



Evolving Trends in Bank-Owned Life Insurance Market

Complimentary Edition – 2021-Q3

December 2021

Table Of Contents

Economic Backdrop 3

Recent Trends In BOLI 7

BOLI Industry Allocations & Analytics 36

Legal, Regulatory, Judicial and Accounting Updates 43

Insurance Carrier and Counterparty Updates 54

MBSA 62

Economic Backdrop

Economic Updates

FOMC Meeting Minutes

- The [FOMC minutes](#) from the September meeting noted that the tapering of asset purchases could begin this year and conclude by mid-2022. FOMC participants noted this November as the earliest starting point for tapering. The median expectation is that net purchases will be completed in July 2022.
- The FOMC meeting on July 28 noted that economic activity and employment have continued to strengthen but some sectors have not fully recovered. The statement acknowledged that inflation has risen, largely reflecting transitory factors.

US Debt Ceiling

- On October 14, President Biden signed a bill granting a short-term extension of the US debt ceiling. The bill raises the US debt ceiling by \$480 billion and is expected to keep the US government funded through December 3, 2021.

US Job Growth

- The change in nonfarm payrolls was 243,000 in August, falling short of the Bloomberg survey estimate of 733,000. The unemployment rate dropped to 5.2% in August, which is the lowest since March 2021.

Financial Markets Update

US Treasury Yields



	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y
Sep 2021	0.05	0.04	0.05	0.07	0.28	0.51	0.97	1.29	1.49	2.05
Jun 2021	0.04	0.04	0.05	0.07	0.25	0.46	0.89	1.24	1.47	2.09
Q Change	0.01	-0.01	0.00	0.01	0.03	0.05	0.08	0.05	0.02	-0.04
Sep 2020	0.08	0.10	0.10	0.12	0.13	0.16	0.28	0.47	0.69	1.46
Year Change	-0.02	-0.06	-0.06	-0.04	0.15	0.35	0.69	0.82	0.80	0.59

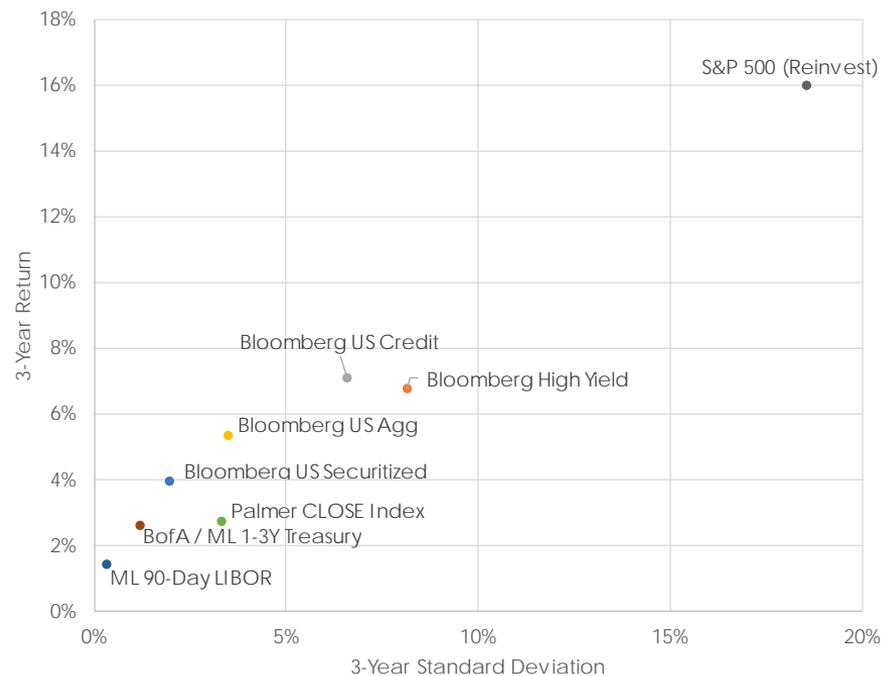
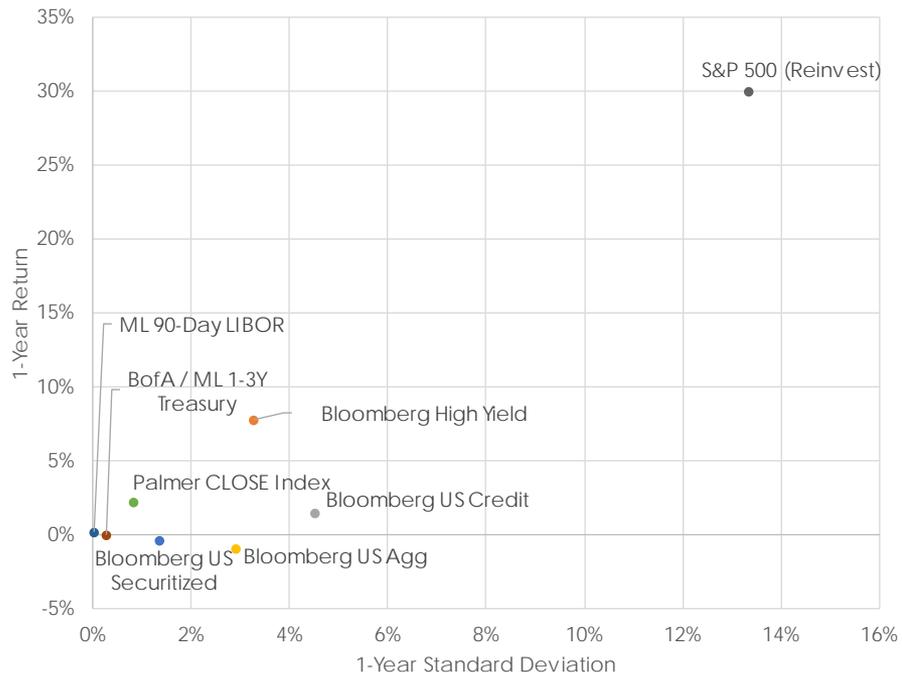
Sector Performance (As of Q3)

	YTW	Duration	OAS	3M Return	12M Return	3Y Return	5Y Return
Treasuries	1.01%	7.06	0.00%	0.09%	-3.30%	4.88%	2.23%
Corporate	2.13%	8.71	0.84%	0.00%	1.74%	7.43%	4.61%
CMBS	1.58%	5.11	0.61%	-0.03%	0.52%	5.79%	3.30%
ABS	0.62%	2.26	0.29%	0.05%	0.59%	3.49%	2.36%
Credit Card ABS	0.78%	3.29	0.23%	-0.04%	0.30%	3.55%	2.29%
Auto ABS	0.58%	1.93	0.32%	0.10%	0.76%	3.37%	2.42%
Agency MBS	1.83%	4.62	0.27%	0.10%	-0.43%	3.85%	2.17%
GNMA	1.86%	4.02	0.29%	0.00%	-0.64%	3.46%	1.91%
FHLHC	1.82%	4.89	0.24%	0.10%	-0.40%	3.98%	2.26%
FNMA	1.82%	4.70	0.27%	0.15%	-0.35%	4.00%	2.27%
Palmer CLO AAA	1.44%	1.75	1.02%	0.36%	2.07%	2.70%	2.79%

*Discount Margin

	3M Return	12M Return	3Y Return	5Y Return
SP 500 (Reinvest)	0.58%	30.00%	15.96%	16.90%
Energy	-1.66%	82.99%	-6.79%	-1.57%
Materials	-3.51%	26.48%	13.34%	12.95%
Industrials	-4.22%	28.96%	9.81%	12.50%
Consumer Discretionary	0.01%	19.15%	16.24%	19.00%
Consumer Staples	-0.31%	11.34%	11.91%	8.55%
Health Care	1.43%	22.56%	12.36%	14.18%
Financials	2.74%	59.13%	13.35%	16.64%
IT	1.34%	28.90%	27.19%	28.42%
Telecom	1.60%	38.39%	20.03%	12.54%
Utilities	1.78%	11.01%	10.25%	9.11%

1 & 3-Year Benchmark Risk/Return Plots

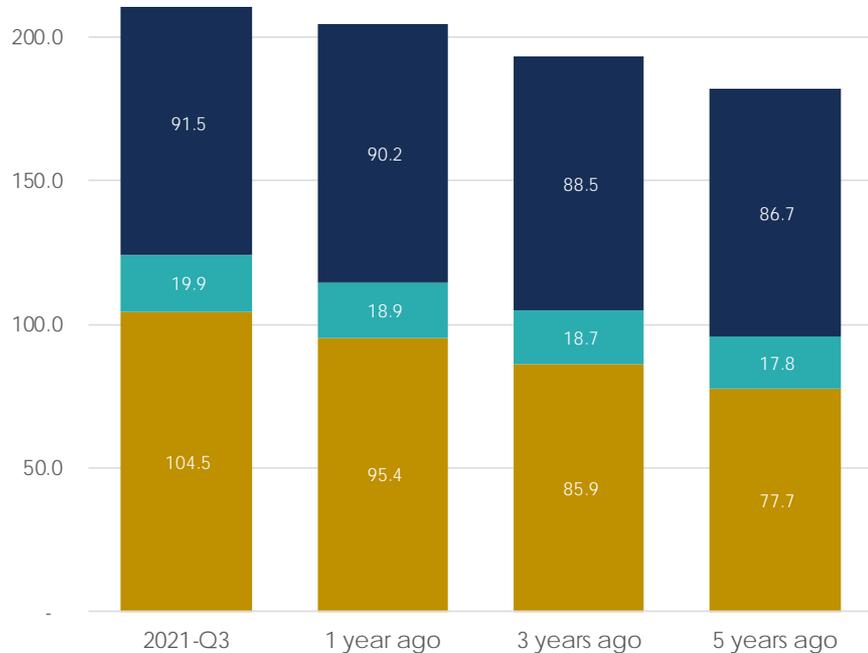


Data as of 2021-Q3

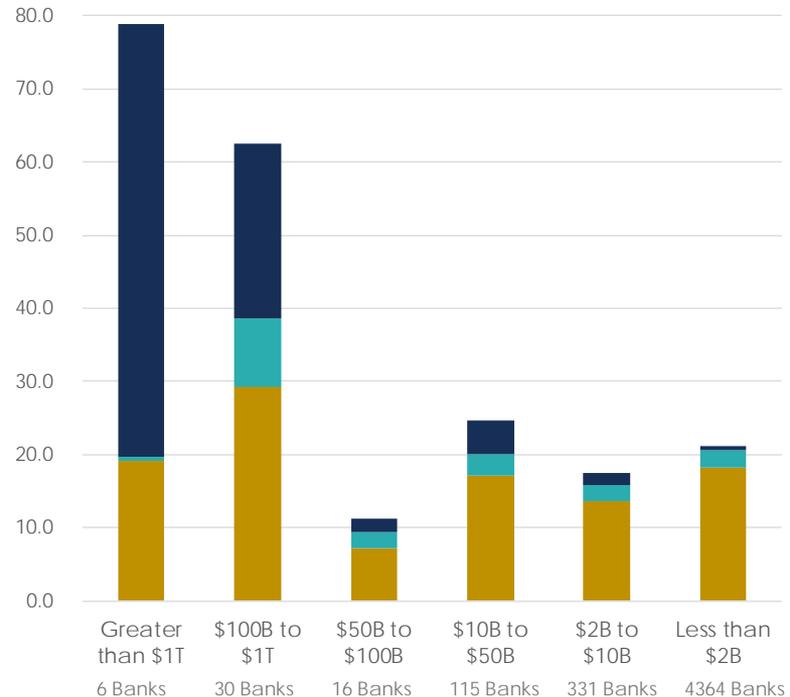
Recent Trends in BOLI

BOLI Market Overview as of 2021-Q3

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 2021-Q3

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%	13,794	19.1	0.6	59.1	78.8	7.69%	0.57%
\$100 Billion to \$1 Trillion	30	80%	7,415	29.3	9.4	23.9	62.5	9.52%	0.84%
\$50 Billion to \$100 Billion	16	94%	1,192	7.1	2.3	1.8	11.2	9.00%	0.94%
\$10 Billion to \$50 Billion	115	83%	2,526	17.2	2.9	4.6	24.6	9.83%	0.98%
\$2 Billion to \$10 Billion	383	82%	1,567	13.6	2.2	1.6	17.5	9.98%	1.12%
Less than \$2 Billion	4,364	64%	1,790	18.2	2.5	0.6	21.2	10.52%	1.19%
TOTALS	4,914	66%	28,283	104.5	19.9	91.5	215.9	8.87%	0.76%

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 (\$B)	SA RWA (\$B)	Total RWA / Total Exposure	Average Bank RW%
Greater than \$1 Trillion	6	100%	59.2	19.0	32.0%	32.2%
\$100 Billion to \$1 Trillion	30	80%	28.6	11.6	40.7%	58.2%
\$50 Billion to \$100 Billion	16	94%	3.9	2.7	68.7%	67.7%
\$10 Billion to \$50 Billion	115	83%	6.2	3.8	60.8%	78.7%
\$2 Billion to \$10 Billion	383	82%	2.1	1.7	78.8%	82.7%
Less than \$2 Billion	4,364	64%	0.7	0.6	87.2%	95.5%
Total	4,914	66%	100.8	39.4	39.1%	85.5%

