



Evolving Trends in Bank-Owned Life Insurance Market

Complimentary Edition – 2022-Q4

March 2023

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Economic Backdrop

Economic Updates

Federal Reserve & Yield Curve

- FOMC participants voted to raise the federal funds to a 4.50% upper bound range in December
- By the end of Q4, the front-end of the treasury yield curve had increased while the long end remained mostly unchanged until the 30-year which rose 19bps

Sector Returns

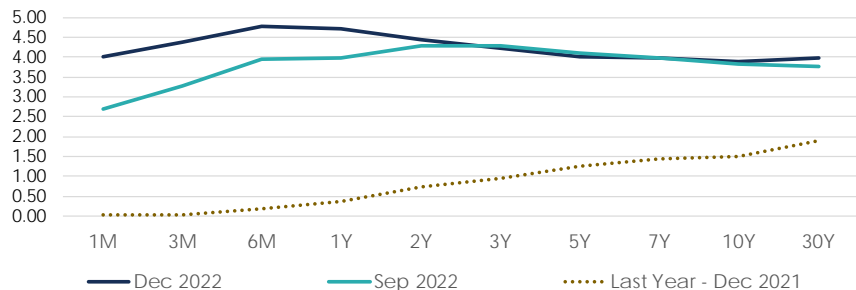
- Q4 returns for both equities and fixed income provided positive results to ease the pain of an awful 2022 YTD
- US Aggregate Index returned 1.87% in Q4 (although -13.01% YTD)
- The S&P 500 returned 7.56% and the Russell 2000 6.23% (YTD returns of -18.13% and -20.44%, respectively)

US Economy

- Shelter and energy continued to be the highest contributors to CPI, which was 7.7% at the October YoY print.

Financial Markets Update

US Treasury Yields



	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	30Y
Dec 2022	4.00	4.37	4.76	4.71	4.43	4.23	4.01	3.97	3.88	3.97
Sep 2022	2.68	3.27	3.93	3.99	4.28	4.29	4.09	3.99	3.83	3.78
Q Change	1.32	1.10	0.83	0.72	0.15	-0.06	-0.09	-0.02	0.04	0.19
Dec 2021	0.03	0.04	0.19	0.38	0.73	0.96	1.26	1.44	1.51	1.90
Year Change	3.97	4.33	4.58	4.33	3.70	3.27	2.74	2.53	2.37	2.06

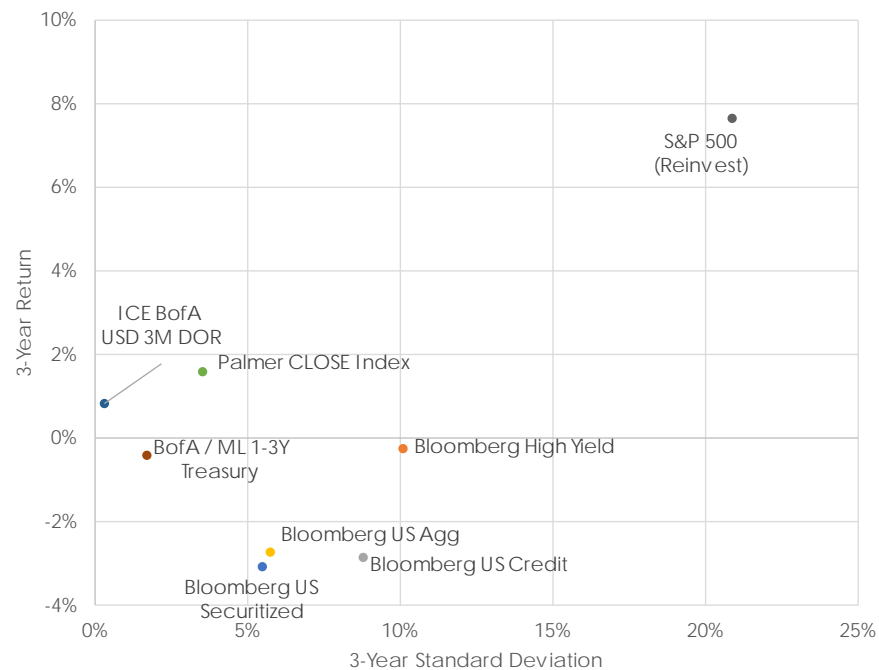
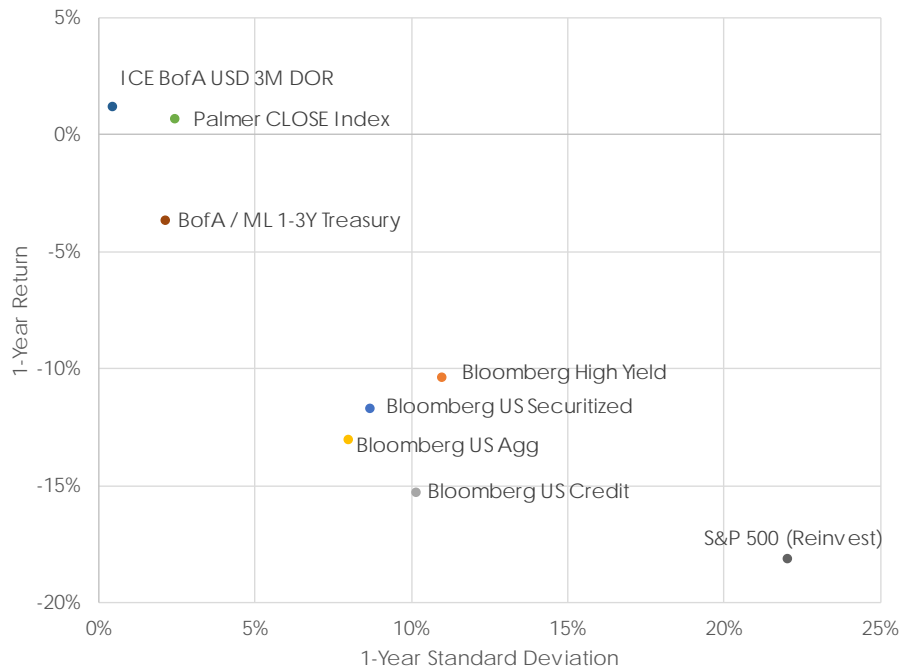
Sector Performance (As of Q4)

	YTW	Duration	OAS	3M Return	12M Return	3Y Return	5Y Return
Treasuries	4.18%	6.09	0.00%	0.72%	-12.46%	-2.62%	-0.10%
Corporate	5.42%	7.10	1.30%	3.63%	-15.76%	-2.88%	0.45%
CMBS	5.30%	4.61	1.20%	1.02%	-10.91%	-1.63%	0.76%
ABS	5.14%	2.86	0.76%	0.81%	-4.30%	-0.11%	1.18%
Credit Card ABS	4.87%	2.51	0.53%	0.77%	-6.52%	-0.92%	0.69%
Auto ABS	5.36%	1.82	0.87%	0.32%	-3.79%	0.05%	1.27%
Agency MBS	4.71%	5.81	0.51%	2.14%	-11.81%	-3.22%	-0.53%
GNMA	4.81%	5.69	0.52%	2.10%	-10.76%	-3.03%	-0.50%
FHLHC	4.75%	4.57	0.55%	2.20%	-12.29%	-3.35%	-0.57%
FNMA	4.68%	5.92	0.51%	2.16%	-11.89%	-3.17%	-0.47%
Palmer CLO AAA	6.09%	3.33	1.85%	2.05%	0.90%	1.63%	2.27%

*Discount Margin

	3M Return	12M Return	3Y Return	5Y Return
SP 500 (Reinvest)	7.56%	-18.11%	7.66%	9.42%
Energy	22.81%	65.72%	19.34%	9.25%
Materials	15.05%	-12.27%	10.47%	7.45%
Industrials	19.22%	-5.48%	8.33%	7.36%
Consumer Discretionary	-10.18%	-37.03%	1.46%	6.14%
Consumer Staples	12.72%	-0.62%	9.30%	8.83%
Health Care	12.80%	-1.95%	11.95%	12.53%
Financials	13.61%	-10.53%	5.90%	6.42%
IT	4.74%	-28.19%	11.60%	15.81%
Telecom	-1.38%	-39.89%	-3.33%	0.95%
Utilities	8.64%	1.57%	6.29%	9.58%

