



# Evolving Trends in Bank-Owned Life Insurance Market

Complimentary Edition – 2023-Q1

June 2023

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# Economic Backdrop

# Economic Updates

## Federal Reserve & Yield Curve

- FOMC participants voted to raise the federal funds rate by 25 bps to an upper bound of 5.25% during the May FOMC meeting. The market is currently not pricing in another rate hike in 2023 and is projecting a 25-bps cut to the fed funds rate by the end of 2023.

## Sector Returns

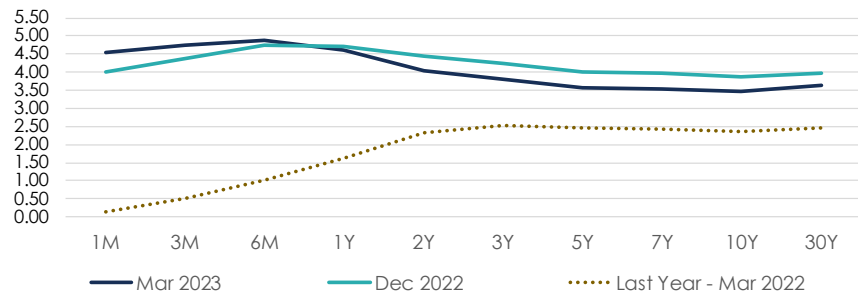
- Volatility in the fixed income markets has continued. Spreads have remained elevated compared to the beginning of the year, with the OAS on the Fixed Rate Index at 60 bps.
- US Aggregate Index returned 2.96% in Q1 while MBS/Securitized returns were slightly less at 2.47%
- The S&P 500 returned 5.75%, but the Russell 2000 returned -7.35%, primarily due to exposure to failed and other regional banks

## US Economy

- Concerns over Congress reaching a deal on extending the debt limit have sent T-Bill yields higher, with T-Bills maturing in the first half of June currently yielding over 6%.

# Financial Markets Update

## US Treasury Yields



	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y
Mar 2023	4.53	4.75	4.88	4.62	4.03	3.79	3.58	3.54	3.47	3.65
Dec 2022	4.00	4.37	4.76	4.71	4.43	4.23	4.01	3.97	3.88	3.97
Q Change	0.53	0.38	0.12	-0.09	-0.40	-0.44	-0.43	-0.43	-0.41	-0.32
Mar 2022	0.13	0.50	1.02	1.61	2.34	2.51	2.46	2.43	2.34	2.45
Year Change	4.40	4.25	3.86	3.01	1.69	1.28	1.11	1.10	1.13	1.20

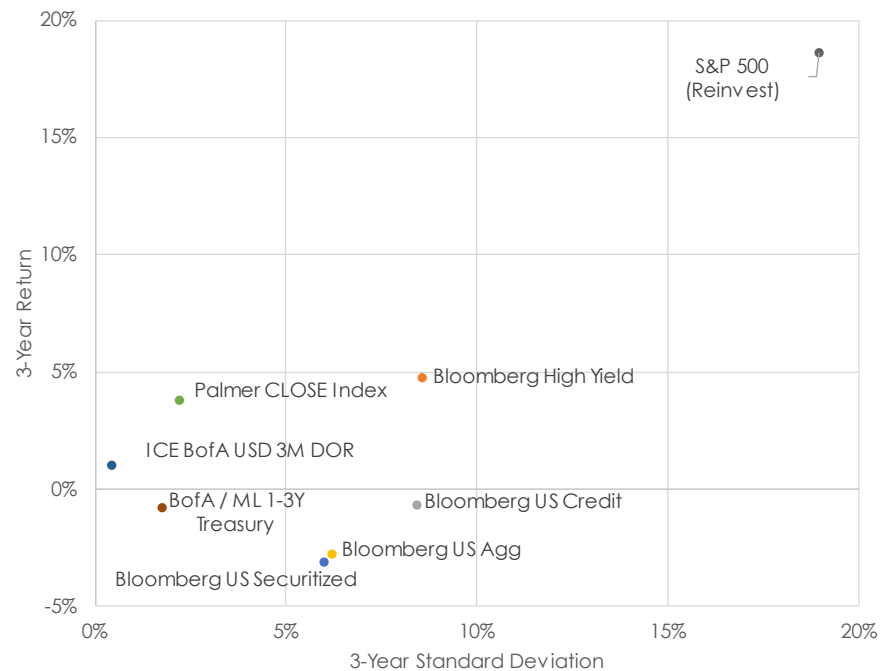
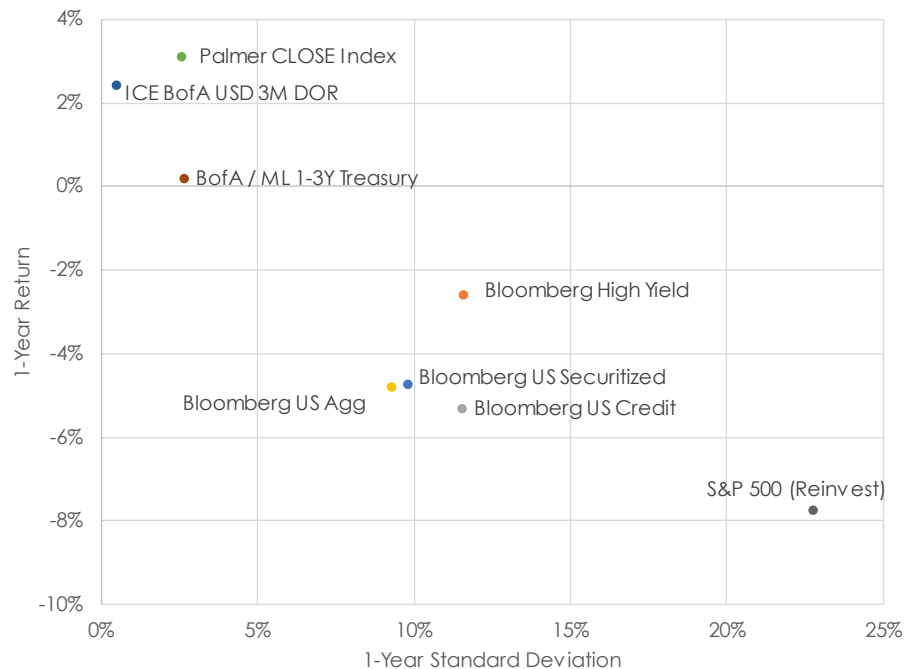
## Sector Performance (As of Q1)

	YTW	Duration	OAS	3M Return	12M Return	3Y Return	5Y Return
Treasuries	3.83%	6.28	0.00%	3.00%	-4.51%	-4.21%	0.74%
Corporate	5.17%	7.25	1.38%	3.50%	-5.55%	-0.54%	1.62%
CMBS	5.20%	4.52	1.42%	1.81%	-3.93%	-1.43%	1.39%
ABS	4.94%	2.83	0.85%	1.86%	0.37%	0.58%	1.63%
Credit Card ABS	4.77%	2.30	0.70%	1.56%	-1.27%	-0.53%	1.10%
Auto ABS	5.11%	1.85	0.92%	1.55%	0.26%	0.79%	1.63%
Agency MBS	4.51%	5.93	0.63%	2.53%	-4.85%	-3.31%	0.20%
GNMA	4.55%	5.74	0.58%	2.59%	-4.48%	-3.17%	0.26%
FHLHC	4.47%	4.54	0.64%	2.55%	-5.03%	-3.42%	0.17%
FNMA	4.49%	6.07	0.64%	2.50%	-4.81%	-3.25%	0.26%
Palmer CLO AAA	5.73%	3.11	1.76%	1.84%	2.98%	3.41%	2.51%

\*Discount Margin

	3M Return	12M Return	3Y Return	5Y Return
<b>SP 500 (Reinvest)</b>	<b>7.50%</b>	<b>-7.73%</b>	<b>18.60%</b>	<b>11.19%</b>
Energy	-4.67%	13.63%	48.43%	9.53%
Materials	4.29%	-6.28%	23.93%	9.60%
Industrials	3.47%	0.17%	21.72%	8.43%
Consumer Discretionary	16.13%	-19.62%	14.54%	8.70%
Consumer Staples	0.83%	1.22%	14.69%	10.63%
Health Care	-4.31%	-3.70%	15.41%	11.82%
Financials	-5.56%	-14.24%	18.11%	5.41%
IT	21.82%	-4.55%	24.35%	19.64%
Telecom	20.50%	-17.76%	9.44%	6.43%
Utilities	-3.24%	-6.21%	10.34%	9.59%

# 1 & 3-Year Benchmark Risk/Return Plots

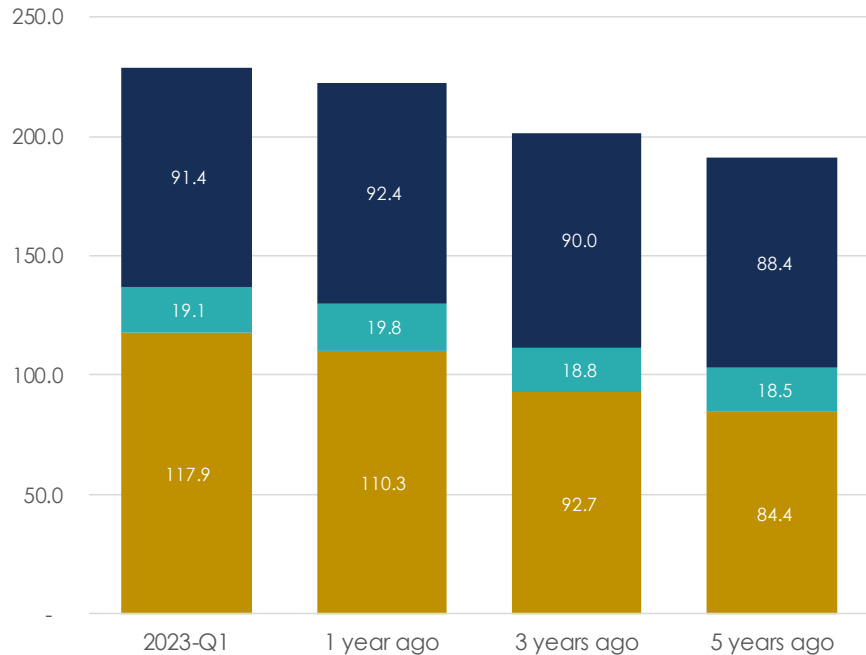


Data as of 2023-Q1

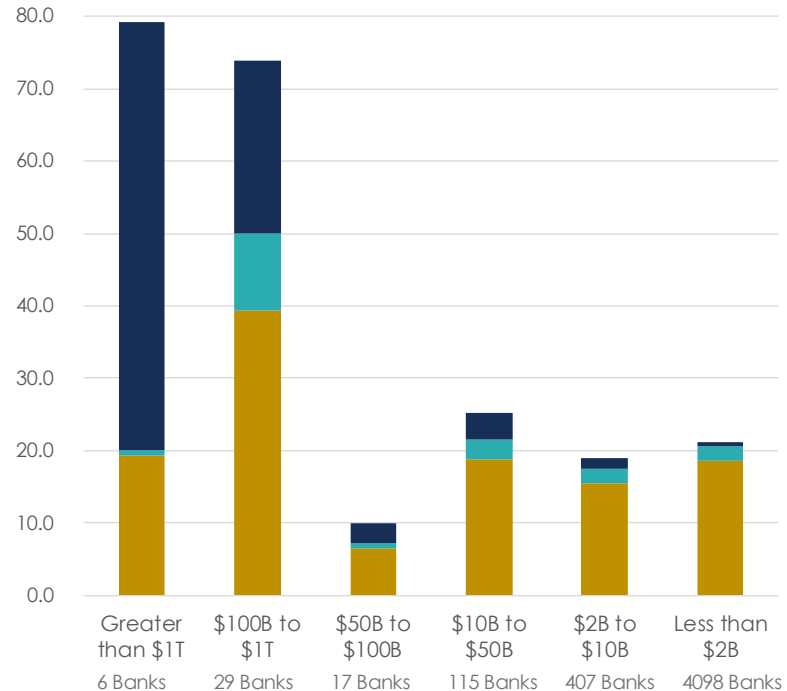
# Recent Trends in BOLI

# BOLI Market Overview as of 2023-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 2023-Q1

Bank Size	Number of Banks <sup>1</sup>	% 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%	14,019	19.4	0.7	59.2	79.3	7.54%	0.57%
\$100 Billion to \$1 Trillion	29	83%	7,740	39.4	10.7	23.8	73.9	10.62%	0.95%
\$50 Billion to \$100 Billion	17	94%	1,205	6.4	0.8	2.8	9.9	8.30%	0.82%
\$10 Billion to \$50 Billion	115	82%	2,459	18.7	2.7	3.8	25.3	9.71%	1.03%
\$2 Billion to \$10 Billion	407	84%	1,651	15.4	2.2	1.4	19.0	10.18%	1.15%
Less than \$2 Billion	4,098	66%	1,713	18.6	2.1	0.5	21.2	10.43%	1.23%
<b>TOTALS</b>	<b>4,672</b>	<b>68%</b>	<b>28,787</b>	<b>117.9</b>	<b>19.1</b>	<b>91.4</b>	<b>228.5</b>	<b>9.08%</b>	<b>0.79%</b>

<sup>1</sup> 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.

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# BOLI Risk-Weighted Assets Analysis

Bank Size	Number of Banks <sup>1</sup>	% Owning BOLI	SA Exposure (\$B)	SA RWA (\$B)	SA RWA / SA Exposure	Average Bank RW%
Greater than \$1 Trillion	6	100%	57.4	16.1	28.0%	27.8%
\$100 Billion to \$1 Trillion	29	83%	30.1	13.8	45.8%	57.8%
\$50 Billion to \$100 Billion	17	94%	3.4	2.5	73.0%	67.2%
\$10 Billion to \$50 Billion	115	82%	5.8	3.7	63.9%	81.3%
\$2 Billion to \$10 Billion	407	84%	2.2	1.8	82.2%	92.1%
Less than \$2 Billion	4,098	66%	0.5	0.4	92.5%	96.5%
<b>Total</b>	<b>4,672</b>	<b>68%</b>	<b>99.3</b>	<b>38.2</b>	<b>38.5%</b>	<b>87.9%</b>

## Observations

- While many banks default to 100%, most large banks (\$25B+) achieve SA RW% between 20%-40%, and account for over half the total SA exposure
- Banks include Hybrid BOLI when reporting SA Exposure and SA RWA in the call report values above. MBSA does have a method for estimating the RW% of SA BOLI only (excluding Hybrid). If interested, please reach out.