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												
2021-Q3	16	633	19	657	35	1,291	0	0	3	-100	3	-100
1-Year	76	3,930	79	2,093	155	6,023	1	-44	7	-300	8	-344
3-Year	110	7,173	144	3,756	254	10,929	5	-151	20	-842	25	-993
5-Year	189	9,886	204	5,108	393	14,994	8	-278	27	-1,060	35	-1,338
SA												
2021-Q3	0	0	0	0	0	0	0	0	2	-75	2	-75
1-Year	0	0	5	404	5	404	1	-44	3	-87	4	-131
3-Year	2	78	10	670	12	748	3	-105	9	-429	12	-534
5-Year	4	118	18	991	22	1,109	4	-145	13	-527	17	-671
GA												
2021-Q3	16	633	18	643	34	1,276	0	0	1	-24	1	-24
1-Year	75	3,830	73	1,675	148	5,505	0	0	4	-213	4	-213
3-Year	107	6,995	132	3,055	239	10,050	1	-4	11	-413	12	-417
5-Year	181	9,630	182	4,058	363	13,688	3	-92	14	-533	17	-625
HYBRID												
2021-Q3	0	0	1	15	1	15	0	0	0	0	0	0
1-Year	1	100	1	15	2	115	0	0	0	0	0	0
3-Year	1	100	2	31	3	131	1	-42	0	0	1	-42
5-Year	4	138	4	59	8	197	1	-42	0	0	1	-42

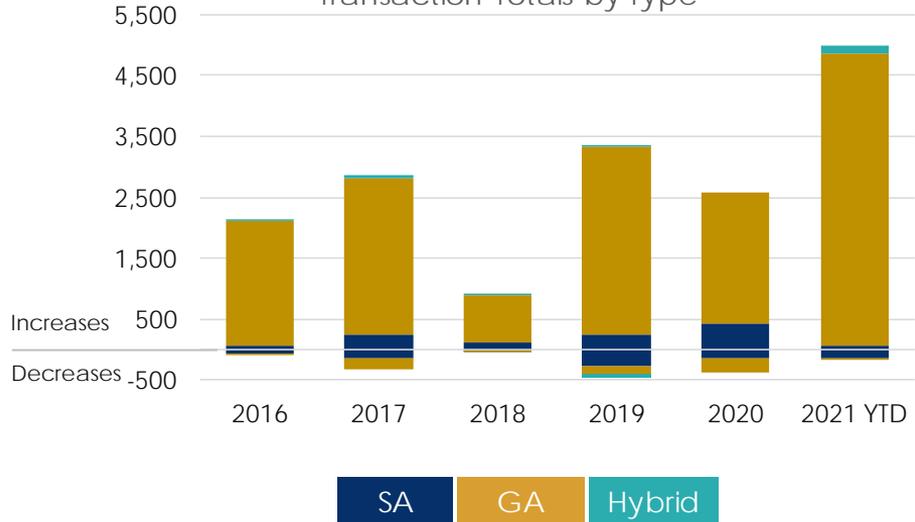
Listings of activity by institution are available upon request

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

Recent BOLI Transactions

Movement or Transactions of \$10M or More

Transaction Totals by Type



Recent Notable Purchases

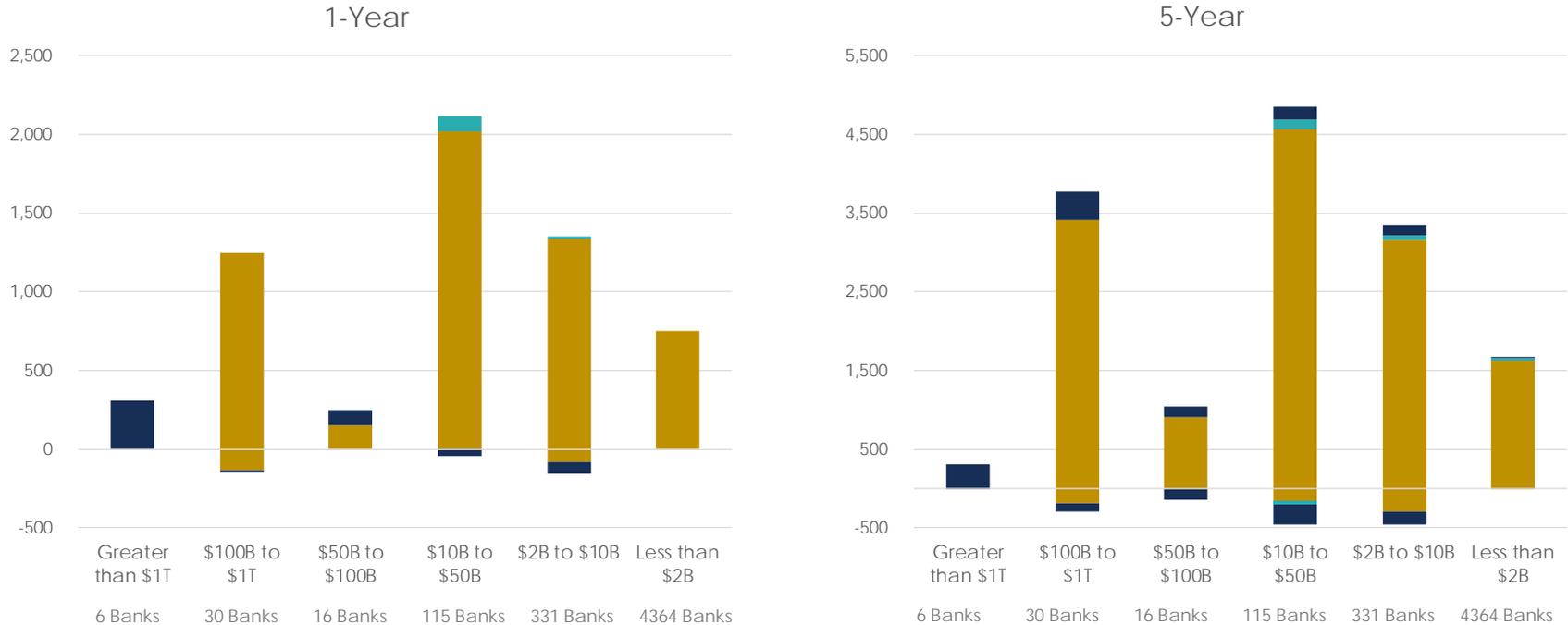
- In 2021-Q3 First National Bank of Omaha's GA BOLI increased by \$251.5 million
- In 2021-Q3 Citizens Bank purchased \$150 million of GA
- In 2021-Q3 East West Bank purchased \$150 million of GA
- In 2021-Q2 First Republic purchased \$250 million of GA
- In 2021-Q2 South State (FL) purchased \$106 million of GA and \$100 million of Hybrid

Recent Notable Surrenders

- None were noted in 2021-Q3 or Q2
- In 2021-Q1 Hancock Whitney surrendered \$44 million of SA and purchased \$45 million of GA
- In 2020-Q4 Regions performed an **exchange** of SA for GA; MBSA estimates the exchange ~\$250 million

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

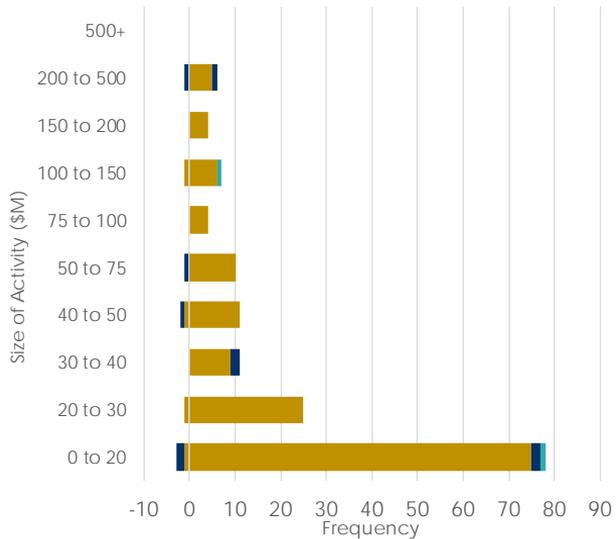
Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Frequency of BOLI Transaction Sizes

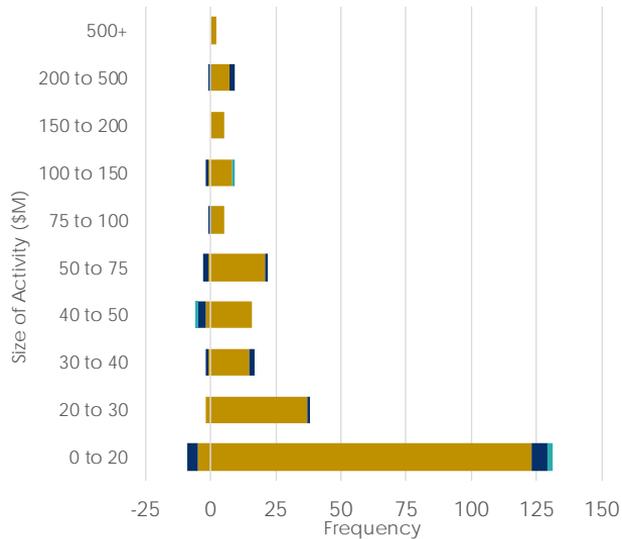
Movement or Transactions of \$10M or More

- Over the past 5 years, over 67% of transactions have been below \$30 Million, while 7% are over \$100 million

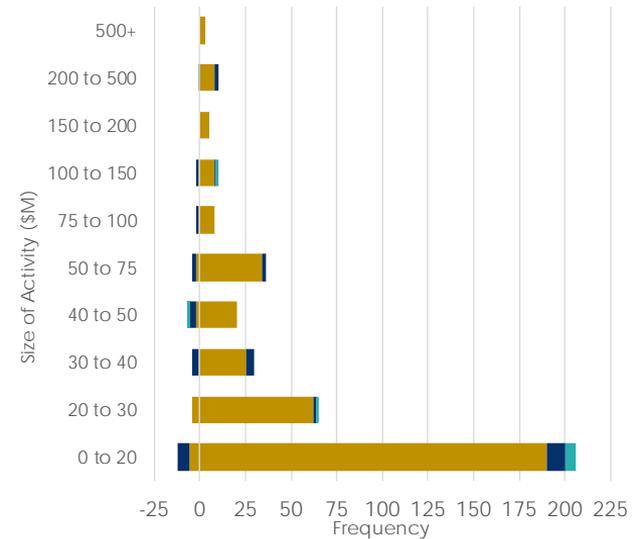
1-Year



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

SA

GA

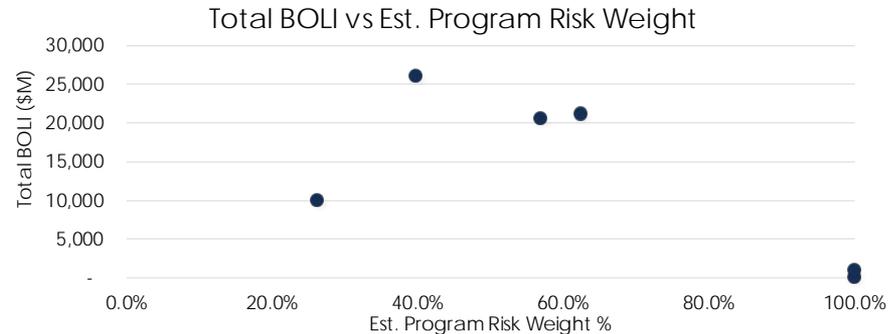
Hybrid

Market Analytics By Bank Size

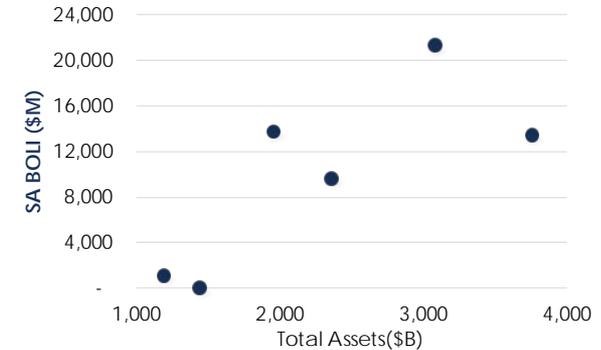
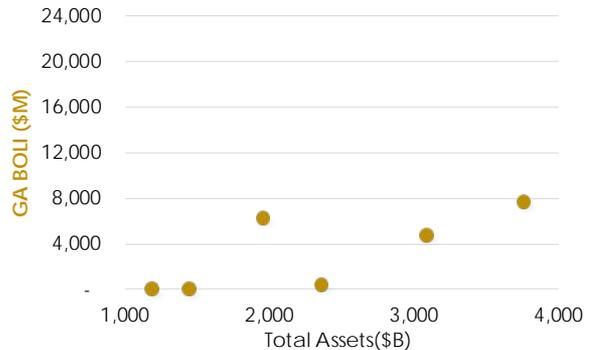
Banks with over \$1T in Total Assets