1 & 3-Year Benchmark Risk/Return Plots

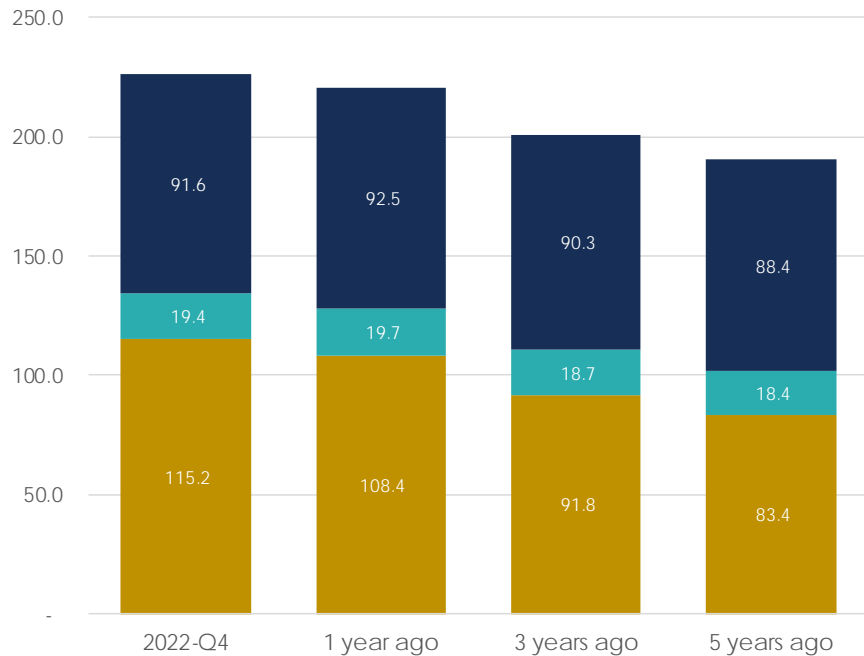


Data as of 2022-Q4

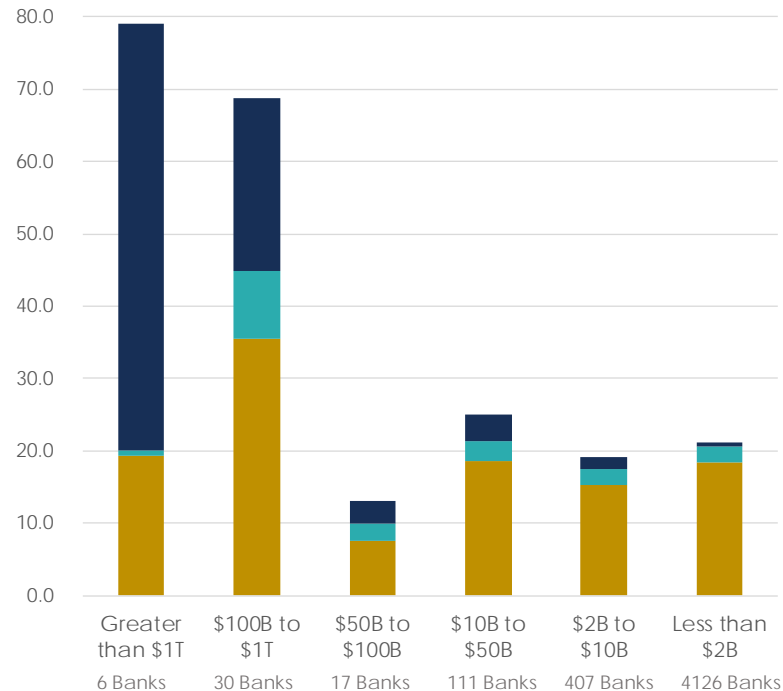
Recent Trends in BOLI

BOLI Market Overview as of 2022-Q4

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-Q4

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%	13,637	19.4	0.7	58.9	79.0	7.67%	0.58%
\$100 Billion to \$1 Trillion	30	83%	7,636	35.6	9.3	23.9	68.8	9.91%	0.90%
\$50 Billion to \$100 Billion	17	94%	1,253	7.7	2.3	3.0	13.1	10.57%	1.04%
\$10 Billion to \$50 Billion	111	82%	2,422	18.6	2.8	3.6	25.0	9.82%	1.03%
\$2 Billion to \$10 Billion	407	84%	1,671	15.4	2.2	1.5	19.1	10.15%	1.14%
Less than \$2 Billion	4,126	66%	1,717	18.5	2.2	0.5	21.1	10.46%	1.23%
TOTALS	4,697	68%	28,336	115.2	19.4	91.6	226.2	9.07%	0.80%

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

Size	Number of Banks ¹	% Owning BOLI	SA Exposure (\$B)	SA RWA (\$B)	SA RWA / SA Exposure	Average Bank RW%
Greater than \$1 Trillion	6	100%	57.9	16.9	29.2%	29.2%
\$100 Billion to \$1 Trillion	30	83%	28.2	12.2	43.3%	53.0%
\$50 Billion to \$100 Billion	17	94%	4.9	3.6	73.1%	66.0%
\$10 Billion to \$50 Billion	111	82%	5.9	3.9	65.3%	81.9%
\$2 Billion to \$10 Billion	407	84%	3.3	2.8	83.9%	90.8%
Less than \$2 Billion	4,126	66%	1.9	1.7	92.8%	97.6%
Total	4,697	68%	102.2	41.2	40.3%	93.0%

Observations

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

Recent BOLI Transaction Counts & Totals

Movement or Transactions of \$10M or More

Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2022-Q4	0	0	22	452	22	452	1	-760	13	-250	14	-1,010
1-Year	32	2,155	85	3,451	117	5,606	4	-796	25	-778	29	-1,574
3-Year	140	9,742	213	6,497	353	16,239	5	-840	37	-1,264	42	-2,103
5-Year	177	12,546	265	7,957	442	20,503	9	-946	47	-1,654	56	-2,600
SA												
2022-Q4	0	0	1	15	1	15	0	0	3	-100	3	-100
1-Year	4	87	7	387	11	474	1	-11	8	-183	9	-193
3-Year	7	185	16	697	23	882	2	-55	14	-407	16	-462
5-Year	9	233	22	1,020	31	1,253	4	-115	18	-622	22	-738
GA												
2022-Q4	0	0	20	420	20	420	1	-760	4	-53	5	-813
1-Year	27	2,053	73	2,934	100	4,987	2	-775	7	-405	9	-1,180
3-Year	131	9,442	188	5,604	319	15,046	2	-775	13	-666	15	-1,441
5-Year	165	12,194	233	6,724	398	18,918	3	-779	19	-841	22	-1,620
HYBRID												
2022-Q4	0	0	1	17	1	17	0	0	6	-97	6	-97
1-Year	1	15	5	130	6	145	1	-10	10	-190	11	-200
3-Year	2	115	9	196	11	311	1	-10	10	-190	11	-200
5-Year	3	119	10	212	13	331	2	-52	10	-190	12	-242

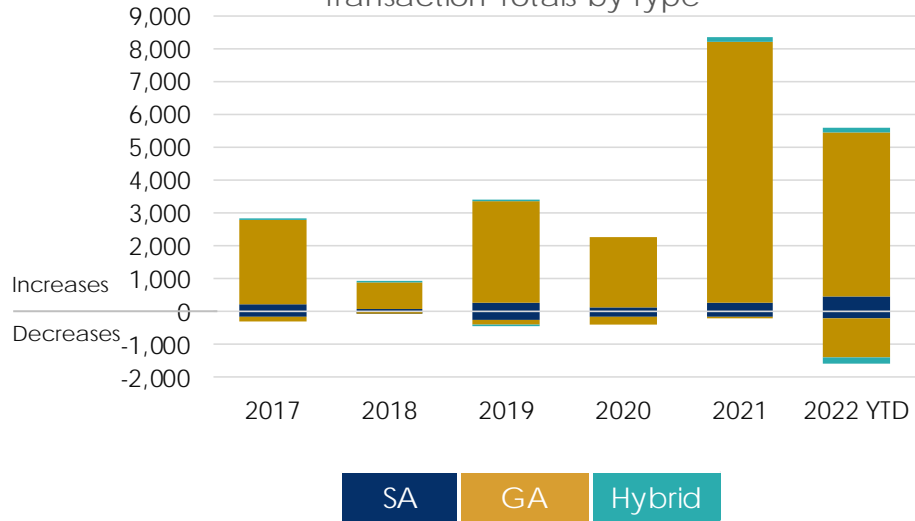
Listings of activity by institution are available upon request

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

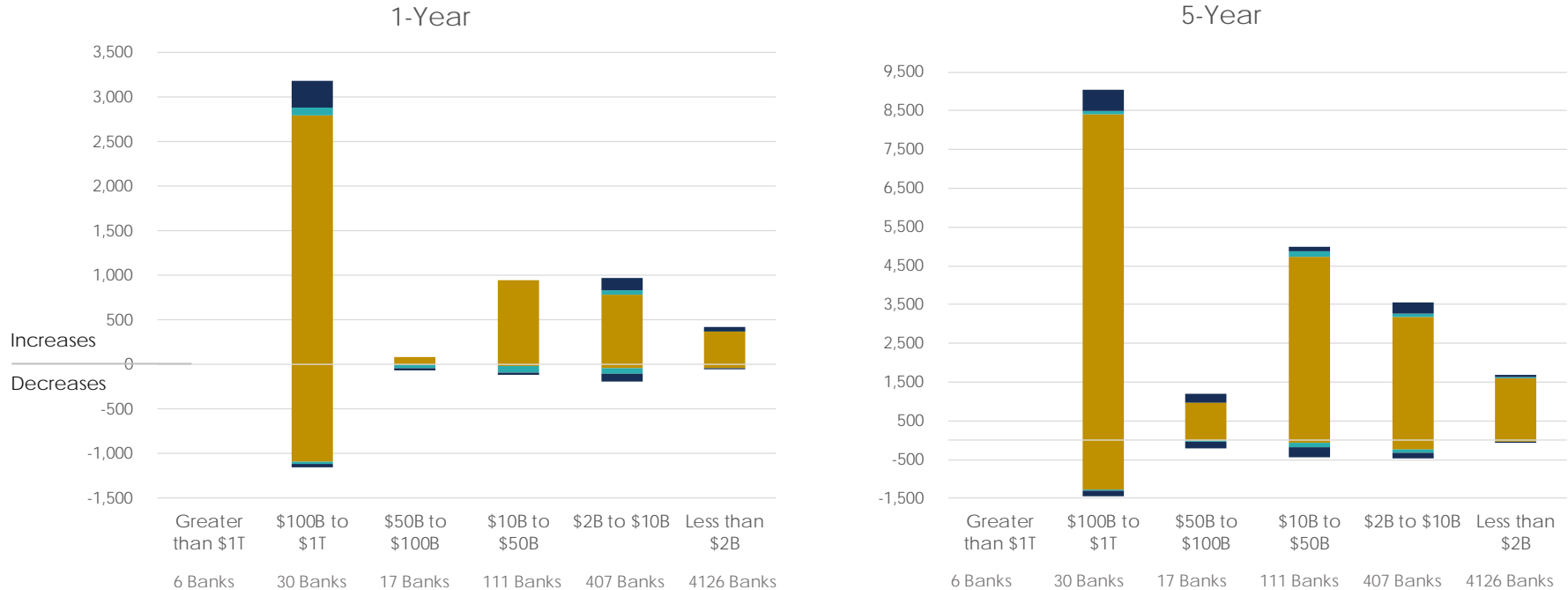
- In 2022-Q4, FNB of Omaha's GA BOLI increased by \$70 million
- In 2022-Q4, 19 banks' GA BOLI increased between \$10-35 million, with one bank's SA increasing \$15 million and one Hybrid +\$17 million
- In 2022-Q3, US Bank's GA BOLI increased by ~\$1.24 billion
- In 2022-Q2, Northern Trust purchased \$500 million of GA
- In 2022-Q2, First Republic purchased \$668 million of GA
- Over Q4-Q1, Truist's GA BOLI increased by ~\$882 million

Recent Notable Surrenders / Decreases

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

BOLI Transactions by Type and Bank Size

Movement or Transactions of \$10M or More



SA

GA

Hybrid

Listing of activity by institution are available upon request

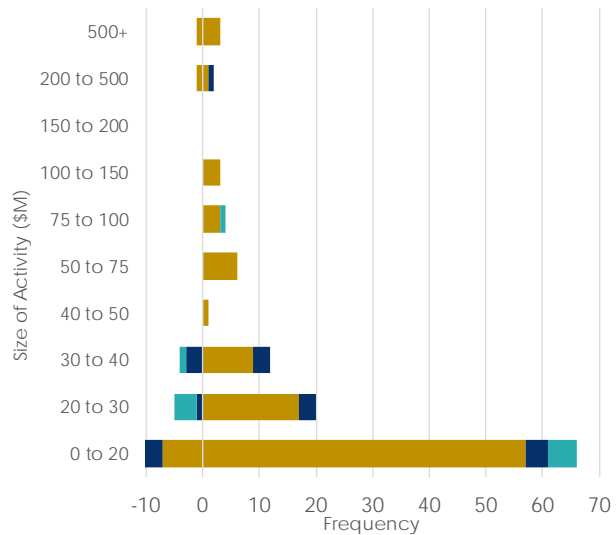
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Frequency of BOLI Transaction Sizes