# 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)
<b>TOTAL</b>												
2023-Q1	0	0	13	754	<b>13</b>	<b>754</b>	1	-55	4	-52	<b>5</b>	<b>-107</b>
1-Year	22	1,572	75	3,397	<b>97</b>	<b>4,969</b>	5	-851	27	-808	<b>32</b>	<b>-1,659</b>
3-Year	135	9,379	218	7,118	<b>353</b>	<b>16,496</b>	6	-895	39	-1,251	<b>45</b>	<b>-2,145</b>
5-Year	171	12,352	277	8,650	<b>448</b>	<b>21,002</b>	10	-1,001	51	-1,706	<b>61</b>	<b>-2,708</b>
<b>SA</b>												
2023-Q1	0	0	4	58	<b>4</b>	<b>58</b>	0	0	1	-16	<b>1</b>	<b>-16</b>
1-Year	3	69	10	415	<b>13</b>	<b>484</b>	1	-11	7	-176	<b>8</b>	<b>-187</b>
3-Year	6	167	20	755	<b>26</b>	<b>922</b>	2	-55	14	-393	<b>16</b>	<b>-448</b>
5-Year	8	203	26	1,078	<b>34</b>	<b>1,281</b>	4	-115	19	-638	<b>23</b>	<b>-754</b>
<b>GA</b>												
2023-Q1	0	0	8	682	<b>8</b>	<b>682</b>	1	-55	1	-14	<b>2</b>	<b>-69</b>
1-Year	18	1,488	60	2,849	<b>78</b>	<b>4,336</b>	3	-830	8	-419	<b>11</b>	<b>-1,249</b>
3-Year	127	9,097	188	6,152	<b>315</b>	<b>15,249</b>	3	-830	13	-645	<b>16</b>	<b>-1,475</b>
5-Year	160	12,030	240	7,346	<b>400</b>	<b>19,376</b>	4	-834	20	-855	<b>24</b>	<b>-1,689</b>
<b>HYBRID</b>												
2023-Q1	0	0	1	14	<b>1</b>	<b>14</b>	0	0	2	-22	<b>2</b>	<b>-22</b>
1-Year	1	15	5	134	<b>6</b>	<b>149</b>	1	-10	12	-213	<b>13</b>	<b>-223</b>
3-Year	2	115	10	210	<b>12</b>	<b>325</b>	1	-10	12	-213	<b>13</b>	<b>-223</b>
5-Year	3	119	11	226	<b>14</b>	<b>345</b>	2	-52	12	-213	<b>14</b>	<b>-265</b>

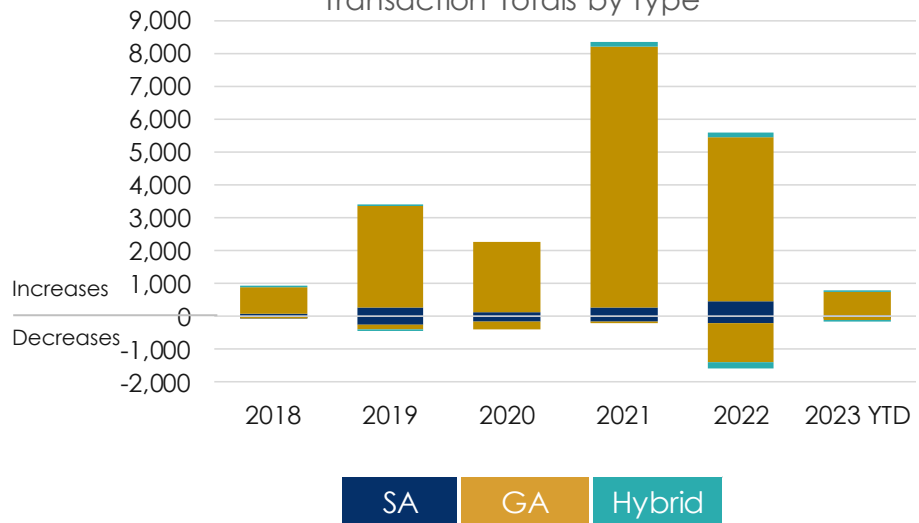
Listings of activity by institution are available upon request

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 / Increases

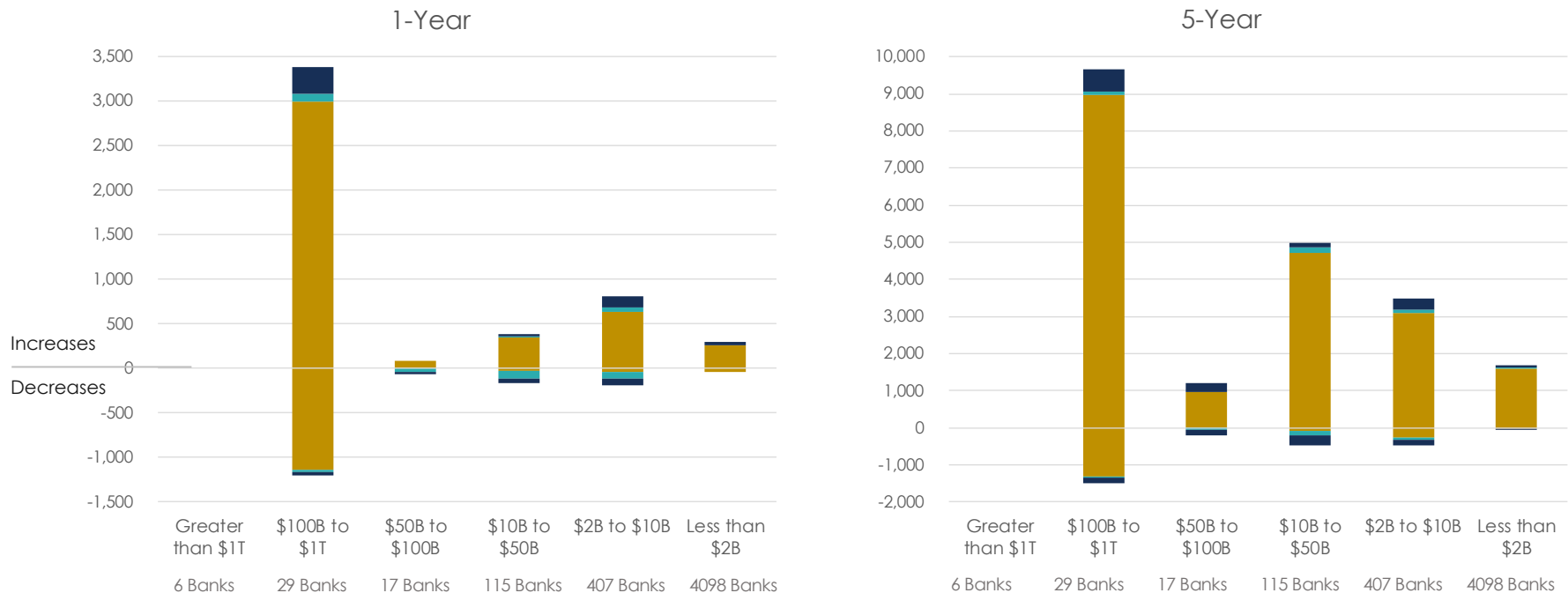
- In 2023-Q1, First Republic's GA increased by \$575 million, and SA increased by \$25 million
- In 2022-Q3, US Bank's GA BOLI increased by ~\$1.24 billion
- In 2022-Q2, Northern Trust purchased \$500 million of GA
- In 2022-Q2, First Republic purchased \$668 million of GA

## Recent Notable Surrenders / Decreases

- In 2023-Q1 First Citizens surrendered \$55 million of GA
- In 2022-Q4, First Citizens surrendered \$760 million of GA BOLI
- In 2022-Q4, 6 banks' HY BOLI decreased \$10-24 million; 4 GA decreases of \$10-17 million and 3 SA decreases of \$30-37 million
- In 2022-Q3, M&T Bank's GA decreased by ~\$325million; However, SA increased \$247 million and HY increased \$82 million

# 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

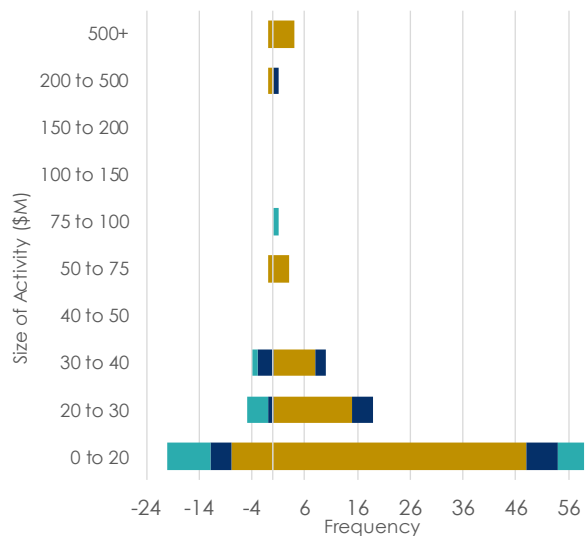
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# Frequency of BOLI Transaction Sizes

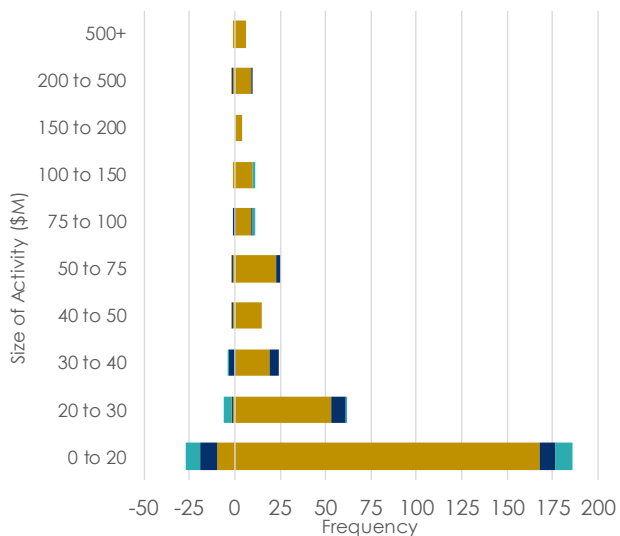
Movement or Transactions of \$10M or More

- Over the past 5 years, over 67% of transactions have been below \$30 Million, while 9% are over \$100 million

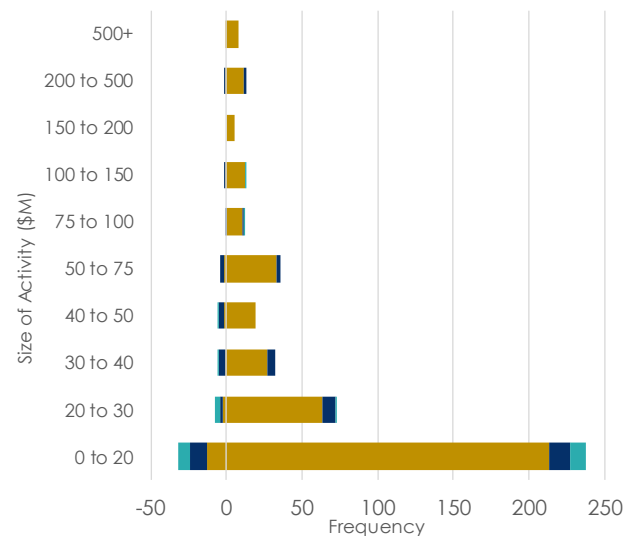
1-Year



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

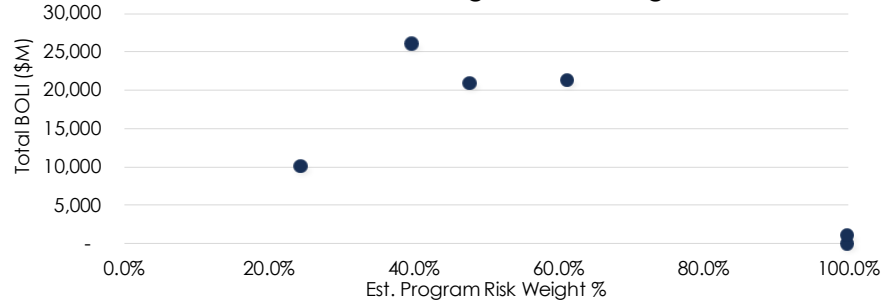
# Market Analytics By Bank Size

## Banks with over \$1T in Total Assets

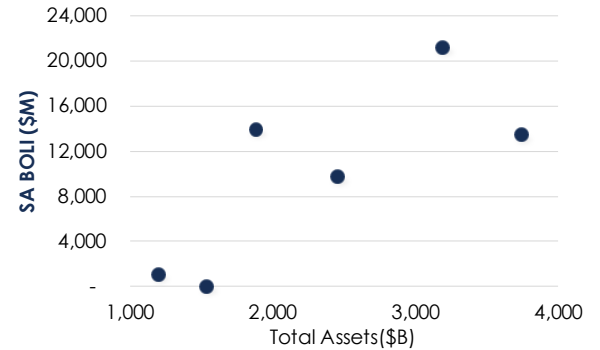
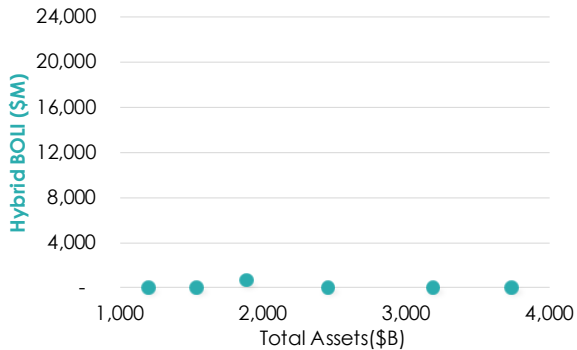
### 6 of 6 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>19,426</b>	<b>657</b>	<b>59,176</b>	<b>79,259</b>	<b>8%</b>
Average	3,238	110	9,863	13,210	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)
<b>TOTAL</b>												
2023-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
<b>SA</b>												
2023-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
<b>GA</b>												
2023-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
<b>HYBRID</b>												
2023-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

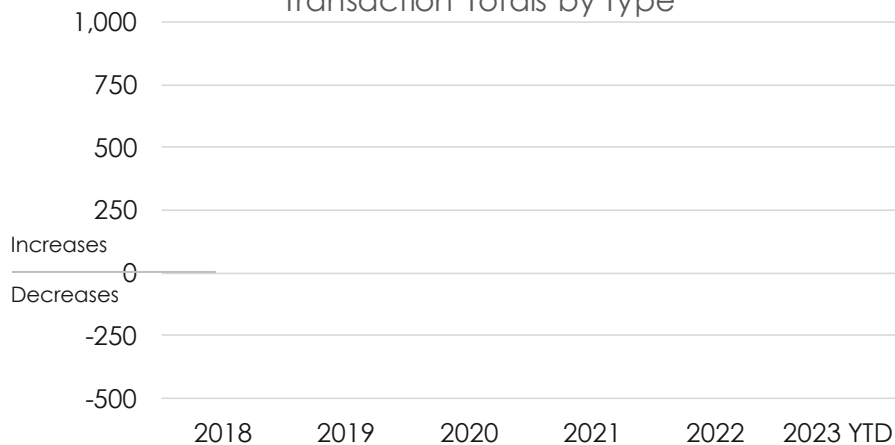
Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million



# 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

- There have been changes to BOLI assets from M&A activity, but no confirmed purchases.