6 of 6 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	19,072	643	59,061	78,776	8%
Average	3,179	107	9,844	13,129	6%
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												
2021-Q3	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	1	306	1	306	0	0	0	0	0	0
3-Year	0	0	1	306	1	306	0	0	0	0	0	0
5-Year	0	0	1	306	1	306	0	0	0	0	0	0
SA												
2021-Q3	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	1	306	1	306	0	0	0	0	0	0
3-Year	0	0	1	306	1	306	0	0	0	0	0	0
5-Year	0	0	1	306	1	306	0	0	0	0	0	0
GA												
2021-Q3	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	0	0	0	0	0	0	0	0	0	0	0	0
5-Year	0	0	0	0	0	0	0	0	0	0	0	0
HYBRID												
2021-Q3	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

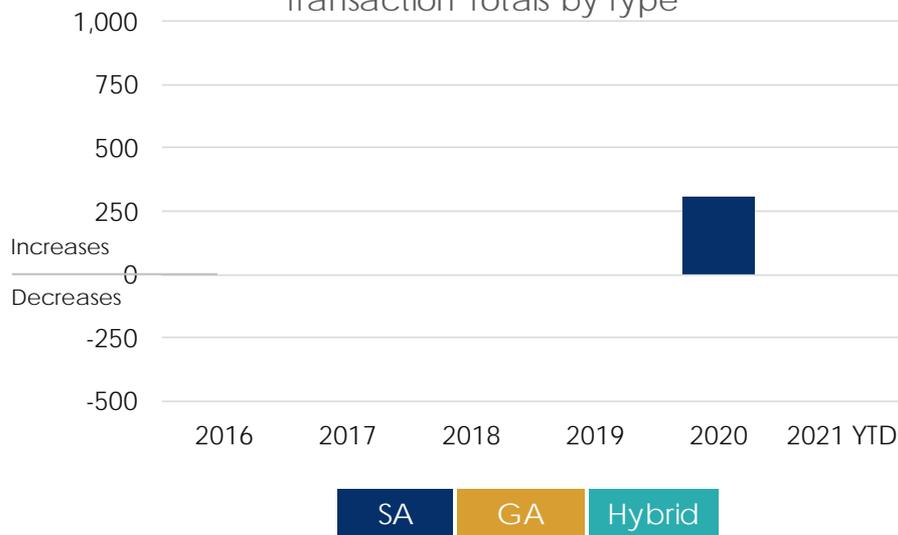
Listings of activity by institution are available upon request

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



Current Quarter Activity

- [None observed]

Recent Notable Actions

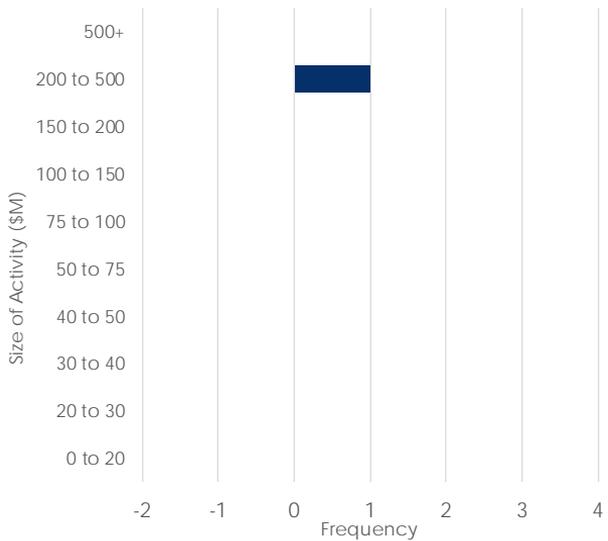
- In 2020-Q4, Morgan Stanley's SA BOLI increased by ~\$306 million

Frequency of BOLI Transaction Sizes

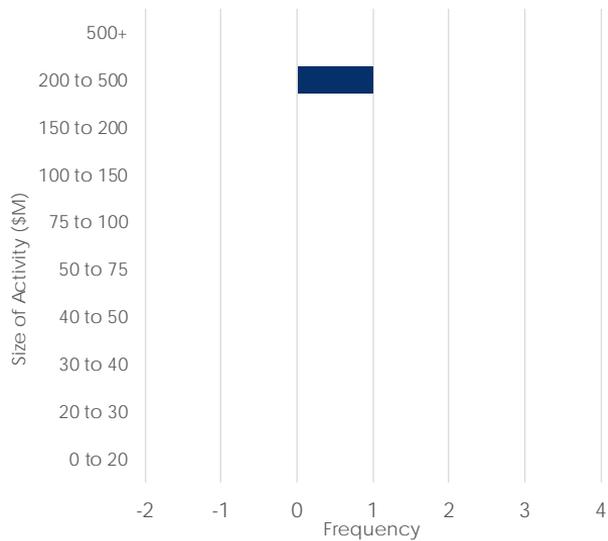
Banks with over \$1T in Total Assets

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

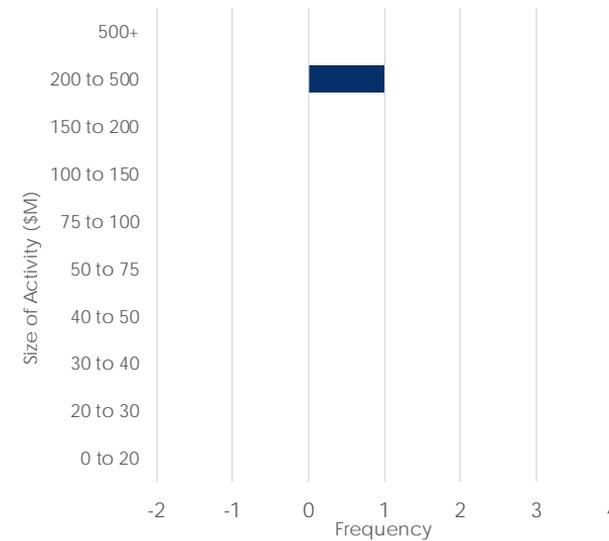
1-Year



3-Year



5-Year



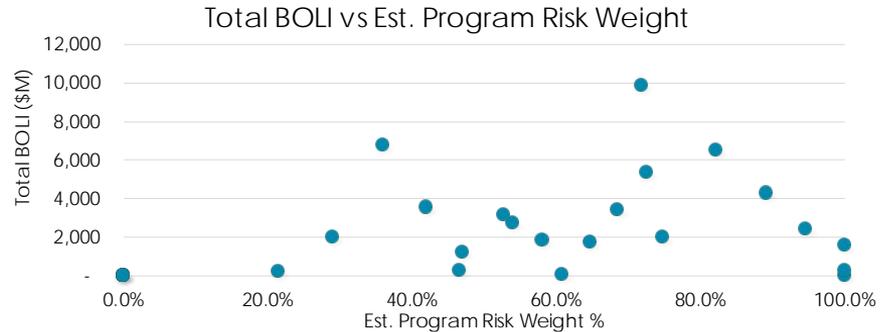
Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Market Analytics By Bank Size

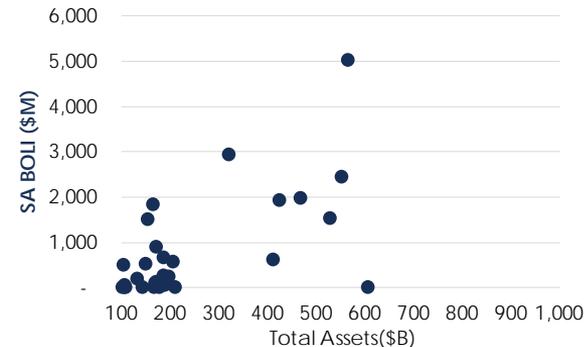
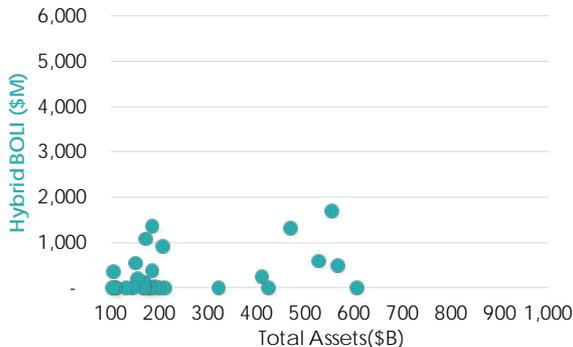
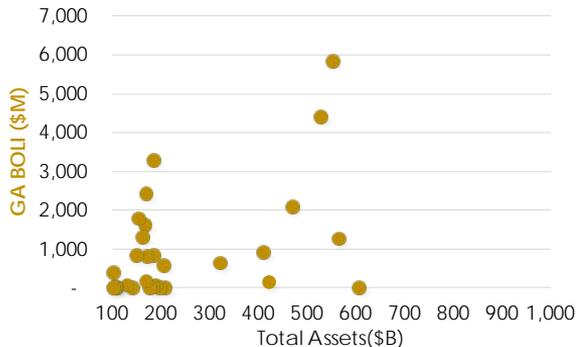
Banks with \$100B to \$1T in Total Assets

24 of 30 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	29,259	9,373	23,894	62,527	10%
Average	975	312	796	2,084	26%
Last Q # of Increases	1	-	-	1	
Increase Total (\$M)	150	-	-	150	
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												
2021-Q3	1	150	0	0	1	150	0	0	0	0	0	0
1-Year	6	1,248	0	0	6	1,248	0	0	2	-144	2	-144
3-Year	10	3,236	1	205	11	3,441	0	0	4	-284	4	-284
5-Year	11	3,437	2	339	13	3,775	0	0	4	-284	4	-284
SA												
2021-Q3	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	1	-11	1	-11
3-Year	1	18	1	205	2	223	0	0	2	-104	2	-104
5-Year	1	18	2	339	3	357	0	0	2	-104	2	-104
GA												
2021-Q3	1	150	0	0	1	150	0	0	0	0	0	0
1-Year	6	1,248	0	0	6	1,248	0	0	1	-133	1	-133
3-Year	9	3,218	0	0	9	3,218	0	0	2	-180	2	-180
5-Year	10	3,419	0	0	10	3,419	0	0	2	-180	2	-180
HYBRID												
2021-Q3	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	0	0	0	0	0	0	0	0	0	0	0	0
5-Year	0	0	0	0	0	0	0	0	0	0	0	0

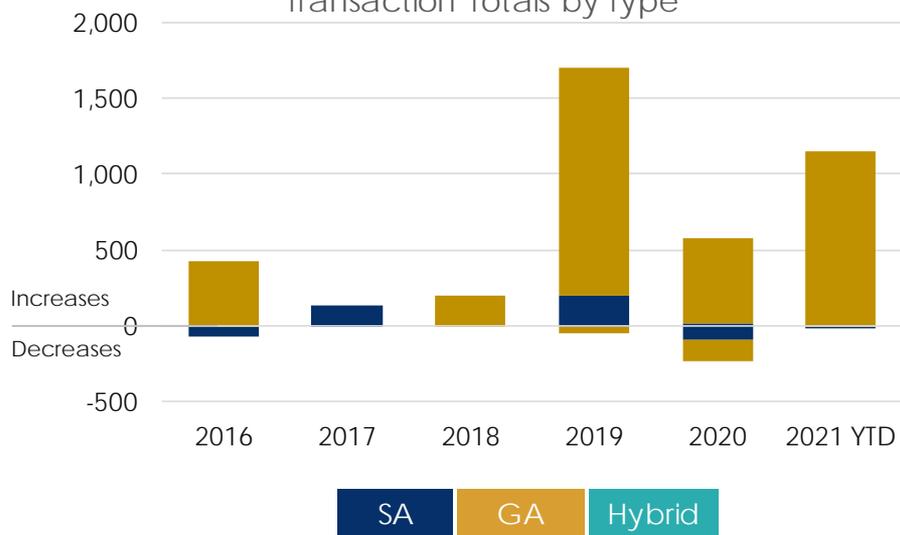
Listings of activity by institution are available upon request

