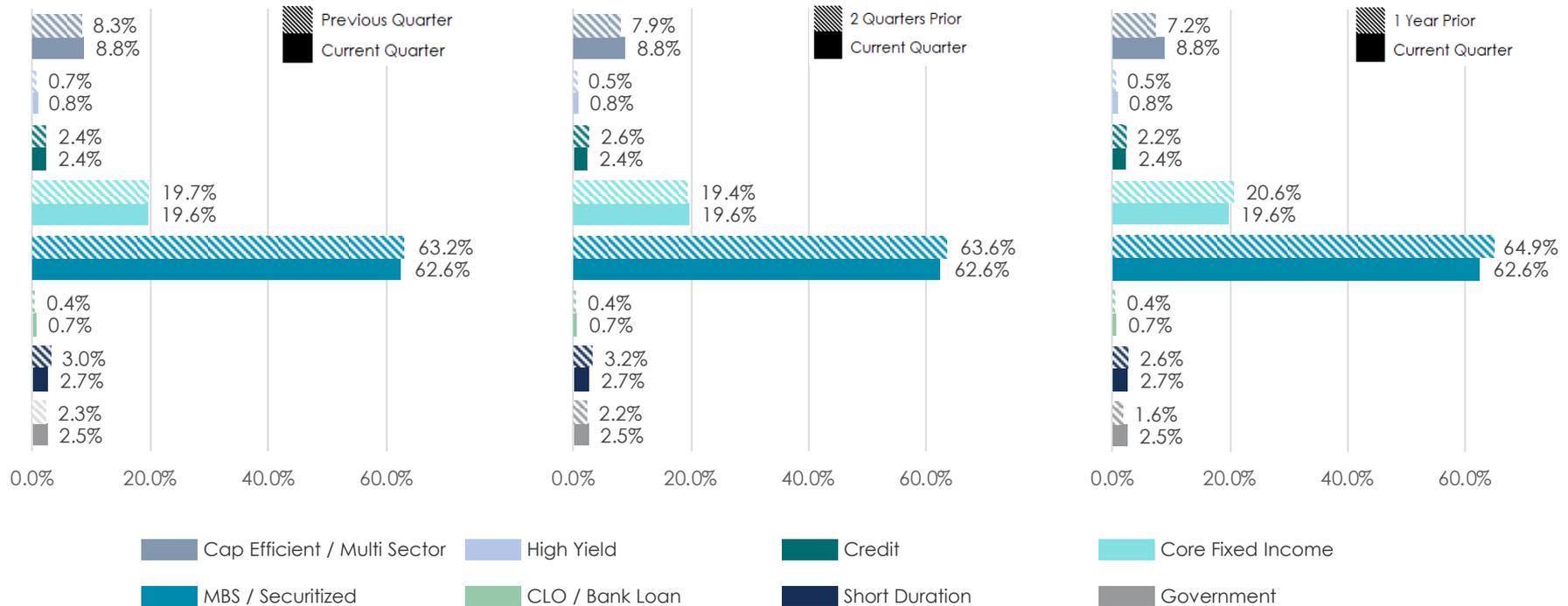


2021-Q1 Weights

Cap Efficient / Multi Sector	8.8%
High Yield	0.8%
Credit	2.4%
Core Fixed Income	19.6%
MBS / Securitized	62.6%
CLO / Bank Loan	0.7%
Short Duration	2.7%
Government	2.5%

— Black line (right axis) shows aggregate assets comprised in our study (number of participants have grown over time)