# Frequency of BOLI Transaction Sizes

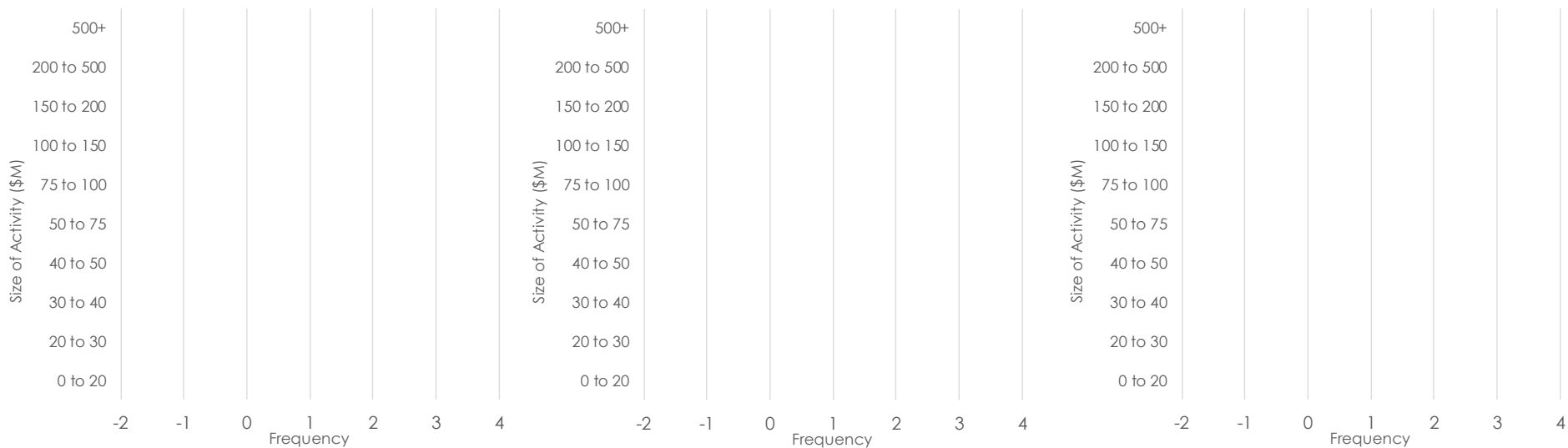
## Banks with over \$1T in Total Assets

- While they own over a third of all BOLI, MBSA has not tracked confirmed purchases over the last 5 years for \$1 Trillion+ banks

1-Year

3-Year

5-Year



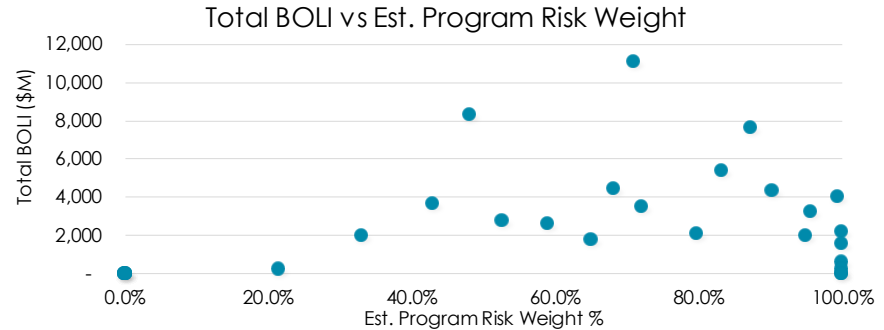
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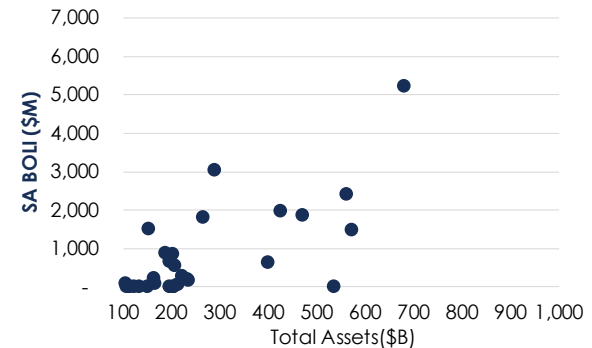
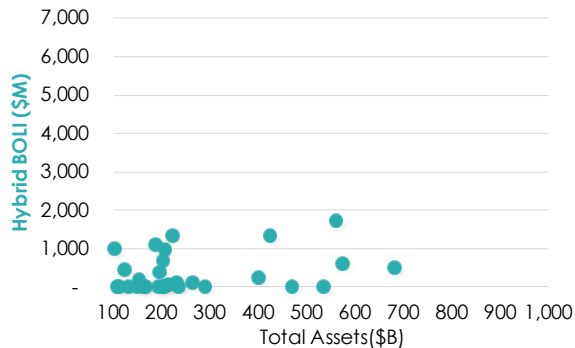
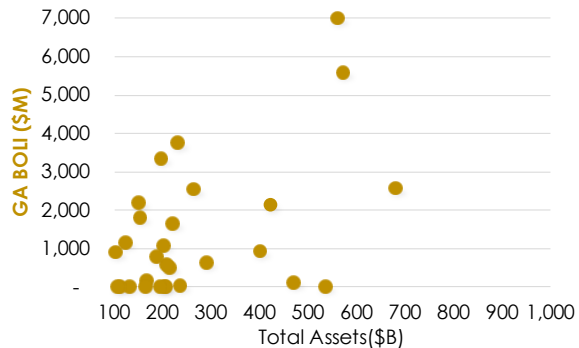
## Banks with \$100B to \$1T in Total Assets

24 of 29 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>39,373</b>	<b>10,707</b>	<b>23,827</b>	<b>73,907</b>	<b>11%</b>
Average	1,358	369	822	2,549	10%
Last Q # of Increases	1	-	1	2	
Increase Total (\$M)	575	-	25	600	
Last Q # of Decreases	1	-	-	1	
Decrease Total (\$M)	(55)	-	-	(55)	



## Types of BOLI by Bank Asset Size



# Recent BOLI Transaction Counts & Totals

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

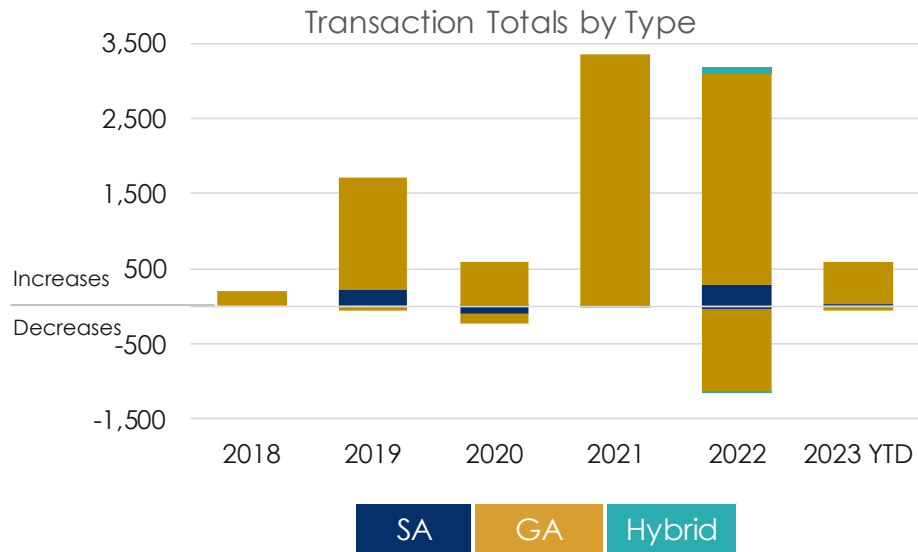
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<b>TOTAL</b>												
2023-Q1	0	0	2	600	2	600	1	-55	0	0	1	-55
1-Year	4	1,200	6	2,188	10	3,388	2	-815	3	-387	5	-1,202
3-Year	18	5,245	7	2,464	25	7,708	2	-815	6	-624	8	-1,439
5-Year	23	6,982	8	2,669	31	9,651	2	-815	7	-671	9	-1,486
<b>SA</b>												
2023-Q1	0	0	1	25	1	25	0	0	0	0	0	0
1-Year	1	34	2	272	3	306	0	0	1	-37	1	-37
3-Year	3	72	2	272	5	344	0	0	3	-141	3	-141
5-Year	5	108	3	477	8	585	0	0	3	-141	3	-141
<b>GA</b>												
2023-Q1	0	0	1	575	1	575	1	-55	0	0	1	-55
1-Year	3	1,166	3	1,834	6	3,000	2	-815	1	-326	3	-1,141
3-Year	15	5,173	4	2,110	19	7,283	2	-815	2	-459	4	-1,274
5-Year	18	6,874	4	2,110	22	8,984	2	-815	3	-506	5	-1,321
<b>HYBRID</b>												
2023-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	1	82	1	82	0	0	1	-24	1	-24
3-Year	0	0	1	82	1	82	0	0	1	-24	1	-24
5-Year	0	0	1	82	1	82	0	0	1	-24	1	-24

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



### Current Quarter Activity

- In 2023-Q1, First Republic's GA increased by \$575 million, and SA increased by \$25 million
- In 2023-Q1 First Citizens surrendered \$55 million of GA

### Recent Notable Actions

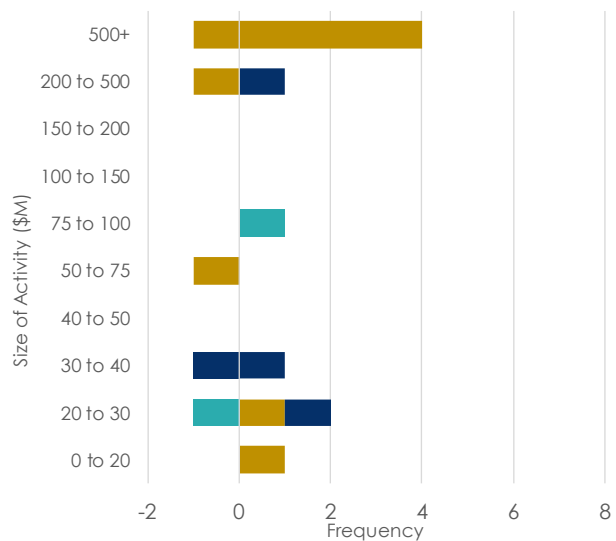
- In 2022-Q4, First Citizens surrendered \$760 million of GA
- In 2022-Q3, US Bank's GA BOLI increased by ~\$1.24 billion
- In 2022-Q3, First Republic's SA increased by ~\$35 million
- In 2022-Q3, M&T Bank's GA decreased by ~\$325million; However, SA increased \$247 million and HY increased \$82 million
- In 2022-Q2, Northern Trust purchased \$500 million of GA
- In 2022-Q2, First Republic purchased \$668 million of GA

# Frequency of BOLI Transaction Sizes

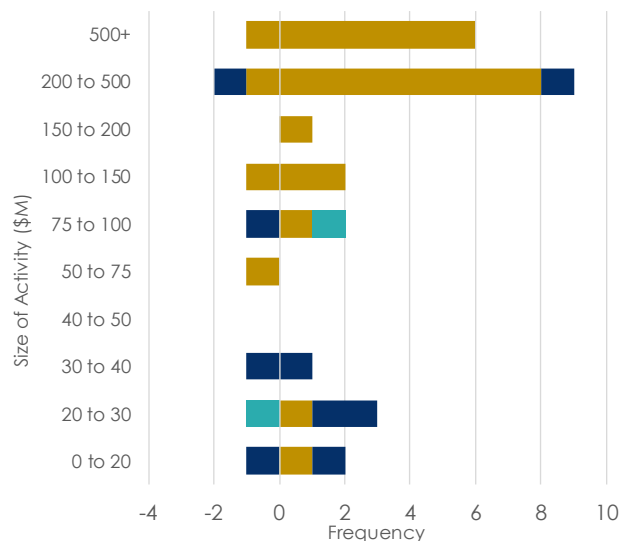
## Banks with \$100B to \$1T in Total Assets

