



Evolving Trends in Bank-Owned Life Insurance Market

Complimentary Edition – 2022-Q2

October 2022

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Economic Backdrop

Economic Updates

Central Banks & Yield Curve

- In the face of continued inflation, central banks took more hawkish stances. At the June FOMC meeting, participants voted to raise the federal funds rate by 75bps (following 50bps from the May meeting) and the BoE and BoC raised rates as well.
- The treasury yield curve continued to increase through June and flattened slightly in the front-end.

Sector Returns

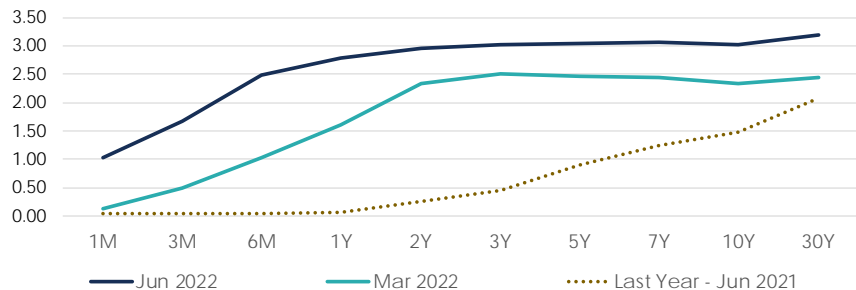
- As interest rates rose, credit spreads widened significantly, and typical “safe-haven” investments performed poorly alongside equities. A common BOLI investment – agency MBS – returned over -4% in Q2.
- Commodities had strong global returns near 18%
- Volatility remained elevated

US Economy

- The June CPI print showed an increase in the Consumer Price Index for All Urban consumers of 9.1% year-over year. Gasoline, shelter, and food were the largest contributors to the increase.

Financial Markets Update

US Treasury Yields



	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y
Jun 2022	1.02	1.67	2.49	2.78	2.96	3.01	3.04	3.07	3.02	3.19
Mar 2022	0.13	0.50	1.02	1.61	2.34	2.51	2.46	2.43	2.34	2.45
Q Change	0.89	1.17	1.47	1.17	0.62	0.50	0.58	0.64	0.68	0.74
Jun 2021	0.04	0.04	0.05	0.07	0.25	0.46	0.89	1.24	1.47	2.09
Year Change	0.98	1.62	2.44	2.71	2.71	2.55	2.15	1.83	1.55	1.10

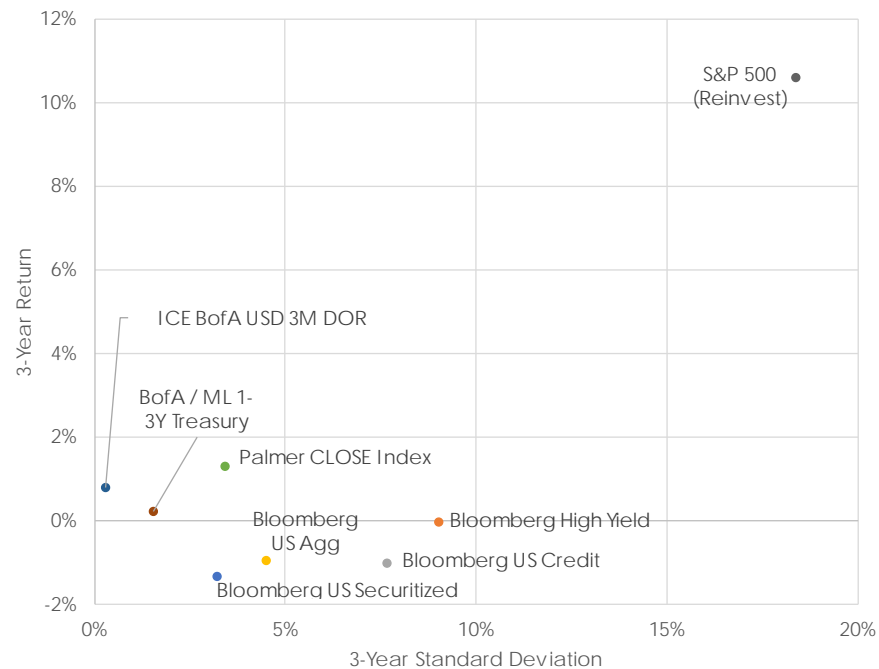
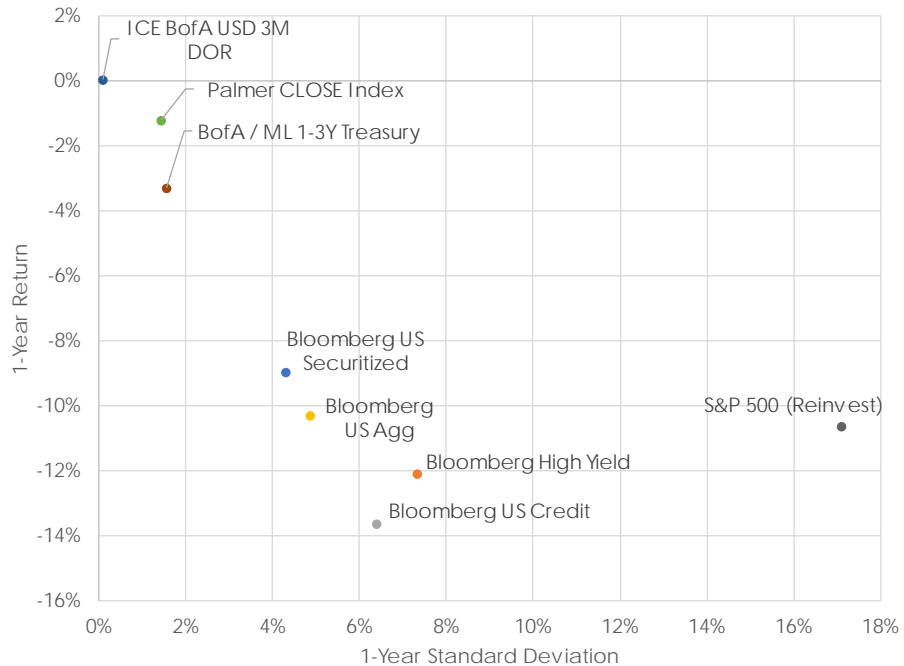
Sector Performance (As of Q2)

	YTW	Duration	OAS	3M Return	12M Return	3Y Return	5Y Return
Treasuries	3.09%	6.40	-0.01%	-3.77%	-8.90%	-0.88%	0.74%
Corporate	4.70%	7.57	1.55%	-7.26%	-14.19%	-0.98%	1.28%
CMBS	4.07%	4.87	1.01%	-2.85%	-8.89%	-0.16%	1.58%
ABS	3.78%	2.25	0.75%	-0.91%	-4.27%	0.51%	1.38%
Credit Card ABS	3.50%	2.98	0.46%	-1.43%	-5.85%	-0.03%	1.04%
Auto ABS	3.98%	1.85	0.96%	-0.72%	-3.67%	0.68%	1.50%
Agency MBS	3.77%	5.86	0.46%	-4.01%	-9.03%	-1.44%	0.36%
GNMA	3.83%	5.64	0.46%	-3.89%	-8.29%	-1.45%	0.32%
FHLHC	3.75%	6.01	0.46%	-4.15%	-9.43%	-1.50%	0.35%
FNMA	3.75%	5.84	0.46%	-3.94%	-9.06%	-1.33%	0.44%
Palmer CLO AAA	4.92%	3.77	1.83%	-1.25%	-0.89%	1.39%	2.09%

*Discount Margin

	3M Return	12M Return	3Y Return	5Y Return
SP 500 (Reinvest)	-16.10%	-10.62%	10.60%	11.31%
Energy	-5.17%	39.99%	10.15%	7.00%
Materials	-15.90%	-8.72%	10.26%	8.74%
Industrials	-14.78%	-13.42%	6.06%	6.77%
Consumer Discretionary	-26.16%	-24.20%	5.37%	9.75%
Consumer Staples	-4.62%	6.66%	10.86%	8.79%
Health Care	-5.91%	3.37%	13.61%	12.16%
Financials	-17.50%	-12.68%	6.73%	7.22%
IT	-20.24%	-13.56%	18.71%	20.22%
Telecom	-20.71%	-29.05%	5.35%	6.15%
Utilities	-5.09%	14.30%	9.01%	9.78%

1 & 3-Year Benchmark Risk/Return Plots

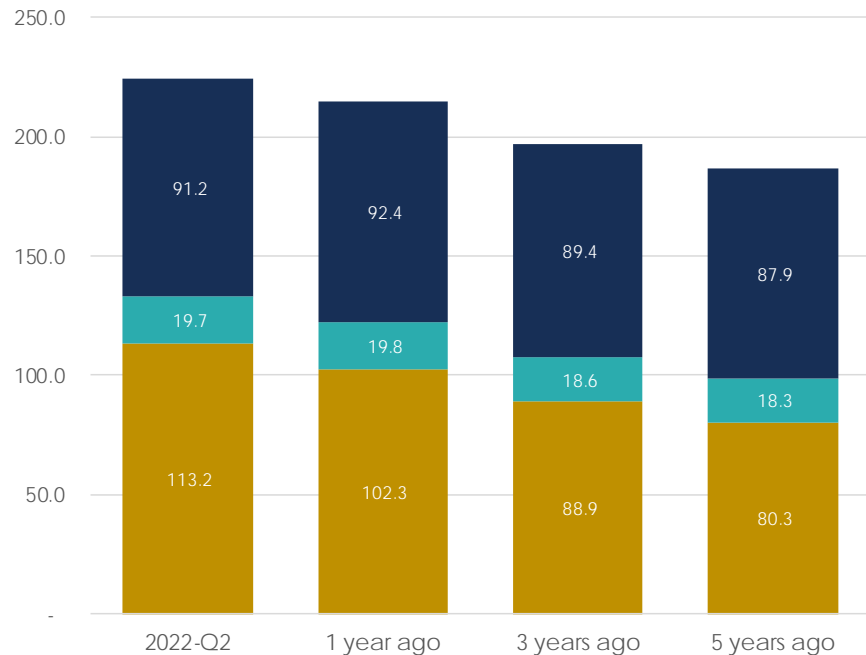


Data as of 2022-Q2

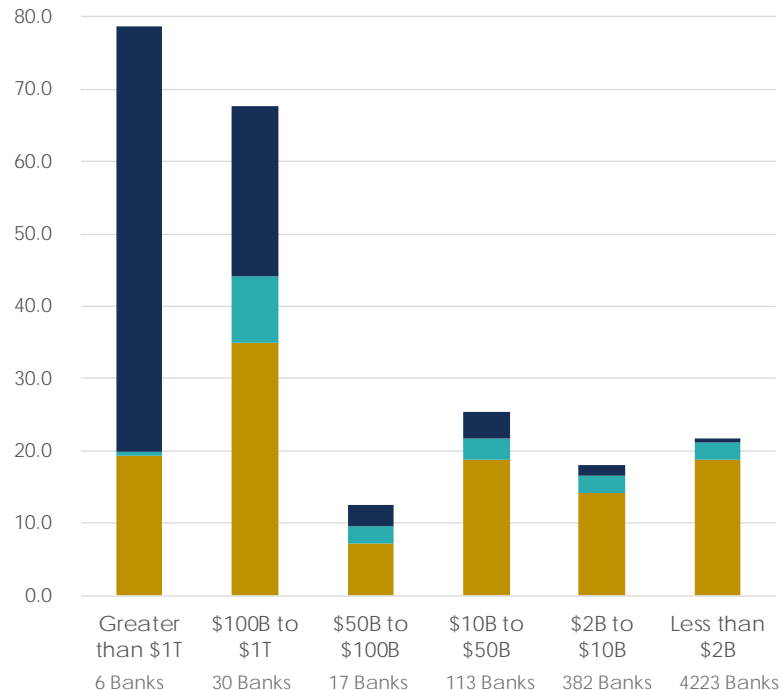
Recent Trends in BOLI

BOLI Market Overview as of 2022-Q2

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

BOLI Market Overview as of 2022-Q2

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%	13,990	19.3	0.6	58.8	78.7	7.84%	0.56%
\$100 Billion to \$1 Trillion	30	80%	7,638	35.0	9.2	23.5	67.7	9.92%	0.89%
\$50 Billion to \$100 Billion	17	94%	1,266	7.2	2.4	3.0	12.5	9.52%	0.99%
\$10 Billion to \$50 Billion	113	81%	2,471	18.7	2.9	3.8	25.4	10.00%	1.03%
\$2 Billion to \$10 Billion	382	84%	1,564	14.2	2.3	1.6	18.1	10.46%	1.16%
Less than \$2 Billion	4,223	65%	1,761	18.8	2.3	0.5	21.6	10.66%	1.23%
TOTALS	4,771	68%	28,690	113.2	19.7	91.2	224.1	9.15%	0.78%

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.