Recent Allocation Changes



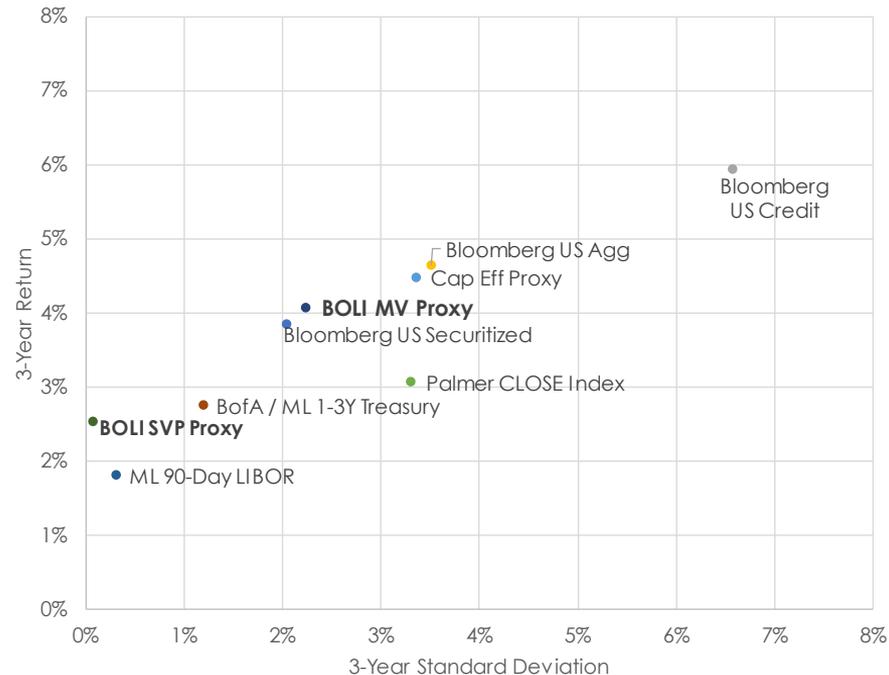
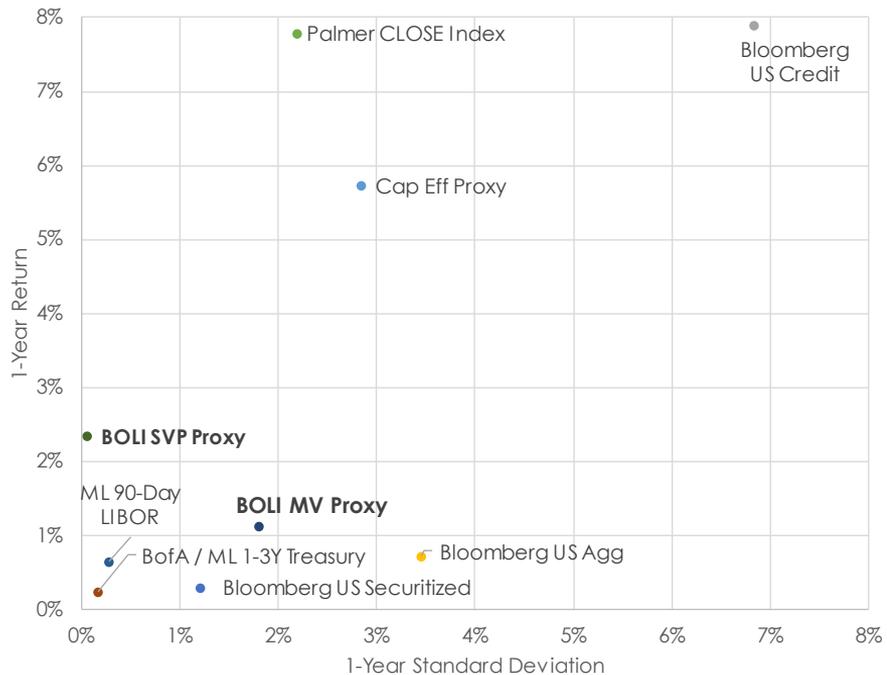
Investment Performance Proxy

Using common benchmarks for the categories, a proxy for the industry's SA Q1 MV performance is estimated at -1.64%.

	Benchmark	Quarter	1-Year	3-Year	5-Year	Weights
Cap Efficient / Multi Sector	[Proxied by a sector blend]	-1.46%	5.65%	4.46%	3.49%	8.79%
High Yield	<i>Bloomberg High Yield</i>	0.31%	20.78%	7.09%	7.33%	0.77%
Credit	<i>Bloomberg US Credit</i>	-4.45%	7.89%	5.95%	4.68%	2.37%
Core Fixed Income	<i>Bloomberg US Agg</i>	-3.37%	0.71%	4.65%	3.10%	19.65%
MBS / Securitized	<i>Bloomberg US Securitized</i>	-1.18%	0.30%	3.85%	2.50%	62.61%
CLO / Bank Loan	<i>Palmer CLOSE Index</i>	0.37%	3.85%	2.89%	3.00%	0.67%
Short Duration	<i>ML 90-Day LIBOR</i>	0.06%	0.64%	1.82%	1.48%	2.65%
Government	<i>BofA / ML 1-3Y Treasury</i>	-0.05%	0.24%	2.76%	1.70%	2.50%
Industry Proxy MV Performance using rolling weights:		-1.64%	1.11%	4.07%	2.71%	
Industry Proxy Stable Value Performance:		0.53%	2.35%	2.54%	2.48%	