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

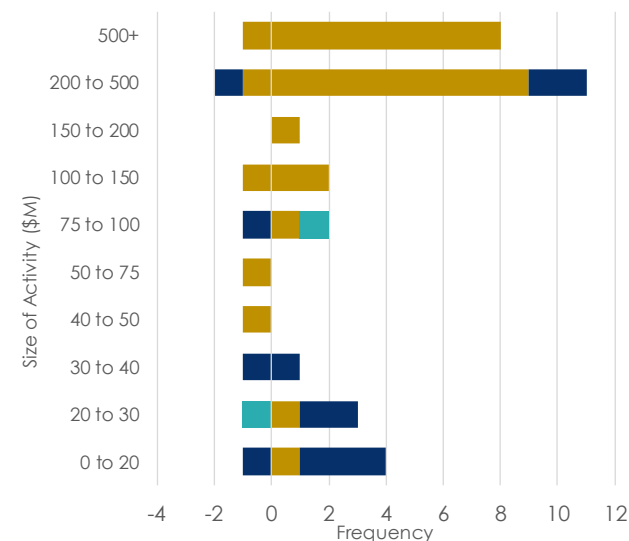
1-Year



3-Year



5-Year



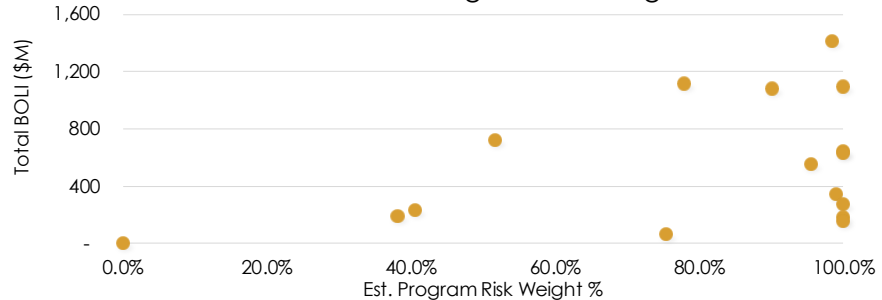
# Market Analytics By Bank Size

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

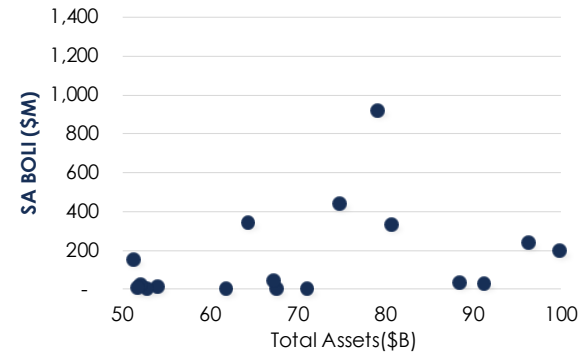
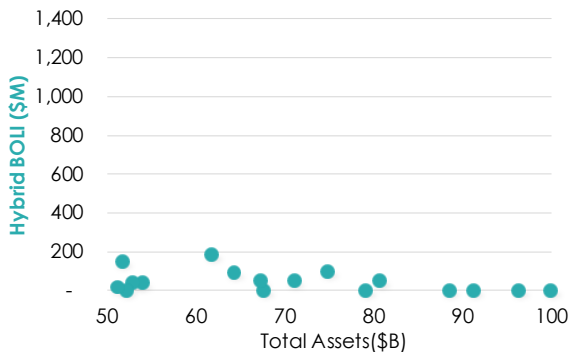
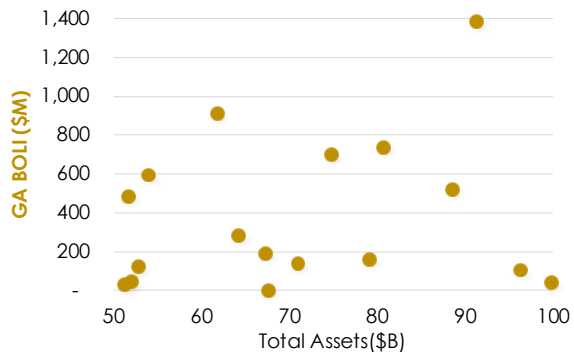
### 16 of 17 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>6,399</b>	<b>754</b>	<b>2,764</b>	<b>9,917</b>	<b>8%</b>
Average	376	44	163	583	9%
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 \$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)
<b>TOTAL</b>												
2023-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	4	84	4	84	0	0	3	-70	3	-70
3-Year	2	200	11	295	13	495	0	0	3	-70	3	-70
5-Year	6	655	15	545	21	1,200	0	0	6	-216	6	-216
<b>SA</b>												
2023-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	1	-29	1	-29
3-Year	0	0	7	211	7	211	0	0	1	-29	1	-29
5-Year	0	0	8	222	8	222	0	0	4	-175	4	-175
<b>GA</b>												
2023-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	4	84	4	84	0	0	0	0	0	0
3-Year	2	200	4	84	6	284	0	0	0	0	0	0
5-Year	6	655	7	323	13	978	0	0	0	0	0	0
<b>HYBRID</b>												
2023-Q1	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	2	-41	2	-41
3-Year	0	0	0	0	0	0	0	0	2	-41	2	-41
5-Year	0	0	0	0	0	0	0	0	2	-41	2	-41

Listings of activity by institution are available upon request

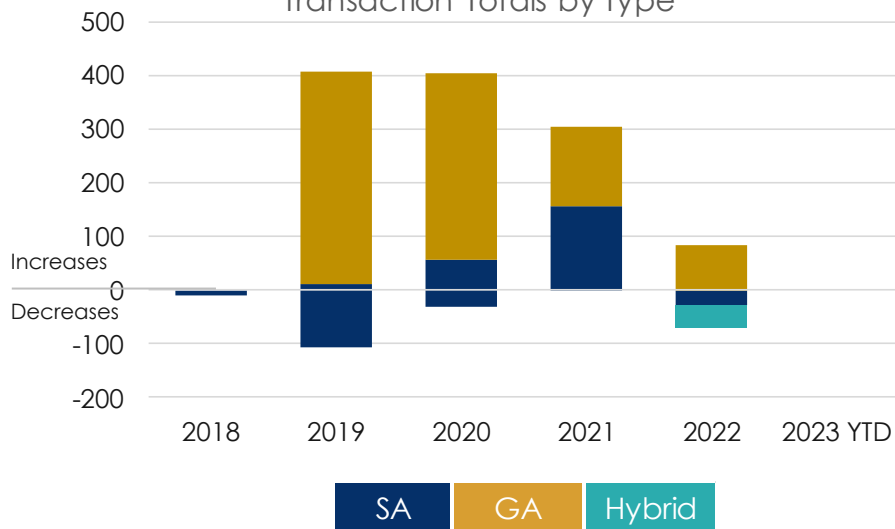
Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million



# Recent BOLI Transactions

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

Transaction Totals by Type



### Current Quarter Activity

- [None Observed]

### Recent Notable Actions

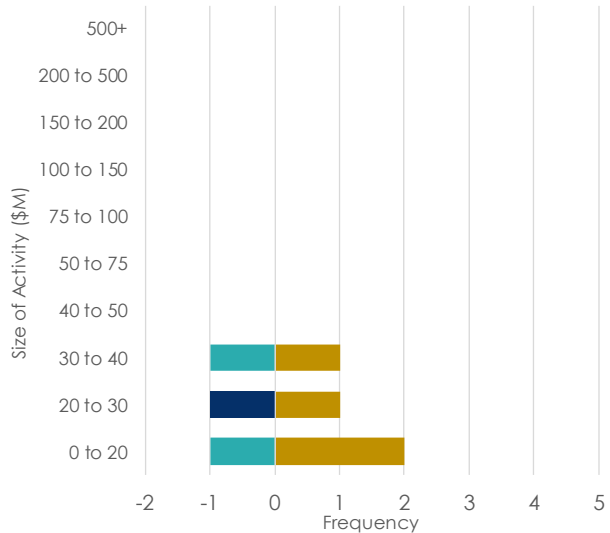
- In 2022-Q4, City National Bank's GA BOLI increased by \$14 million
- In 2022-Q4, Synovus Financial Corp's Hybrid BOLI decreased by \$10 million while its GA BOLI increased by \$10 million
- In 2022-Q3, NY Community Bcorp's GA and HY BOLI each increased by ~\$31 million
- In 2022-Q3, Wintrust Financial Corp's GA and SA BOLI each increased by ~\$29 million
- In 2021-Q3 East West Bank purchased \$150 million of GA
- In 2021 Raymond James's SA BOLI increased by ~\$100 million

# Frequency of BOLI Transaction Sizes

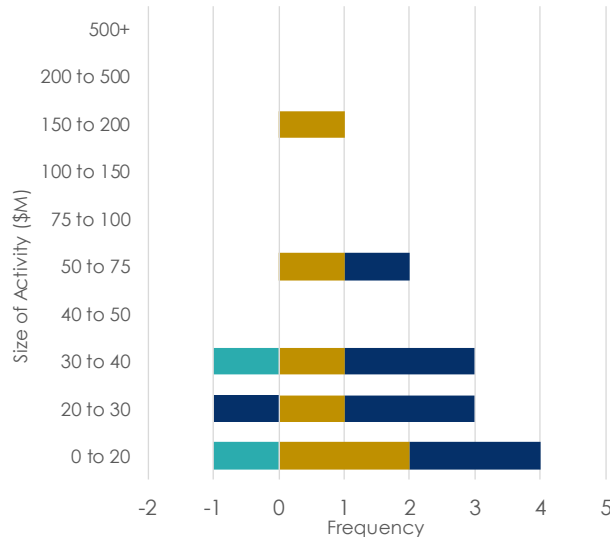
## Banks with \$50B to \$100B in Total Assets

- Recent purchases have been fairly spread out in overall size

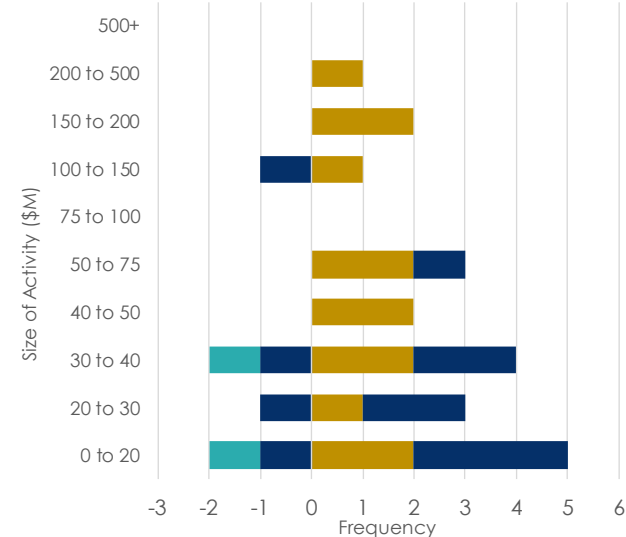
1-Year



3-Year

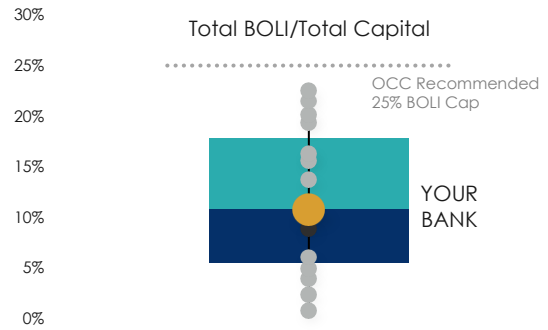
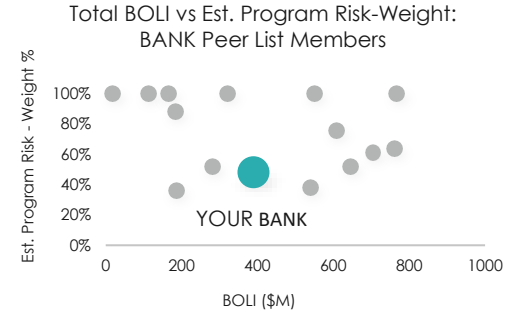
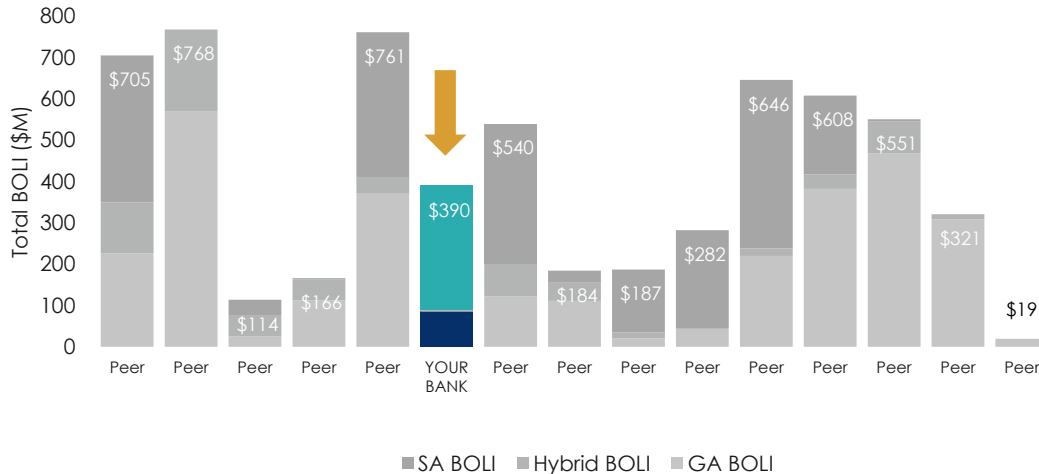