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BOLI Risk-Weighted Assets Analysis

Bank Size	Number of Banks ¹	% Owning BOLI	SA Exposure (\$)	SA RWA (\$)	Total RWA / Total Exposure	Average Bank RW%
Greater than \$1 Trillion	6	100%	58.8	17.9	30.4%	30.6%
\$100 Billion to \$1 Trillion	30	80%	28.2	11.9	42.4%	50.7%
\$50 Billion to \$100 Billion	17	94%	4.9	3.6	73.2%	66.0%
\$10 Billion to \$50 Billion	113	81%	6.1	3.9	64.0%	80.2%
\$2 Billion to \$10 Billion	382	84%	3.4	2.8	83.7%	88.9%
Less than \$2 Billion	4,223	65%	2.0	1.8	90.8%	95.1%
Total	4,771	68%	103.4	42.0	40.6%	90.9%

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 ~27% 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												
2022-Q2	12	1,393	19	315	31	1,708	3	-36	2	-27	5	-62
1-Year	53	4,906	89	2,617	142	7,523	3	-36	7	-149	10	-184
3-Year	139	10,213	195	5,218	334	15,431	5	-127	21	-780	26	-907
5-Year	193	13,381	241	6,390	434	19,771	11	-314	29	-996	40	-1,309
SA												
2022-Q2	1	25	2	59	3	84	1	-11	1	-12	2	-23
1-Year	2	43	7	278	9	321	1	-11	5	-109	6	-120
3-Year	4	121	15	922	19	1,043	3	-102	10	-364	13	-466
5-Year	5	151	21	1,075	26	1,227	5	-155	15	-531	20	-686
GA												
2022-Q2	11	1,368	16	245	27	1,613	1	-15	1	-15	2	-30
1-Year	51	4,863	76	2,253	127	7,115	1	-15	2	-39	3	-54
3-Year	134	9,992	173	4,194	307	14,185	1	-15	11	-417	12	-431
5-Year	185	13,106	213	5,212	398	18,318	4	-106	14	-465	18	-571
HYBRID												
2022-Q2	0	0	1	10	1	10	1	-10	0	0	1	-10
1-Year	0	0	6	87	6	87	1	-10	0	0	1	-10
3-Year	1	100	7	103	8	203	1	-10	0	0	1	-10
5-Year	3	124	7	103	10	227	2	-52	0	0	2	-52

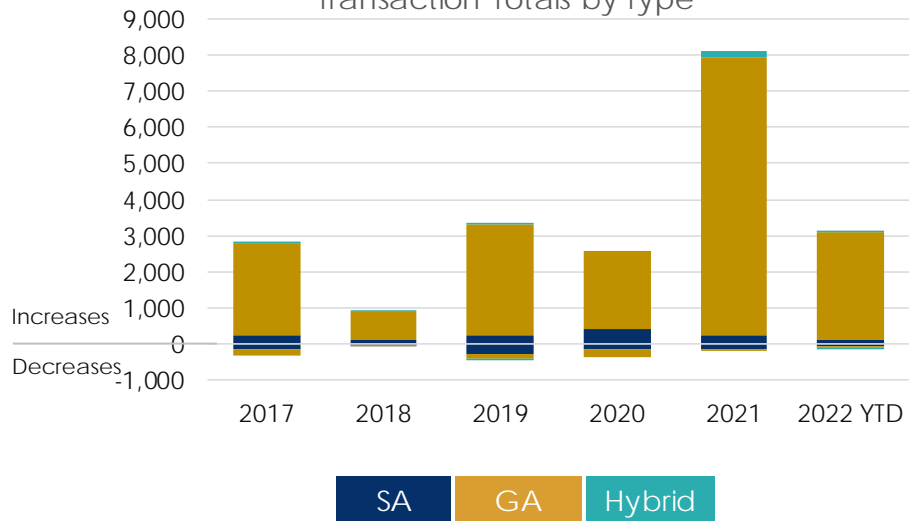
Listings of activity by institution are available upon request

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 2022-Q2, Northern Trust purchased \$500 million of GA
- In 2022-Q2, First Republic purchased \$668 million of GA
- In 2022-Q2, Ameris purchased \$50 million of GA
- In 2022-Q2, First Bancshares purchased \$36 million of SA
- Over Q4-Q1, Truist's GA BOLI increased by ~\$882 million
- Over Q4-Q1, Citizens Financial purchased \$500 million of GA
- In 2021-Q4 PNC Financial purchased \$950 million of GA

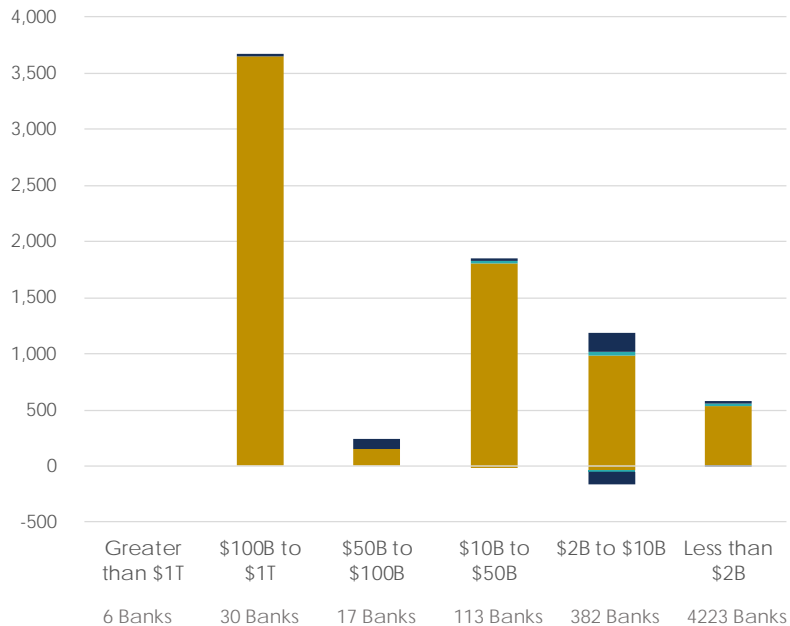
Recent Notable Surrenders / Decreases

- In 2022-Q2, Sterling surrendered a total of \$15 million of GA and 10 million of Hybrid split-dollar and other smaller BOLI policies
- In 2022-Q2, Cambridge surrendered \$11 million of SA

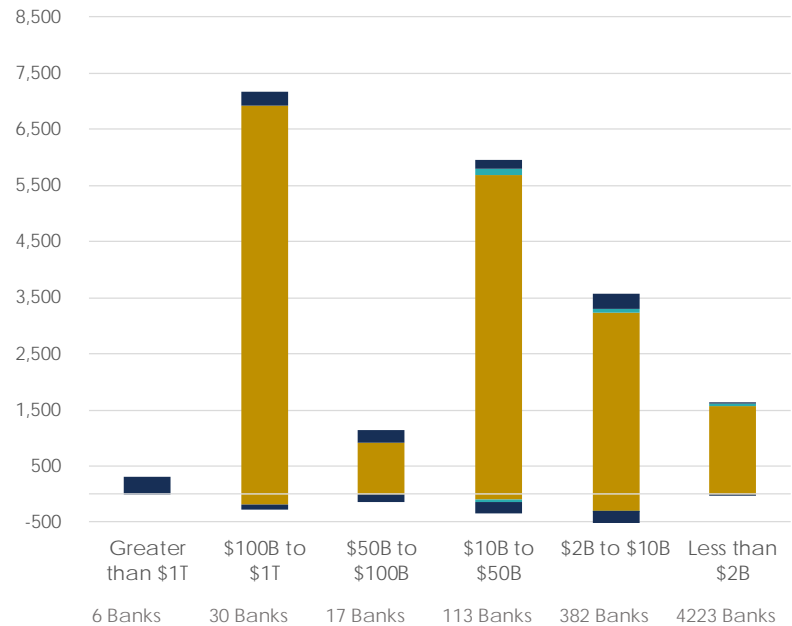
BOLI Transactions by Type and Bank Size

Movement or Transactions of \$10M or More

1-Year



5-Year



SA

GA

Hybrid

Listing of activity by institution are available upon request

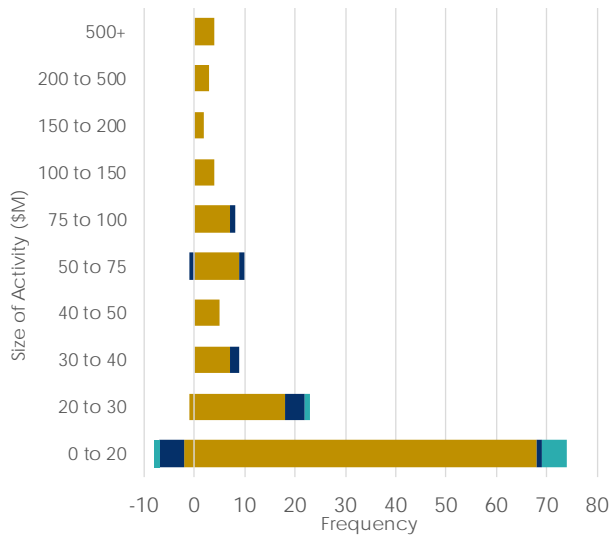
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Frequency of BOLI Transaction Sizes

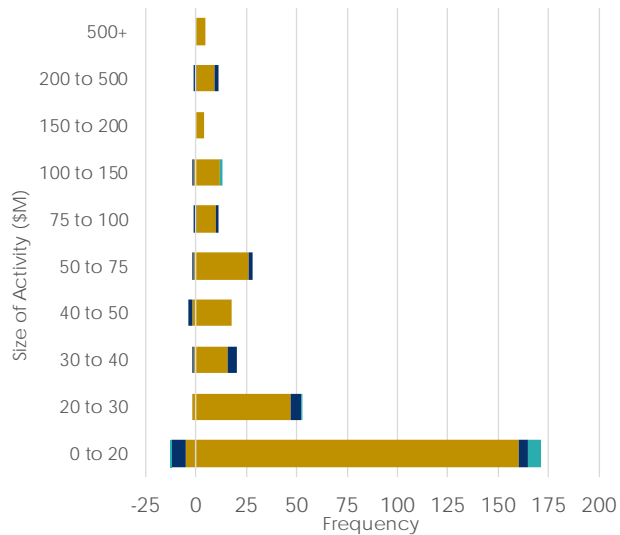
Movement or Transactions of \$10M or More

- Over the past 5 years, over 66% of transactions have been below \$30 Million, while 8% are over \$100 million

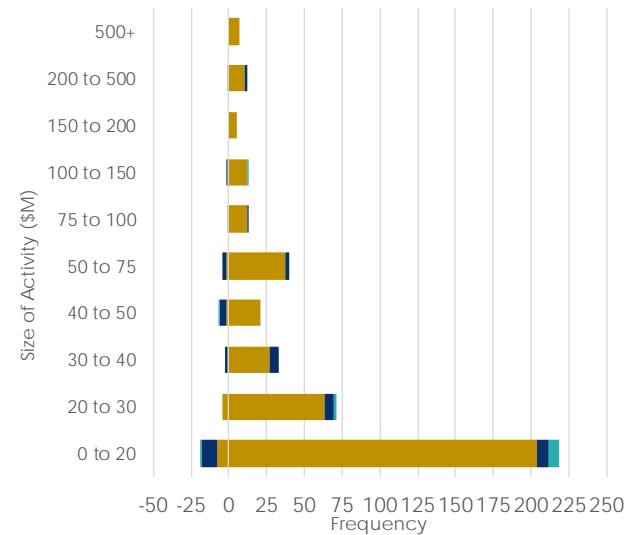
1-Year



3-Year



5-Year



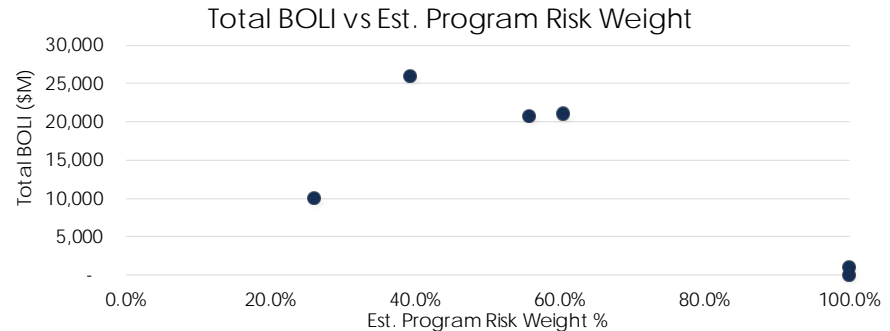
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Market Analytics By Bank Size