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

Recent BOLI Transactions

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

Transaction Totals by Type



Current Quarter Activity

- Citizens Bank purchased \$150 million of GA

Recent Notable Actions

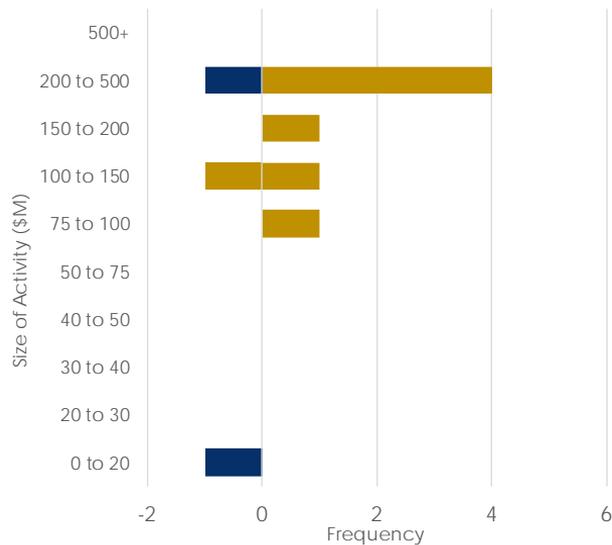
- In 2021-Q2 Citizens Bank purchased \$125 million of GA
- In 2021-Q1 Citizens Bank purchased \$375 million of GA
- In 2021-Q2 First Republic purchased \$250 million of GA
- In 2021-Q1 First Republic purchased \$253 million of BOLI; Primarily GA, with some SA
- In 2020-Q4 Regions performed an exchange of SA for GA; MBSA estimates the exchange ~\$250 million
- In 2020, First Republic purchased a total of \$565 million of GA and \$18 million of SA

Frequency of BOLI Transaction Sizes

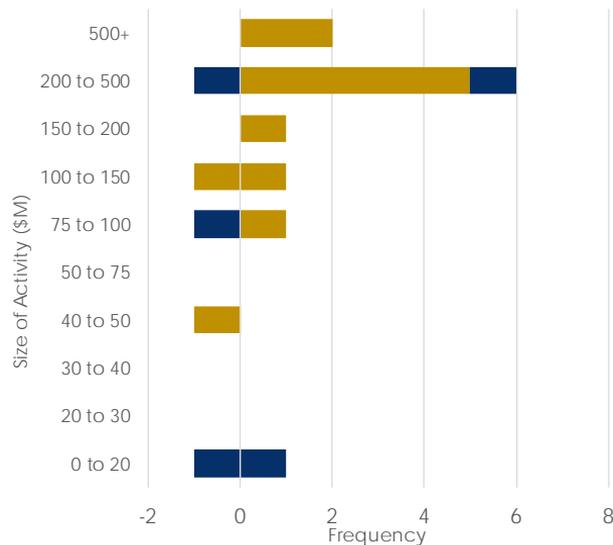
Banks with \$100B to \$1T in Total Assets

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

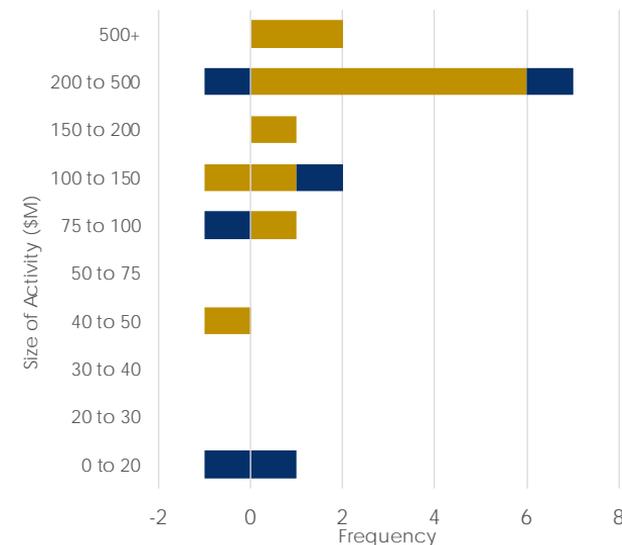
1-Year



3-Year



5-Year



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

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SA

GA

Hybrid

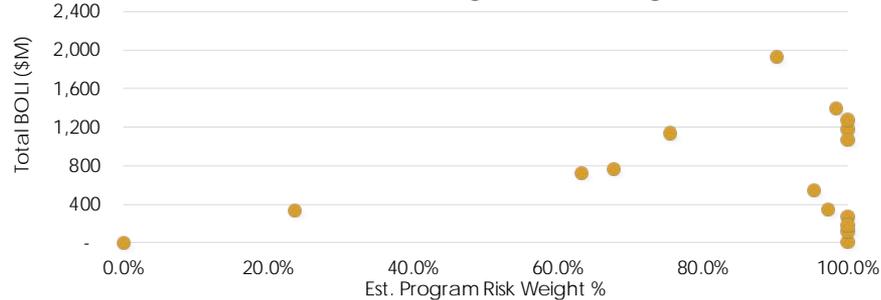
Market Analytics By Bank Size

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

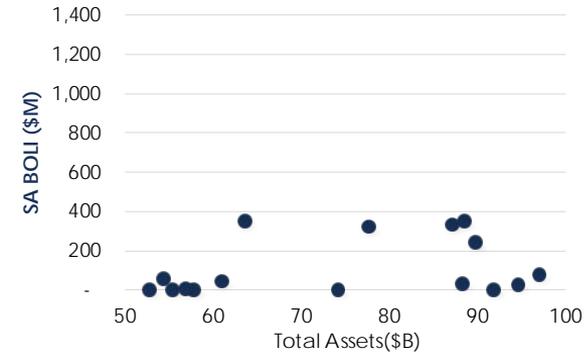
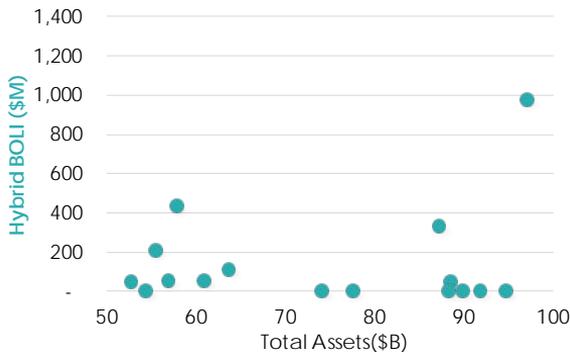
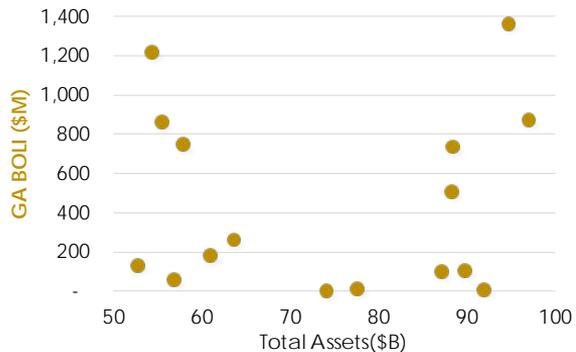
15 of 16 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	7,129	2,251	1,827	11,207	9%
Average	446	141	114	700	10%
Last Q # of Increases	1	-	-	1	
Increase Total (\$M)	150	-	-	150	
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												
2021-Q3	1	150	0	0	1	150	0	0	0	0	0	0
1-Year	1	150	4	98	5	248	0	0	0	0	0	0
3-Year	6	655	9	372	15	1,027	0	0	2	-135	2	-135
5-Year	7	675	9	372	16	1,047	0	0	3	-146	3	-146
SA												
2021-Q3	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	4	98	4	98	0	0	0	0	0	0
3-Year	0	0	6	133	6	133	0	0	2	-135	2	-135
5-Year	0	0	6	133	6	133	0	0	3	-146	3	-146
GA												
2021-Q3	1	150	0	0	1	150	0	0	0	0	0	0
1-Year	1	150	0	0	1	150	0	0	0	0	0	0
3-Year	6	655	3	239	9	894	0	0	0	0	0	0
5-Year	7	675	3	239	10	914	0	0	0	0	0	0
HYBRID												
2021-Q3	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

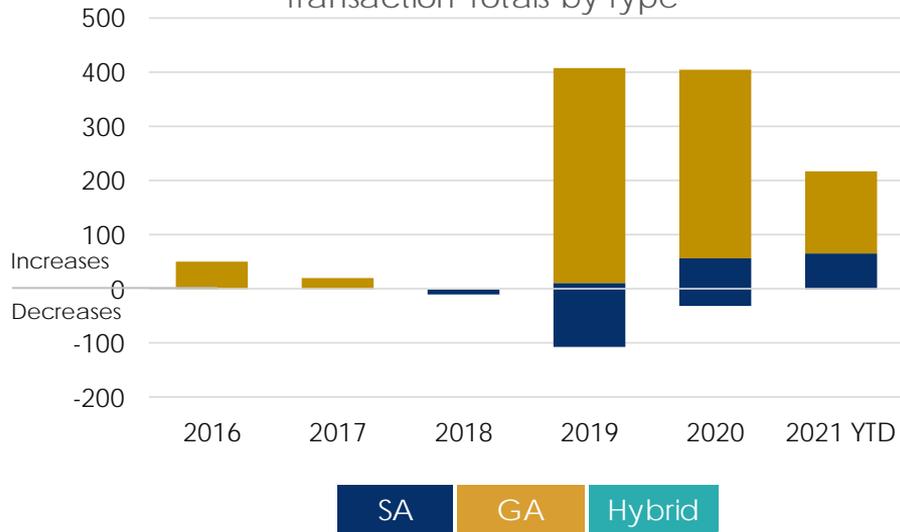
Listings of activity by institution are available upon request

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

- East West Bank purchased \$150 million of GA

Recent Notable Actions

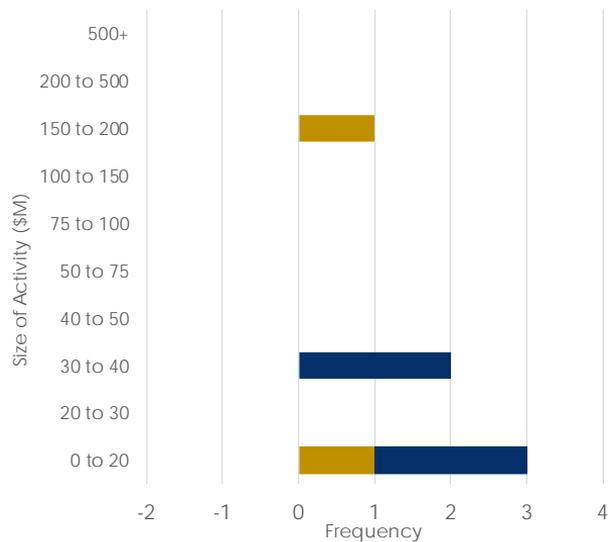
- In 2021-Q2 Raymond James's SA BOLI increased by ~\$39 million
- In 2021-Q2 City National's SA BOLI increased by ~\$12 million
- In 2021-Q1 City National's SA BOLI increased by ~\$16 million
- In 2020-Q1 Synovus purchased \$250 million of GA
- In 2020 City's SA BOLI increased by ~\$67 million
- From 2019-2020 CIT Bank increased its GA by over \$300 million
- In 2019-Q4 Bank of the West's SA decreased by ~\$105 million

Frequency of BOLI Transaction Sizes

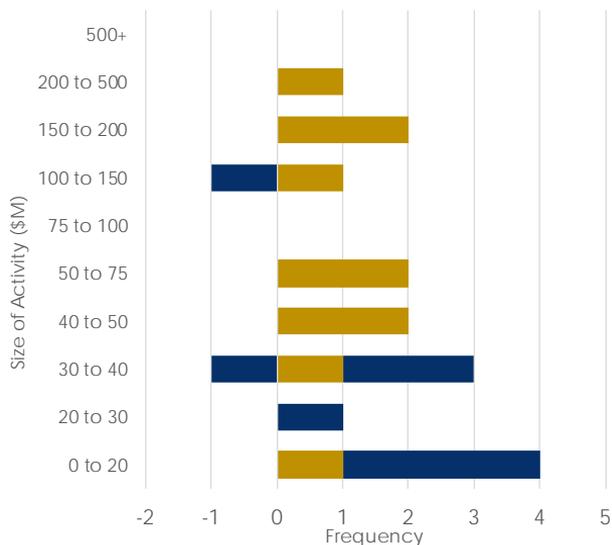
Banks with \$50B to \$100B in Total Assets