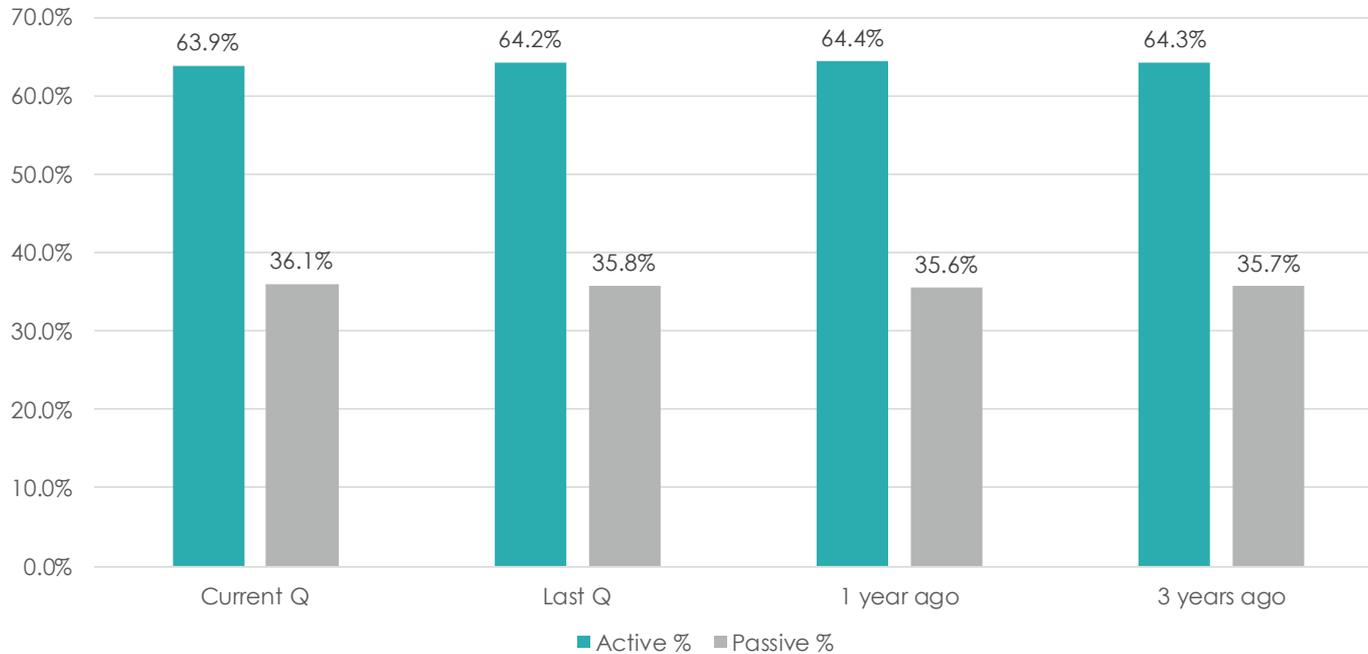
Stable Value performance represents book value growth of the industry proxy under a standard crediting rate formula beginning (MV=BV) in 2013.

1 & 3-Year Risk/Return Plots with BOLI



Data as of 2021-Q1

Active / Passive Breakdown



Legislative, Regulatory, Judicial, Tax and Accounting Updates

Noteworthy Judicial Developments

USAA Settles Class Action COI Complaint (Apr)

- On April 9, the parties in *Spegele v. USAA Life* filed a motion disclosing a class action settlement that was reached. The plaintiffs alleged that USAA violated the terms of its universal life insurance policies by deducting COI charges in amounts greater than the policies authorized.
- The policies in scope included a provision stating that COI rates would be determined by USAA Life “based on its expectations as to future mortality experience.” Plaintiffs alleged that USAA Life included additional, unauthorized factors in setting the COI rates, including undisclosed maintenance and administrative expense factors.
- According to the brief, settlement negotiations ramped up subsequent to the Court’s September 2020 certification of the plaintiff class. The parties reached a \$90 million settlement. Class Counsel will seek a fee award not to exceed 30% of the settlement. The settlement class includes persons or entities who own or owned one of approximately 122,000 specified policies issued on or after March 1, 1999.