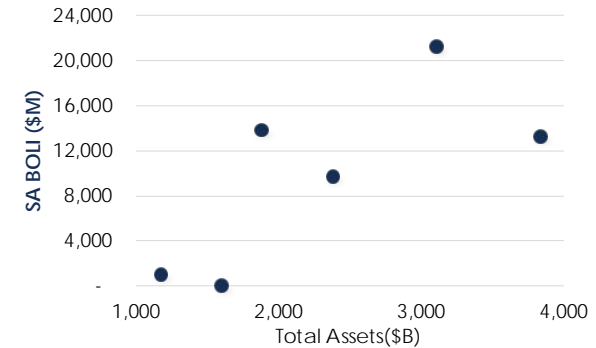
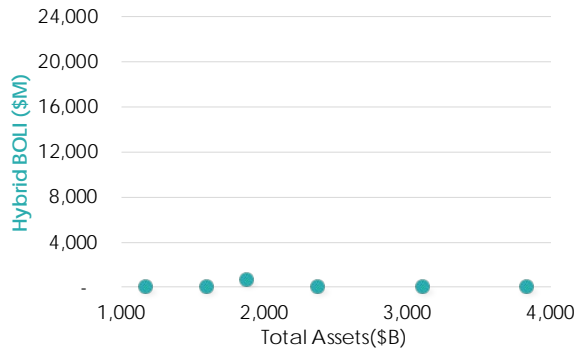
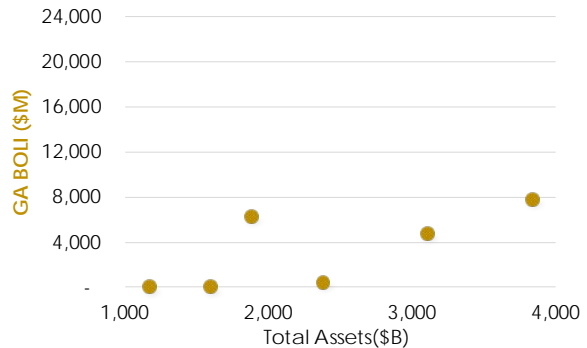
Banks with over \$1T in Total Assets

6 of 6 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	19,253	649	58,835	78,737	8%
Average	3,209	108	9,806	13,123	7%
Last Q # of Increases	-	-	-	-	
Increase Total (\$M)	-	-	-	-	
Last Q # of Decreases	-	-	-	-	
Decrease Total (\$M)	-	-	-	-	



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												
2022-Q2	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	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												
2022-Q2	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	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												
2022-Q2	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												
2022-Q2	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

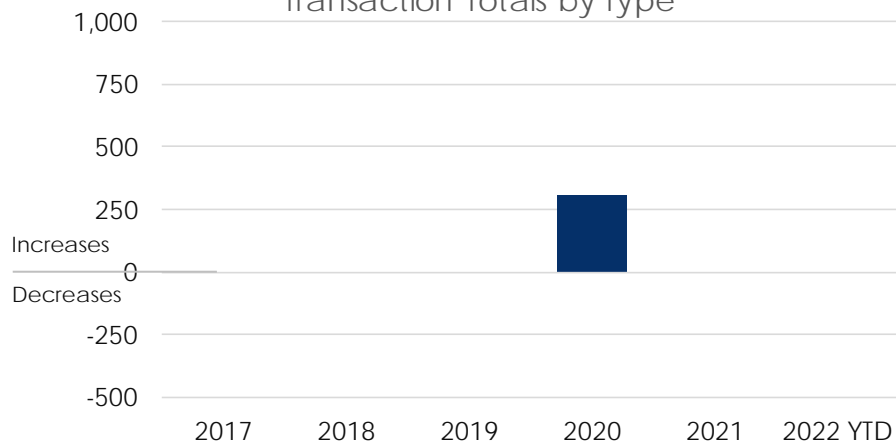
Listings of activity by institution are available upon request

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

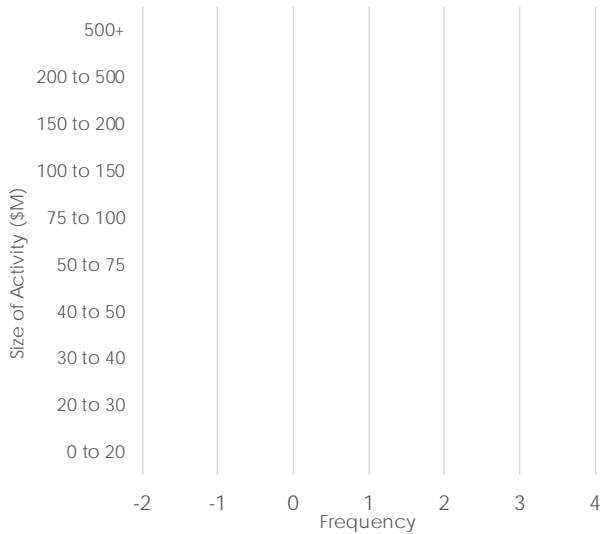
- In 2020-Q4, Morgan Stanley's SA BOLI increased by ~\$306 million

Frequency of BOLI Transaction Sizes

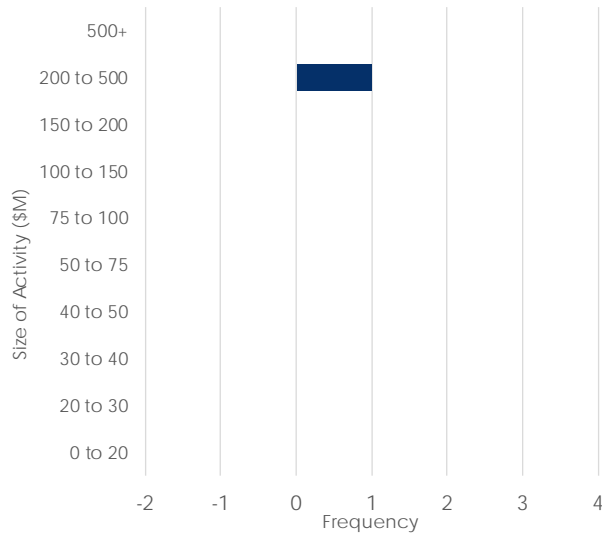
Banks with over \$1T in Total Assets

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

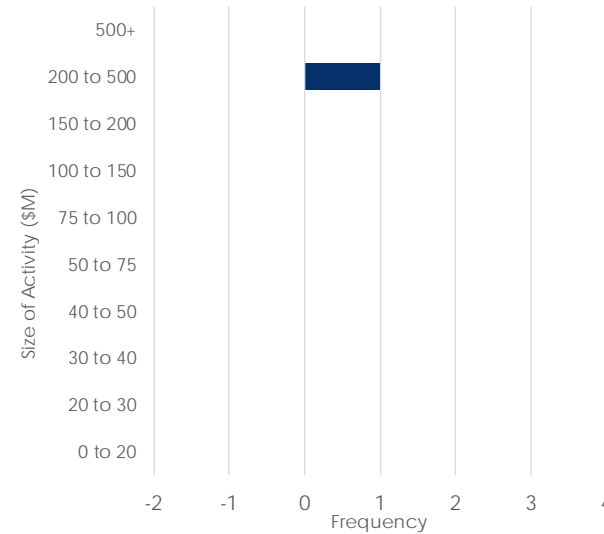
1-Year



3-Year



5-Year



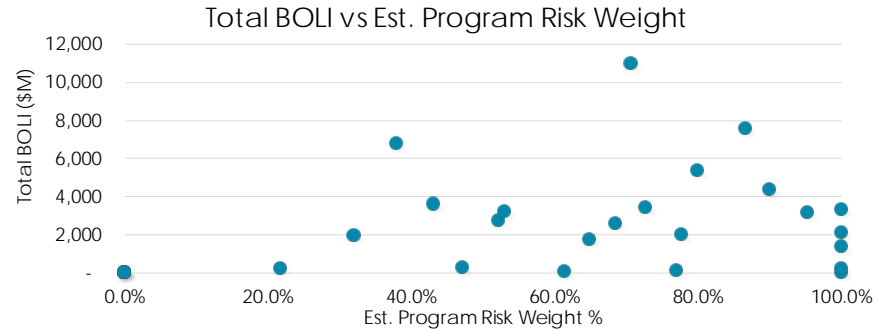
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Market Analytics By Bank Size

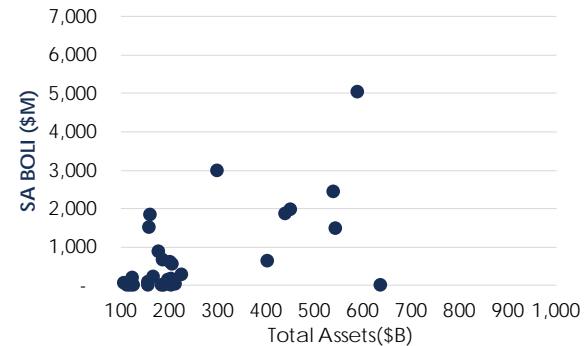
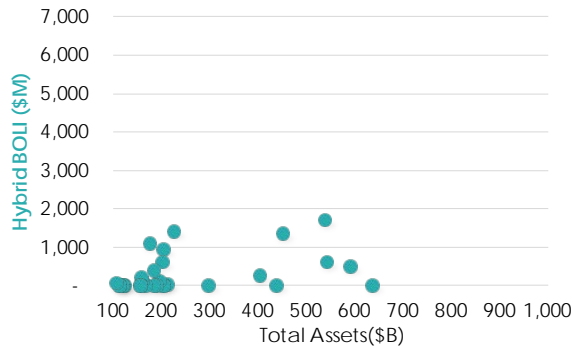
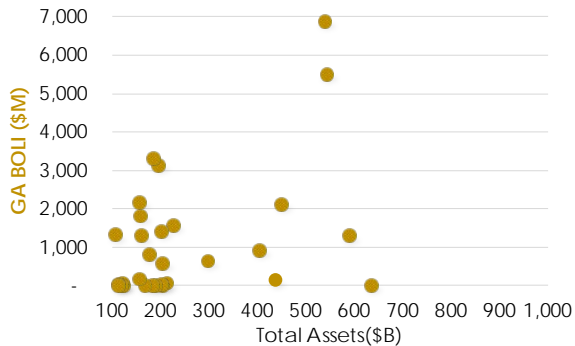
Banks with \$100B to \$1T in Total Assets

24 of 30 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	34,967	9,221	23,516	67,704	10%
Average	1,166	307	784	2,257	24%
Last Q # of Increases	2	-	-	2	
Increase Total (\$M)	1,168	-	-	1,168	
Last Q # of Decreases	-	-	-	-	
Decrease Total (\$M)	-	-	-	-	



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												
2022-Q2	2	1,168	0	0	2	1,168	0	0	0	0	0	0
1-Year	8	3,392	1	276	9	3,668	0	0	0	0	0	0
3-Year	16	5,478	2	481	18	5,959	0	0	4	-284	4	-284
5-Year	18	6,679	2	481	20	7,160	0	0	4	-284	4	-284
SA												
2022-Q2	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	1	18	0	0	1	18	0	0	0	0	0	0
3-Year	2	36	1	205	3	241	0	0	2	-104	2	-104
5-Year	2	36	1	205	3	241	0	0	2	-104	2	-104
GA												
2022-Q2	2	1,168	0	0	2	1,168	0	0	0	0	0	0
1-Year	7	3,374	1	276	8	3,650	0	0	0	0	0	0
3-Year	14	5,442	1	276	15	5,718	0	0	2	-180	2	-180
5-Year	16	6,643	1	276	17	6,919	0	0	2	-180	2	-180
HYBRID												
2022-Q2	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

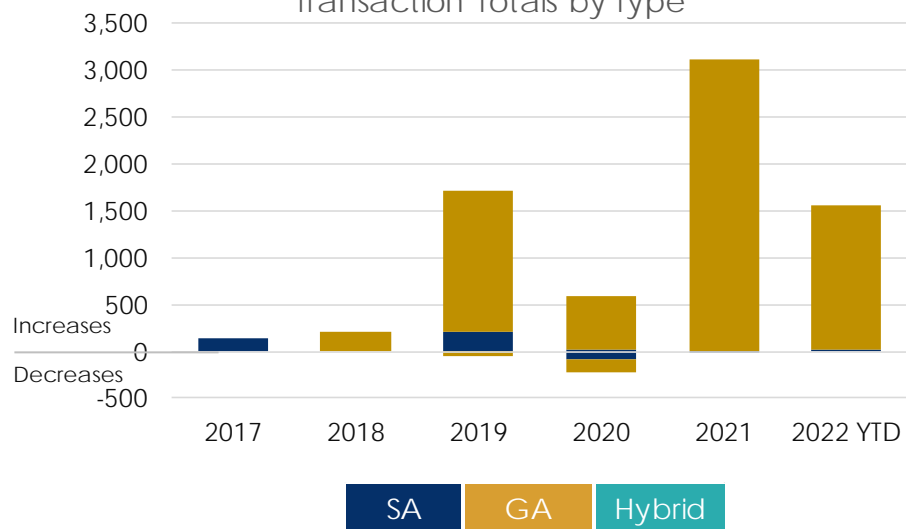
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Recent BOLI Transactions