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

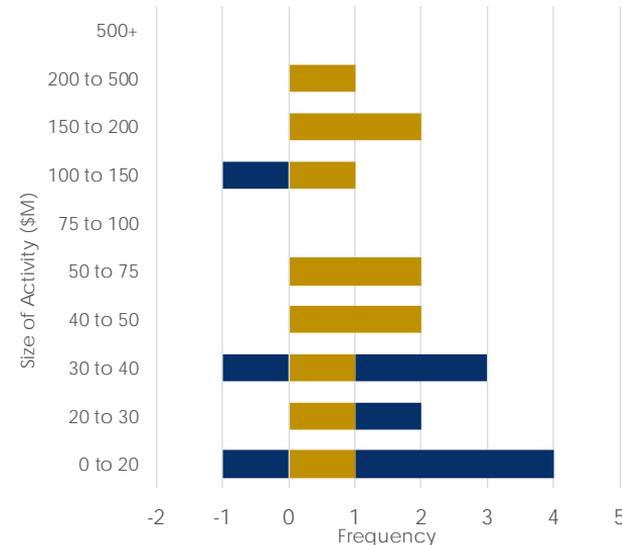
1-Year



3-Year

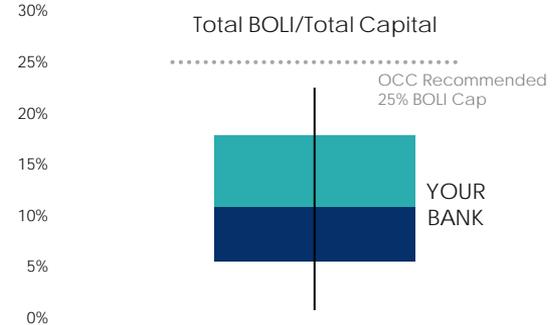
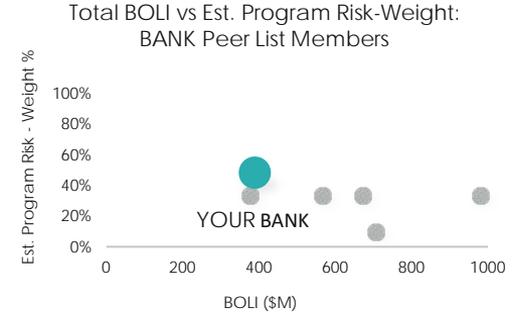
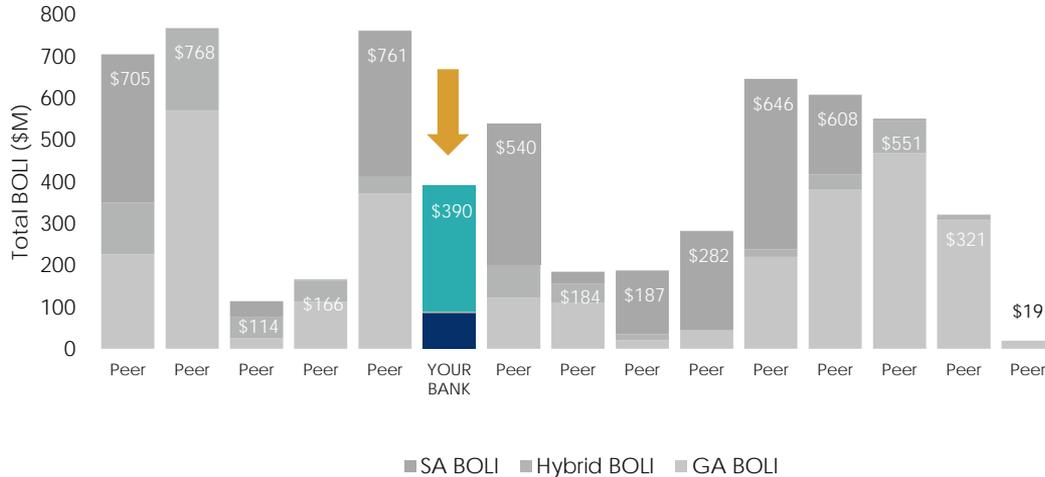


5-Year



CUSTOM PEER BANK REPORTS

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



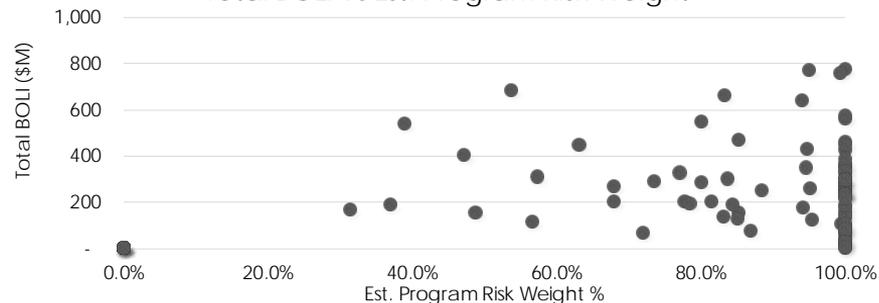
Market Analytics By Bank Size

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

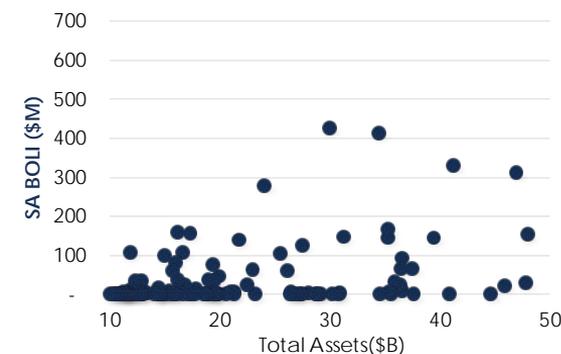
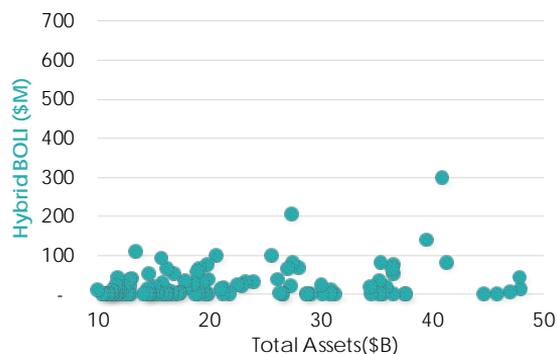
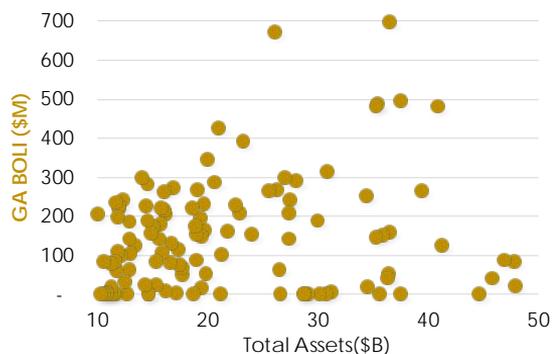
96 of 115 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	17,168	2,902	4,574	24,644	10%
Average	149	25	40	214	12%
Last Q # of Increases	6	-	-	6	
Increase Total (\$M)	290	-	-	290	
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 \$10B to \$50B in Total Assets

Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2021-Q3	4	135	2	155	6	290	0	0	0	0	0	0
1-Year	26	1,633	10	485	36	2,118	1	-44	0	0	1	-44
3-Year	32	1,966	21	948	53	2,914	5	-151	5	-162	10	-313
5-Year	59	3,578	30	1,266	89	4,844	6	-175	7	-275	13	-451
SA												
2021-Q3	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	1	-44	0	0	1	-44
3-Year	0	0	0	0	0	0	3	-105	3	-114	6	-219
5-Year	1	30	4	133	5	163	3	-105	4	-144	7	-249
GA												
2021-Q3	4	135	2	155	6	290	0	0	0	0	0	0
1-Year	25	1,533	10	485	35	2,018	0	0	0	0	0	0
3-Year	31	1,866	21	948	52	2,814	1	-4	2	-48	3	-52
5-Year	56	3,434	26	1,133	82	4,567	2	-29	3	-131	5	-160
HYBRID												
2021-Q3	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	1	100	0	0	1	100	0	0	0	0	0	0
3-Year	1	100	0	0	1	100	1	-42	0	0	1	-42
5-Year	2	114	0	0	2	114	1	-42	0	0	1	-42

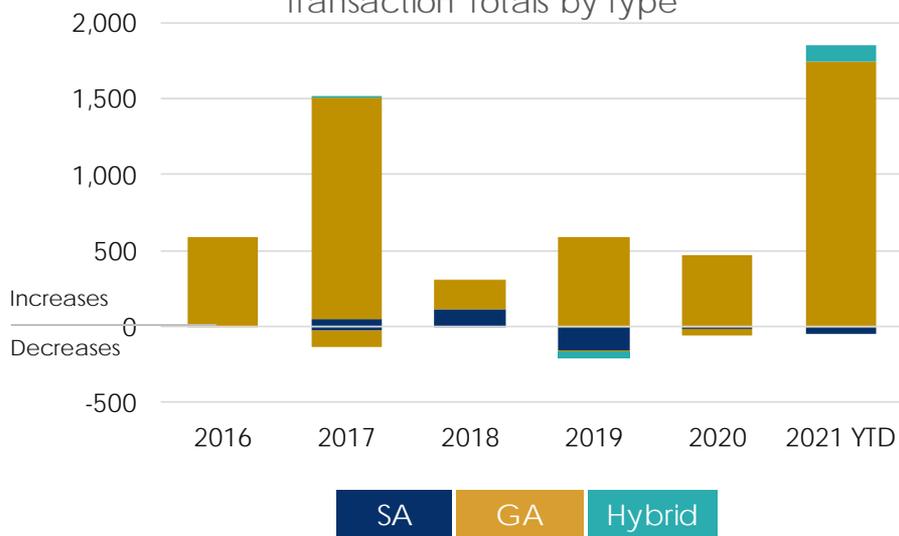
Listings of activity by institution are available upon request

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

- Cadence Bank purchased \$50 million of GA
- WesBanco purchased \$40 million of GA
- United Bank purchased \$35 million of GA
- Independent Bank purchased \$10 million of GA
- First United's GA increased by ~\$79 million
- Washington Trust's GA increased by ~\$75 million

Recent Notable Actions

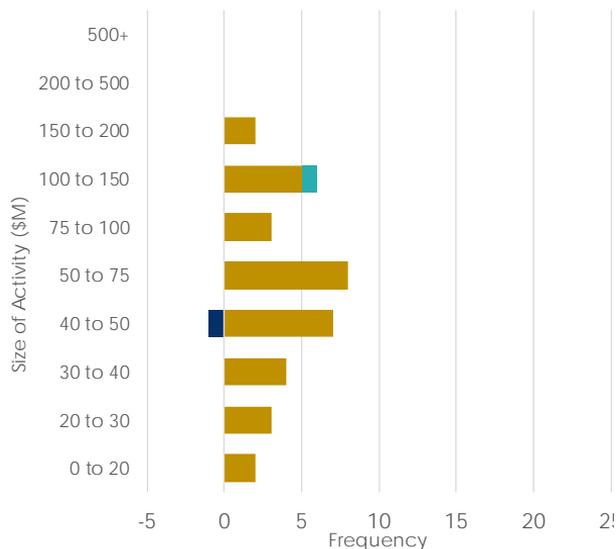
- In 2021-Q2 Simmons purchased \$160 million of GA
- In 2021-Q2 Pacific Premier purchased \$150 million of GA
- In 2021-Q1 Great Western purchased \$100 million of GA
- In 2020, UMB purchased a total of \$100 million of GA

Frequency of BOLI Transaction Sizes

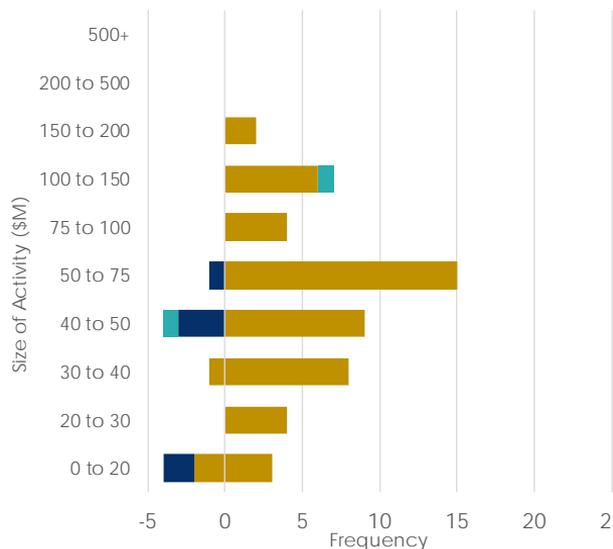
Banks with \$10B to \$50B in Total Assets