Docket: Spegele vs. USAA Life Insurance Company, Case No. 5:17-cv-967-OLG

Noteworthy Tax Developments

Biden Administration Tax Policy Update (Mar)

- The Biden Administration released an infrastructure plan and the Made in America Tax Plan. On April 7, the Treasury Department released a [report](#) further describing this plan. Corporate tax reforms outlined in this plan include:
 - ❖ Raising the corporate income tax rate to 28 percent;
 - ❖ Strengthening the global minimum tax for U.S. multinational corporations;
 - ❖ Reducing incentives for foreign jurisdictions to maintain ultra-low corporate tax rates by encouraging global adoption of robust minimum taxes;
 - ❖ Enacting a 15 percent minimum tax on book income of large companies that report high profits, but have little taxable income;
 - ❖ Replacing flawed incentives that reward excess profits from intangible assets with more generous incentives for new research and development;
 - ❖ Replacing fossil fuel subsidies with incentives for clean energy production; and
 - ❖ Ramping up enforcement to address corporate tax avoidance.

Continued...

Noteworthy Tax Developments

Biden Administration Tax Policy Update (Mar) Continued

- On April 28, the Biden Administration released another spending and tax plan called the American Families Plan ([link](#)). A [fact sheet](#) was also released. This plan sets forth a number of proposals for education and childcare assistance, among various others. In addition, this plan sets forth certain tax reform proposals that are distinct from those in the Made in America Tax Plan. The tax reform proposals included in the American Families Plan focus on the highest income Americans. Priorities include
 - ❖ Revitalize enforcement – Audit rates of those making over \$1 million per year fell by 80% between 2011-2018;
 - ❖ Increase the top tax rate on the wealthiest Americans to 39.6% – This would reverse the 37% top marginal rate implemented by the TCJA; and
 - ❖ End capital income tax breaks – Households making over \$1 million would pay the same 39.6% rate on all income.

Noteworthy Tax Developments

Biden Releases FY 2022 Budget Proposal (May)

- On May 28, President Biden released his Fiscal Year 2022 budget proposal, [Budget of the U.S. Government](#). As expected, The American Jobs Plan and The American Families Plan were two primary elements of the budget proposal. We covered each of these plans separately when they were initially released.
- In total, the budget calls for \$6 trillion in outlays for fiscal year 2022 (a deficit of ~\$1.8 trillion) and a 10-year total outlay of \$69 trillion (and a respective deficit of ~\$14.5 trillion). The budget looks to increase the receipts from corporate income taxes by \$2.3 trillion over the 10-year horizon (an increase of 56% relative to the “Baseline”).
- Two key elements of the Made in America Tax Plan we have highlighted previously were scored in this budget proposal:
 - ❖ Increase the domestic corporate tax rate to 28%: This was projected to reduce the budget deficit by \$51 billion in 2022 and \$858 billion over the 10-year horizon.
 - ❖ Impose a 15% minimum tax on book earnings of large corporations: This was projected to reduce the budget deficit by \$11 billion in 2022 and \$148 billion over the 10-year horizon.
- Other large revenue items included revising the Global Minimum Tax regime (\$534 billion over 10 years) and the SHIELD Rule, which is aimed at addressing inversions (\$390 billion over 10 years).
- Unlike the Obama Administration budget proposals, this year's version does not identify any life insurance specific proposals

Noteworthy Tax Developments

Treasury Greenbook Released (May)

- On May 28, the Treasury Department released its "[General Explanations of the Administration's Fiscal Year 2022 Revenue Proposals](#)," often referred to as the "Greenbook." It provides explanations for the various tax initiatives addressed in the budget proposal.
- The following is an excerpt from the Greenbook explaining the 15% minimum tax on book earnings:
 - ❖ The proposal would impose a 15 percent minimum tax on worldwide book income for corporations with such income in excess of \$2 billion. Taxpayers would calculate book tentative minimum tax (BTMT) equal to 15 percent of worldwide pre-tax book income (calculated after subtracting book net operating loss deductions from book income), less General Business Credits (including R&D, clean energy and housing tax credits) and foreign tax credits. The book income tax equals the excess, if any, of tentative minimum tax over regular tax. Additionally, taxpayers would be allowed to claim a book tax credit (generated by a positive book tax liability) against regular tax in future years but this credit could not reduce tax liability below book tentative minimum tax in that year.