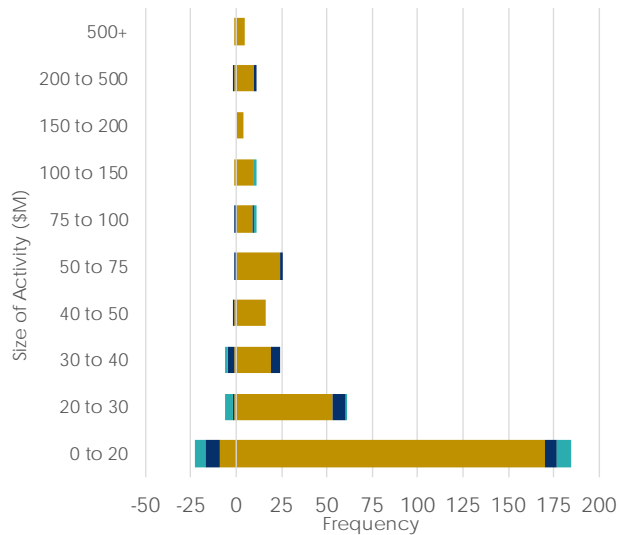
Movement or Transactions of \$10M or More

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

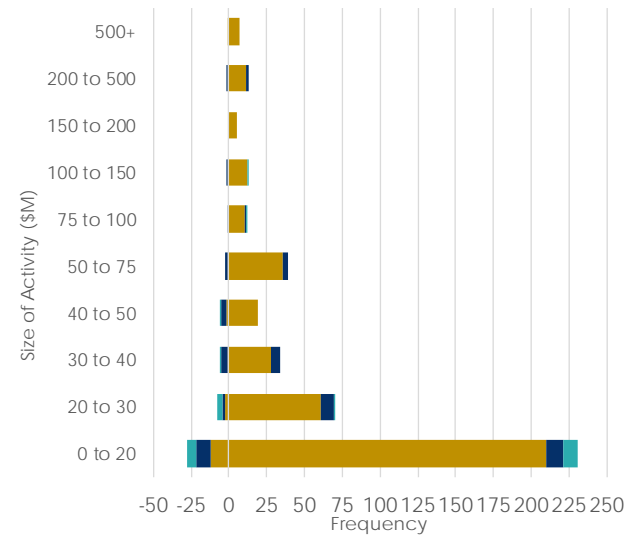
1-Year



3-Year



5-Year

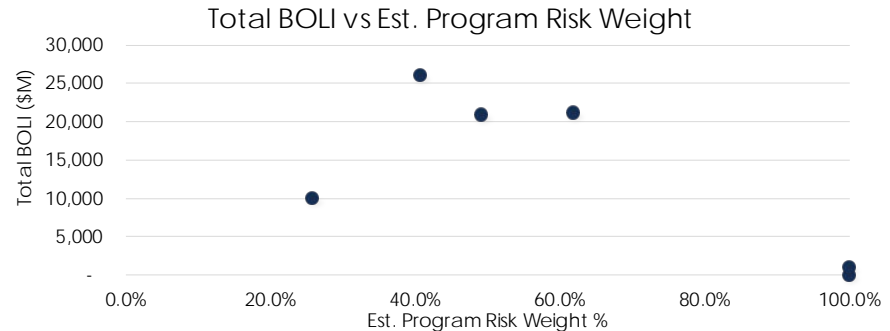


Market Analytics By Bank Size

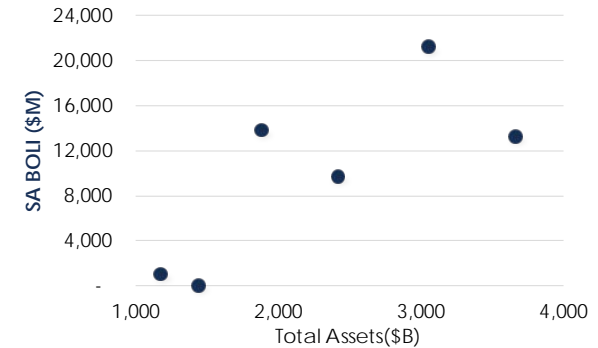
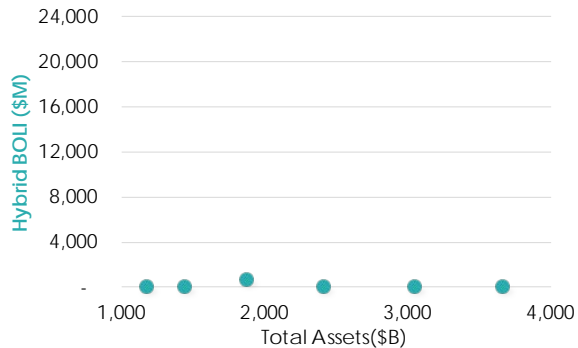
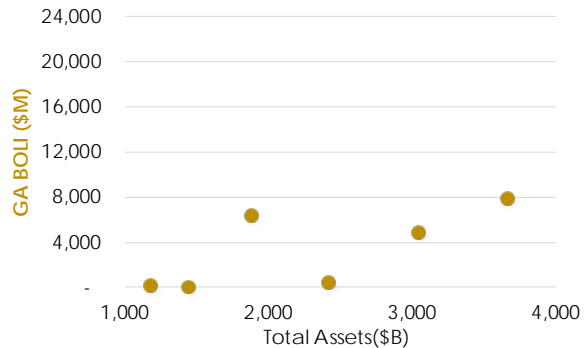
Banks with over \$1T in Total Assets

6 of 6 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	19,423	655	58,936	79,014	8%
Average	3,237	109	9,823	13,169	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-Q4	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
SA												
2022-Q4	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
GA												
2022-Q4	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-Q4	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	0	0	0	0
3-Year	0	0	0	0	0	0	0	0	0	0	0	0
5-Year	0	0	0	0	0	0	0	0	0	0	0	0

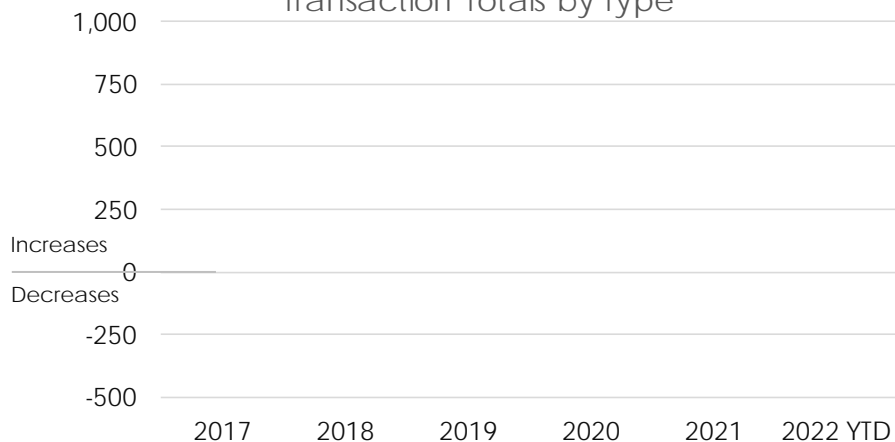
Listings of activity by institution are available upon request

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

Recent BOLI Transactions

Banks with over \$1T in Total Assets

Transaction Totals by Type



SA

GA

Hybrid

Current Quarter Activity

- [None observed]

Recent Notable Actions

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

Frequency of BOLI Transaction Sizes

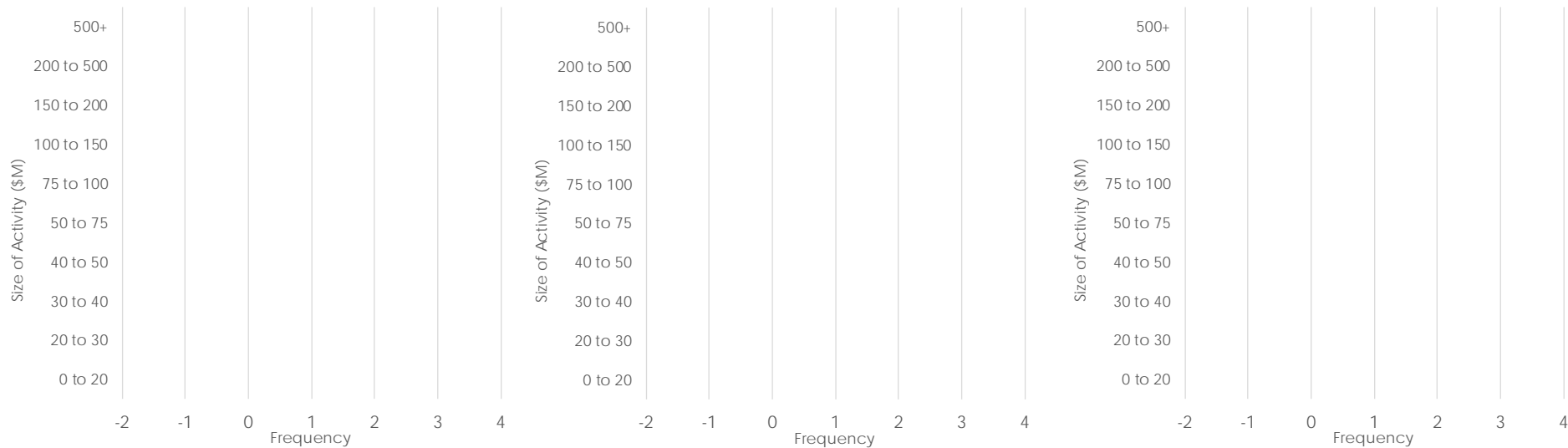
Banks with over \$1T in Total Assets

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

1-Year

3-Year

5-Year



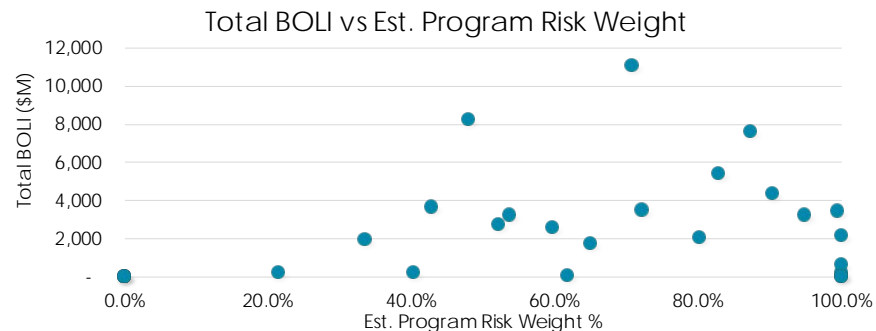
Data Sources: FFIEC Call Report Data, SEC 10-Q Filings, SEC 10-K Filings | MBSA only tracks movement in excess of \$10 million