5-Year



# 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



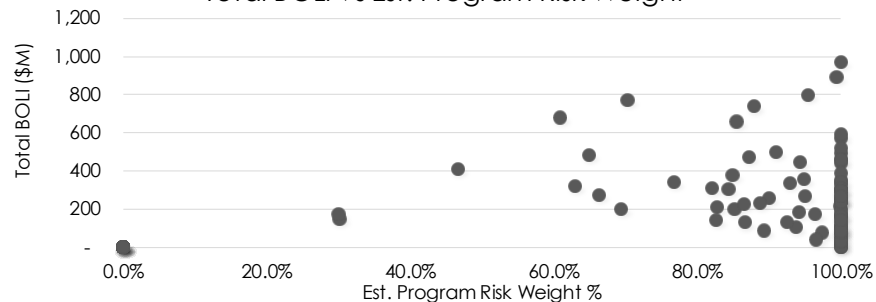
# Market Analytics By Bank Size

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

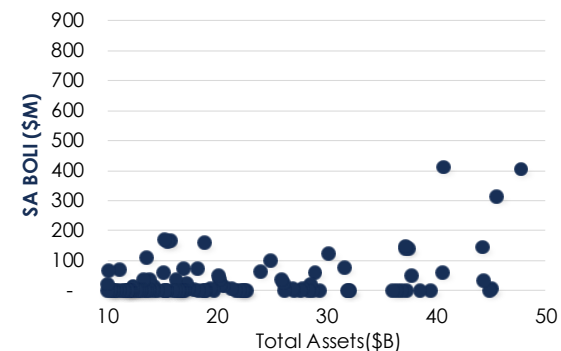
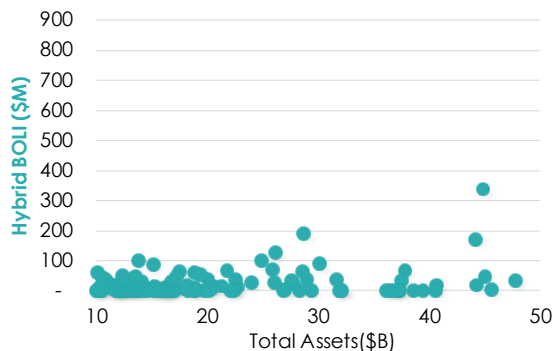
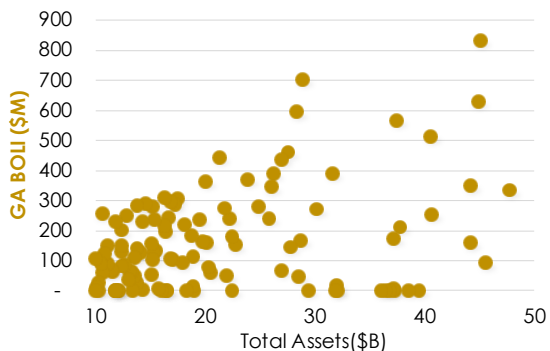
94 of 115 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>18,742</b>	<b>2,717</b>	<b>3,794</b>	<b>25,253</b>	<b>10%</b>
Average	163	24	33	220	133%
Last Q # of Increases	3	1	2	6	
Increase Total (\$M)	51	14	22	86	
Last Q # of Decreases	1	1	1	3	
Decrease Total (\$M)	(14)	(11)	(16)	(40)	

## 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

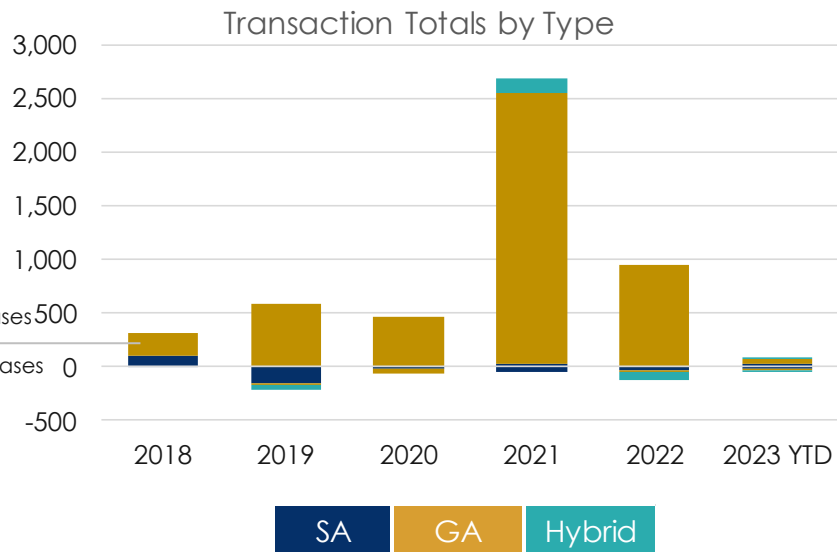
Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
<b>TOTAL</b>												
2023-Q1	0	0	6	86	6	86	0	0	3	-40	3	-40
1-Year	4	125	15	260	19	384	0	0	10	-159	10	-159
3-Year	43	2,519	38	1,627	81	4,147	1	-44	12	-187	13	-231
5-Year	49	2,865	50	2,112	99	4,977	5	-151	15	-321	20	-472
<b>SA</b>												
2023-Q1	0	0	2	22	2	22	0	0	1	-16	1	-16
1-Year	0	0	2	22	2	22	0	0	2	-46	2	-46
3-Year	0	0	3	46	3	46	1	-44	3	-61	4	-105
5-Year	0	0	5	126	5	126	3	-105	5	-160	8	-265
<b>GA</b>												
2023-Q1	0	0	3	51	3	51	0	0	1	-14	1	-14
1-Year	4	125	12	224	16	349	0	0	2	-29	2	-29
3-Year	42	2,419	33	1,542	75	3,962	0	0	3	-42	3	-42
5-Year	48	2,765	43	1,946	91	4,711	1	-4	4	-77	5	-81
<b>HYBRID</b>												
2023-Q1	0	0	1	14	1	14	0	0	1	-11	1	-11
1-Year	0	0	1	14	1	14	0	0	6	-84	6	-84
3-Year	1	100	2	40	3	140	0	0	6	-84	6	-84
5-Year	1	100	2	40	3	140	1	-42	6	-84	7	-126

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



### Current Quarter Activity

- Dollar Mutual's GA increased by \$25 million
- Hope Bcorp's GA increased by \$10 million
- NexBank's SA increased by \$11 million
- Old National's GA increased by ~\$15.85 million while its SA decreased by the same amount
- Provident's Hybrid increased by ~\$13.91 million while its GA decreased by the same amount
- Sandy Spring's SA increased by ~\$10.71 million while its Hybrid decreased by the same amount

### Recent Notable Actions

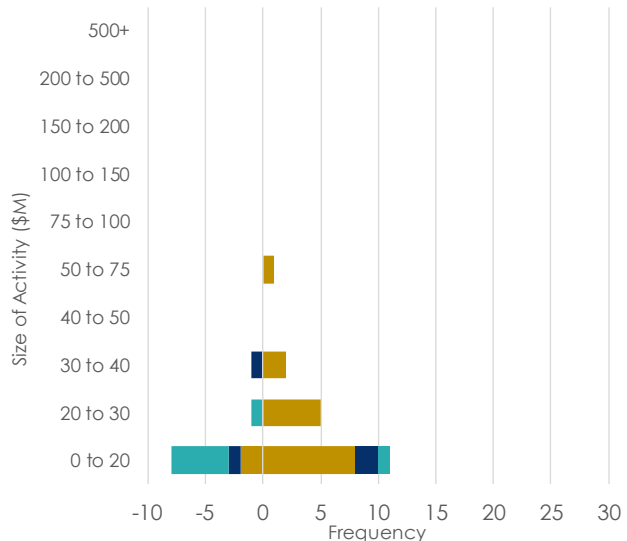
- In 2022-Q4, Prosperity Bancshares's SA decreased by \$30 million while GA increased \$30 million
- In 2022-Q3, Fulton Financial's GA increased by ~\$28 million
- In 2022-Q3, Pinnacle purchased \$25 million of GA
- In 2022-Q2, Ameris purchased \$50 million of GA

# Frequency of BOLI Transaction Sizes

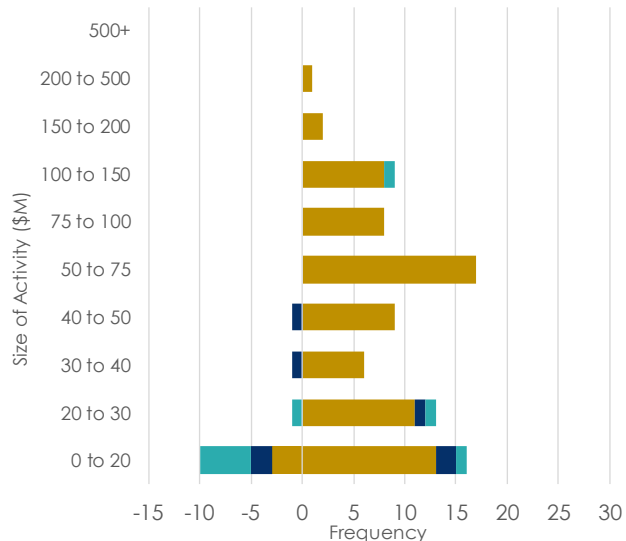
## Banks with \$10B to \$50B in Total Assets

- Most purchases for these sized banks have been under \$75 million, and many a reverse action from a decrease of another type of BOLI

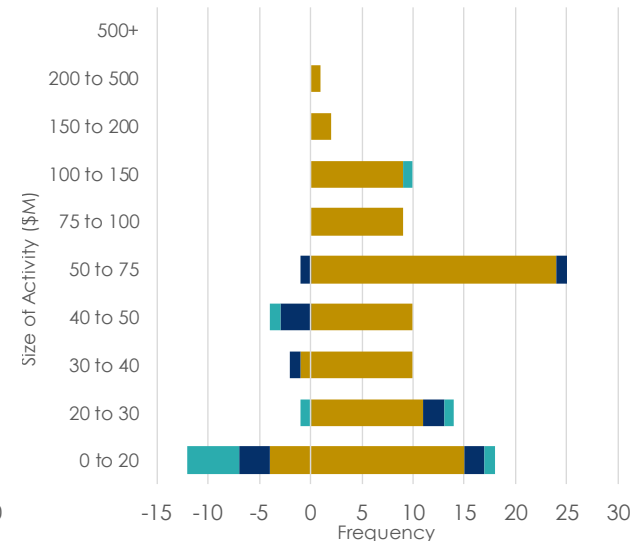
1-Year



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

31 Copyright MB Schoen & Associates, Inc.

SA

GA

Hybrid

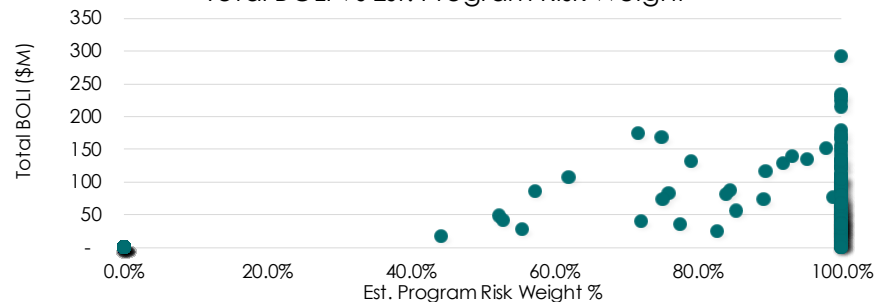
# Market Analytics By Bank Size

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

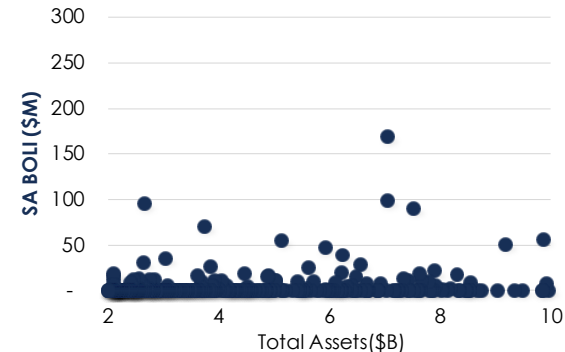
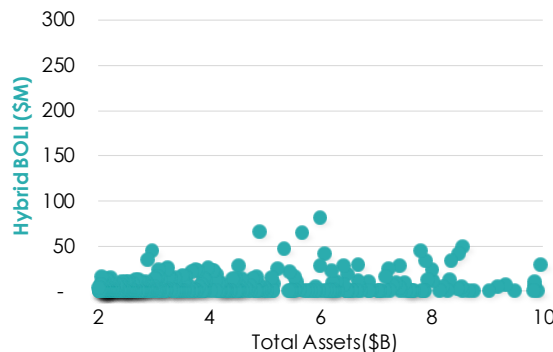
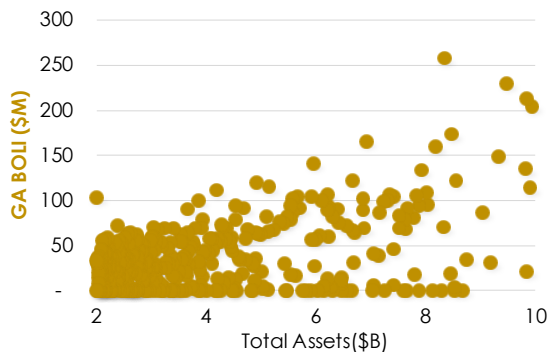
341 of 407 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
<b>Total</b>	<b>13,636</b>	<b>1,996</b>	<b>1,344</b>	<b>16,975</b>	<b>10%</b>
Average	41	6	4	51	11%
Last Q # of Increases	3	-	1		
Increase Total (\$M)	47	-	12		
Last Q # of Decreases	-	1	-		
Decrease Total (\$M)	-	(12)	-		

## 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)
<b>TOTAL</b>												
2023-Q1	0	0	4	58	4	58	0	0	1	-12	1	-12
1-Year	13	237	32	572	45	809	3	-36	8	-156	11	-192
3-Year	64	1,327	81	1,618	145	2,945	3	-36	14	-323	17	-359
5-Year	80	1,653	95	1,840	175	3,493	3	-36	19	-451	22	-487
<b>SA</b>												
2023-Q1	0	0	1	12	1	12	0	0	0	0	0	0
1-Year	2	35	4	83	6	118	1	-11	3	-65	4	-76
3-Year	3	95	6	188	9	283	1	-11	6	-152	7	-163
5-Year	3	95	7	204	10	299	1	-11	6	-152	7	-163
<b>GA</b>												
2023-Q1	0	0	3	47	3	47	0	0	0	0	0	0
1-Year	10	187	25	451	35	638	1	-15	2	-28	3	-43
3-Year	60	1,217	70	1,361	130	2,578	1	-15	5	-108	6	-123
5-Year	75	1,539	83	1,567	158	3,106	1	-15	10	-236	11	-250
<b>HYBRID</b>												
2023-Q1	0	0	0	0	0	0	0	0	1	-12	1	-12
1-Year	1	15	3	39	4	54	1	-10	3	-63	4	-73
3-Year	1	15	5	69	6	84	1	-10	3	-63	4	-73
5-Year	2	19	5	69	7	88	1	-10	3	-63	4	-73