Noteworthy Accounting Developments

[None covered this quarter]

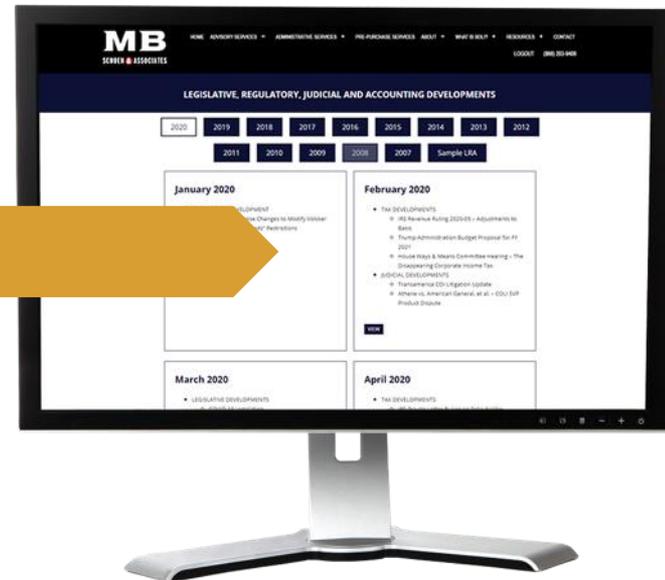
- For prior recent developments, see historical LRJA updates on our [website](#).

Easily track developments that could impact your BOLI program

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- ✓ **Gain access to expert advisors**— Discuss the relevance of topics covered and any implications that may apply to your specific BOLI program

LEGISLATIVE, REGULATORY, JUDICIAL,
AND ACCOUNTING DEVELOPMENTS



Noteworthy Regulatory Developments

Congressman Waters Urges Regulators Not to Weaken Big Bank Capital Requirements (Mar)

- On March 9, Congresswoman Waters sent a letter to the FRB, FDIC and OCC, encouraging them to maintain strong capital requirements and regulatory oversight of large banks. The letter asserts that the agencies took “extensive deregulatory actions” over the last few years and suggests that any other modifications to capital, leverage, or other prudential requirements should be evaluated in consultation with the FSOC and Treasury Secretary Yellen.
- In a separate development, the banking regulators announced that the temporary change to the supplementary leverage ratio, or SLR, for depository institutions issued on May 15, 2020, would expire as scheduled on March 31.

Noteworthy Legislative Developments

Biden Administration Unveils Infrastructure Plan (Mar)

- On March 31, the Biden Administration released a [fact sheet](#) on what it calls “The American Jobs Plan.” The plan identifies the following priorities:
 - ❖ Fix highways, rebuild bridges, upgrade ports, airports and transit systems;
 - ❖ Deliver clean drinking water, a renewed electric grid, and high-speed broadband to all Americans;
 - ❖ Build, preserve, and retrofit more than two million homes and commercial buildings, modernize our nation's schools and child care facilities, and upgrade veterans' hospitals and federal buildings;
 - ❖ Solidify the infrastructure of our care economy by creating jobs and raising wages and benefits for essential home care workers;
 - ❖ Revitalize manufacturing, secure U.S. supply chains, invest in R&D, and train Americans for the jobs of the future; and
 - ❖ Create good-quality jobs that pay prevailing wages in safe and healthy workplaces while ensuring that workers have a free and fair choice to organize, join a union, and bargain collectively with their employers.

Continued...

Noteworthy Legislative Developments

Biden Administration Unveils Infrastructure Plan (Mar) Continued

- The bottom of the press release includes a tax plan that the Biden Administration separately identifies as the “Made in America Tax Plan” and purports to make sure corporations pay their fair share in taxes and encourage job creation at home. Highlights of the tax plan include:
 - ❖ Set the Corporate Tax Rate at 28 percent;
 - ❖ Enact a Minimum Tax on Large Corporations' Book Income (i.e., a 15% minimum tax on GAAP income);
 - ❖ Discourage offshoring by strengthening the Global Minimum Tax for U.S. Multinational Corporations;
 - ❖ End the Race to the Bottom Around the World (i.e., encourage other countries to adopt strong minimum taxes on corporations);
 - ❖ Prevent U.S. Corporations from inverting or claiming tax havens as their residence;
 - ❖ Deny companies expense deductions for offshoring jobs and credit expenses for onshoring;
 - ❖ Eliminate a loophole for Intellectual Property that encourages offshoring jobs and Invest in effective R&D Incentives; and
 - ❖ Ramp up enforcement against corporations.
- We will continue to monitor for more specific tax policy proposals, especially those related to the corporate tax rates, minimum tax provisions, and any other proposals related to expense deductions and tax preferences that could impact BOLI owners.