Market Analytics By Bank Size

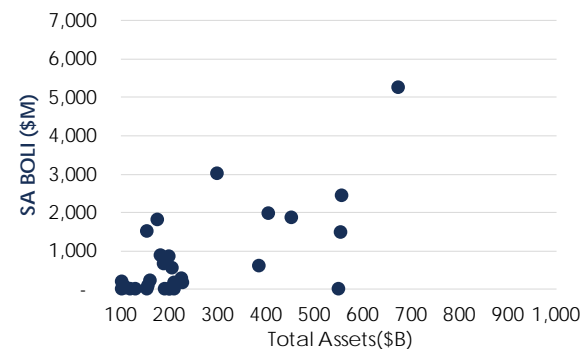
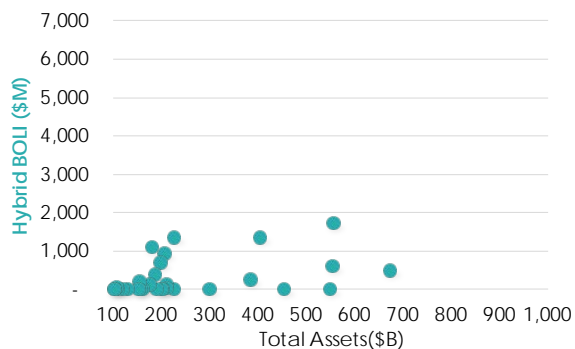
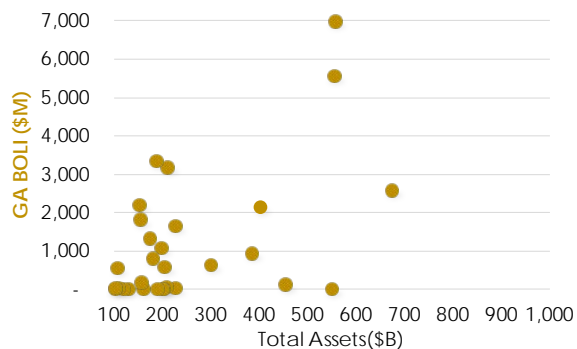
Banks with \$100B to \$1T in Total Assets

25 of 30 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	35,591	9,282	23,929	68,801	10%
Average	1,186	309	798	2,293	22%
Last Q # of Increases	1	-	-	1	
Increase Total (\$M)	24	-	-	24	
Last Q # of Decreases	1	1	1	3	
Decrease Total (\$M)	(760)	(24)	(37)	(821)	



Types of BOLI by Bank Asset Size



Recent BOLI Transaction Counts & Totals

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

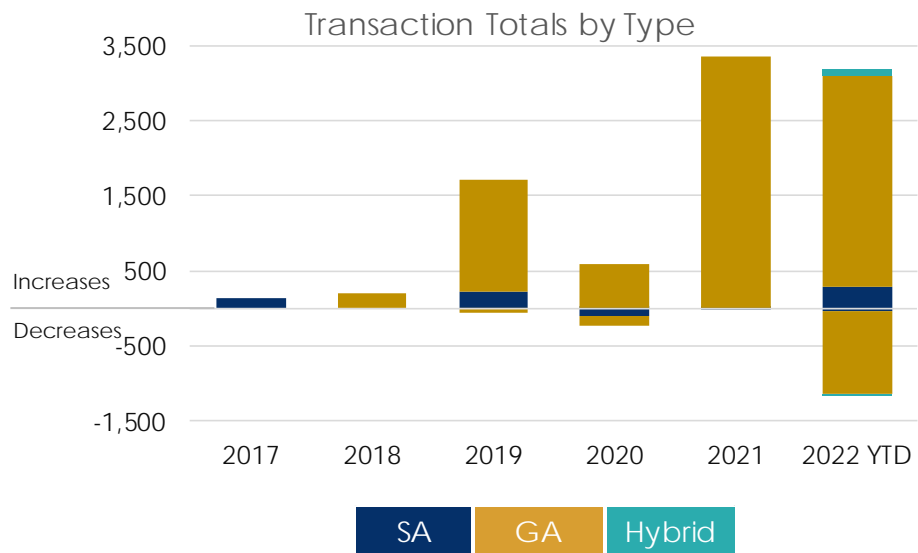
Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2022-Q4	0	0	1	24	1	24	1	-760	2	-61	3	-821
1-Year	6	1,318	5	1,864	11	3,182	1	-760	3	-387	4	-1,147
3-Year	19	5,263	5	1,864	24	7,127	1	-760	6	-624	7	-1,384
5-Year	23	6,982	6	2,069	29	9,051	1	-760	7	-671	8	-1,431
SA												
2022-Q4	0	0	0	0	0	0	0	0	1	-37	1	-37
1-Year	2	52	1	247	3	299	0	0	1	-37	1	-37
3-Year	4	90	1	247	5	337	0	0	3	-141	3	-141
5-Year	5	108	2	452	7	560	0	0	3	-141	3	-141
GA												
2022-Q4	0	0	1	24	1	24	1	-760	0	0	1	-760
1-Year	4	1,266	3	1,535	7	2,801	1	-760	1	-326	2	-1,086
3-Year	15	5,173	3	1,535	18	6,708	1	-760	2	-459	3	-1,219
5-Year	18	6,874	3	1,535	21	8,409	1	-760	3	-506	4	-1,266
HYBRID												
2022-Q4	0	0	0	0	0	0	0	0	1	-24	1	-24
1-Year	0	0	1	82	1	82	0	0	1	-24	1	-24
3-Year	0	0	1	82	1	82	0	0	1	-24	1	-24
5-Year	0	0	1	82	1	82	0	0	1	-24	1	-24

Listings of activity by institution are available upon request

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

Recent BOLI Transactions

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



Current Quarter Activity

- First Citizens surrendered \$760 million of GA
- SVB's SA decreased by \$37 million
- Citizens Financial Group's (RI) Hybrid decreased by \$24 million, and its GA increased by \$24 million

Recent Notable Actions

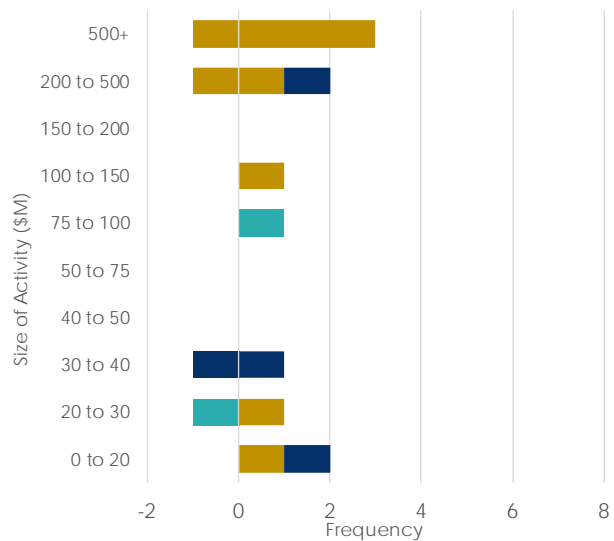
- In 2022-Q3, US Bank's GA BOLI increased by ~\$1.24 billion
- In 2022-Q3, First Republic's SA increased by ~\$35 million
- In 2022-Q3, M&T Bank's GA decreased by ~\$325million; However, SA increased \$247 million and HY increased \$82 million
- In 2022-Q2, Northern Trust purchased \$500 million of GA
- In 2022-Q2, First Republic purchased \$668 million of GA
- From Q4-Q1, Truist Financial's GA increased by ~\$882 million
- Citizens Bank's total 2021-2022-Q1 GA purchases were \$1.15 billion

Frequency of BOLI Transaction Sizes

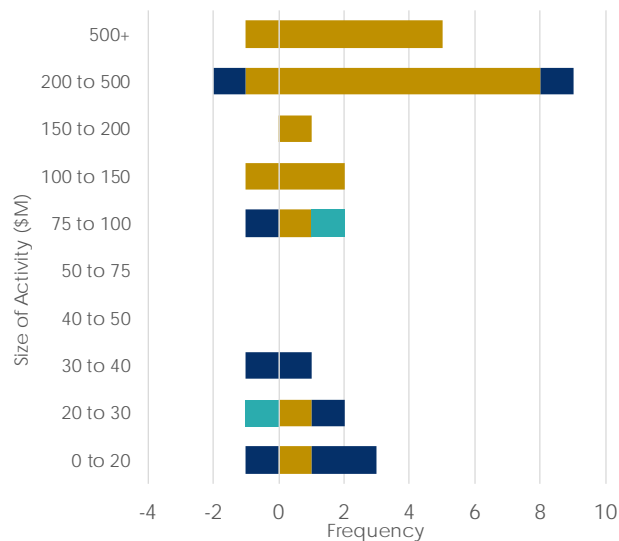
Banks with \$100B to \$1T in Total Assets