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

Transaction Totals by Type



Current Quarter Activity

- In 2022-Q2, Northern Trust purchased \$500 million of GA
- In 2022-Q2, First Republic purchased \$668 million of GA

Recent Notable Actions

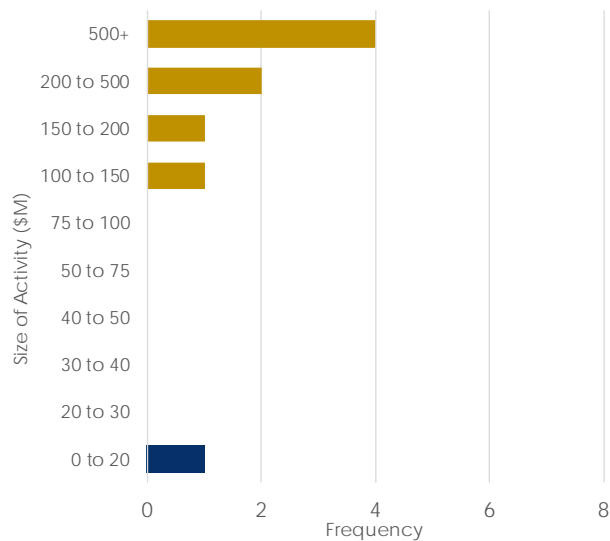
- From Q4-Q1, Truist Financial's GA increased by ~\$882 million
- Citizens Bank's total 2021-2022-Q1 GA purchases were \$1.15 billion
- In 2021-Q4 PNC Financial purchased \$950 million of GA
- Throughout 2021 First Republic purchased \$500 million of BOLI; Primarily GA, with some SA

Frequency of BOLI Transaction Sizes

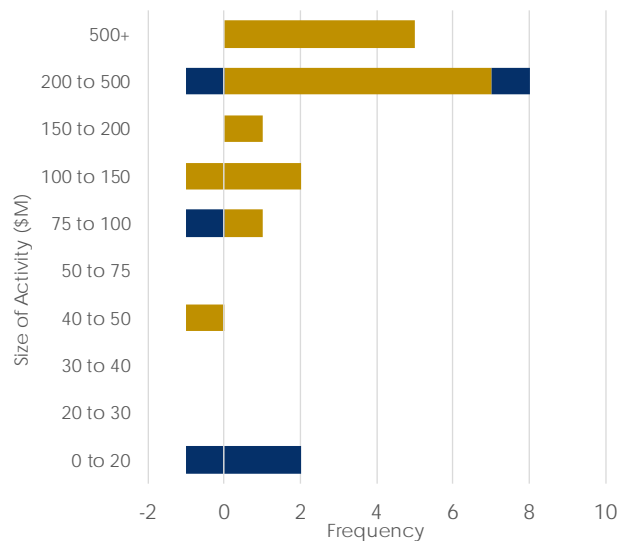
Banks with \$100B to \$1T in Total Assets

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

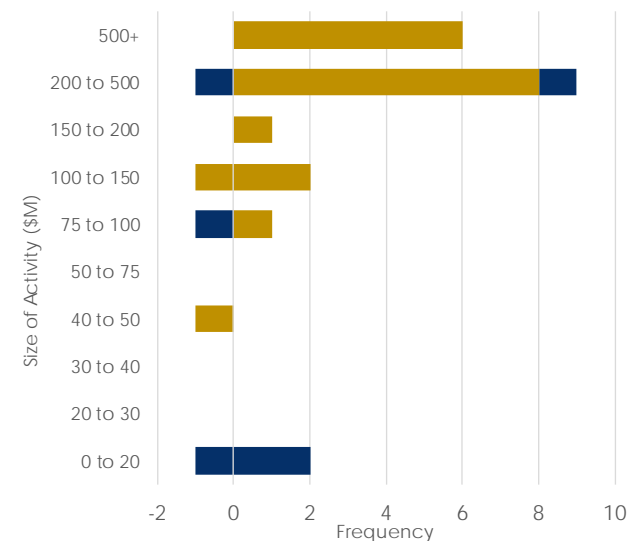
1-Year



3-Year



5-Year



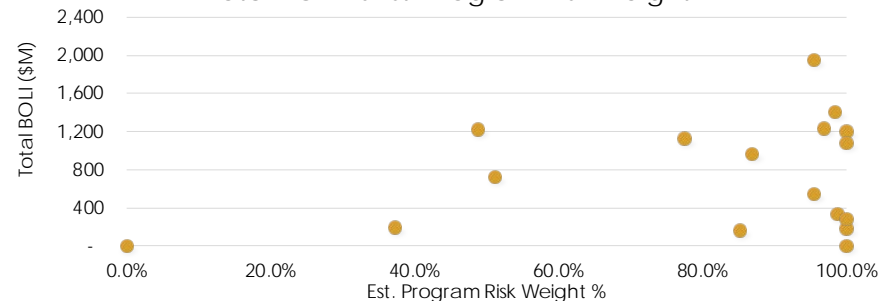
Market Analytics By Bank Size

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

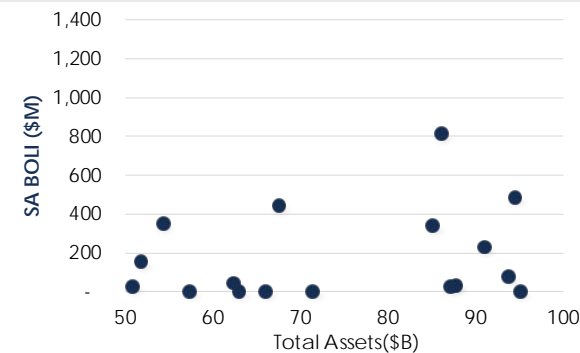
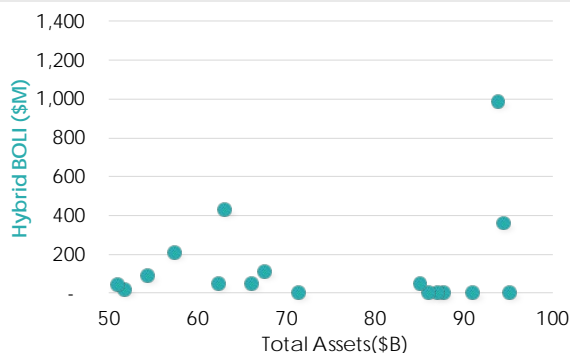
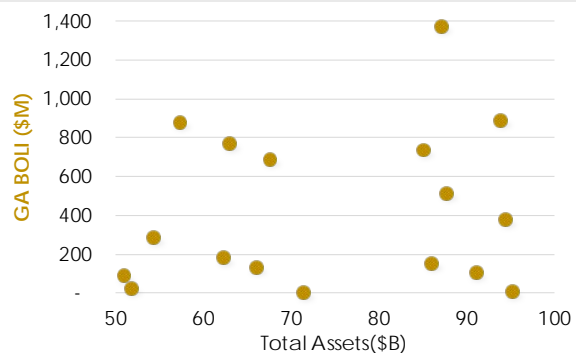
16 of 17 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	7,151	2,375	2,999	12,525	10%
Average	421	140	176	737	10%
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)
TOTAL												
2022-Q2	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	1	150	2	89	3	239	0	0	0	0	0	0
3-Year	5	610	9	263	14	873	0	0	2	-135	2	-135
5-Year	7	675	11	461	18	1,136	0	0	3	-146	3	-146
SA												
2022-Q2	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	2	89	2	89	0	0	0	0	0	0
3-Year	0	0	8	222	8	222	0	0	2	-135	2	-135
5-Year	0	0	8	222	8	222	0	0	3	-146	3	-146
GA												
2022-Q2	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	1	150	0	0	1	150	0	0	0	0	0	0
3-Year	5	610	1	41	6	651	0	0	0	0	0	0
5-Year	7	675	3	239	10	914	0	0	0	0	0	0
HYBRID												
2022-Q2	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

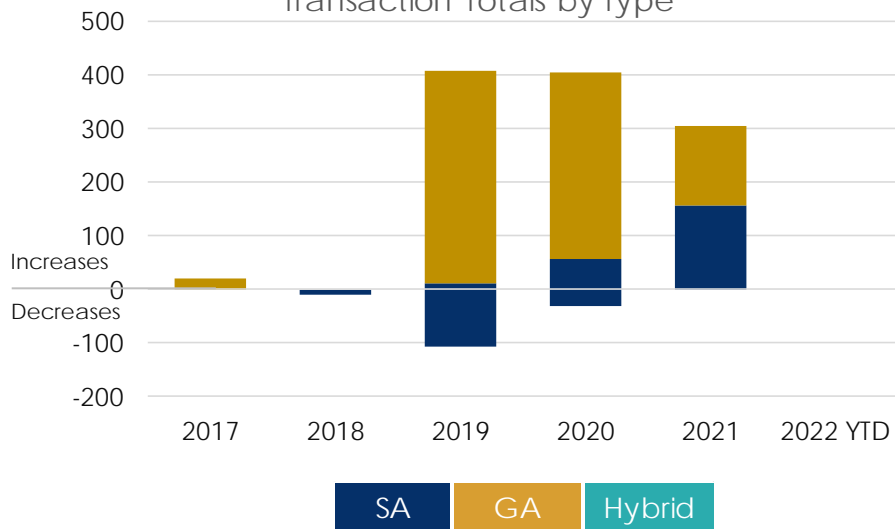
Listings of activity by institution are available upon request

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

- [None observed]

Recent Notable Actions

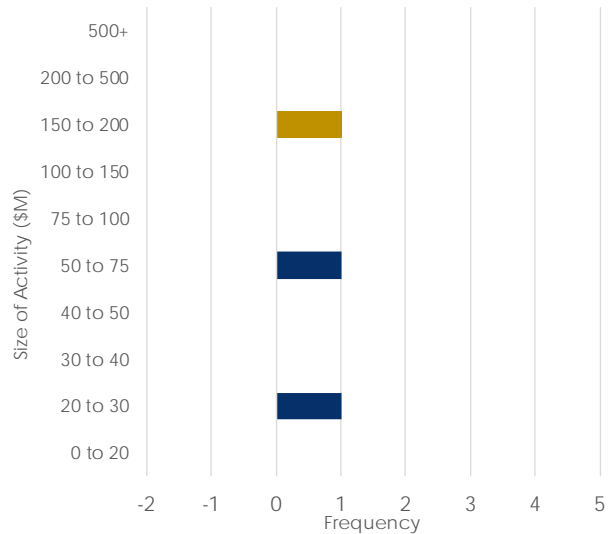
- In 2021-Q3 East West Bank purchased \$150 million of GA
- In 2021 Raymond James's SA BOLI increased by ~\$100 million
- In 2021-Q2 City National's SA BOLI increased by ~\$12 million
- In 2021-Q1 City National's SA BOLI increased by ~\$16 million
- In 2020-Q1 Synovus purchased \$250 million of GA
- In 2020 City's SA BOLI increased by ~\$67 million

Frequency of BOLI Transaction Sizes

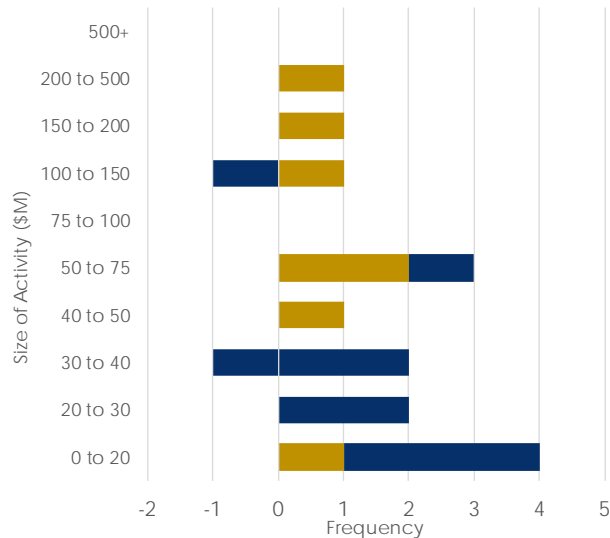
Banks with \$50B to \$100B in Total Assets