Other Noteworthy Developments

[None covered this quarter]

- For prior recent developments, see historical LRJA updates on our [website](#).

Insurance Company and Counterparty Updates

Current S&P Financial Strength Ratings

Insurance Carriers Rated AAA

- None

Insurance Carriers Rated AA+

- Guardian Life Insurance Company of America
- Massachusetts Mutual Life Insurance Co.
- New York Life Insurance Company
- Northwestern Mutual Life Insurance Company
- USAA Life Insurance Company

Insurance Carriers Rated AA

- Canada Life Assurance Co. (US Branch)
- Great-West Life and Annuity Insurance Co.
- Zurich Insurance Company

Insurance Carriers Rated AA-

- John Hancock Life Insurance Company (USA)
- Lincoln National Life Insurance Company
- Metropolitan Life Insurance Company
- Metropolitan Tower Life Insurance Company
- Pacific Life Insurance Company
- Pruco Life Insurance Company
- Prudential Insurance Company of America
- West Coast Life Insurance Company

Insurance Carriers Rated A+

- American General Life Insurance Company
- Ameritas Life Insurance Corp
- Brighthouse Life Insurance Company
- Equitable Financial Life Insurance Company
- Equitable Financial Life Insurance Company of America
- Midland National Life Insurance Company
- MONY Life Insurance Company
- National Life Insurance Company of Vermont
- Nationwide Life & Annuity Insurance Company
- Nationwide Life Insurance Company
- Principal Life Insurance Company
- Reliastar Life Insurance Company
- Transamerica Life Insurance Company
- U.S. Life Insurance Company in The City of NY

Insurance Carriers Rated A

- Athene Annuity and Life Company
- Connecticut General Life Insurance Company
- Jackson National Life Insurance Company
- Symetra Life Insurance Company
- Zurich American Life Insurance Company

Insurance Carriers Rated A-

- Security Life of Denver Insurance Company

Insurance Carriers Rated BBB+

- Delaware Life Insurance Company

Insurance Carriers Rated BBB

- Talcott Resolution Life Insurance Company

*Categories based on S&P's Financial Strength Rating as of May 14, 2021

Current Moody's Financial Strength Ratings

Insurance Carriers Rated Aaa

- New York Life Insurance Company
- Northwestern Mutual Life Insurance Company

Insurance Carriers Rated Aa1

- USAA Life Insurance Company

Insurance Carriers Rated Aa2

- Guardian Life Insurance Company of America

Insurance Carriers Rated Aa3

- Canada Life Assurance Co. (US Branch)
- Great-West Life and Annuity Insurance Co.
- Massachusetts Mutual Life Insurance Co.
- Metropolitan Life Insurance Company
- Metropolitan Tower Life Insurance Company
- Pruco Life Insurance Company
- Prudential Insurance Company of America
- Zurich Insurance Company

Insurance Carriers Rated A1

- John Hancock Life Insurance Company (USA)
- Lincoln National Life Insurance Company
- MONY Life Insurance Company
- Nationwide Life & Annuity Insurance Company
- Nationwide Life Insurance Company
- Pacific Life Insurance Company
- Principal Life Insurance Company
- Symetra Life Insurance Company
- Transamerica Life Insurance Company
- West Coast Life Insurance Company

Insurance Carriers Rated A2

- American General Life Insurance Company
- Connecticut General Life Insurance Company
- Equitable Financial Life Insurance Company
- Equitable Financial Life Insurance Co. of America
- Jackson National Life Insurance Company
- National Life Insurance Company of Vermont
- Reliastar Life Insurance Company
- U.S. Life Insurance Company in The City of NY

Insurance Carriers Rated A3

- Allstate Life Insurance Company
- Brighthouse Life Insurance Company
- Zurich American Life Insurance Company

Insurance Carriers Rated Baa1

- Security Life of Denver Insurance Company

Insurance Carriers Rated Baa2

- None

Insurance Carriers Rated Baa3

- Talcott Resolution Life Insurance Company

*Categories based on Moody's Insurance Financial Strength Rating as of May 14, 2021

Ratings or Outlook Revisions

Athene Annuity and Life Company

- Outlook changed from Negative to **Stable** by Fitch (Mar)

AIG Life Subsidiaries

- Outlook changed from Negative to **Stable** by Fitch (Apr)

Brighthouse Life Insurance Company

- Outlook changed from Negative to **Stable** by Fitch (Apr)

Jackson National Life Insurance Company

- Outlook changed from Negative to **Stable** by Fitch (Apr)

Zurich Insurance Company

- Rating **upgraded** from AA- to AA by S&P (Apr)

JPMorgan Chase Bank, N.A.