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

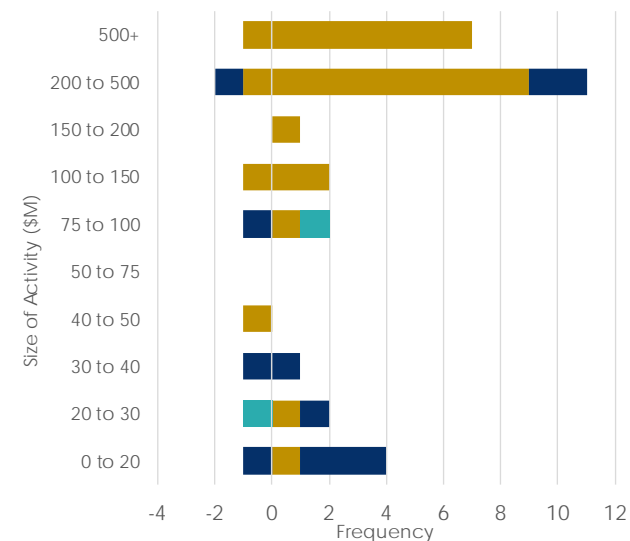
1-Year



3-Year



5-Year



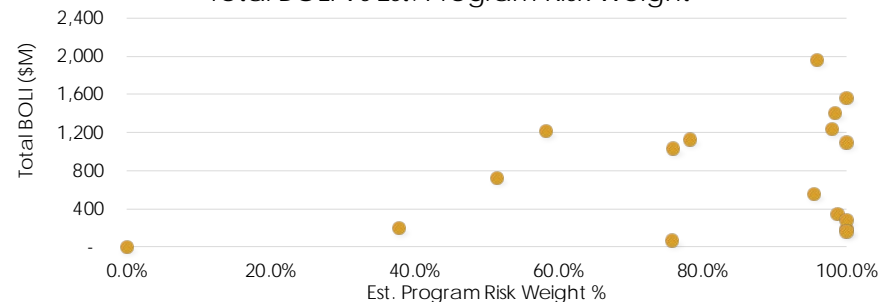
Market Analytics By Bank Size

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

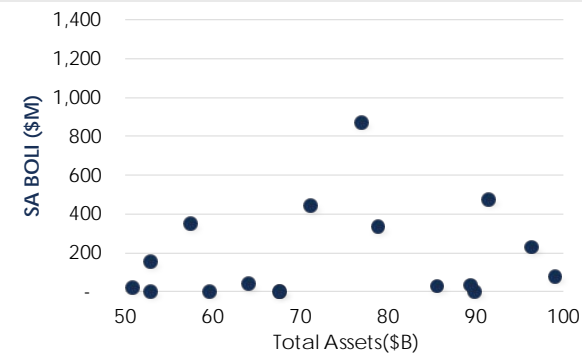
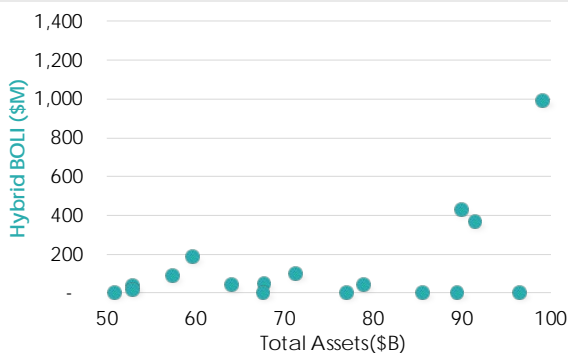
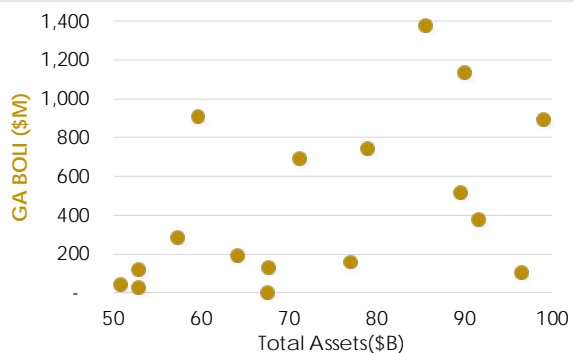
16 of 17 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	7,674	2,344	3,043	13,061	11%
Average	451	138	179	768	10%
Last Q # of Increases	2	-	-	2	
Increase Total (\$M)	24	-	-	24	
Last Q # of Decreases	-	1	-	1	
Decrease Total (\$M)	-	(10)	-	(10)	

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-Q4	0	0	2	24	2	24	0	0	1	-10	1	-10
1-Year	0	0	4	84	4	84	0	0	3	-70	3	-70
3-Year	4	500	11	295	15	795	0	0	4	-100	4	-100
5-Year	6	655	15	545	21	1,200	0	0	6	-216	6	-216
SA												
2022-Q4	0	0	0	0	0	0	0	0	0	0	0	0
1-Year	0	0	0	0	0	0	0	0	1	-29	1	-29
3-Year	0	0	7	211	7	211	0	0	2	-59	2	-59
5-Year	0	0	8	222	8	222	0	0	4	-175	4	-175
GA												
2022-Q4	0	0	2	24	2	24	0	0	0	0	0	0
1-Year	0	0	4	84	4	84	0	0	0	0	0	0
3-Year	4	500	4	84	8	584	0	0	0	0	0	0
5-Year	6	655	7	323	13	978	0	0	0	0	0	0
HYBRID												
2022-Q4	0	0	0	0	0	0	0	0	1	-10	1	-10
1-Year	0	0	0	0	0	0	0	0	2	-41	2	-41
3-Year	0	0	0	0	0	0	0	0	2	-41	2	-41
5-Year	0	0	0	0	0	0	0	0	2	-41	2	-41

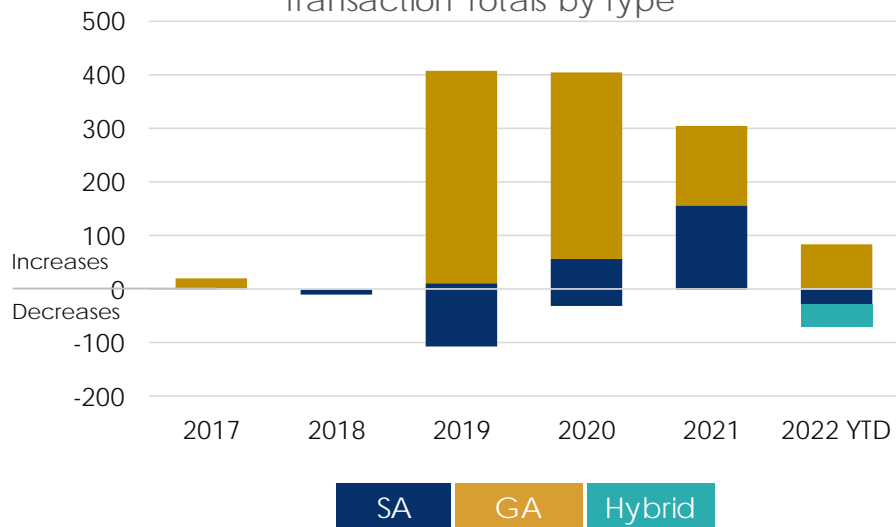
Listings of activity by institution are available upon request

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

Recent BOLI Transactions

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

Transaction Totals by Type



Current Quarter Activity

- City National Bank's GA BOLI increased by \$14 million
- Synovus Financial Corp's Hybrid BOLI decreased by \$10 million while its GA BOLI increased by \$10 million

Recent Notable Actions

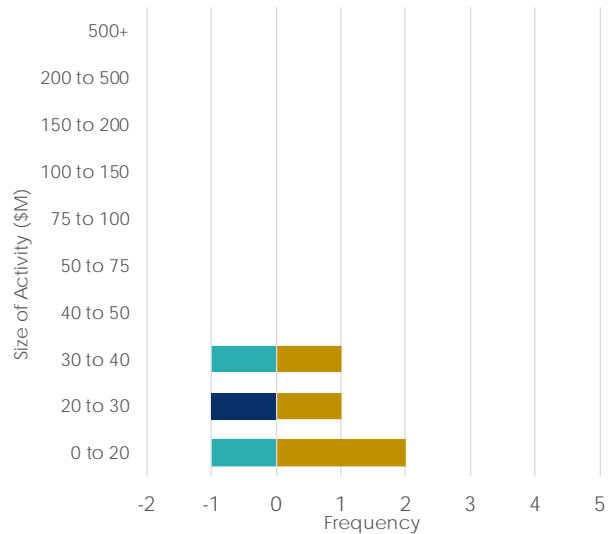
- In 2022-Q3, NY Community Bcorp's GA and HY BOLI each increased by ~\$31 million
- In 2022-Q3, Wintrust Financial Corp's GA and SA BOLI each increased by ~\$29 million
- In 2021-Q3 East West Bank purchased \$150 million of GA
- In 2021 Raymond James's SA BOLI increased by ~\$100 million

Frequency of BOLI Transaction Sizes

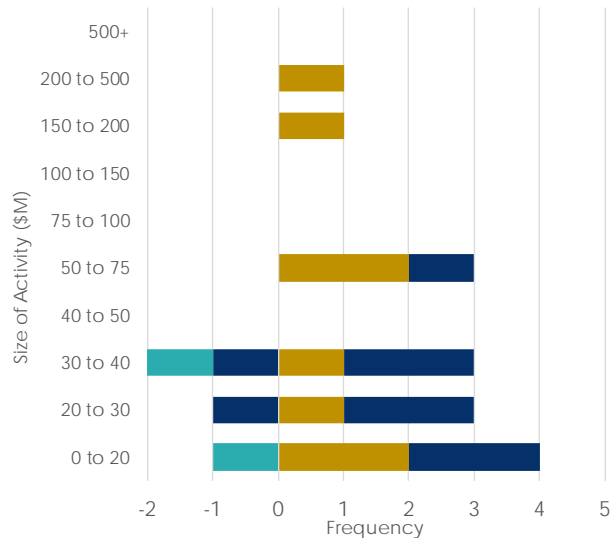
Banks with \$50B to \$100B in Total Assets

- Recent purchases have been fairly spread out in overall size

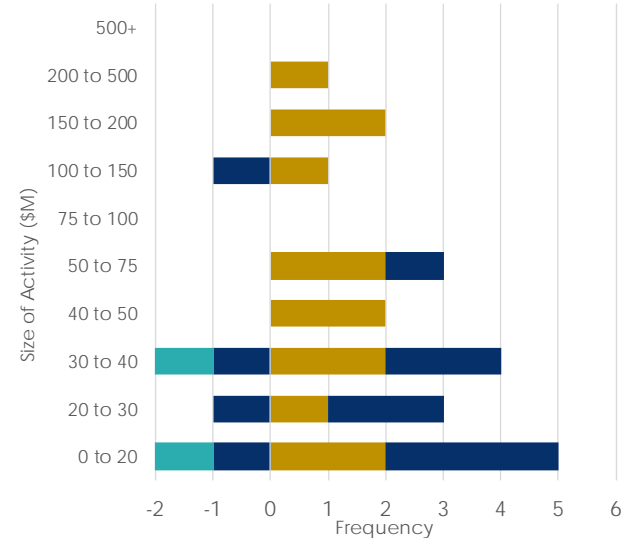
1-Year



3-Year

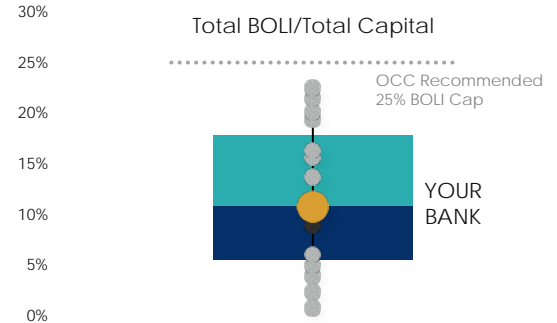
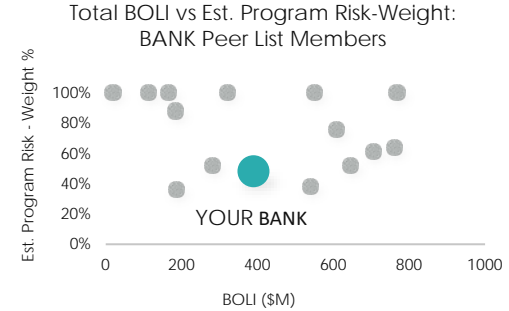
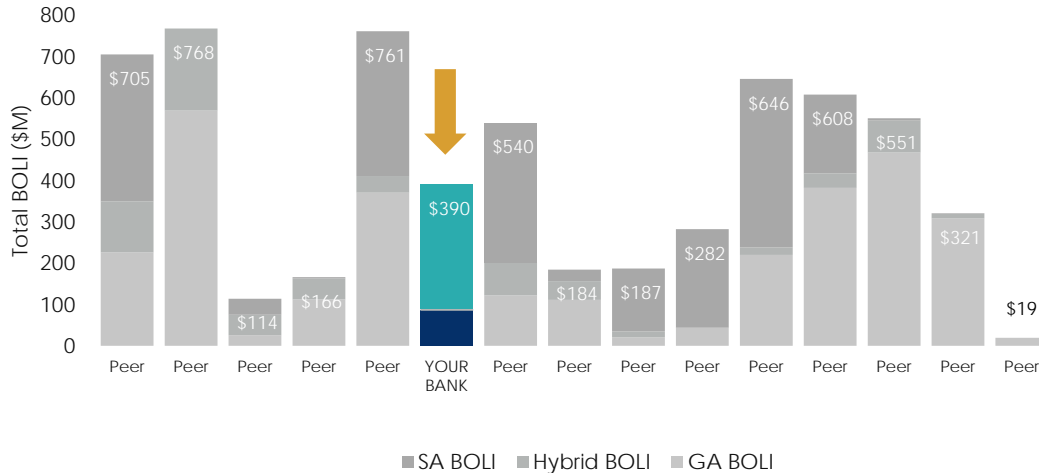