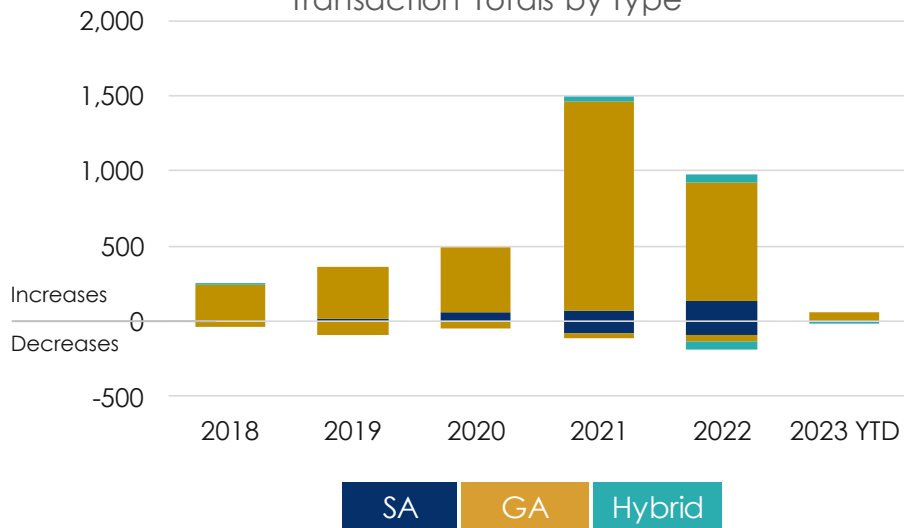
Listings of activity by institution are available upon request

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

Transaction Totals by Type



### Current Quarter Activity

- Big Poppy's GA increased by \$25 million
- Fishback Financial's GA increased by \$25 million
- Heritage Financial's SA increased by ~\$11.74 million while its Hybrid decreased by the same amount
- Westfield's GA increased by \$11.73 million

### Recent Notable Actions

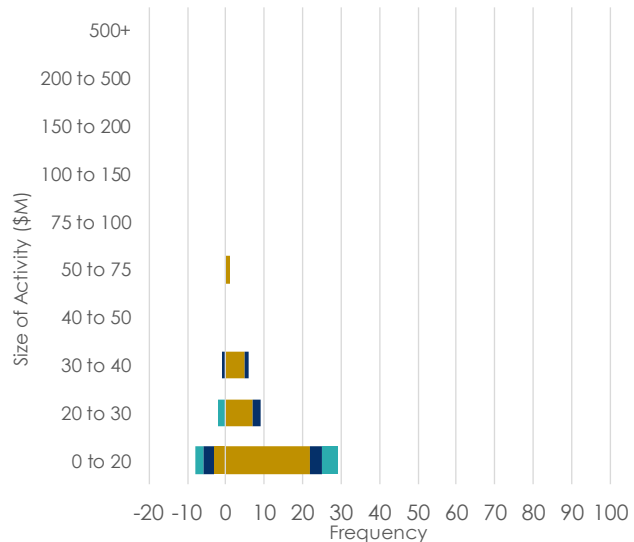
- In 2022-Q4, Encore Bank's GA increased \$35 million
- In 2022-Q4, Lakeland Financial Corp's SA decreased by \$33 million while it's GA increased by \$33 million
- In 2022-Q3, Stock Yards Bcorp purchased \$30 million of GA
- In 2022-Q3, Horizon purchased \$25 million of GA, \$15 million of HY & \$10 million of SA
- In 2022-Q2, Connectone purchased \$30 million of GA
- In 2022-Q2, Peoples Bcorp purchased \$30 million of GA

# Frequency of BOLI Transaction Sizes

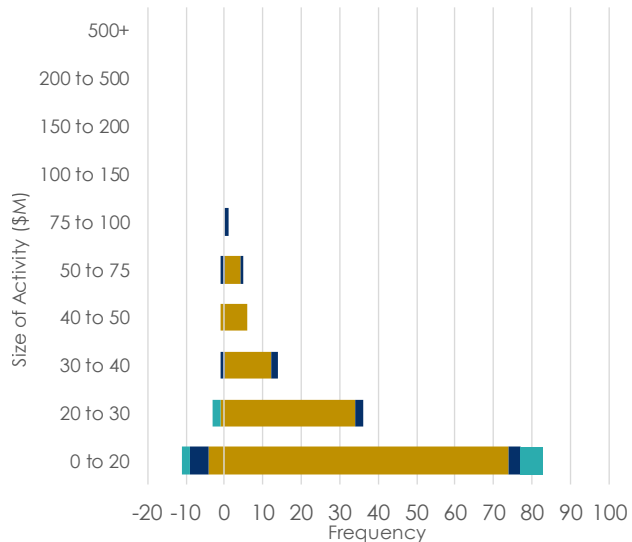
## Banks with \$2B to \$10B in Total Assets

- This bank tier has only seen one recent purchase over \$75 million, with the majority under \$30 million
- Purchase activity increased significantly in 2021 compared to 2018-2020

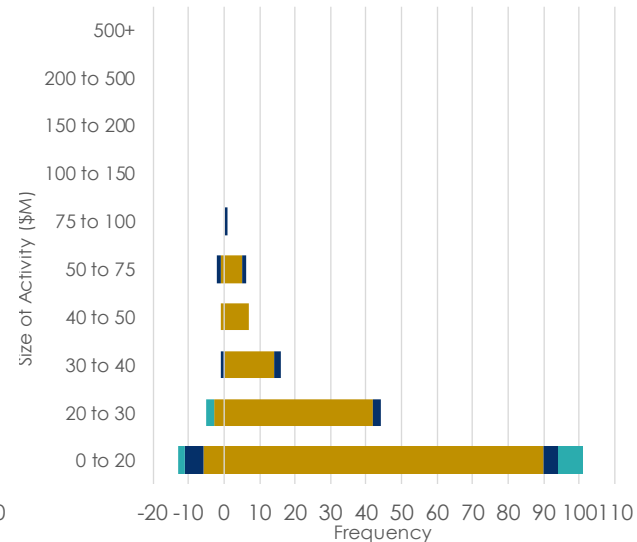
1-Year



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

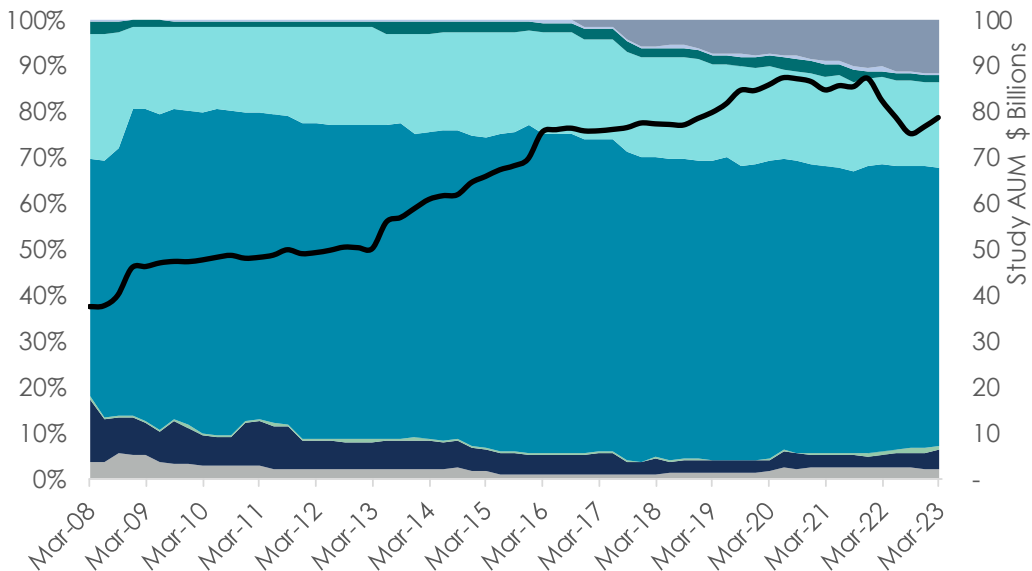
- Capital Efficient / Multi-Sector / Target RW
- High Yield
- Credit
- Core Fixed Income
- MBS / Securitized (ABS / CMBS)
- CLO / Bank Loan
- Short Duration
- Government

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

Currently comprises \$79 billion – a massive share of the industry

# SA BOLI Industry Allocations

## SA BOLI Allocations Over Time



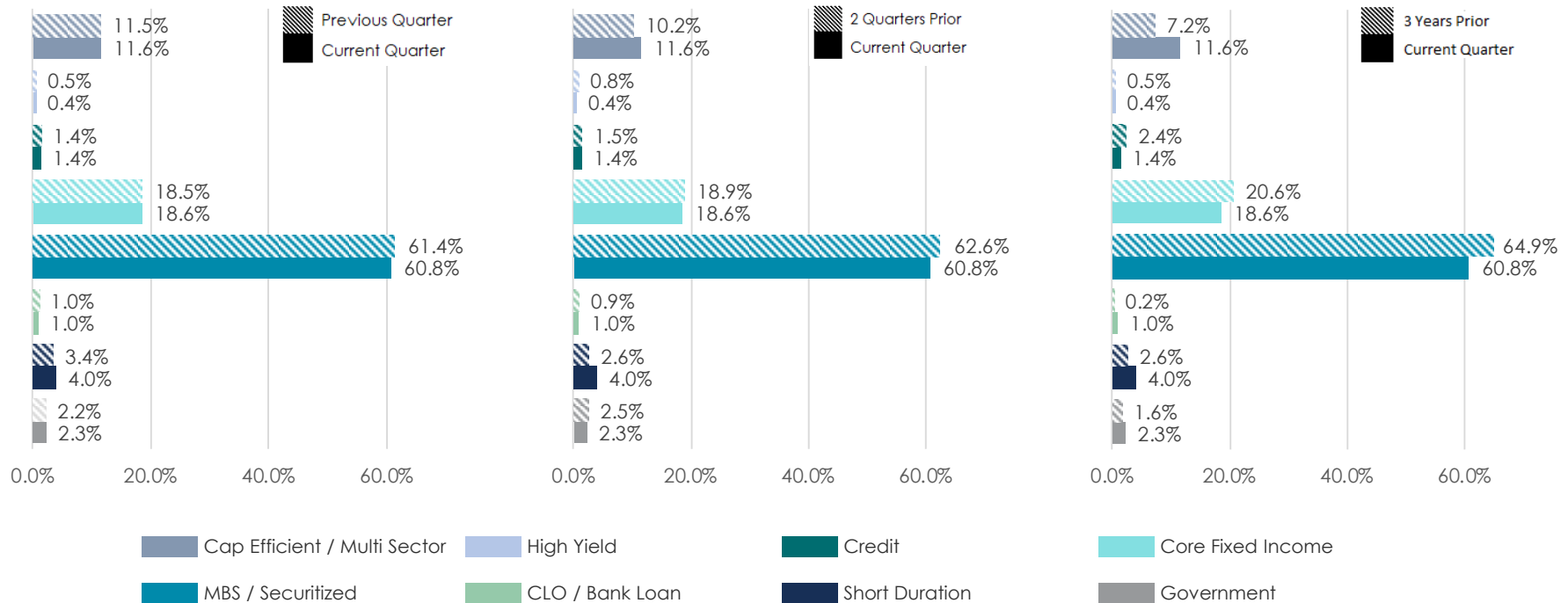
## 2023-Q1 Weights

Cap Efficient / Multi Sector	11.6%
High Yield	0.4%
Credit	1.4%
Core Fixed Income	18.6%
MBS / Securitized	60.8%
CLO / Bank Loan	1.0%
Short Duration	4.0%
Government	2.3%

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

The aggregate assets black line decreases in 2022 due to the study's assets reported at MV which suffered losses while wrapped BOLI is reported as BV on Bank Call Reports