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

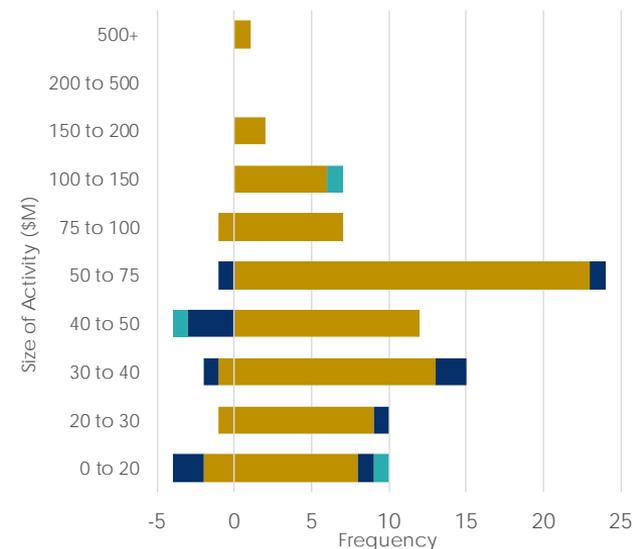
1-Year



3-Year



5-Year



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

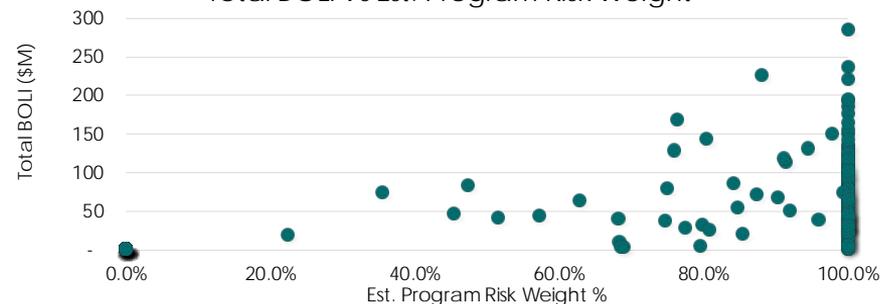
Market Analytics By Bank Size

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

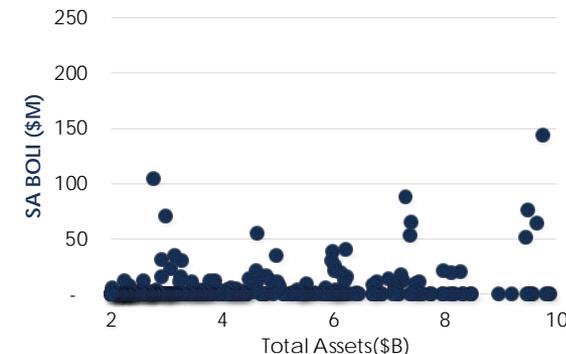
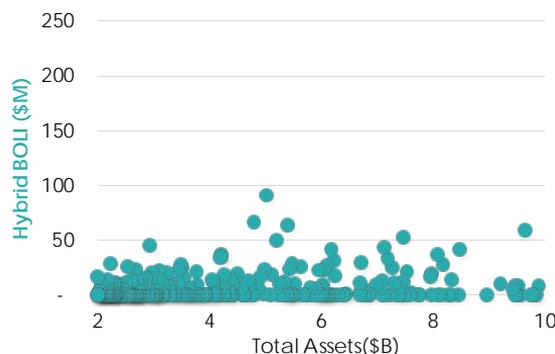
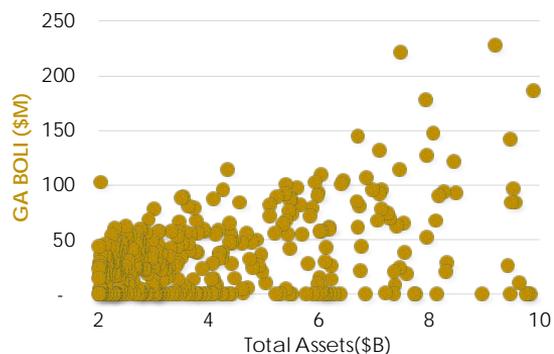
271 of 331 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	12,526	2,118	1,576	16,220	10%
Average	38	6	5	49	11%
Last Q # of Increases	14	1	-		
Increase Total (\$M)	294	15	-		
Last Q # of Decreases	1	-	2		
Decrease Total (\$M)	(24)	-	(75)		

Total BOLI vs Est. Program Risk Weight



Types of BOLI by Bank Asset Size



Recent BOLI Transaction Counts & Totals

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

Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2021-Q3	9	188	6	120	15	308	0	0	3	-100	3	-100
1-Year	37	836	29	514	66	1,350	0	0	5	-155	5	-155
3-Year	51	1,180	47	847	98	2,028	0	0	9	-260	9	-260
5-Year	87	1,867	78	1,488	165	3,355	2	-103	13	-354	15	-457
SA												
2021-Q3	0	0	0	0	0	0	0	0	2	-75	2	-75
1-Year	0	0	0	0	0	0	0	0	2	-75	2	-75
3-Year	1	60	1	16	2	76	0	0	2	-75	2	-75
5-Year	2	70	4	70	6	140	1	-40	4	-132	5	-172
GA												
2021-Q3	9	188	5	105	14	294	0	0	1	-24	1	-24
1-Year	37	836	28	499	65	1,335	0	0	3	-80	3	-80
3-Year	50	1,120	45	817	95	1,937	0	0	7	-185	7	-185
5-Year	83	1,773	72	1,386	155	3,159	1	-63	9	-222	10	-285
HYBRID												
2021-Q3	0	0	1	15	1	15	0	0	0	0	0	0
1-Year	0	0	1	15	1	15	0	0	0	0	0	0
3-Year	0	0	1	15	1	15	0	0	0	0	0	0
5-Year	2	24	2	31	4	55	0	0	0	0	0	0

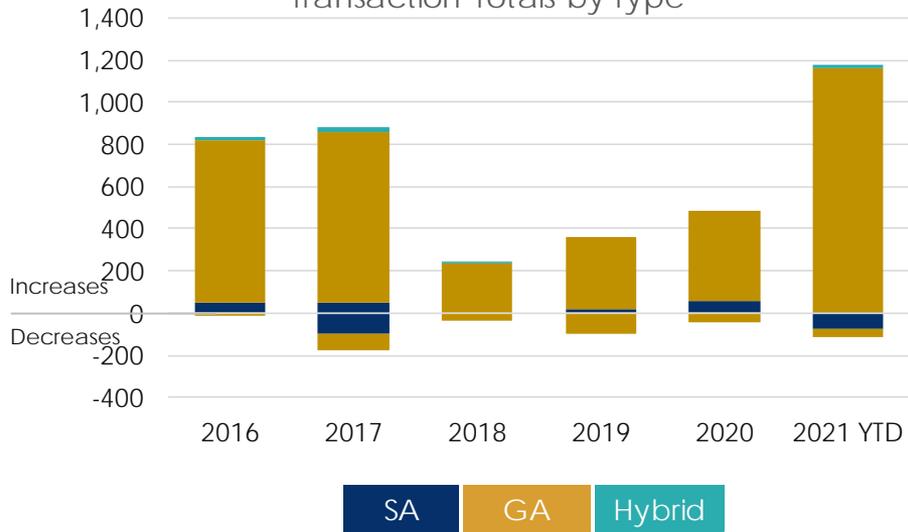
Listings of activity by institution are available upon request

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

Recent BOLI Transactions

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

Transaction Totals by Type



Current Quarter Activity (in \$Millions)

Seacoast National Bank	Purchase	GA	35	Minnwest Bank	Increase	GA	15
Cass Information Systems	Purchase	GA	25	FineMark National B&T	Increase	GA	15
First Bank	Purchase	GA	25	Northwest Bank	Increase	GA	14
Metro City Bank	Purchase	GA	23	Green Dot Bank	Decrease	GA	24
Premier Bank	Purchase	GA	20	Exchange Bank	Decrease	SA	61
Five Star Bank	Purchase	GA	20	Exchange Bank	Increase	GA	47
Community Trust Bank	Purchase	GA	18	Exchange Bank	Increase	HY	15
Southside Bank	Purchase	GA	13	First Citizens National Bank	Increase	GA	14
Orange Bank & Trust	Purchase	GA	10	First Citizens National Bank	Decrease	SA	14

Recent Notable Actions

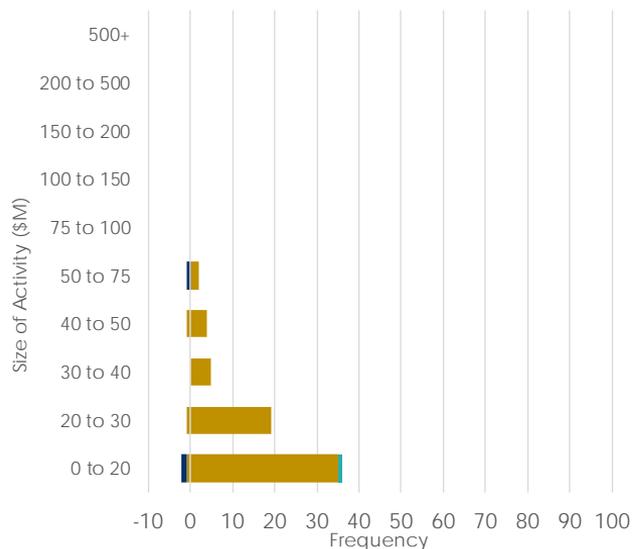
- In 2021-Q2 Green Dot purchased \$50 million of GA
- In 2021-Q2 Capital Bank purchased \$35 million of GA
- In 2021-Q2 Republic Bcorp purchased \$30 million of GA
- In 2021-Q1 Byline purchased \$50 million of GA
- In 2020-Q3 Bank Leumi's GA increased ~\$53 million
- In 2020-Q3, BCB Community Bank purchased \$60 million of SA

Frequency of BOLI Transaction Sizes

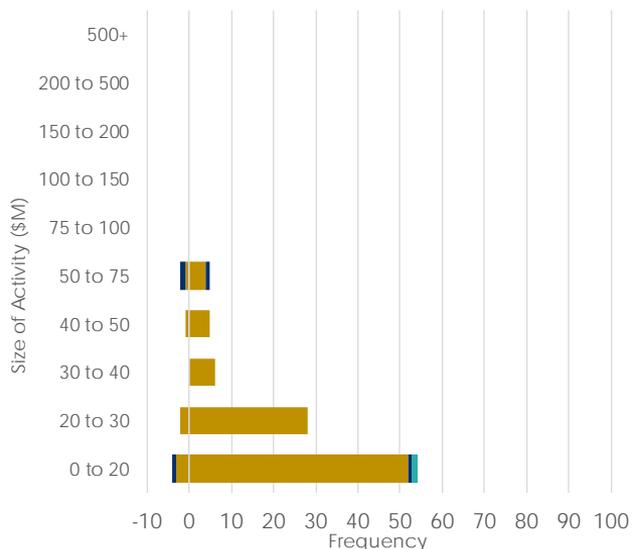
Banks with \$2B to \$10B in Total Assets

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

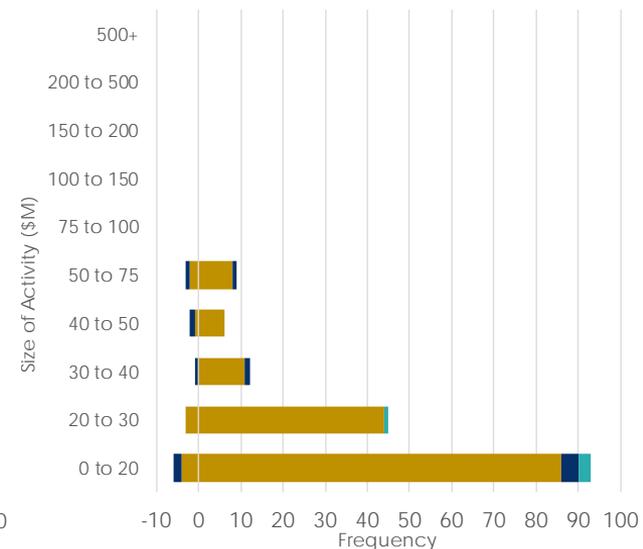
1-Year



3-Year



5-Year



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

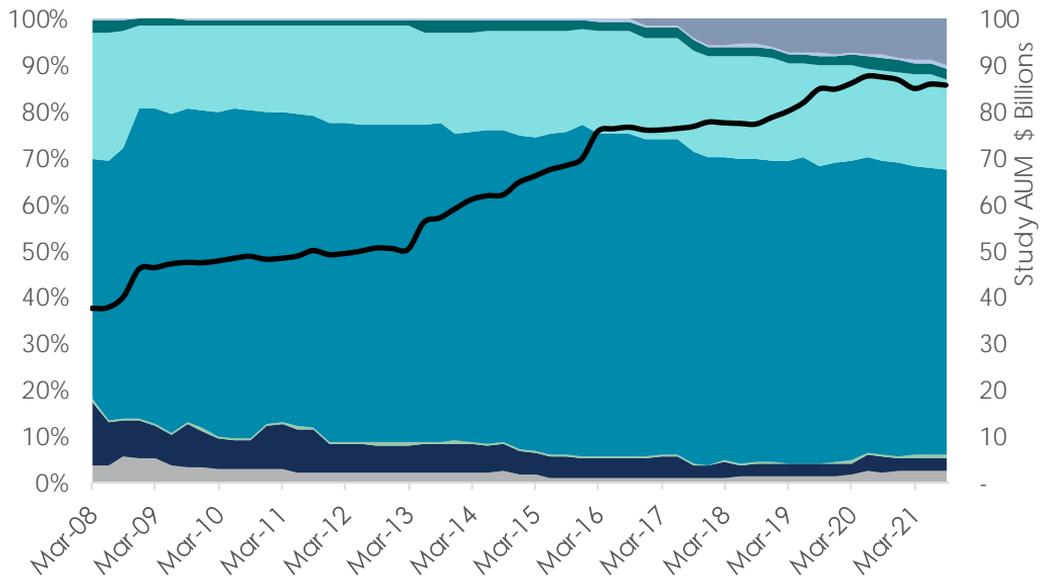
- Capital Efficient / Multi-Sector / Target RW
- High Yield
- Credit
- Core Fixed Income
- MBS / Securitized (ABS / CMBS)
- CLO / Bank Loan
- Short Duration
- Government