- Outlook changed from Negative to **Stable** by Fitch (May)

NEED UP TO DATE COUNTERPARTY TRACKING?

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Industry Developments

Athene and Apollo Merger (Mar)

- On March 8, 2021, Apollo and Athene announced a definitive agreement to merge the two companies via an all-stock transaction. The all-stock transaction values the Athene business at approximately \$11b.
- The transaction is expected to close January 2022 subject to customary closing conditions.
- Fitch affirmed Athene's ratings and noted that it does not expect that there will be an impact to Athene's operating strategy, in-force business, or capitalization targets. Note that the outlook change listed above was released in advance of the proposed merger announcement and reflects Fitch's expectation that Athene's earnings will remain above rating sensitivities over the next three years.

Principal Strategic Review (Mar)

- On February 22, Principal Financial [announced](#) a strategic review following constructive dialogue with Elliott Investment Management, one of Principal's largest investors. It has been speculated that Elliot has been pushing Principal to explore a divestiture of its life insurance business.
- Principal plans to announce the results of the strategic review at its 2021 Investor Day, which is expected to be scheduled this Summer.

Industry Developments

AIG Life and Retirement IPO (May)

- During AIG's Q1 earnings call on May 7, CEO Peter Zaffino announced that AIG has decided to use an IPO to sell a 19.9% stake in its Life and Retirement business. AIG previously announced an intention to separate the Life and Retirement business in October 2020; the form of the separation (e.g., IPO, sale of business) was not known.
- AIG noted that they are working with urgency to complete the separation this year, but the finalization could extend into Q1 2022.

Prudential Financial Exploring Sale of Retirement Business (May)

- On April 14, Bloomberg News reported that Prudential Financial is exploring the sale of the bulk of its retirement business. It was reported that Prudential is work with a financial advised to find buyers for the business according to an unnamed source.
- Prudential has not commented on the sale of the retirement business.

COUNTERPARTY TRACKING SYSTEM

✓ Risk Management

Monitor credit of BOLI Carriers, SVP Providers, and other counterparties

✓ Exclusive Access to Ratings

We offer an extensive database of Financial Strength Ratings & Issuer Credit Ratings

✓ Monthly Newsletter

Curated information covering insurance companies and counterparty exposures within your BOLI program

Custom Reports

Net Rating Changes by Period (Number of Notches)					
2019 Q4	2019 Q3	2019 YTD	2018	2017	2016
-	-	-	-	-	-
-	-	-	1	-	-
-	-1	-1	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-2	-	-
-	-	-	-1	-	-
-	-	-	-1	-	-

Custom reports show historical changes to ratings to view stability and trends over time

Insurance Carriers	Current Financial Strength Ratings			Net Rating Changes by Period (Number of Notches)											
	Agency	Rating	Outlook	2019 Q4	2019 Q3	2019 YTD	2018	2017	2016	2015	2014	2013	2012	2011	2010
Carrier 1	S&P	A+	Stable	-	-	-	-	-	-	-	-	-	-	-	-1
	Fitch	A+	Positive	-	-	-	1	-	-	1	-	-	-	-	-1
	Moody's	A2	Stable	-	-1	-1	-	-	-	-	-	-	-	-	-
Carrier 2	S&P	AA	Stable	-	-	-	-	-	-	-	-	-	-	-	-
	Fitch	AA	Stable	-	-	-	-	-	-	-	-	-	-	-	-1
	Moody's	Aa3	Stable	-	-	-	-	-	-	-	-	-	-	-	-
Carrier 3	S&P	A	Negative	-	-	-	-2	-	-	-	1	1	-	-	-
	Fitch	A	Stable	-	-	-	-1	-	-	-	1	-	-	-	-
	Moody's	A2	Stable	-	-	-	-1	-	-	-	1	-	-	-	-

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