- Recent purchases have been fairly spread out in overall size

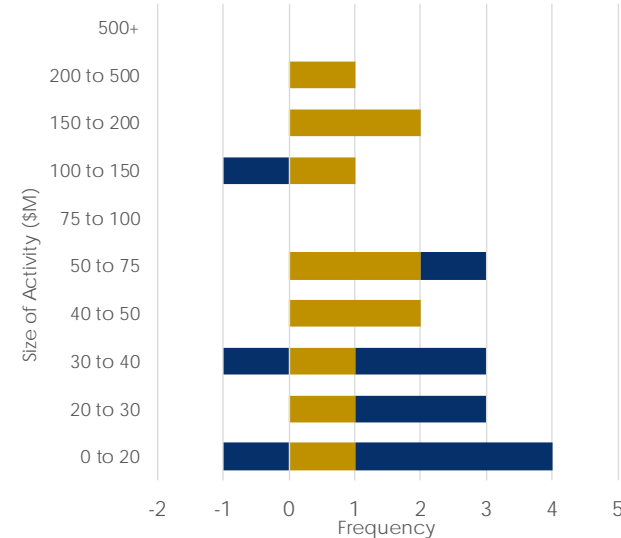
1-Year



3-Year

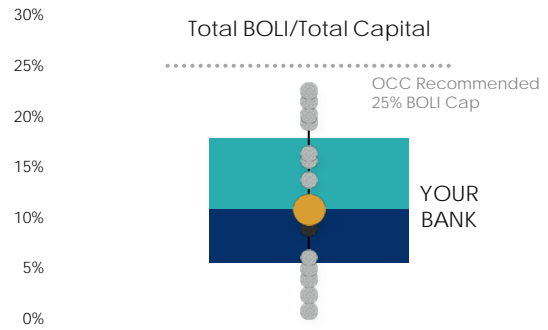
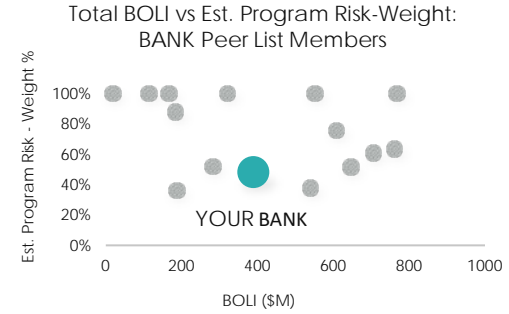
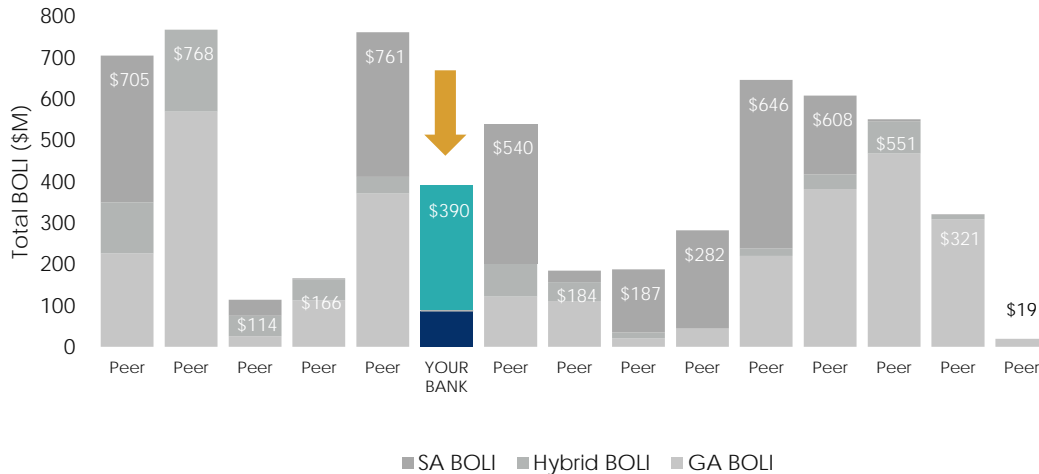


5-Year



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



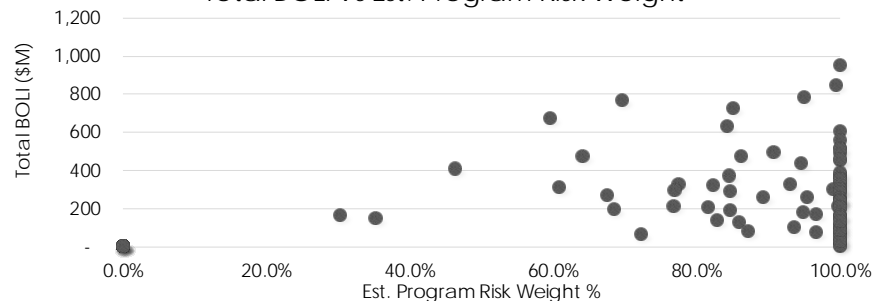
Market Analytics By Bank Size

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

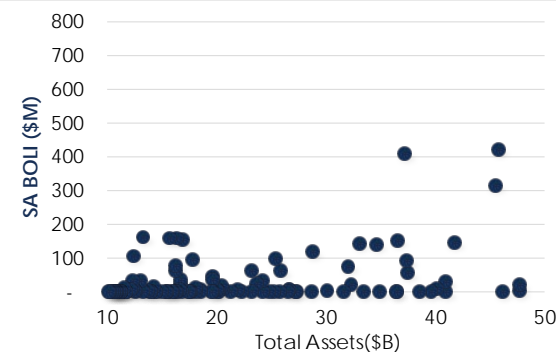
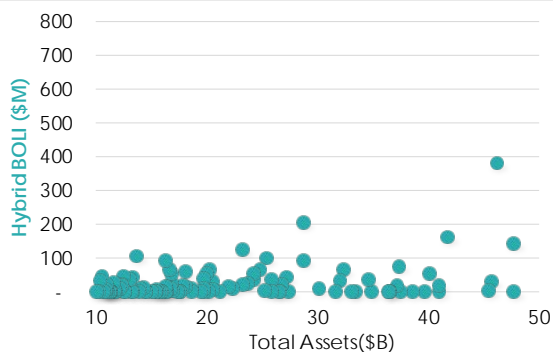
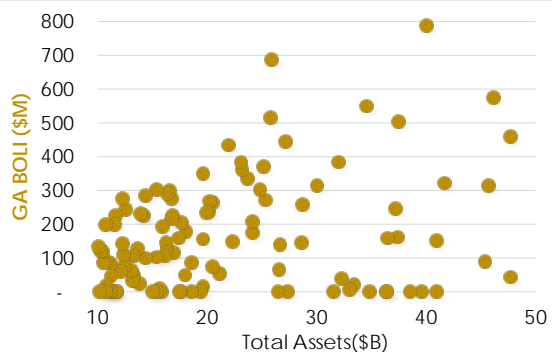
92 of 113 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	18,727	2,933	3,758	25,418	10%
Average	166	26	33	225	13%
Last Q # of Increases	2	-	-	2	
Increase Total (\$M)	80	-	-	80	
Last Q # of Decreases	1	-	-	1	
Decrease Total (\$M)	(15)	-	-	(15)	

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												
2022-Q2	2	80	0	0	2	80	0	0	1	-15	1	-15
1-Year	17	887	13	965	30	1,851	0	0	1	-15	1	-15
3-Year	42	2,575	29	1,636	71	4,211	2	-92	4	-78	6	-170
5-Year	60	3,916	40	2,038	100	5,955	6	-175	6	-177	12	-353
SA												
2022-Q2	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	1	24	1	24	0	0	0	0	0	0
3-Year	0	0	1	24	1	24	2	-92	1	-15	3	-107
5-Year	1	30	4	119	5	149	3	-105	3	-114	6	-219
GA												
2022-Q2	2	80	0	0	2	80	0	0	1	-15	1	-15
1-Year	17	887	11	915	28	1,802	0	0	1	-15	1	-15
3-Year	41	2,475	27	1,587	68	4,062	0	0	3	-63	3	-63
5-Year	58	3,786	35	1,894	93	5,680	2	-29	3	-63	5	-92
HYBRID												
2022-Q2	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	1	26	1	26	0	0	0	0	0	0
3-Year	1	100	1	26	2	126	0	0	0	0	0	0
5-Year	1	100	1	26	2	126	1	-42	0	0	1	-42

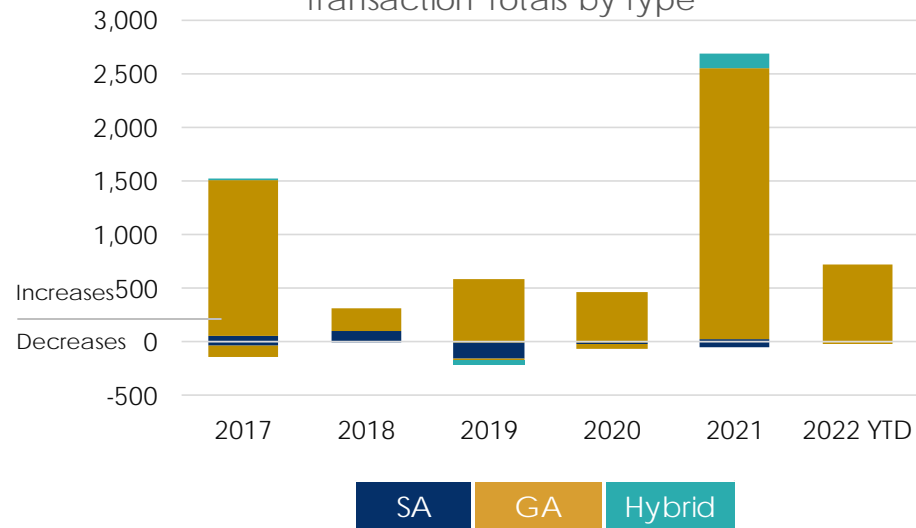
Listings of activity by institution are available upon request

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

- Ameris purchased \$50 million of GA
- Dime Community Bancshares purchased \$30 million of GA
- First American Financial Corp's GA decreased by \$15 million

Recent Notable Actions

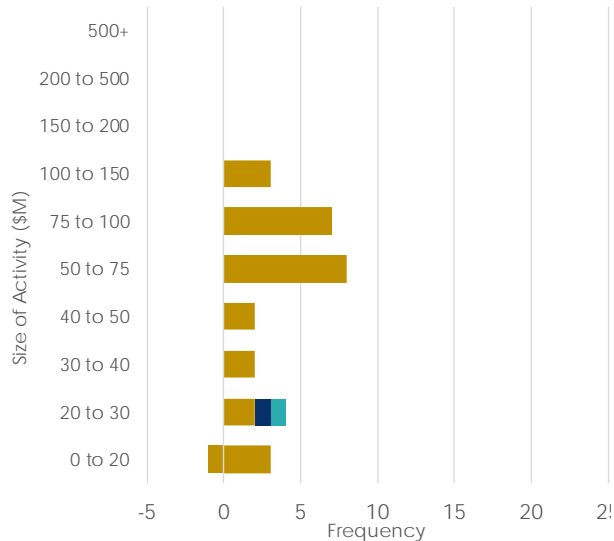
- In 2022-Q1 Bank of Hawaii purchased \$100 million of GA
- In 2022-Q1 Southstate purchased \$80 million of GA
- In 2022-Q1 Pinnacle purchased \$75 million of GA
- In 2022Q1 Hancock Whitney purchased \$60 million of GA
- In 2022-Q1 First National Bank of Omaha's GA increased by ~\$126 million

Frequency of BOLI Transaction Sizes

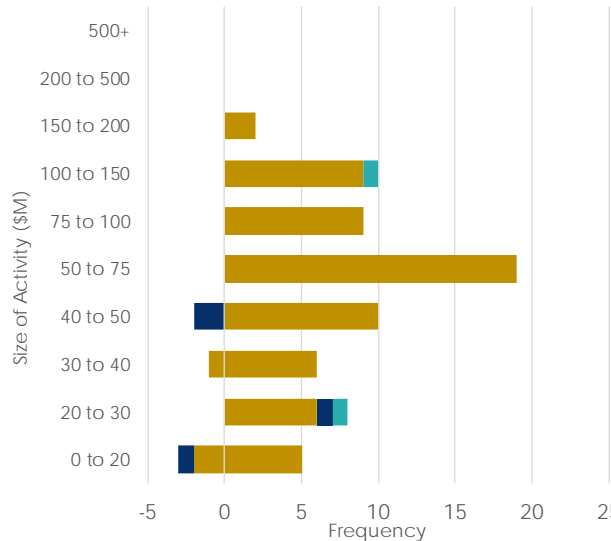
Banks with \$10B to \$50B in Total Assets

- Most purchases for these sized banks had been under \$75 million, with larger deals coming over the last year
- Decreases have been primarily under \$50 million