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

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

SA BOLI Industry Allocations

SA BOLI Allocations Over Time

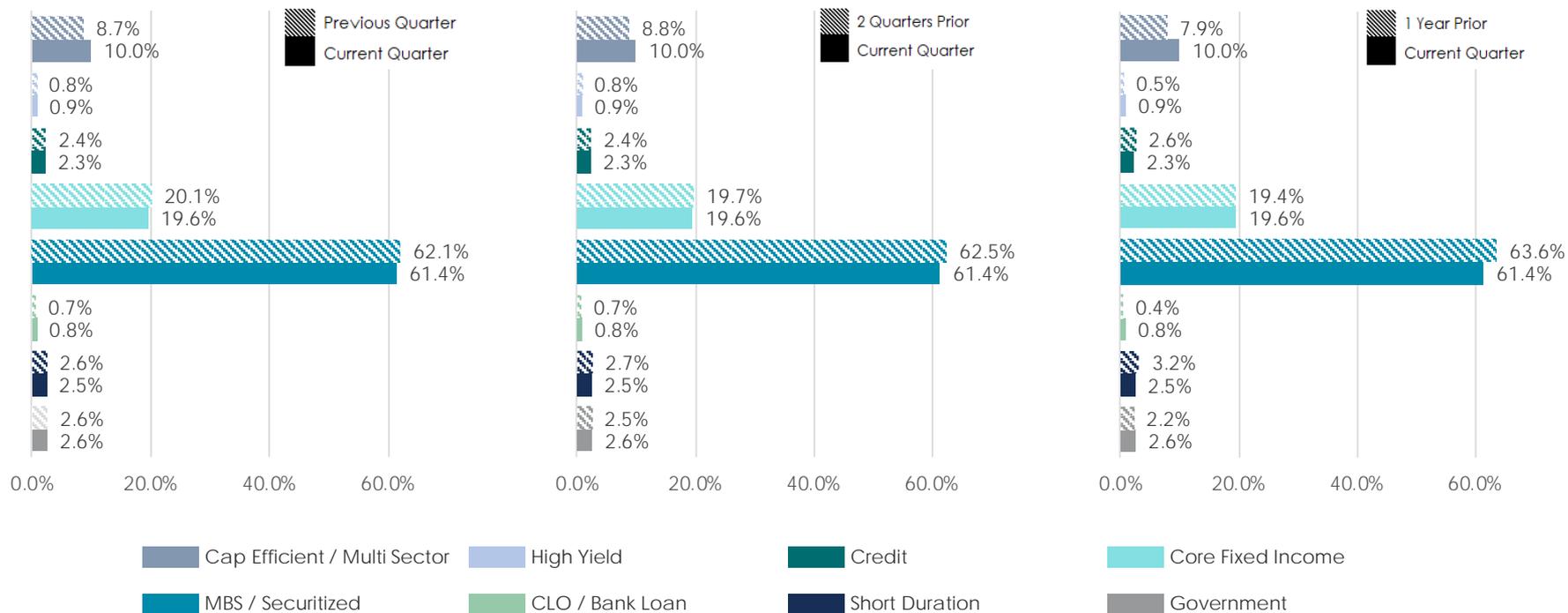


2021-Q3 Weights

Cap Efficient / Multi Sector	10.0%
High Yield	0.9%
Credit	2.3%
Core Fixed Income	19.6%
MBS / Securitized	61.4%
CLO / Bank Loan	0.8%
Short Duration	2.5%
Government	2.6%

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

Recent Allocation Changes



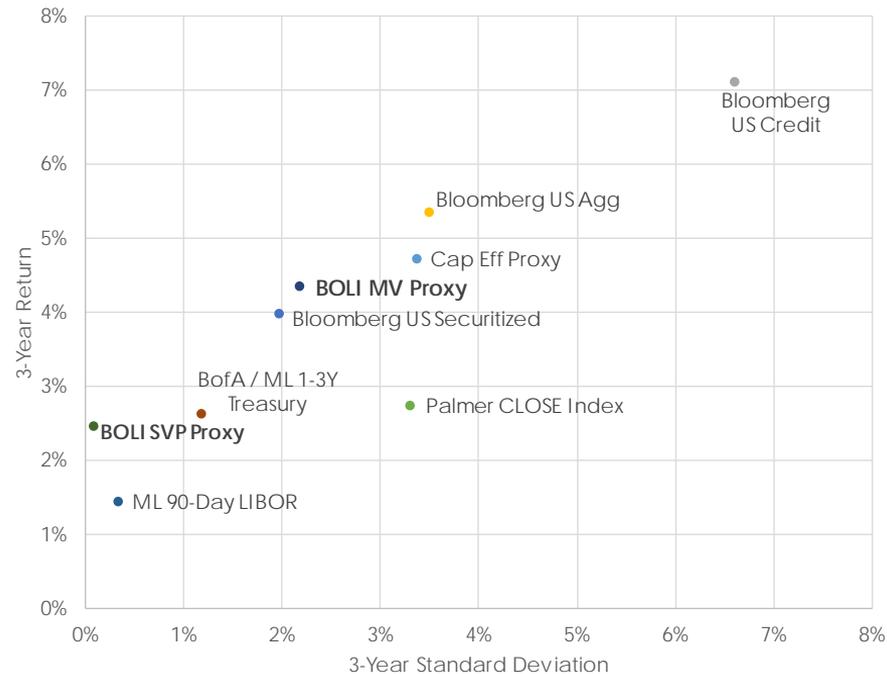
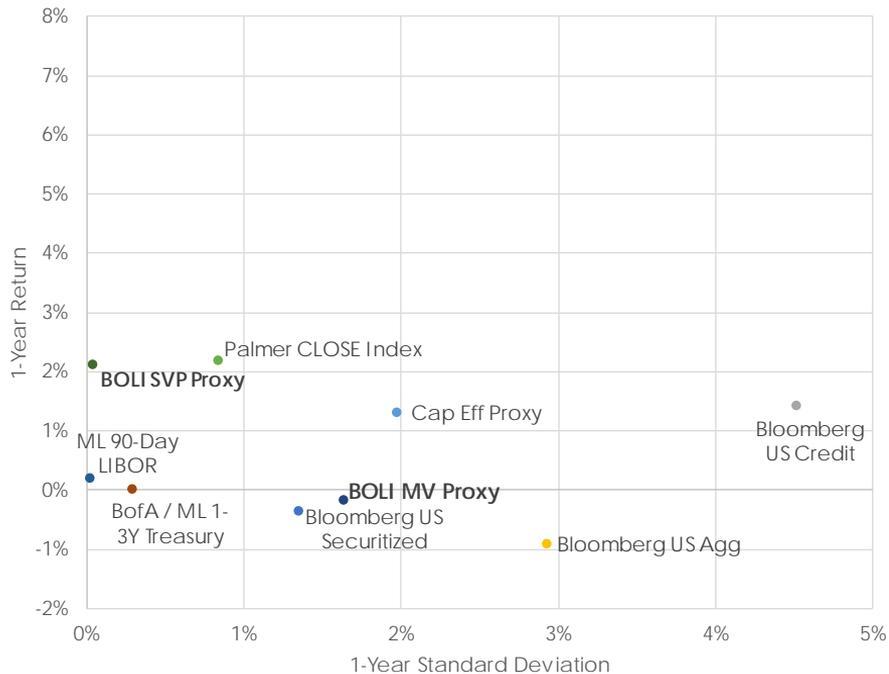
Investment Performance Proxy

Using common benchmarks for the categories, a proxy for the industry's SA Q3 MV performance is estimated at 0.09%

	Benchmark	Quarter	1-Year	3-Year	5-Year	Weights
Cap Efficient / Multi Sector	[Proxied by a sector blend]	0.08%	1.32%	4.73%	3.22%	9.96%
High Yield	<i>Bloomberg High Yield</i>	0.87%	7.78%	6.79%	5.92%	0.85%
Credit	<i>Bloomberg US Credit</i>	-0.02%	1.45%	7.10%	4.38%	2.29%
Core Fixed Income	<i>Bloomberg US Agg</i>	0.05%	-0.90%	5.36%	2.94%	19.55%
MBS / Securitized	<i>Bloomberg US Securitized</i>	0.09%	-0.35%	3.98%	2.25%	61.42%
CLO / Bank Loan	<i>Palmer CLOSE Index</i>	0.39%	2.21%	2.75%	2.84%	0.84%
Short Duration	<i>ML 90-Day LIBOR</i>	0.04%	0.21%	1.46%	1.43%	2.48%
Government	<i>BofA / ML 1-3Y Treasury</i>	0.06%	0.03%	2.63%	1.62%	2.60%
Industry Proxy MV Performance using rolling weights:		0.09%	-0.16%	4.35%	2.50%	
Industry Proxy Stable Value Performance:		0.51%	2.13%	2.48%	2.45%	

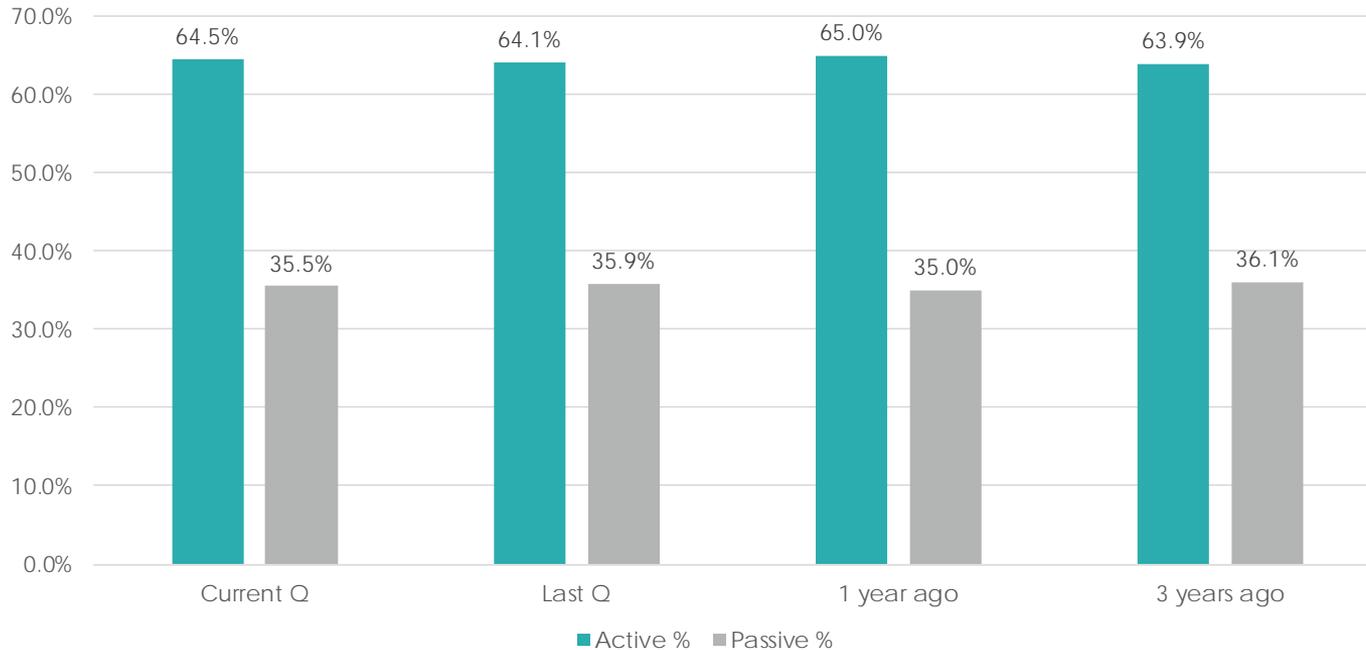
Stable Value performance represents book value growth of the industry proxy under a standard crediting rate formula beginning (MV=BV) in 2013

1 & 3-Year Risk/Return Plots with BOLI



Data as of 2021-Q3

Active / Passive Breakdown



Legislative, Regulatory, Judicial, Tax and Accounting Updates

Noteworthy Judicial Developments

John Hancock COI Litigation (Oct)

- On October 21 Plaintiffs counsel submitted a letter to the court (Southern District of NY), disclosing that the parties reached an agreement in principle to settle the class action litigation (Leonard, et al. v. John Hancock Life Insurance Company (U.S.A.)). We have been monitoring this litigation but had not previously addressed it in an LRA Update.
- In March, the Plaintiffs filed a Second Amended Class Action Complaint, alleging that John Hancock improperly increased cost of insurance (COI) charges for certain universal life policies issued between 2003 and 2010. According to the complaint, the COI provisions of the policies were as follows (emphasis added):
 - ❖ The charge for the Net Amount at Risk ... **will be based on our expectations of future mortality, persistency, investment earnings, expense experience, capital and reserve requirements, and tax assumptions.** We review our cost of insurance rates from time to time and may redetermine cost of Insurance rates at that time on a basis that does not discriminate unfairly within any class of lives insured.