# Recent Allocation Changes



# Investment Performance Proxy

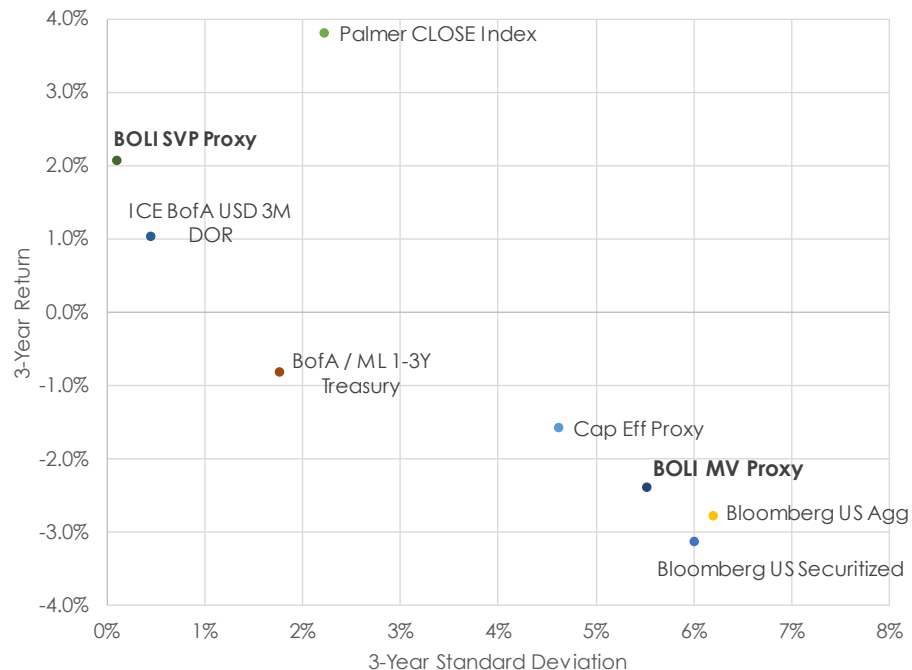
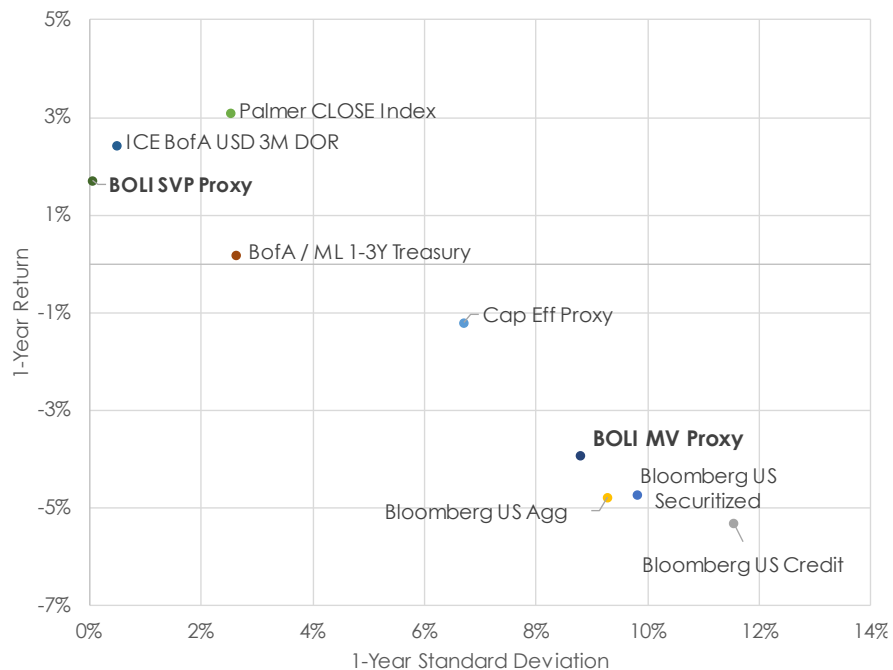
Using common benchmarks for the categories, a proxy for the industry's SA Q1 MV performance is estimated at 2.51%

	Benchmark	Quarter	1-Year	3-Year	5-Year	Weights
Cap Efficient / Multi Sector	[Proxied by a sector blend]	2.47%	-1.22%	0.46%	1.81%	11.63%
High Yield	<i>Bloomberg High Yield</i>	3.36%	-2.57%	4.73%	3.16%	0.45%
Credit	<i>Bloomberg US Credit</i>	3.45%	-5.31%	-0.70%	1.54%	1.39%
Core Fixed Income	<i>Bloomberg US Agg</i>	2.96%	-4.78%	-2.77%	0.91%	18.56%
MBS / Securitized	<i>Bloomberg US Securitized</i>	2.47%	-4.73%	-3.13%	0.30%	60.76%
CLO / Bank Loan	<i>Palmer CLOSE Index</i>	1.93%	2.91%	3.68%	2.52%	0.99%
Short Duration	<i>ICE BofA USD 3M DOR</i>	1.10%	2.44%	1.04%	1.59%	3.95%
Government	<i>BofA / ML 1-3Y Treasury</i>	1.55%	0.20%	-0.81%	1.10%	2.28%
<b>Industry Proxy MV Performance using rolling weights:</b>		<b>2.51%</b>	<b>-3.93%</b>	<b>-2.38%</b>	<b>0.73%</b>	
Industry Proxy Stable Value Performance:		0.41%	1.70%	2.08%	2.24%	

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



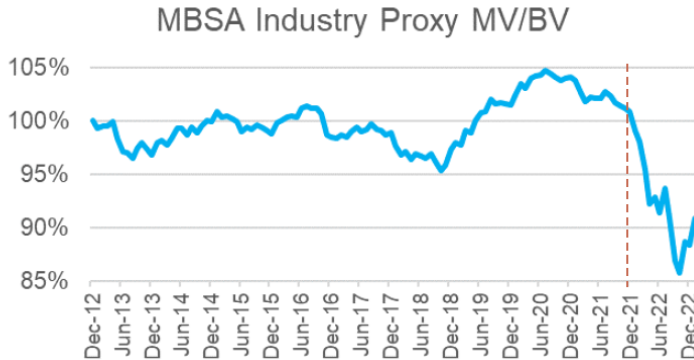
Data as of 2023-Q1

# Industry MV/BV Ratio Developments

Ratios increased strongly in January but gave nearly all the gains back in February before rebounding again (although more mildly) in March. Overall, ratios increased ~2% from Q4 to Q1

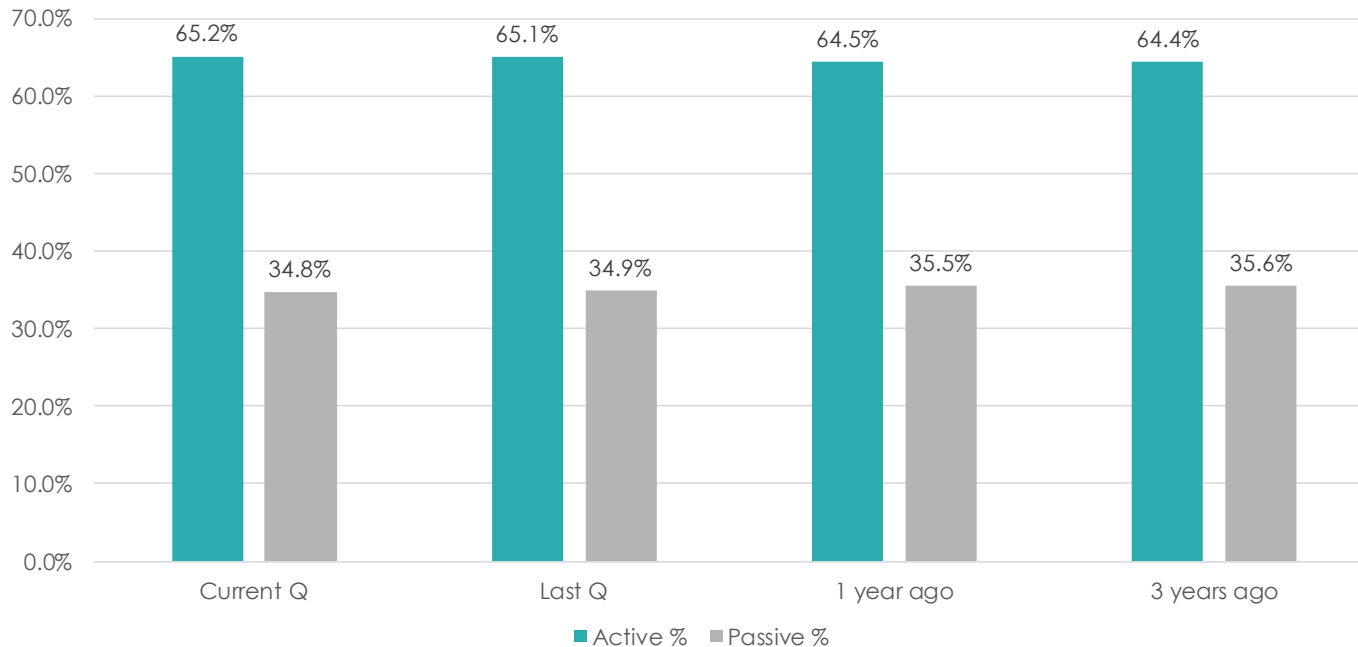
- MBSA began compiling market value and book value data to monitor the overall MV/BV ratios of BOLI allocations
  - ❖ As of Q1, the total MV in the carrier aggregate values was ~\$50 billion
- Additionally, using our proxy MV and BV performance monitoring from the prior pages, we calculate a proxy overall 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>86.5%</b>	<b>86.7%</b>
12/31/2022	<b>88.2%</b>	<b>88.2%</b>
3/31/2023	<b>89.9%</b>	<b>90.2%</b>



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

# Active / Passive Management Breakdown



# Legislative, Regulatory, Judicial, Tax and Accounting Updates

# Noteworthy Judicial Developments

## Lincoln National COI Litigation – Proposed Settlement (Mar)

- On March 24 the parties filed a motion for preliminary approval of a proposed class action settlement. The disputes related to Cost of Insurance increases that Lincoln announced in 2016 and 2017. Lincoln agreed to establish a Settlement Fund of up to \$117.75 million. Class attorneys' fees will not exceed 33.3% of the value of all benefits provided by this Settlement.
- Lincoln also agreed to a "COI Rate Increase Freeze" for the affected policies whereby Lincoln will not increase COI rates for a five-year period.
- The proposed settlement excludes several policies that remain subject to individual actions:
  - ❖ EFG Bank AG, et. al. (No. 2:17-cv-02592-GJP)
  - ❖ LSH Co, et. al. (No. 2:18-cv-05529-GJP)
  - ❖ Conestoga Trust and Conestoga Trust Services LLC (No. 2:18-cv-02379-GJP)
  - ❖ Sarita Kacker (No. 2:22-cv-04302- GJP)
- The proposed settlement remains subject to a fairness hearing and other procedural steps.

### Dockets:

*In Re: Lincoln National COI Litigation Case No.: 2:16-cv-6605-GJP*

*In Re: Lincoln National 2017 COI Litigation Case No.: 2:17-cv-04150-GJP*

# Noteworthy Judicial Developments

## COI Litigation Update – Jury Finds In Favor of Plaintiffs (May)

- On May 25 a jury verdict of \$6 million was reached in favor of plaintiffs in the matter of Meek v. Kansas City Life (“KCL”). Plaintiffs were challenging KCL's determination of Cost of Insurance (COI) rates for certain universal life insurance policies. In a procedural step, the Court had previously ruled that KCL should have determined the COI rate using only age, sex and risk class. The COI provision in the specimen policy attached to the complaint was as follows:
  - ❖ The cost of insurance on any monthly anniversary day is equal to
    - $Q \times (R - S)$
    - “Q” is the cost of insurance rate (as described in Section 3).
    - “R” is the insured's death benefit on that day divided by no less than 1.0024663.
    - “S” is the cash value (as described in Section 10.2) prior to subtracting the cost of insurance.
- Section 3 of the policy included the following language:
  - ❖ The cost of insurance rate on each monthly anniversary day is based on the Insured's sex, age and risk class. Age means the age on the Insured's last birthday. The guaranteed maximum monthly cost of insurance rates per \$1,000 shown in the table below are based on the Commissioners 1958 Standard Ordinary Mortality Table, age last birthday.
  - ❖ Monthly cost of insurance rates actually used will be determined by us based on our expectations as to future mortality experience, but these rates will never be greater than those shown below. However, the guaranteed maximum monthly cost of insurance rates for special risk classes will be adjusted appropriately.

Continued...

# Noteworthy Judicial Developments

## COI Litigation Update – Jury Finds In Favor of Plaintiffs (May) Continued

- The Court left for trial determinations about whether KCL's consideration of other factors such as anticipated persistency of the policies (e.g., lapse rates and surrender rates), anticipated interest rates, competition factors, etc. had the effect of increasing or decreasing the COI rate for policyholders such that they were damaged or may have even received some financial benefit by KCL having not limited its COI calculations to age, sex and risk class alone.
- The certified class is comprised of roughly 6,000 members. The litigation commenced in 2019.

*Docket: Meek vs. Kansas City Life Insurance Company, Case No: 4:19-cv-00472-BP*

# Noteworthy Tax Developments

## Biden Budget Proposal (Mar)

- On March 9 the Biden Administration released its budget for [Fiscal Year 2024](#).
- Notable business tax provisions include
  - ❖ Increasing the Corporate Tax Rate from 21% to 28%
  - ❖ Expand the pro-rata interest expense disallowance for COLI
- The provision to expand the pro-rata interest expense disallowance for COLI has been included in several previous budget proposals, including during prior administrations. This year, the topic was not specifically described in the [General Explanations](#) document published by the Treasury Department. In prior years, the proposal was always marked to apply prospectively (i.e., only to newly issued policies after an effective date).
- With a divided Congress, expectations are low with regard to likelihood of enacting significant tax-related legislation.



# Noteworthy Tax Developments

## IRS Revenue Ruling – No Step-up in Basis if a Trust's Assets are not Includible in Gross Estate (Apr)

- On March 29 the IRS released [Revenue Ruling 2023-2](#) concluding that a basis adjustment under IRC § 1014 (i.e., a so-called step-up in basis) does not apply to the assets of a trust on the death of the individual who is the owner of the trust if the trust assets are not includible in the owner's gross estate.
- In the scenario described in the Revenue Ruling, an individual established an irrevocable trust and funded the trust with an asset transfer that was a completed gift for gift tax purposes. The individual retained a power over the trust that caused the individual to be treated as the owner of the trust for income tax purposes; however, the trust was not includible in the individual's gross estate.
- The primary finding of the IRS in the scenario was that the property acquired or passed from a decedent for purposes of § 1014(a) must fall into one of seven types of property listed in § 1014(b) – and the asset in the scenario set forth did not fall into any of those seven types.