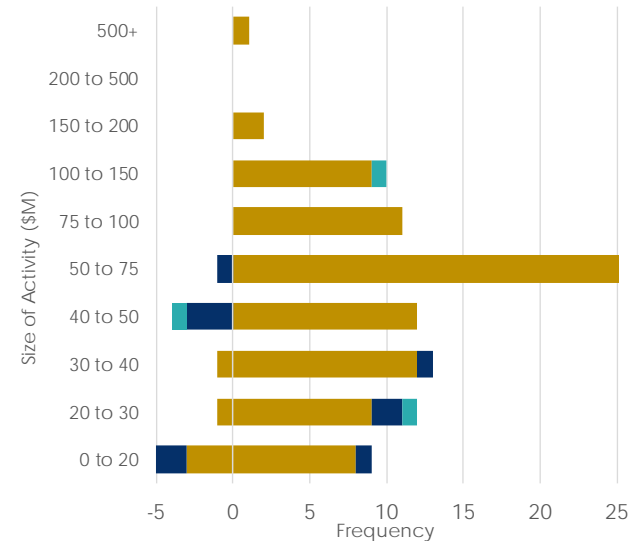
1-Year



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

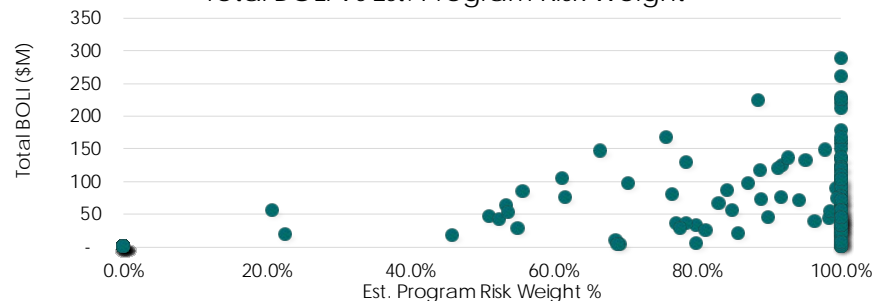
Market Analytics By Bank Size

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

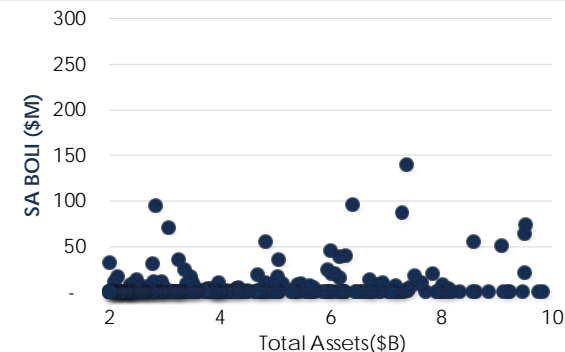
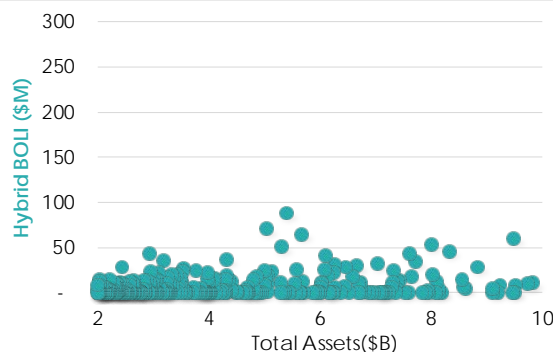
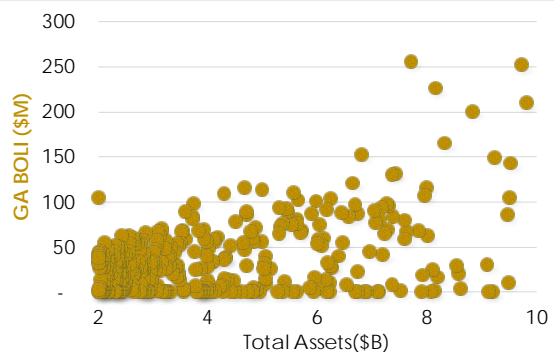
319 of 382 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	13,116	2,162	1,513	16,791	10%
Average	40	7	5	51	11%
Last Q # of Increases	15	1	2		
Increase Total (\$M)	264	10	61		
Last Q # of Decreases	1	1	2		
Decrease Total (\$M)	(15)	(10)	(23)		

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												
2022-Q2	7	135	11	200	18	335	3	-36	1	-12	4	-47
1-Year	25	457	32	730	57	1,187	3	-36	5	-123	8	-159
3-Year	65	1,414	70	1,413	135	2,827	3	-36	10	-272	13	-308
5-Year	88	1,832	85	1,747	173	3,579	5	-139	15	-378	20	-516
SA												
2022-Q2	1	25	1	36	2	61	1	-11	1	-12	2	-23
1-Year	1	25	3	141	4	166	1	-11	4	-99	5	-110
3-Year	2	85	3	141	5	226	1	-11	4	-99	5	-110
5-Year	2	85	5	190	7	275	2	-51	6	-156	8	-206
GA												
2022-Q2	6	110	9	154	15	264	1	-15	0	0	1	-15
1-Year	24	432	26	548	50	980	1	-15	1	-24	2	-39
3-Year	63	1,329	64	1,230	127	2,560	1	-15	6	-174	7	-188
5-Year	84	1,723	77	1,516	161	3,239	2	-78	9	-222	11	-300
HYBRID												
2022-Q2	0	0	1	10	1	10	1	-10	0	0	1	-10
1-Year	0	0	3	41	3	41	1	-10	0	0	1	-10
3-Year	0	0	3	41	3	41	1	-10	0	0	1	-10
5-Year	2	24	3	41	5	65	1	-10	0	0	1	-10

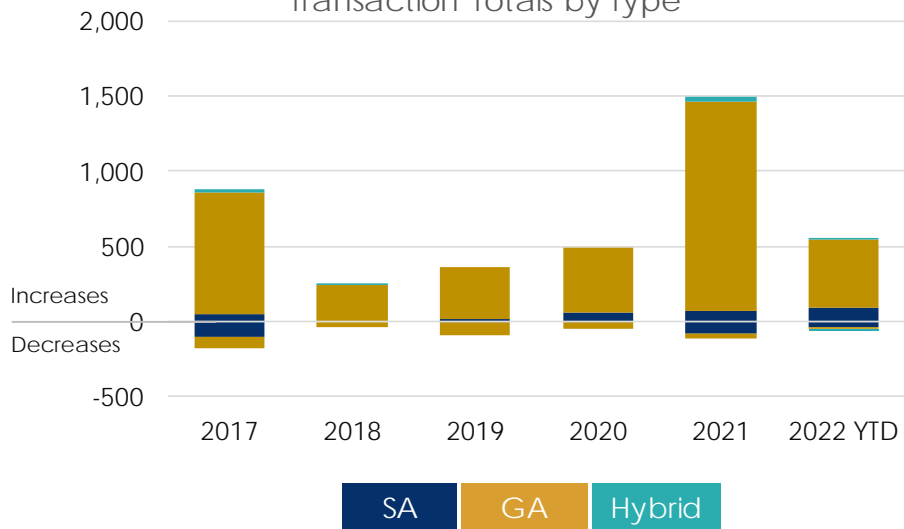
Listings of activity by institution are available upon request

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

- Connectone purchased \$30 million of GA
- Peoples Bcorp purchased \$30 million of GA
- Business First Bancshares purchased \$15 million of GA
- Financial Institutions Inc purchased \$10 million of GA
- 1st Source Corp purchased \$10 million of GA
- Third Coast purchased \$25 million of SA
- FVCbank purchased \$15 million of GA
- First Bancshares's SA increased ~\$36 million
- Woodforest's GA increased ~\$51 million
- Needham's GA increased ~\$22 million
- Professional's GA increased ~\$15 million
- State Bank of Southern Utah's GA increased ~\$11 million
- Fidelity's GA increased ~\$10 million
- CaPenn Community's GA increased ~\$10 million
- Bank of Guam's GA increased ~\$10 million
- Bank Independent's GA increased ~\$10 million
- Cambridge surrendered ~\$11 million of SA
- National Bk Indianapolis's SA decreased ~\$12 million, while GA increased ~\$14 million and HY increased ~\$10 million
- Sterling surrendered ~\$14.5 million of GA and ~\$10 million of HY

Recent Notable Actions

- In 2021-Q4 Liberty Bank's SA increased by ~\$75 million

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

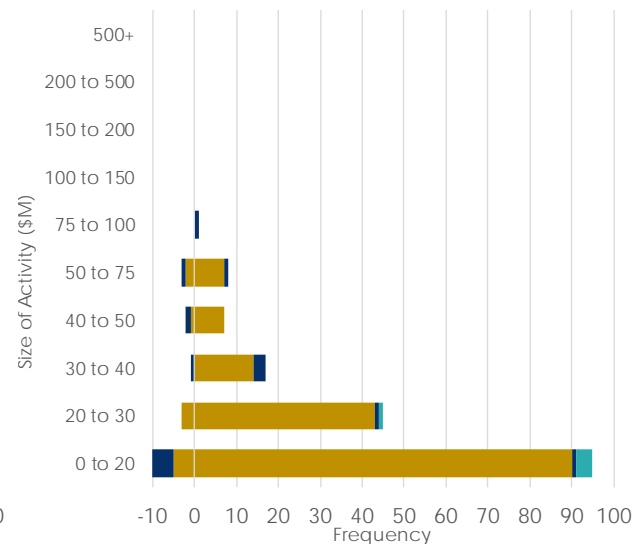
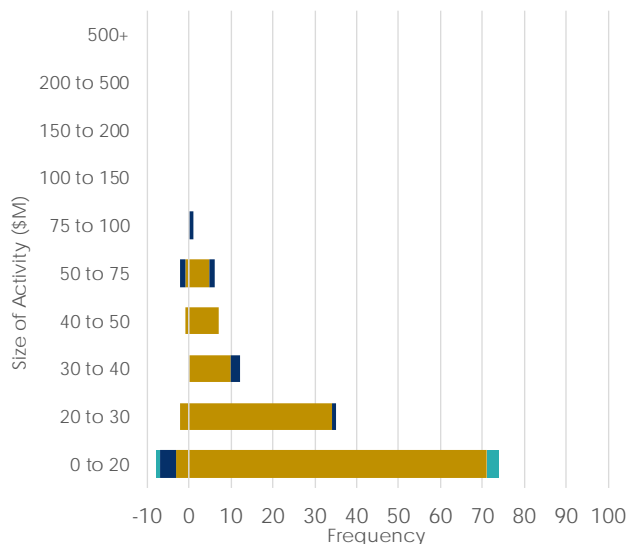
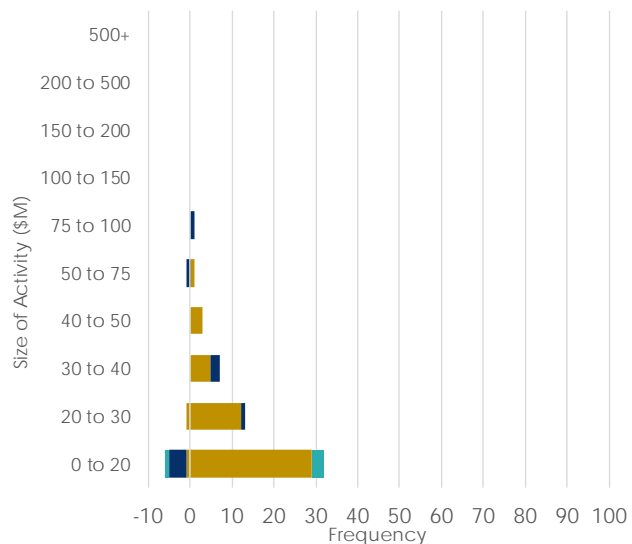
Banks with \$2B to \$10B in Total Assets