5-Year



CUSTOM PEER BANK REPORTS

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



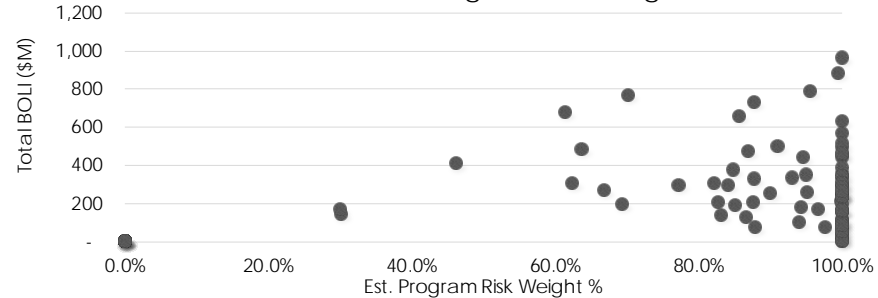
Market Analytics By Bank Size

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

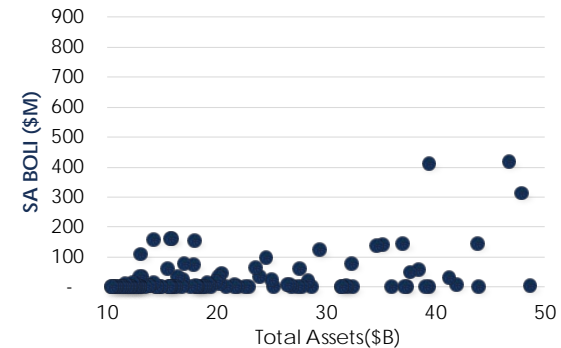
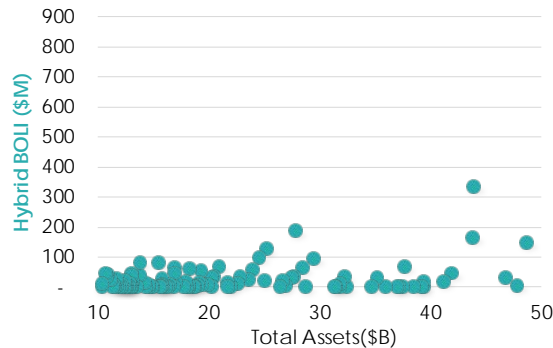
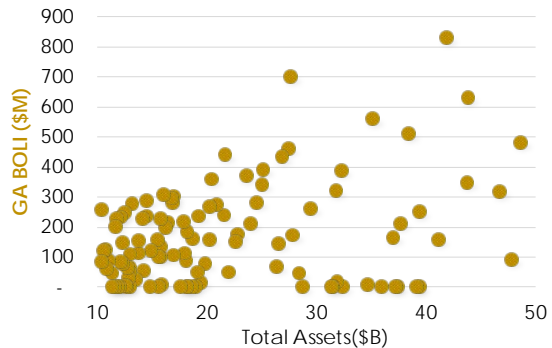
91 of 111 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	18,626	2,766	3,642	25,033	10%
Average	168	25	33	226	13%
Last Q # of Increases	6	-	-	6	
Increase Total (\$M)	118	-	-	118	
Last Q # of Decreases	-	4	1	5	
Decrease Total (\$M)	-	(63)	(30)	(93)	

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

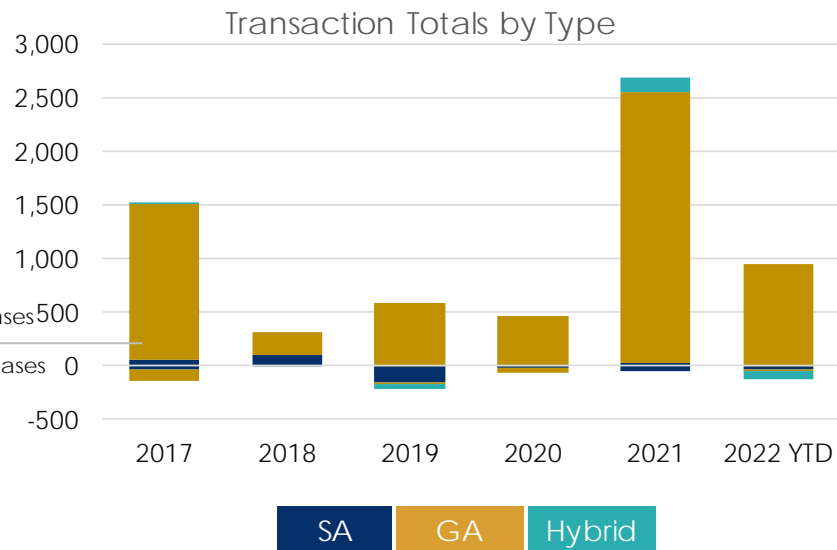
Time Period	Confirmed Purchases	Amount (Millions)	Likely Purchases	Amount (Millions)	Total Purchases	Amount (Millions)	Confirmed Surrenders	Amount (Millions)	Other Large Decreases	Amount (Millions)	Total Decreases	Amount (Millions)
TOTAL												
2022-Q4	0	0	6	118	6	118	0	0	5	-93	5	-93
1-Year	10	570	12	377	22	947	0	0	7	-118	7	-118
3-Year	43	2,519	33	1,582	76	4,101	1	-44	10	-182	11	-226
5-Year	52	2,980	44	2,026	96	5,005	5	-151	12	-281	17	-432
SA												
2022-Q4	0	0	0	0	0	0	0	0	1	-30	1	-30
1-Year	0	0	0	0	0	0	0	0	1	-30	1	-30
3-Year	0	0	1	24	1	24	1	-44	2	-45	3	-89
5-Year	1	30	3	105	4	135	3	-105	4	-144	7	-249
GA												
2022-Q4	0	0	6	118	6	118	0	0	0	0	0	0
1-Year	10	570	12	377	22	947	0	0	1	-15	1	-15
3-Year	42	2,419	31	1,532	73	3,951	0	0	3	-63	3	-63
5-Year	50	2,850	40	1,895	90	4,745	1	-4	3	-63	4	-67
HYBRID												
2022-Q4	0	0	0	0	0	0	0	0	4	-63	4	-63
1-Year	0	0	0	0	0	0	0	0	5	-73	5	-73
3-Year	1	100	1	26	2	126	0	0	5	-73	5	-73
5-Year	1	100	1	26	2	126	1	-42	5	-73	6	-115

Listings of activity by institution are available upon request

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

Recent BOLI Transactions

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



Current Quarter Activity

- Dollar Mutual's GA increased by \$25 million
- Prosperity Bancshares's SA decreased by \$30 million while GA increased \$30 million
- Southstate Corp's HY decreased by \$22 million while GA increased \$22 million
- Provident Fin Services' HY decreased by \$19 million while GA increased \$19 million
- Simmons First National Corp's HY decreased by \$12 million while GA increased \$12 million
- Firstbank Holding Co's HY decreased by \$10 million while GA increased \$10 million

Recent Notable Actions

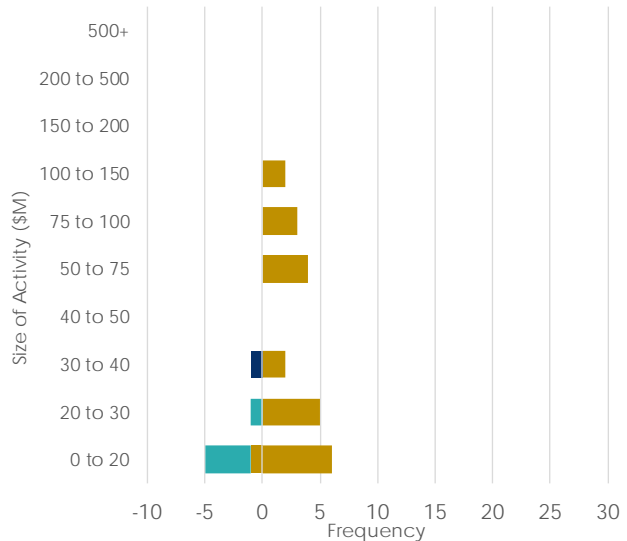
- In 2022-Q3, Fulton Financial's GA increased by ~\$28 million
- In 2022-Q3, Pinnacle purchased \$25 million of GA
- In 2022-Q2, Ameris purchased \$50 million of GA

Frequency of BOLI Transaction Sizes

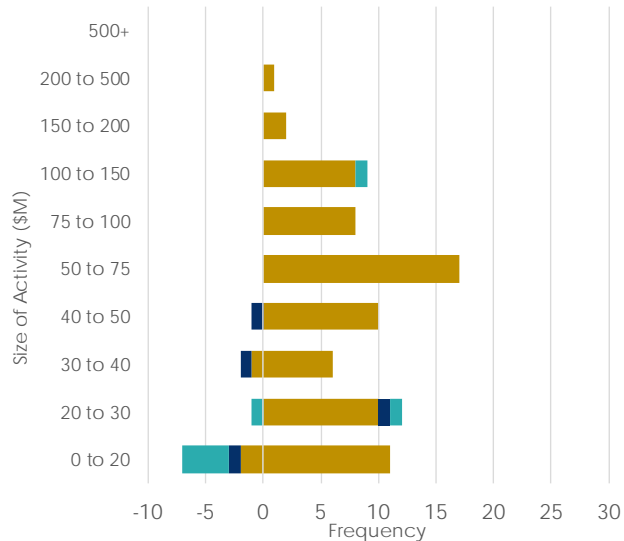
Banks with \$10B to \$50B in Total Assets