OR:

 - ❖ The applied monthly rates **will be based on our expectations of future investment earnings, persistency, mortality, expense and reinsurance costs and future tax, reserve, and capital requirements.** ... They will be reviewed at least once every 5 policy years. Any change in applied monthly rates will be made on a uniform basis for insureds of the same sex, issue age, and premium class, including smoker status, and whose policies have been in force for the same length of time.
- Unlike the litigation [we covered in 37 Besen Parkway](#), the COI provisions in this matter provided John Hancock with discretion to base COI rates on various factors in addition to “expectations of future mortality” experience.
- Details of the settlement in Leonard v. Hancock have not been released yet. The parties will be submitting the stipulation of settlement and a motion for preliminary approval of the settlement by early December

Docket: Leonard, et al. v. John Hancock Life. Ins. Co. of New York and John Hancock Life Insurance Company (U.S.A.), No. 18-cv-4994-AKH

Noteworthy Tax Developments

IRS Priority Guidance Plan – Additional Guidance for Reportable Policy Sales (Sep)

- On September 9, the IRS released an updated [2021-2022 Priority Guidance Plan](#). The updated list of priorities included an item related to the so-called Reportable Policy Sales regulations:
 - ❖ Regulations under §§101 and 6050Y relating to §1035 exchanges and certain corporate acquisitions.
- It is not entirely clear what aspects of the existing regulations (which were issued in [October 2019](#)) the IRS intends to address. From our perspective, it was peculiar that the IRS had determined that a §1035 exchange would constitute a “transfer of an interest in a life insurance contract.” Some parties have pressed the IRS to modify that interpretation.
- Additionally, the October 2019 regulations required that any life insurance policies acquired through a business acquisition that was structured as an asset purchase must be assessed for an exemption from the reportable policy sale implications. Many parties have encouraged the IRS to modify this regulation and treat all business acquisitions as being exempt from reportable policy sale treatment.
- We will monitor for any guidance that the IRS may issue on this topic.

Noteworthy Tax Developments

Tax Legislation Update (Nov)

- President Biden signed into law the [Infrastructure Investment and Jobs Act](#) on November 15. This was bipartisan legislation that includes provisions related to federal-aid highway, transit, highway safety, motor carrier, research, hazardous materials, and rail programs.
- In a separate development, the House passed the [Build Back Better Act](#) (“BBBA”) on November 19. The BBBA provides funding, establishes programs, and otherwise modifies provisions relating to a broad array of areas, including education, labor, childcare, health care, taxes, immigration, and the environment. Of note, this legislation would reinstitute a corporate alternative minimum tax (AMT) for certain businesses.
- A description of the Corporate AMT provision was provided in a [Section-by-Section](#) summary posted on November 3. Noteworthy excerpts:
 - ❖ The corporate alternative minimum tax (AMT) proposal would impose a 15 percent minimum tax on adjusted financial statement income for corporations with such income in excess of \$1 billion. Under the proposal, an applicable corporation’s minimum tax would be equal to the amount by which the tentative minimum tax exceeds the corporation’s regular tax for the year. Tentative minimum tax is determined by applying a 15 percent tax rate to the adjusted financial statement income of the corporation for the taxable year (after taking into account the AMT foreign tax credit and the financial statement net operating losses).
 - ❖ For these purposes, adjusted financial statement income (AFSI) is the net income or loss of the taxpayer stated on the taxpayer’s applicable financial statement with certain modifications. Generally, an applicable financial statement is a corporation’s form 10-K filed with the Securities and Exchange Commission, an audited financial statement, or other similar financial statement.
- Continued...

Noteworthy Tax Developments

(Continued) Tax Legislation Update (Nov)

- ❖ Similar to the AMT tax credit under pre-2018 corporate AMT and the AMT currently in effect for individuals, corporations would be eligible to claim a tax credit for AMT paid in prior years against normal income tax, to the extent normal tax exceeds the tentative minimum tax for such taxable year.
- As highlighted in the above excerpt, this version of Corporate AMT will operate similarly to the prior regime in that any AMT obligations would be creditable toward future tax years where the regular tax exceeds the AMT. The proposal would be effective for taxable years beginning after December 31, 2022.
- We did not observe any other business tax provisions that appear likely to impact BOLI/COLI.
- The JCT released [estimated budget effects](#) of the revenue provisions of the BBBA in early November. In total (excluding increased IRS enforcement which is scored by the CBO), the JCT estimated a total revenue increase of \$1.48 trillion over ten years. The corporate alternative minimum tax was estimated to increase tax revenues by ~\$320 billion over the ten-year period.
- Senate Majority Leader, Chuck Schumer (D-N.Y.) has indicated a target to bring the BBBA to the Senate floor as soon as the week of 12/13. However, at present it remains unclear if the Senate Democrats will unanimously support the legislation (which will be needed for passage).

Noteworthy Accounting Developments

[None covered this quarter]

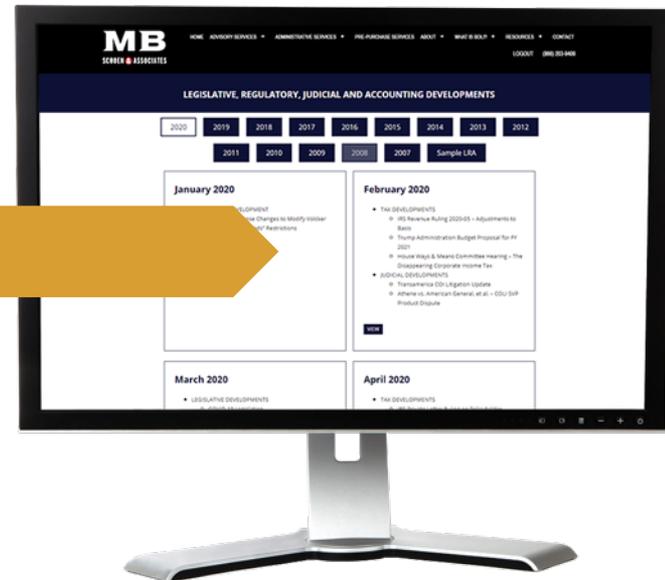
- For prior recent developments, see historical LRJA updates on our [website](#).

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LEGISLATIVE, REGULATORY, JUDICIAL,
AND ACCOUNTING DEVELOPMENTS



Noteworthy Regulatory Developments

Banking Regulators Release Computer-Security Incident Notification Final Rule (Nov)

- On November 18 the banking regulators released a final rule to establish computer-security incident notification requirements for banking organizations and their bank service providers. The final rule requires that a banking organization promptly notify (no later than 36 hours after determination) its primary Federal regulator of any “computer-security incident” that rises to the level of a “notification incident.”
- The definition of “notification incident” is provided below; however, the regulators also included a non-exhaustive list of incidents that would generally be considered “notification incidents” under the final rule. These included the following:
 1. Large-scale distributed denial of service attacks that disrupt customer account access for an extended period of time (e.g., more than 4 hours);
 2. A bank service provider that is used by a banking organization for its core banking platform to operate business applications is experiencing widespread system outages and recovery time is undeterminable;
 3. A failed system upgrade or change that results in widespread user outages for customers and banking organization employees;
 4. An unrecoverable system failure that results in activation of a banking organization’s business continuity or disaster recovery plan;
 5. A computer hacking incident that disables banking operations for an extended period of time;
 6. Malware on a banking organization’s network that poses an imminent threat to the banking organization’s core business lines or critical operations or that requires the banking organization to disengage any compromised products or information systems that support the banking organization’s core business lines or critical operations from internet-based network connections; and
 7. A ransom malware attack that encrypts a core banking system or backup data

Continued...

Noteworthy Regulatory Developments

(Continued) Banking Regulators Release Computer-Security Incident Notification Final Rule (Nov)

- The final rule separately requires a bank service provider to notify each affected banking organization customer as soon as possible when the bank service provider determines it has experienced a computer-security incident that has caused, or is reasonably likely to cause, a material service disruption or degradation for four or more hours.
- Important Definitions
 - ❖ “Computer-security incident” is an occurrence that results in actual harm to the confidentiality, integrity, or availability of an information system or the information that the system processes, stores, or transmits.
 - ❖ “Notification incident” is a computer-security incident that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, a banking organization’s—
 - (i) Ability to carry out banking operations, activities, or processes, or deliver banking products and services to a material portion of its customer base, in the ordinary course of business;
 - (ii) Business line(s), including associated operations, services, functions, and support, that upon failure would result in a material loss of revenue, profit, or franchise value; or
 - (iii) Operations, including associated services, functions and support, as applicable, the failure or discontinuance of which would pose a threat to the financial stability of the United States.
 - ❖ A “bank service provider” is a company (or person) who performs “covered services.”
 - ❖ “Covered services” are services that are subject to the Bank Service Company Act (12 U.S.C. 1861-1867).

Noteworthy Legislative Developments

[None covered this quarter]

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

Other Noteworthy Developments

[None covered this quarter]

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

Insurance Company and Counterparty Updates

Current S&P Financial Strength Ratings

Insurance Carriers Rated AAA

- None

Insurance Carriers Rated AA+

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

Insurance Carriers Rated AA

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

Insurance Carriers Rated AA-

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

Insurance Carriers Rated A+

- American General Life Insurance Company
- Ameritas Life Insurance Corp
- 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 16, 2021

Current Moody's Financial Strength Ratings

Insurance Carriers Rated Aaa

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

Insurance Carriers Rated Aa1

- USAA Life Insurance Company

Insurance Carriers Rated Aa2

- Guardian Life Insurance Company of America

Insurance Carriers Rated Aa3

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

Insurance Carriers Rated A1

- John Hancock Life Insurance Company (USA)
- Lincoln National Life Insurance Company
- MONY Life Insurance Company
- 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
- Equitable Financial Life Insurance Company
- Equitable Financial Life Insurance Co. of America
- 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 16, 2021

Ratings or Outlook Revisions

Allstate Life Insurance Company

- Moody's **withdrew rating** for business reasons; the rating was withdrawn following the Blackstone acquisition (Nov)

Athene Annuity and Life Company

- Outlook changed from Stable to **Positive** by Fitch (Sep)

Royal Bank of Canada

- Long-term rating placed on **review for potential upgrade** by Moody's (Oct)

Zurich Insurance Company

- Insurer Financial Strength rating **Upgraded** from A+ to AA- by Fitch

NEED UP TO DATE COUNTERPARTY TRACKING?

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Industry Developments

Prudential Proposed Sale of Legacy Variable Annuity Block (Sep)

- On September 15, Prudential [announced](#) that it has entered into a definitive agreement with Fortitude Group Holdings to sell a portion of its legacy variable annuity block. Prudential Annuities Life Assurance Corporation is the legal entity included in the proposed sale, and accounts for 17% of Prudential's total in-force annuity business.
- The transaction is expected to close in the first half of 2022, subject to closing conditions.

Lincoln National / Resolution Life Reinsurance Agreement (Sep)

- On September 17, Resolution Life Group Holdings LP [announced](#) a \$9.4b reinsurance transaction with Lincoln National Life Insurance Company. The deal is primarily comprised of the BOLI/COLI block as well as a small component of the universal life business. The transaction includes a majority of Lincoln's BOLI/COLI block with the exception of policies issued in New York.
- Under the transaction, Lincoln will remain the issuing carrier and retain the administration and recordkeeping of the policies. There will be no direct impact to BOLI policies.
- Of note, Lincoln's [press release](#) for the transaction notes that it remains focused on the growth of the life insurance business, including the sale of individual life insurance and executive benefit products.

Industry Developments

Talcott Resolution Flow Reinsurance Transaction (Oct)

- On September 23, Talcott Resolution [announced](#) the execution of a flow reinsurance transaction with Lincoln National Life Insurance Company. Talcott will coinsure up to \$1.5b of Lincoln variable annuity business written from 4/1/2021 through 6/30/2022. Lincoln will continue to service and administer the policies as the insurer.
- This transaction is the first reinsurance deal for Talcott Resolution.

Blackstone stake in AIG Life & Retirement (Nov)

- On November 2, AIG announced that Blackstone has completed the acquisition of a 9.9% stake in AIG's Life & Retirement business. The Blackstone acquisition is in advance of AIG's plans to separate the Life & Retirement business through an IPO. The IPO was initially scheduled for Q4 2021; however, AIG's Q3 2021 earnings release notes a new target of being completed in advance of Q3 2022.

Blackstone Acquisition of Allstate Life Insurance Company (Nov)

- On November 1, Allstate [announced](#) the completion of the sale of Allstate Life Insurance Company to entities managed by Blackstone. Allstate Life Insurance Company will be rebranded to Everlake Life Insurance Company under the new ownership group.

COUNTERPARTY TRACKING SYSTEM

✓ Risk Management

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

✓ Exclusive Access to Ratings

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

✓ Monthly Newsletter

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

Custom Reports

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

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

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

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