- 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



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

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

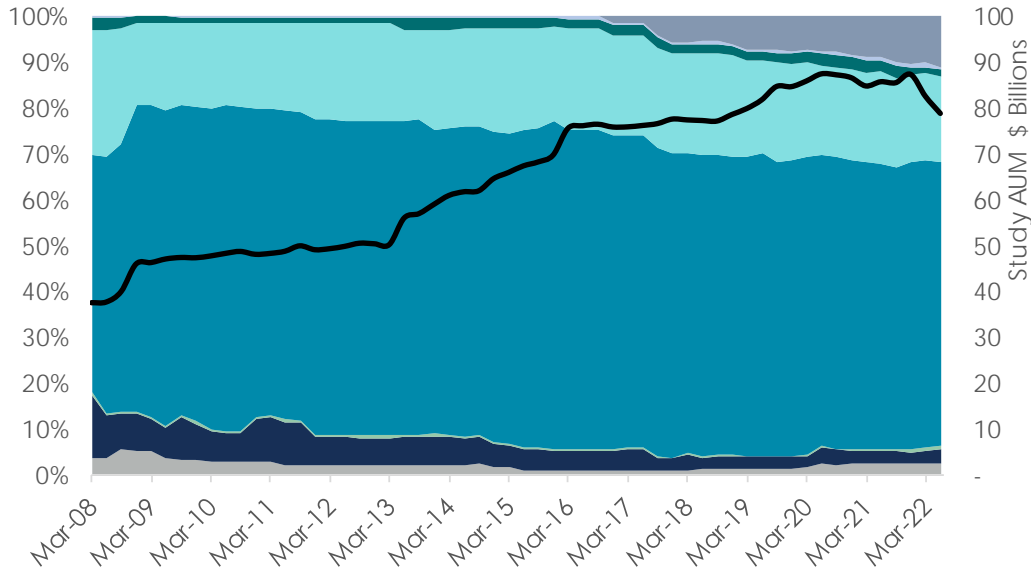
- Capital Efficient / Multi-Sector / Target RW
- High Yield
- Credit
- Core Fixed Income
- MBS / Securitized (ABS / CMBS)
- CLO / Bank Loan
- Short Duration
- Government

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

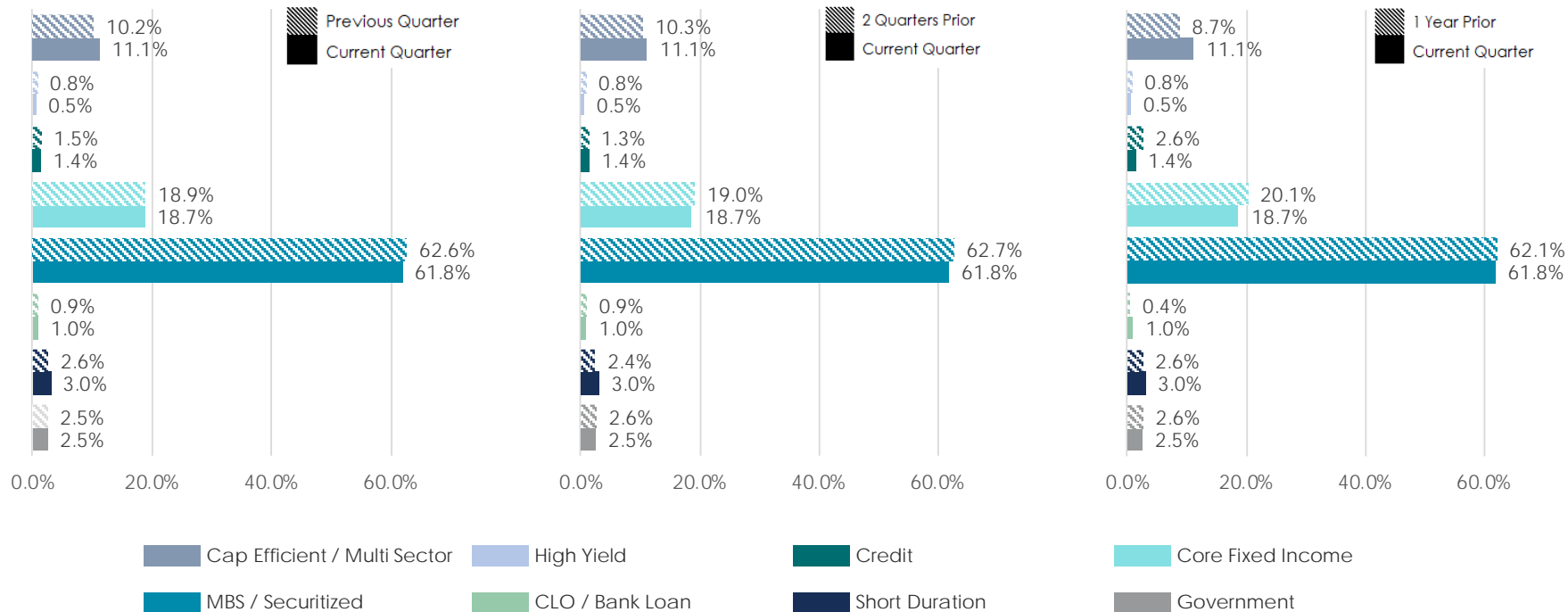


2022-Q2 Weights

Cap Efficient / Multi Sector	11.1%
High Yield	0.5%
Credit	1.4%
Core Fixed Income	18.7%
MBS / Securitized	61.8%
CLO / Bank Loan	1.0%
Short Duration	3.0%
Government	2.5%

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

Recent Allocation Changes



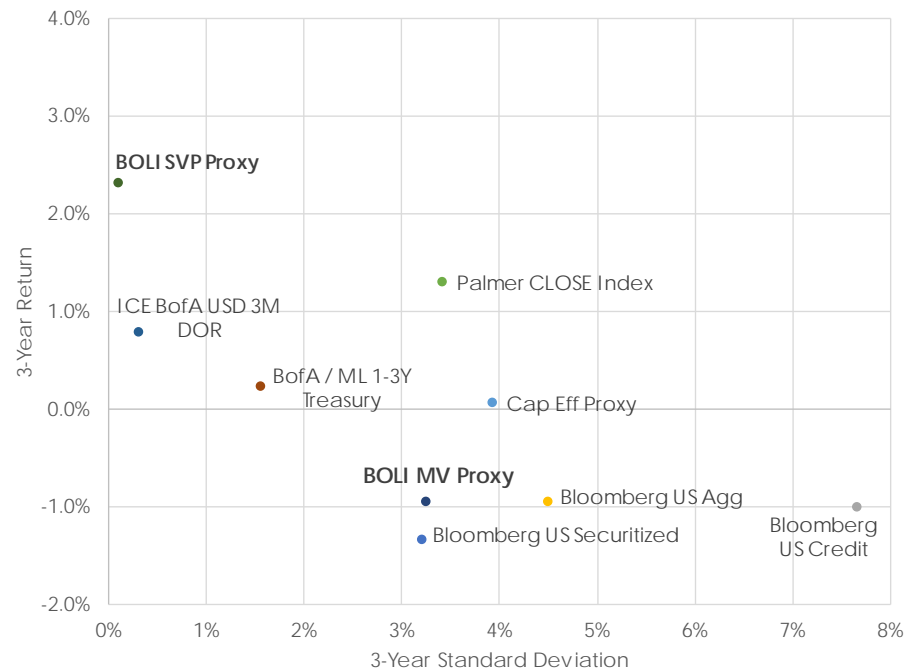
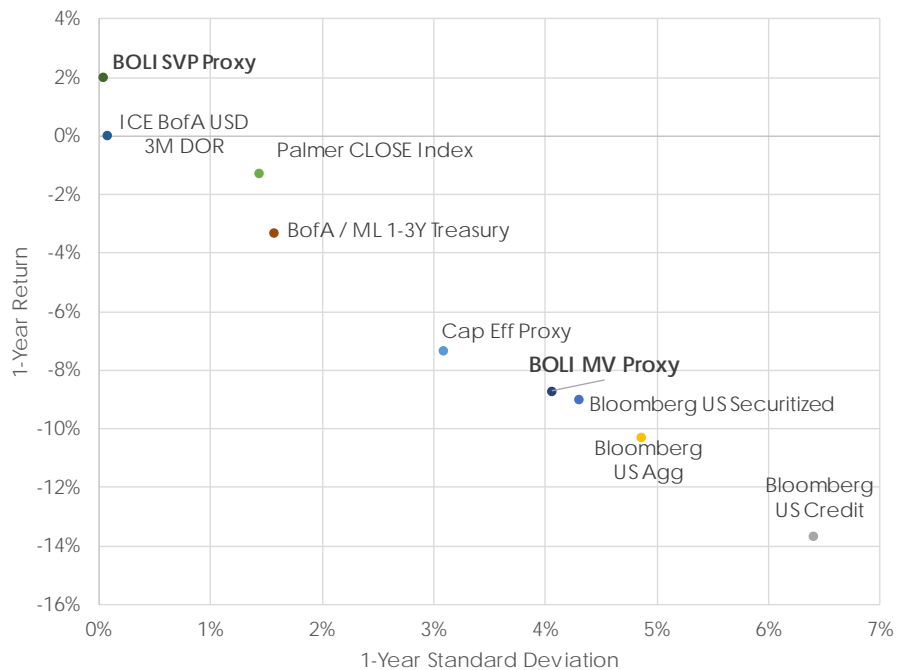
Investment Performance Proxy

Using common benchmarks for the categories, a proxy for the industry's SA Q2 MV performance is estimated at -3.84%

	Benchmark	Quarter	1-Year	3-Year	5-Year	Weights
Cap Efficient / Multi Sector	[Proxied by a sector blend]	-3.25%	-7.29%	0.07%	1.54%	11.11%
High Yield	<i>Bloomberg High Yield</i>	-9.00%	-12.07%	-0.04%	1.98%	0.55%
Credit	<i>Bloomberg US Credit</i>	-6.90%	-13.64%	-1.00%	1.24%	1.38%
Core Fixed Income	<i>Bloomberg US Agg</i>	-4.69%	-10.29%	-0.93%	0.88%	18.70%
MBS / Securitized	<i>Bloomberg US Securitized</i>	-3.90%	-8.97%	-1.33%	0.46%	61.83%
CLO / Bank Loan	<i>Palmer CLOSE Index</i>	-1.58%	-1.23%	1.31%	2.05%	0.95%
Short Duration	<i>ICE BofA USD 3M DOR</i>	0.05%	0.05%	0.80%	1.30%	2.97%
Government	<i>BofA / ML 1-3Y Treasury</i>	-0.50%	-3.30%	0.23%	0.93%	2.50%
Industry Proxy MV Performance using rolling weights:		-3.84%	-8.69%	-0.93%	0.74%	
Industry Proxy Stable Value Performance:		0.46%	2.01%	2.32%	2.40%	

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



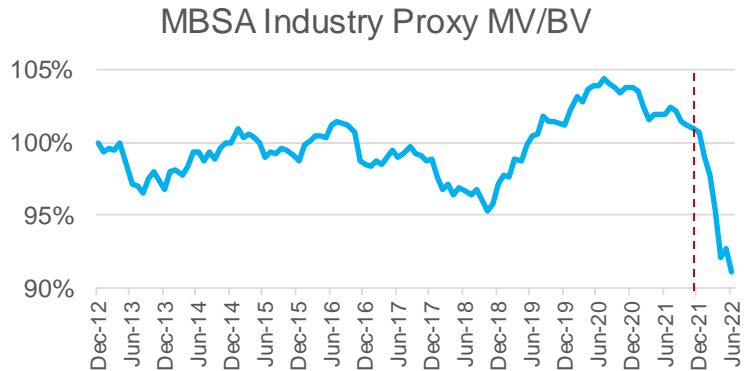
Data as of 2022-Q2

Industry MV/BV Ratio Developments

With rapid yield increases, MV/BV ratios have declined significantly – putting pressure on SVP contractual thresholds (e.g., approaching write-downs or forced reallocations)

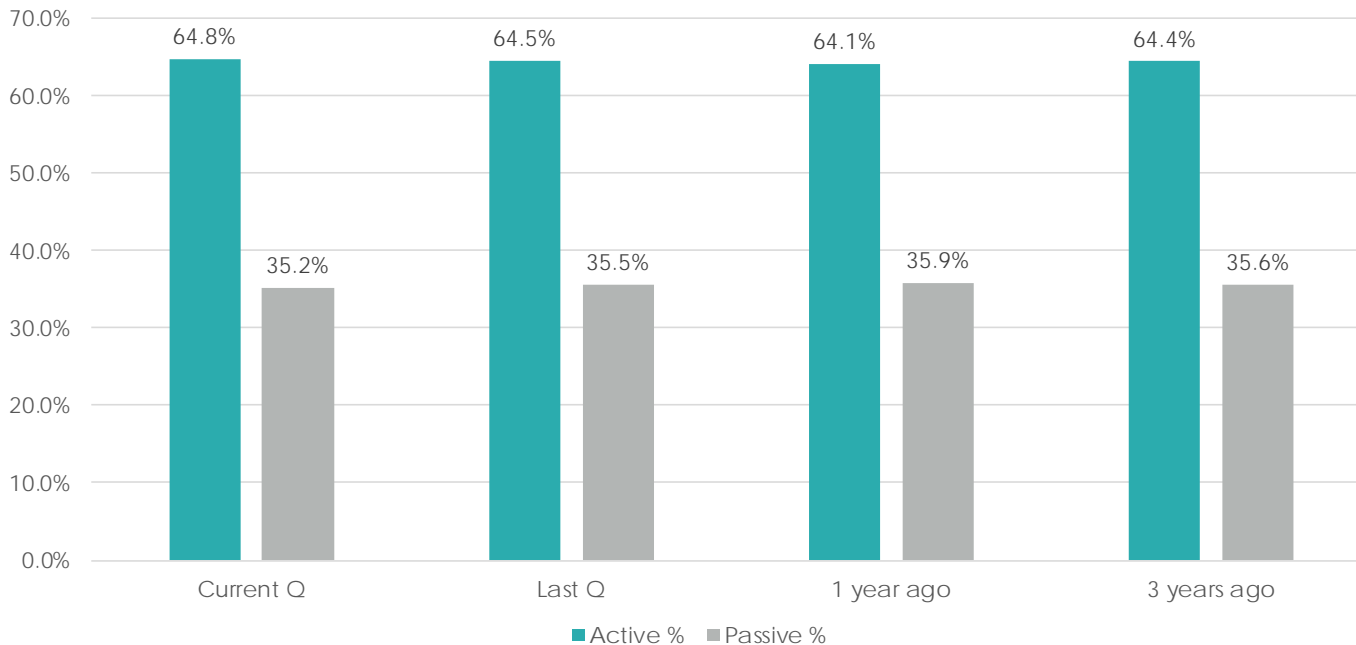
- MBSA requested and compiled market value and book value data to begin monitoring the overall MV/BV ratios of BOLI allocations
 - ❖ As of Q2, the total MV in the carrier aggregate values was ~\$52 billion
- Additionally, using our proxy MV and BV performance monitoring from the prior pages, we calculate a proxy overall MV/BV ratio for the industry