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

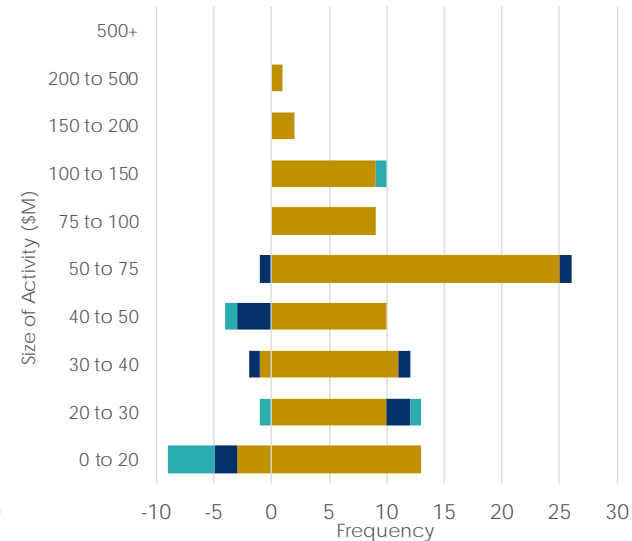
1-Year



3-Year



5-Year



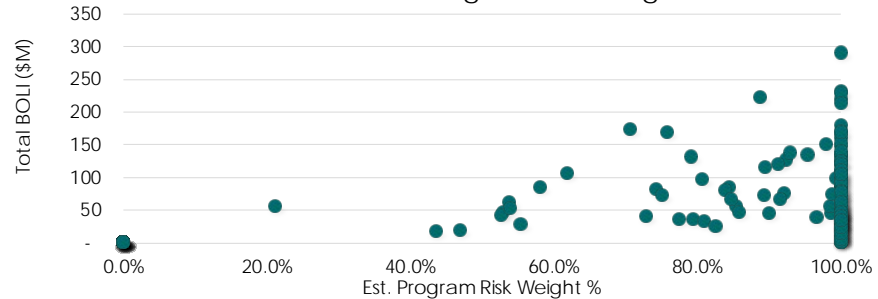
Market Analytics By Bank Size

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

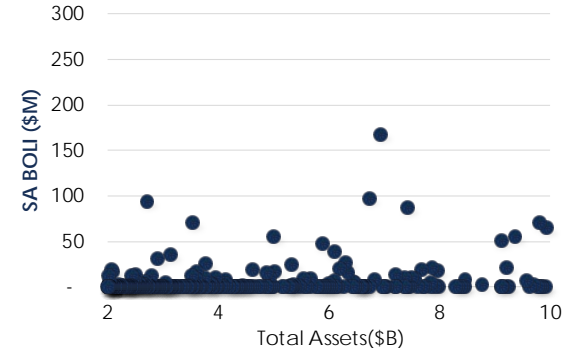
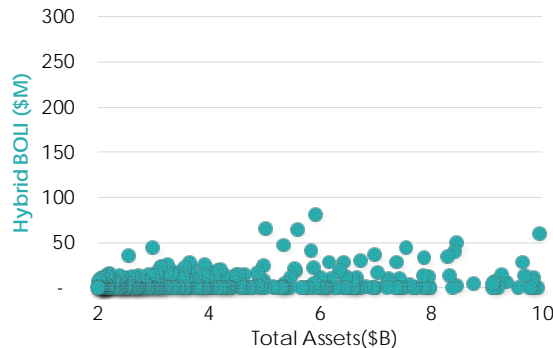
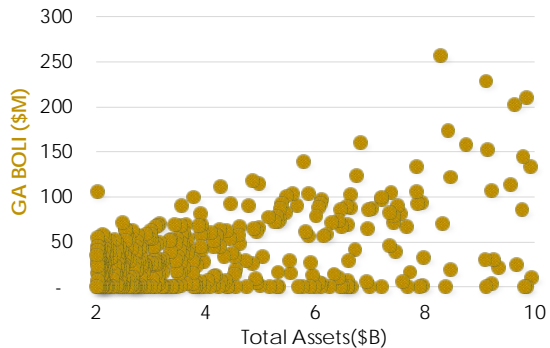
342 of 407 banks own BOLI

	GA (\$M)	Hybrid (\$M)	SA (\$M)	Total BOLI (\$M)	BOLI / Capital
Total	13,558	2,072	1,489	17,120	10%
Average	41	6	4	51	11%
Last Q # of Increases	7	1	-		
Increase Total (\$M)	144	17	-		
Last Q # of Decreases	1	-	1		
Decrease Total (\$M)	(17)	-	(33)		

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-Q4	0	0	8	161	8	161	0	0	2	-50	2	-50
1-Year	15	257	37	718	52	975	3	-36	8	-156	11	-192
3-Year	66	1,372	79	1,589	145	2,961	3	-36	13	-311	16	-347
5-Year	82	1,723	92	1,842	174	3,565	3	-36	18	-439	21	-475
SA												
2022-Q4	0	0	0	0	0	0	0	0	1	-33	1	-33
1-Year	2	35	4	101	6	136	1	-11	4	-76	5	-87
3-Year	3	95	5	177	8	272	1	-11	6	-152	7	-163
5-Year	3	95	6	193	9	288	1	-11	6	-152	7	-163
GA												
2022-Q4	0	0	7	144	7	144	0	0	1	-17	1	-17
1-Year	12	207	30	578	42	786	1	-15	2	-28	3	-43
3-Year	62	1,262	69	1,344	131	2,605	1	-15	5	-108	6	-123
5-Year	77	1,609	81	1,581	158	3,190	1	-15	10	-236	11	-250
HYBRID												
2022-Q4	0	0	1	17	1	17	0	0	0	0	0	0
1-Year	1	15	3	39	4	54	1	-10	2	-52	3	-62
3-Year	1	15	5	69	6	84	1	-10	2	-52	3	-62
5-Year	2	19	5	69	7	88	1	-10	2	-52	3	-62

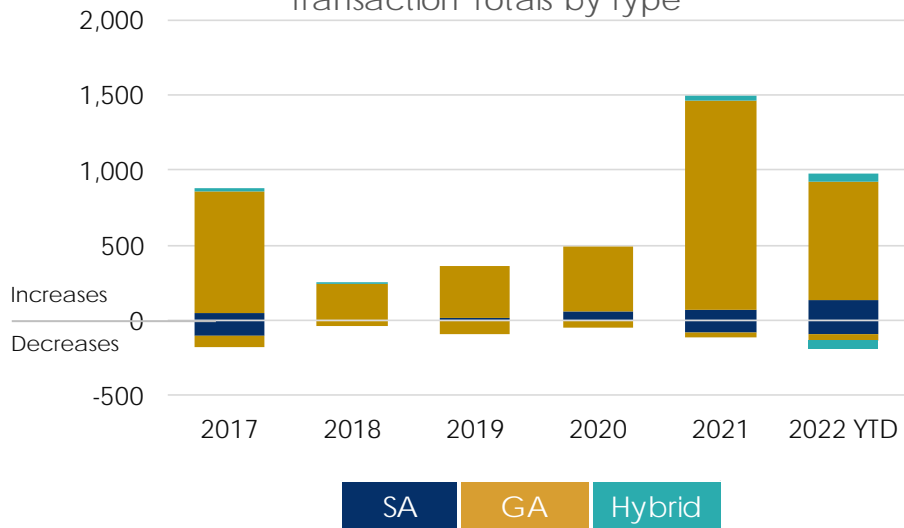
Listings of activity by institution are available upon request

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

- Encore Bank's GA increased \$35 million
- Lakeland Financial Corp's SA decreased by \$33 million while it's GA increased by \$33 million
- Banesco USA's GA increased by \$25 million
- Whitaker Bank's GA increased by \$20 million
- FineMark National B&T's GA decreased by \$17 million while it's Hybrid increased by \$17 million
- Ocean Bankshares' GA increased by \$11 million
- Bangor's GA increased by \$10 million
- First Bank Chicago's GA increased by \$10 million

Recent Notable Actions

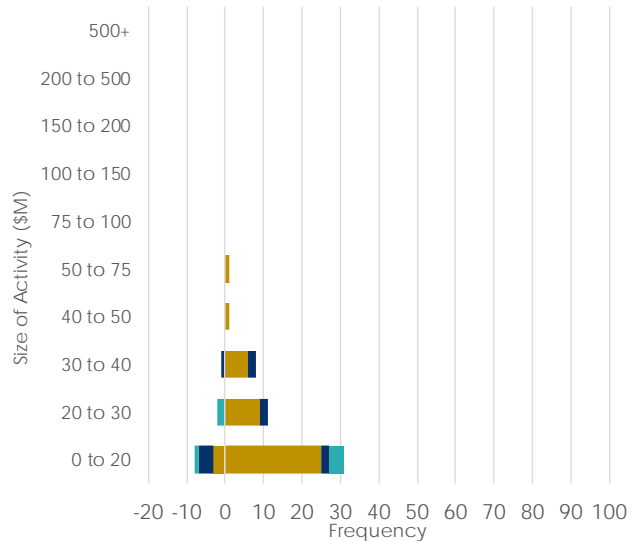
- In 2022-Q3, Stock Yards Bcorp purchased \$30 million of GA
- In 2022-Q3, Horizon purchased \$25 million of GA, \$15 million of HY & \$10 million of SA
- In 2022-Q2, Connectone purchased \$30 million of GA
- In 2022-Q2, Peoples Bcorp purchased \$30 million of GA

Frequency of BOLI Transaction Sizes

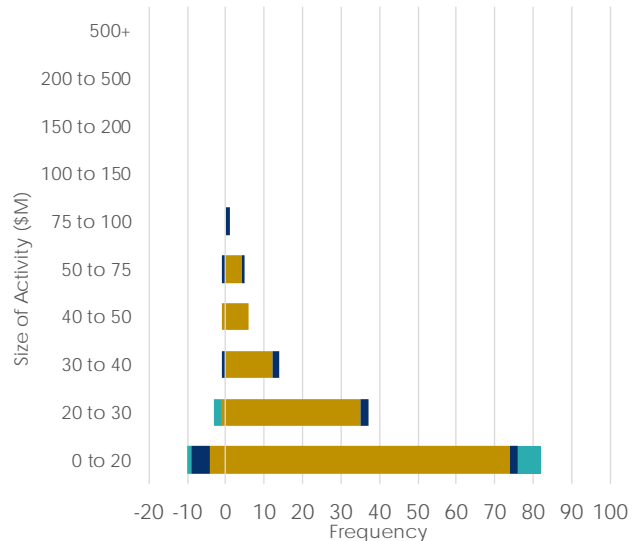
Banks with \$2B to \$10B in Total Assets