# 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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LEGISLATIVE, REGULATORY, JUDICIAL,  
AND ACCOUNTING DEVELOPMENTS



# Noteworthy Regulatory Developments

## Potential Bank Regulatory Responses to Signature and Silicon Valley Bank Failures (Mar)

- On March 28 and 29 Michael Barr, Federal Reserve Vice Chair for Supervision, testified in House and Senate committee hearings on the failure of Silicon Valley Bank ([Written Testimony](#)). Silicon Valley Bank was a state member bank with the Federal Reserve as its primary federal regulator. Mr. Barr provided a brief recap of the Federal Reserve's oversight of the bank and concerns it had noted regarding liquidity risk management, among others.
- Since the recent bank failures, there has been increased speculation about whether institutions in that size range (\$100 billion - \$250 billion) should be subjected to heightened regulatory standards. On March 30 the White House [released a statement](#) urging the banking regulators and Treasury Department to consider a set of reforms to reduce the risk of future banking crises.
  - ❖ Reinstate liquidity requirements and enhanced liquidity stress testing;
  - ❖ Reinstate annual supervisory capital stress testing;
  - ❖ Reinstate requirements for comprehensive resolution plans;
  - ❖ Strengthen supervisory tools (including stress testing for interest rates and deposit outflows); and
  - ❖ Expand long-term debt requirements (which can serve as loss-absorbing buffer to better protect depositors).
- On March 9 the Congressional Research Service issued a report ([Bank Capital Requirements: A Primer and Policy Issues](#)). The report provides an overview of the various risk-based and leverage-based capital requirements and policy considerations associated with properly calibrating capital requirements.
- As always, we will continue to monitor bank regulatory developments closely and support clients in properly treating BOLI programs under the rules.

# Noteworthy Regulatory Developments

## FSOC Proposes Updated Analytic Framework and Guidance on Nonbank Determinations (Apr)

- On April 21 the Financial Stability Oversight Council (FSOC) [released](#) a proposed [analytic framework](#) for how it assesses financial stability risks and proposed [interpretive guidance](#) for how it determines if nonbank financial companies merit enhanced prudential oversight. Treasury Secretary Yellen's [prepared remarks](#) were also published.
- One of the notable changes under the new proposed guidance is that FSOC looks to remove language from the current guidance (published in 2019) stating that FSOC would conduct a cost-benefit analysis and an assessment of the likelihood of a firm's material financial distress prior to making a determination to subject a nonbank financial company to supervision and prudential standards. The FSOC believes that those steps unduly hamper its ability to use the statutory authority Congress granted.
- At present, no insurance-related company is designated as a Systemically Important Financial Institution (SIFI). As a brief reminder, in 2013-2014 the FSOC voted to designate the following entities as SIFIs:
  - ❖ American International Group, Inc.
  - ❖ General Electric Capital Corporation, Inc.
  - ❖ Prudential Financial, Inc.
  - ❖ MetLife, Inc.
- Each of these designations were rescinded (aborted in the case of MetLife by settling legal proceedings).
- The revised proposed framework and interpretive guidance will be open for comment. We will continue to monitor, primarily for any impact these developments could have on large insurance companies.

# Noteworthy Regulatory Developments

## Reportable Policy Sale Proposed Update (May)

- On May 10 the IRS published a proposed rule in the Federal Register to amend the existing regulations relating to section 1035 exchanges of life insurance and certain other life insurance contract transactions. These regulations are sometimes referred to as the Reportable Policy Sale rules. The Tax Cuts and Jobs Act added IRC 101(a)(3) established the term Reportable Policy Sale which limits the applicability of the previously existing exemptions from the so-called transfer for value rules if a transfer of life insurance contracts constitutes a Reportable Policy Sale.
- In 2019 the IRS finalized regulations to implement the new legislation. Interested parties submitted comments in response to the final regulations (particularly relating to 1035 exchanges and mergers and acquisitions). In 2021 the IRS published a Priority Guidance Plan indicating its intention to revisit these topics.

## Proposed Rule for 1035 Exchanges

- The 2019 final regulations staked a position that policies acquired in a 1035 exchange constituted a transfer of an interest in a life insurance contract. As such, they had to be tested for whether the policyowner had a substantial business, family or financial relationship with the insured.
- In the proposed rule, the IRS looks to adjust that portion of the prior regulations while also preventing policyowners from using 1035 exchanges to cleanse policies previously transferred in Reportable Policy Sales. Specifically, the proposed rule would
  - ❖ Clarify that the issuance of a policy from an insurer to a policyholder is not a transfer of an interest in a life insurance contract (without qualification); and
  - ❖ Establish a new rule that the old contract's basis and death benefit tax treatment is carried forward to the new contract.

# Noteworthy Regulatory Developments

## Reportable Policy Sale Proposed Update (May) Continued

- We fully support both aspects of the proposed rule for 1035 exchanges. These changes largely restore the tax treatment of exchanges to the same position that applied prior to the enactment of the Reportable Policy Sale rules under TCJA.
- Exchanges (including those on former employees) remain complex; insurable interest, insured notification/consent, IRC § 264(f) and other qualitative and quantitative hurdles remain.

## Proposed Rule for Mergers and Acquisitions

- In the proposed rule, the IRS reiterated its previous rationale for different treatment of stock and asset reorganizations:
  - ❖ An acquirer of an interest in an entity has limited ability to determine the types of assets an entity owns; and
  - ❖ The IRS had not identified any clear policy reason why the complete exclusion of death benefits from policies held by a corporation should carry over when ownership of the insurance policy is transferred but a substantial business or financial relationship does not exist between the acquirer and insured.
- Subsequent to the 2019 final regulations, the IRS received a comment letter describing issues the life insurance industry was encountering due to the disparate treatment. The author of the comment letter suggested the addition of an exception from the RPS rules for acquisitive transactions involving entities that own a de minimis amount of life insurance (e.g., less than 5% of total value).

Continued...

# Noteworthy Regulatory Developments

## Reportable Policy Sale Proposed Update (May) Continued

- The IRS is proposing a new exception for a direct acquisition of an interest in a life insurance contract from a C corporation by a C corporation, subject to the following requirements (emphasis added):
  - ❖ 1. The acquisition results from a transaction that qualifies as a reorganization under section 368(a)
  - ❖ 2. Immediately before the acquisition,
    - i. The interest is held by a C corporation involved in an active trade or business
    - ii. The C corporation does not engage in a trade or business of investing in interests in life insurance contracts
    - iii. No more than 5 percent of the gross value of the assets of the C corporation consists of life insurance contracts
  - ❖ 3. Immediately after the acquisition,
    - i. The acquiring C corporation does not engage in a trade or business of investing in interests in life insurance contracts
    - ii. No more than 5% of the assets consist of life insurance contracts
- We are supportive of this proposed amendment as well. However, it is our understanding that the proposed exception is only applicable to tax free reorganizations (i.e., under Section 268(a)). Thus, taxable acquisitive transactions of substantially all assets of an institution appear to not be in scope. Additionally, the acquisitive transactions exempted from Reportable Policy Sale treatment under this new rule would still need to qualify for the existing transfer for value exceptions (e.g., a carryover basis transaction).

Continued...



# Noteworthy Regulatory Developments

## Reportable Policy Sale Proposed Update (May) Continued

### Effective Dates

- The new rules are proposed to be effective on or after the date the Treasury adopts final regulations; however, the proposal notes that taxpayers may choose to apply or rely on the proposed regulations to all section 1035 exchanges and acquisitions occurring after December 31, 2017.

### Comment Period

- The proposed regulations are open to public comment through July 10, 2023.

# Noteworthy Legislative Developments

## Data Privacy Act Passes House Financial Services Committee (Mar)

- On February 28 the Data Privacy Act of 2023 ([H.R. 1165](#)) passed the House Financial Services Committee. This bill, sponsored by Patrick McHenry (R-NC), aims to amend the Gramm-Leach-Bliley Act to modernize the protection of nonpublic personal information of individuals with whom financial institutions have customer or consumer relationships. In a [statement](#), Mr. McHenry notes that this bill is the culmination of more than three years of work by Committee Republicans.
- At present, it appears that the terms Customer Relationship and Consumer Relationship would be defined by regulators in rulemaking processes set forth under Section 504. Notably, with respect to “any person engaged in providing insurance,” the applicable regulator is the state insurance authority.
- The bill also seeks to supersede any state laws that regulate financial institutions with respect to the collection or disclosure of personal information, among others.
- The ACLI released a [statement](#) thanking the members of the House Financial Services Committee for their work on this bill.

# Other Noteworthy Developments

## Silicon Valley Bank and Signature Bank BOLI Holdings (Mar)

- On March 27 First Citizens BancShares, Inc. announced an agreement with the FDIC to purchase all of the assets and liabilities of Silicon Valley Bridge Bank. It is worth noting that the FDIC did not transfer all of the assets of Silicon Valley Bank into the Bridge Bank. As set forth in the [Transfer Agreement](#), Silicon Valley Bank's BOLI was retained by the FDIC (see Section 2.03(b)).
- The FDIC, as receiver, also retained Signature Bank's BOLI holdings (see Section 2.03(b) of the Signature Bank [Transfer Agreement](#)). On March 20 the FDIC announced that Flagstar Bank agreed to purchase substantially all of the deposits and certain loan portfolios of the Signature Bridge Bank.
- Neither of these failed banks owned material amounts of BOLI. As of 12/31/2022, Signature Bank owned ~\$66 million (\$34 million GA; \$32 million SA), and Silicon Valley Bank owned ~\$77 million (\$54 million GA; \$23 million hybrid).

# Other Noteworthy Developments

## US DOL Reaches Settlement with Prudential Regarding Denied Claims (Apr)

- On April 19 the US Department of Labor announced a [settlement](#) with Prudential Insurance Company of America following an investigation which found that Prudential allowed group life insurance plan participants to pay for additional, supplemental coverage, but later denied claims on the grounds that the participants failed to provide evidence of insurability. According to the press release, Prudential denied more than 200 such claims from 2017-2020.
- The settlement prohibits Prudential from denying a beneficiary's claim based on the lack of evidence of insurability when premiums were collected for more than three months. Prudential Financial has advised the department that they will voluntarily reprocess denied claims dating back to June 2019 and provide benefits for the claims previously denied based solely on lack of evidence of insurability.
- It does not appear that Prudential was subjected to any fines related to this matter. The full settlement is available [here](#).

## First Republic Bank Put Into Receivership – JPMorgan Chase to Assume Substantially All Assets (Apr)

- Today (May 1) the FDIC [announced](#) that the California Department of Financial Protection and Innovation closed First Republic Bank and appointed FDIC as receiver. The FDIC entered into a purchase and assumption agreement with JPMorgan Chase to assume all of the deposits and substantially all of the assets of First Republic Bank.
- We have not located the actual agreements, and, as of this writing, it is unclear if the agreement with JPMorgan Chase will include or exclude First Republic's BOLI assets.

# 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 and Annuity Corporation
- New York Life Insurance Company
- Northwestern Mutual Life Insurance Company
- USAA Life Insurance Company

## Insurance Carriers Rated AA

- Canada Life Assurance Co. (US Branch)
- Empower Annuity Insurance Company of America
- Zurich Insurance Company

## Insurance Carriers Rated AA-

- John Hancock Life Insurance Company (USA)
- 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
- Athene Annuity and Life Company
- Brighthouse Life Insurance Company
- Equitable Financial Life Insurance Company
- Equitable Financial Life Insurance Company of America
- Lincoln National Life Insurance Company
- 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

- Connecticut General Life Insurance Company
- Jackson National Life Insurance Company
- Symetra Life Insurance Company
- Zurich American Life Insurance Company

## Insurance Carriers Rated BBB+

- Delaware Life Insurance Company
- Talcott Resolution Life Insurance Company

\*Categories based on S&P's Financial Strength Rating as May 17, 2023

# Current Moody's Financial Strength Ratings

## Insurance Carriers Rated Aaa

- New York Life Insurance and Annuity Corporation
- New York Life Insurance Company
- Northwestern Mutual Life Insurance Company

## Insurance Carriers Rated Aa1

- Guardian Life Insurance Company of America
- USAA Life Insurance Company

## Insurance Carriers Rated Aa2

- None

## Insurance Carriers Rated Aa3

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

## Insurance Carriers Rated A1

- Athene Annuity and Life Company
- Equitable Financial Life Insurance Company
- Equitable Financial Life Insurance Co. of America
- John Hancock Life Insurance Company (USA)
- Lincoln 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
- 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
- Jackson National Life Insurance Company
- Reliastar Life Insurance Company
- U.S. Life Insurance Company in The City of NY

## Insurance Carriers Rated A3

- Brighthouse Life Insurance Company

## Insurance Carriers Rated Baa1

- Security Life of Denver Insurance Company

## Insurance Carriers Rated Baa2

- Talcott Resolution Life Insurance Company

\*Categories based on Moody's Insurance Financial Strength Rating as of May 17, 2023

# Ratings or Outlook Revisions

## Allstate Corporation

- Outlook changed from stable to **negative** by Moody's (Mar)

## Corebridge Financial, Inc.

- Outlook changed to **stable** by Fitch (Mar)

## USAA Life Insurance Company

- Outlook changed from stable to **negative** by Moody's (Mar)

## Zurich Insurance Company

- Moody's rating withdrawn for business reasons (Apr)

## Bank of America, N.A.

- Outlook changed from positive to **stable** by S&P (Apr)
- Rating **upgraded** by Moody's from Aa2 to Aa1 and outlook to **stable** (May)

## JPMorgan Chase Bank, N.A.

- Outlook changed from positive to **stable** by S&P (Apr)

NEED UP TO DATE COUNTERPARTY TRACKING ?

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# Industry Developments

## NRSRO Comments on Insurance Exposures to Failed Banks (Mar)

- Moody's and Fitch published announcements regarding exposures to Silicon Valley Bank, Signature Bank, and Silvergate Bank noting that exposures to these banks were modest. Fitch [cited](#) that direct credit exposure to these banks was \$1.16 billion for the insurance industry, with most of the exposure concentrated amongst life insurers. Moody's noted that the largest exposure within the life insurance industry to Silicon Valley Bank and Signature Bank was less than \$150 million and that exposures to these banks were less than 0.1% of the life insurers cash and invested assets.

## Review of Separate Account Holdings for Exposures to Failed Banks (Mar)

- MBSA has reviewed holdings of separate account BOLI to monitor for exposures to failed banks. There were no fixed income exposures to Silicon Valley Bank, Signature Bank, and Silvergate Bank in the holdings we surveyed. There were minimal equity exposures to the three failed banks in passively managed equity index strategies. The largest failed bank equity exposure within the passively managed portfolios was 0.5% of portfolio assets as of February month-end.

# 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)					
2022 Q1	2021 Q4	2022 YTD	2021	2020	2019
-	-	-	-	-	1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-2	-	1
-	-	-	-1	-	-
-	-	-	-1	-	-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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