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



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

Voya Settles Class Action Regarding COI Increases (Jun)

- On June 9 the US District Court for the Southern District of New York approved a class action settlement relating to a Cost of Insurance increase by Voya. The Settlement Class will receive over \$118 million in total value. According to the court filings, the settlement fund (~\$92 million) is equal to 76% of the alleged COI overcharges collected through May 31, 2021.
- The other \$26 million of value was attributed to non-monetary benefits, including a guarantee by Voya and Lincoln (the current administrator of the policies) not to impose a new COI rate increase for five years, unless a state regulatory body requires it.
- The settlement applies to 46,000 universal life insurance policies. The contested COI increases were implemented in 2016 at the recommendation of Lincoln (the reinsurer and administrative agent).
- Class Counsel requested \$30.5 million in legal fees.

Docket: Hanks v. Voya Retirement Insurance and Annuity Company, Case No. 16-cv-06399 (PKC)

Noteworthy Tax Developments

Biden Tax Policy Update (Jun)

- News reports on June 29 indicate that Senate Majority Leader, Chuck Schumer (D-NY), and Senator Joe Manchin (D-WV) have made progress in private negotiations to revive aspects of the Biden Administration's Build Back Better legislation.
- According to a Bloomberg [article](#), the two are close to agreeing on an overall plan that would increase taxes by roughly \$1 trillion. The plan would include ~\$500 billion of new spending programs, and the remainder of the tax increases would be used to reduce the deficit.
- The tax increases would be focused on corporations and the wealthy. It appears that a 15% minimum tax on GAAP income remains under consideration.
- NBC News [reported](#) that there appears to be broad democratic support for a provision that would allow Medicare to directly negotiate prescription drug prices along with other related measures.
- Senate Democrats have until the end of September to pass legislation under the previously authorized Budget Reconciliation process.

Noteworthy Accounting Developments

[None covered this quarter]

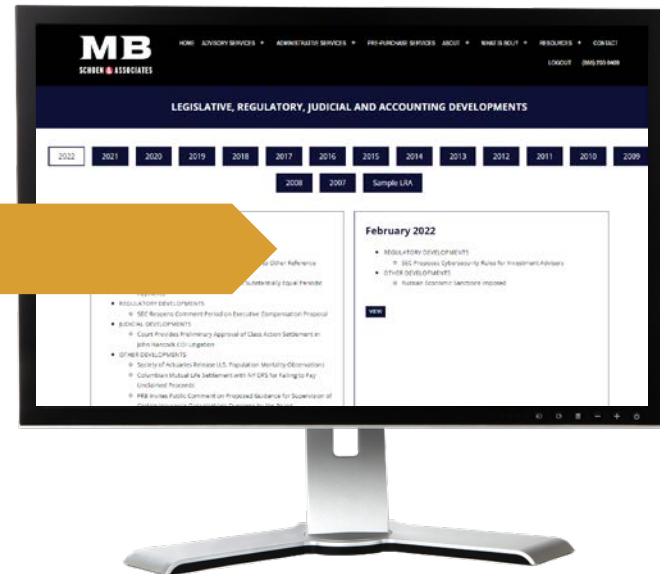
- For prior recent developments, see historical LRJA updates on our [website](#).

Easily track developments that could impact your BOLI program

Gain access to full archives back to 2007

- ✓ **Comprehensive BOLI-related newsletter**—Benefit from monthly updates delivered straight to your inbox
- ✓ **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

FRB Regulation O FAQ – Split Dollar Life Insurance Arrangements (Jul)

- The Federal Reserve maintains a [website](#) with Frequently Asked Questions (FAQs) about Regulation O. On July 8 a new FAQ was added to the page:
 - ❖ **Q3: Would a bank's payment of premiums as part of a split dollar life insurance arrangement constitute an extension of credit to an insider?**
 - A3: No, provided certain conditions are satisfied. Under a split dollar life insurance arrangement, a bank pays the premiums on a policy insuring the life of an employee of the bank. Split dollar life insurance arrangements can take many forms. For example, the insurance policy can be owned by the bank, the employee, or a third party (typically a trust). Regardless of form, the bank is entitled to receive from the proceeds of the insurance policy a pre-negotiated amount upon the death of the insured or when the insured surrenders the policy.
 - When the bank provides this arrangement for an insider, a split dollar life insurance arrangement does not give rise to an extension of credit to the insider where (i) the bank is not entitled to payment in an amount greater than the premiums paid by the bank (for example, the bank is not entitled to payment of the premiums plus some assessed interest), and (ii) the insider has no independent obligation to repay the premiums to the bank, other than out of the proceeds of the insurance policy.
 - ❖ **Observations**
 - The new FAQ concludes that a split dollar life insurance arrangement (where the bank pays the premiums) would not give rise to an extension of credit if two conditions are satisfied. The first condition is that the bank is not entitled to payment of an amount greater than the premiums paid. In our experience, it is quite common for a bank's interest in the split dollar arrangement to reflect some interest or accumulation of cash surrender value.
 - The second condition is that the insider is not independently obligated to repay the bank (i.e., the only source of repayment to the bank is the proceeds of the insurance policy). In our experience, split dollar arrangements often are unclear on respective rights and obligations if the policy proceeds are insufficient or if the policy approaches lapse. Examples of unclear situations include determining whether or not the bank is obligated to pay additional premiums to prevent a policy from lapsing and whether the bank is entitled to any recovery if the policy lapses.
 - While the FAQ takes the position that certain arrangements (as described) would not constitute an extension of credit to an insider, it does not provide direct guidance for arrangements that do not meet the specified conditions.
 - The FAQ website directs readers to a [Contact Us form](#) to submit additional questions or comments.

Noteworthy Legislative Developments

Inflation Reduction Act of 2022 (Aug)

- On August 16 President Biden signed the [Inflation Reduction Act of 2022](#) into law. The new law is expected to raise approximately \$472 billion to pay for deficit reduction, clean energy and climate investments. It includes \$369 billion for investments in climate and energy policies and \$64 billion to extend a policy under the Affordable Care Act to reduce health insurance costs.
- Notably, the Act adopts a new 15% corporate alternative minimum tax (AMT) for companies that report more than \$1 billion in book income. The law does not have any provisions that directly impact life insurance tax rules.
 - ❖ Regarding the new AMT regime, it is based on reported financial statement income with a few limited adjustments. Therefore, BOLI income will be included in the determination of Adjusted Financial Statement Income for AMT purposes.
 - ❖ However, as was the case with the previous AMT regime that existed before the Tax Cuts and Jobs Act, the new AMT only applies if the AMT tax is greater than a firm's regular tax liability, and payment of AMT tax generates a minimum tax credit under Sec. 53 that the taxpayer can then use against regular tax liabilities in future years.
 - ❖ The AMT becomes effective for tax years that begin after December 31, 2022

Noteworthy Legislative Developments

California Legislature Passes Unclaimed Property Voluntary Compliance Program (Aug)

- On August 17 the California legislature passed [A.B. 2280](#) which would amend the state's unclaimed property statutes. Specifically, the bill looks to establish a "Voluntary Compliance Program" to encourage more businesses to report unclaimed property to the state. The bill notes that the present law assessment of 12% per annum interest rate to businesses on overdue unclaimed property transfers to the state serves as a "deterrent" to holders of unclaimed property because of the potentially large interest assessment they could incur by reporting the property.
- Section [1513](#) of the California Code of Civil Procedure sets forth the conditions for businesses to determine what types of property must be escheated and time frames for when the property is supposed to be reported.
- Circling back to A.B. 2280, under the Voluntary Compliance Program, certain first-time filers can be eligible for a waiver of the interest assessment. A.B. 2280 was presented to the Governor on August 23 and, as of August 31, is still awaiting his signature for enactment.
- *Useful link:* The California State Controller published a [booklet](#) on the state's Unclaimed Property Law and Regulations in April 2022.

Other Noteworthy Developments

Senate Finance Committee to Investigate Private Placement Life Insurance (Aug)

- On August 15 the Senate Finance Committee Chair Ron Wyden (D-OR) announced an [investigation](#) into the use of private placement life insurance (“PPLI”) by the wealthiest Americans “... to avoid and evade taxes.” The announcement included a copy of a [letter](#) submitted to Lombard International seeking information on Lombard’s business practices.
- In addition to questions specific to the size and scope of Lombard’s PPLI business, the questions posed included
 - ❖ Is investment in PPLI products marketed to new or existing clients, including clients of parent company Blackstone, as a means to minimize or eliminate ordinary income, capital gains or estate taxes? If so, please explain the legal basis for why these products help minimize or eliminate taxes.
 - ❖ Has Lombard ever marketed or told clients that PPLI products could be used as “insurance wrappers” to conceal ownership of offshore assets? If so, were clients advised of the need to declare ownership of accounts linked to these products to the appropriate regulators?
- The letter appears focused on the individual, high-net worth market for PPLI and makes no reference to legitimate business uses of life insurance.
- Lombard was asked to respond by August 31.

NAIC Adopts Regulatory Considerations Applicable to Private Equity-Owned Insurers (Aug)

- On August 12 the NAIC Financial Condition (E) Committee adopted *Regulatory Considerations Applicable (But Not Exclusive) to Private Equity Owned Insurers* ([Link – See Attachments 13-14](#)). The summary identifies regulatory considerations but does not prioritize their levels of importance.

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)
- 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
- Athene Annuity and Life Company
- 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

- 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 August 17, 2022

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

- USAA Life Insurance Company

Insurance Carriers Rated Aa2

- Guardian Life Insurance Company of America

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

- 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
- 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 August 17, 2022

Ratings or Outlook Revisions

Athene Annuity and Life Company

- Rating **upgraded from A to A+** by Fitch (Jun)

Connecticut General Life Insurance Company

- Rating **upgraded from A to A+** by Fitch (Jun)

New York Life Insurance Company

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

Delaware Life Insurance Company

- Fitch published an **A- rating with a stable** outlook; the rating was previously withdrawn in 2013 at BBB (Aug)

NEED UP TO DATE COUNTERPARTY TRACKING?

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Industry Developments

Rebranding of Great West (Aug)

- Empower [announced](#) the rebranding of Great-West subsidiaries to reflect the Empower brand. Great-West Life & Annuity Insurance Company has been rebranded to Empower Annuity Insurance Company of America.
 - ❖ The name change is reflected on the prior pages' lists

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	-	-	-	-	-	-	-	-	-	-	-	-1
	Fitch	AA	Stable	-	-	-	-	-	-	-	-	-	-	-	-
	Moody's	Aa3	Stable	-	-	-	-	-	-	-	-	-	-	-	-
Carrier 3	S&P	A	Negative	-	-	-	-2	-	-	-	1	1	-	-	-
	Fitch	A	Stable	-	-	-	-1	-	-	-	1	-	-	-	-
	Moody's	A2	Stable	-	-	-	-1	-	-	-	1	-	-	-	-

Contact Information

www.mbschoen.com

General Inquiries

Tradyn Foley

- **Email:** tradyn.foley@ mbschoen.com
- **Phone:** (805) 290-1601

Turner Fixen

- **Email:** turner.fixen@ mbschoen.com
- **Phone:** (701) 639-2151

Presentation Inquiries & Analytics

TJ Hopkins

- **Email:** tharemy.hopkins@mbschoen.com
- **Phone:** (701) 205-3571

Matt Johnson

- **Email:** matt.johnson@ mbschoen.com
- **Phone:** (701) 639-2157

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