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

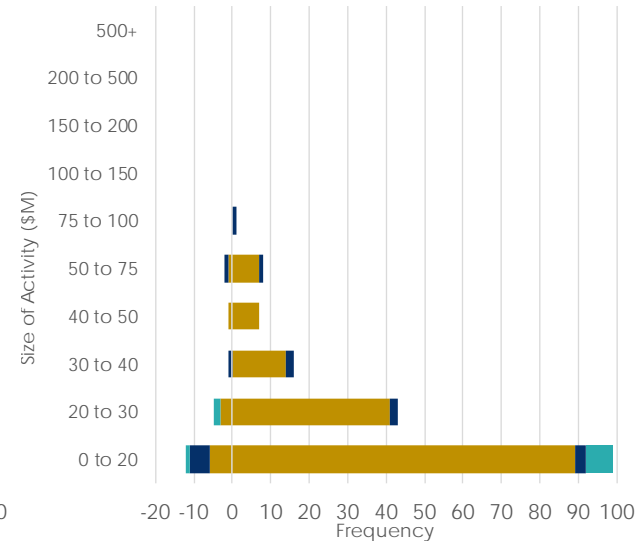
1-Year



3-Year



5-Year



BOLI Industry Allocations & Analytics

MBSA BOLI Industry Allocations Study

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

Gathered SA BOLI AUM data is categorized into portfolio types

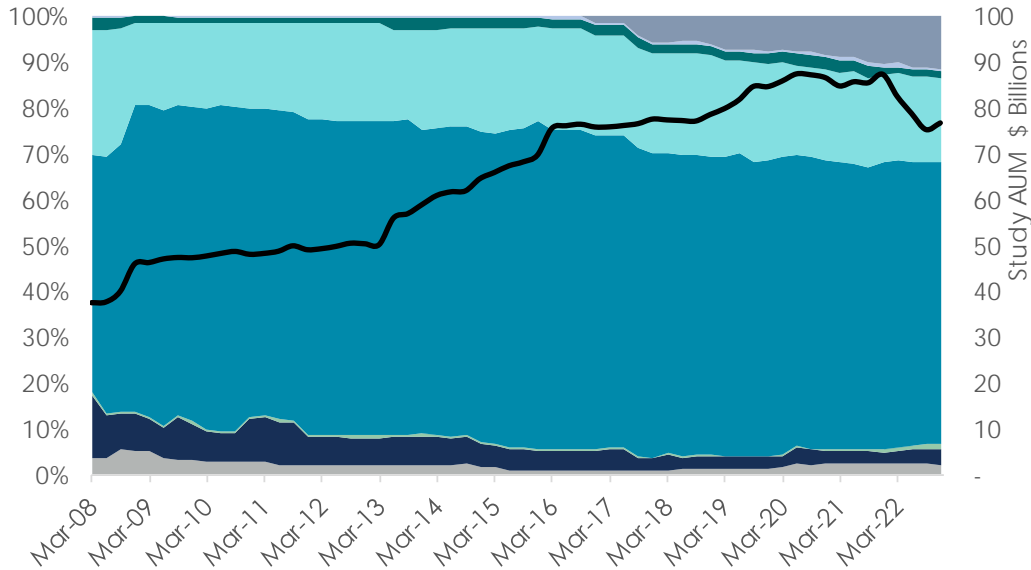
- Capital Efficient / Multi-Sector / Target RW
- High Yield
- Credit
- Core Fixed Income
- MBS / Securitized (ABS / CMBS)
- CLO / Bank Loan
- Short Duration
- Government

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

Currently comprises \$75 billion – a massive share of the industry

SA BOLI Industry Allocations

SA BOLI Allocations Over Time



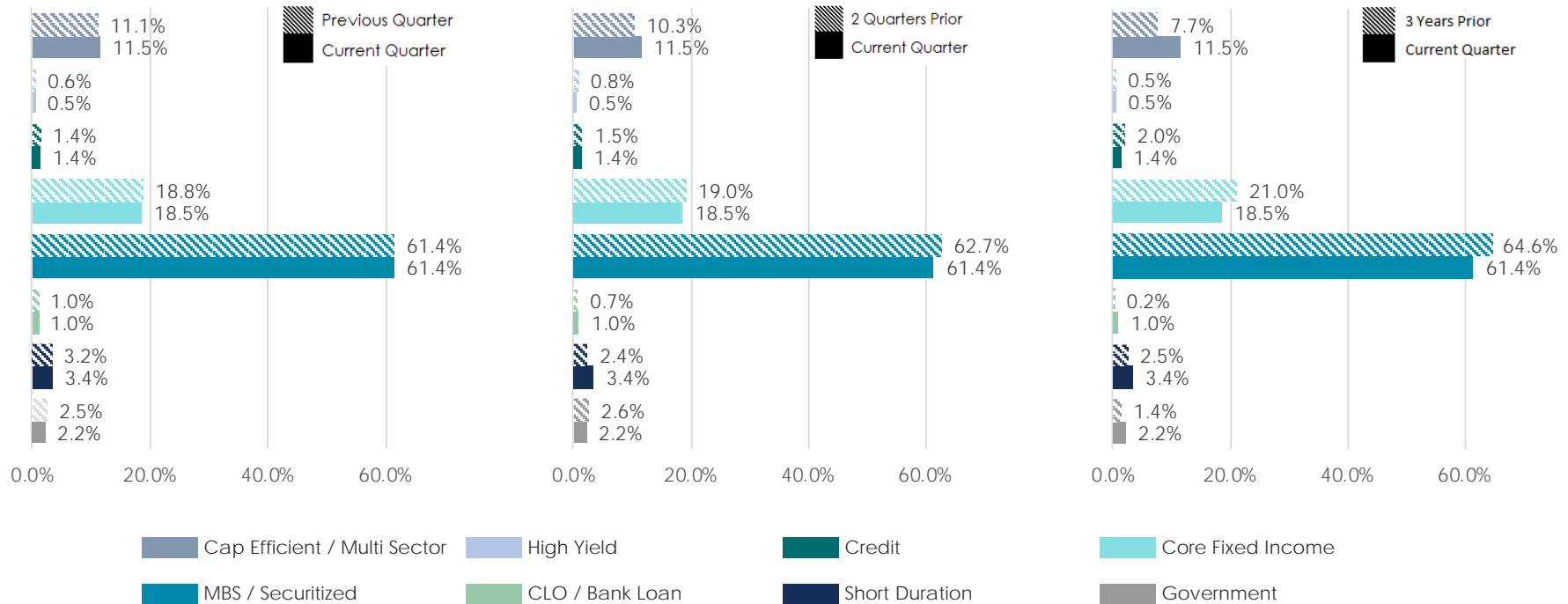
2022-Q4 Weights

Cap Efficient / Multi Sector	11.5%
High Yield	0.5%
Credit	1.4%
Core Fixed Income	18.5%
MBS / Securitized	61.4%
CLO / Bank Loan	1.0%
Short Duration	3.4%
Government	2.2%

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

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

Recent Allocation Changes



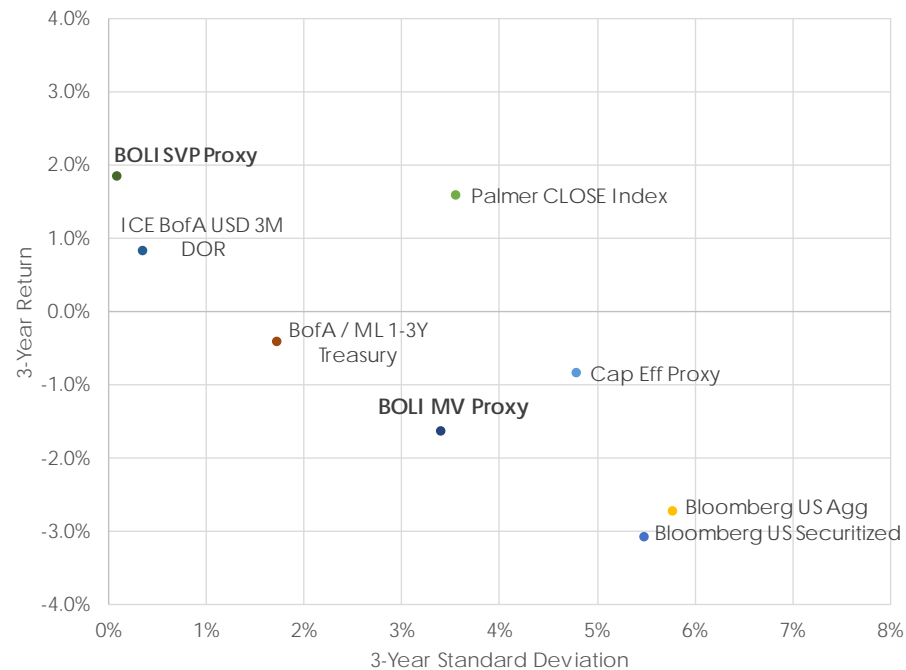
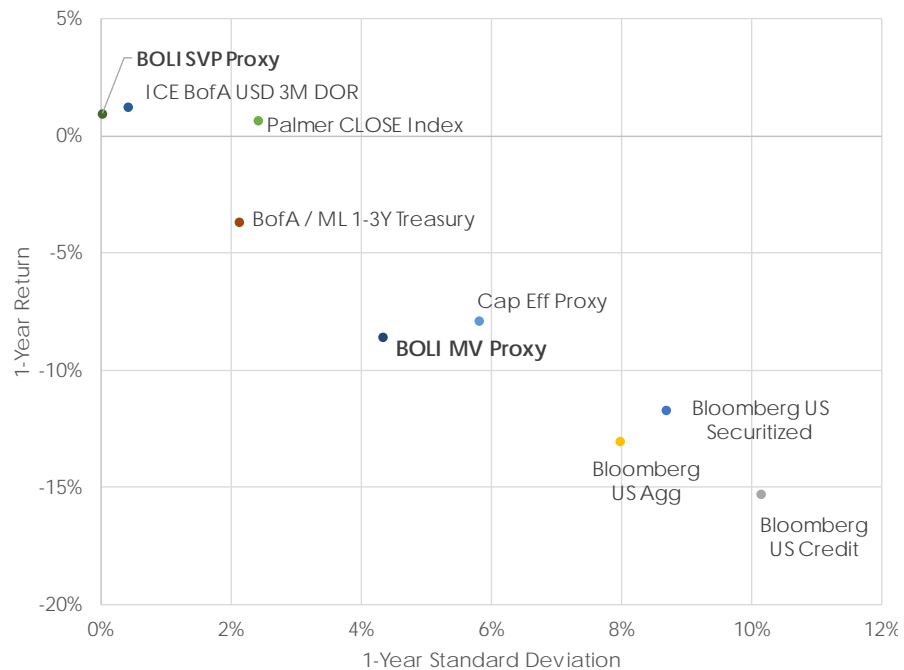
Investment Performance Proxy

Using common benchmarks for the categories, a proxy for the industry's SA Q4 MV performance is estimated at 2.03%

	Benchmark	Quarter	1-Year	3-Year	5-Year	Weights
Cap Efficient / Multi Sector	[Proxied by a sector blend]	2.30%	-7.85%	-0.84%	1.13%	11.48%
High Yield	<i>Bloomberg High Yield</i>	4.38%	-10.32%	-0.25%	2.26%	0.52%
Credit	<i>Bloomberg US Credit</i>	3.44%	-15.26%	-2.86%	0.42%	1.43%
Core Fixed Income	<i>Bloomberg US Agg</i>	1.87%	-13.01%	-2.71%	0.02%	18.53%
MBS / Securitized	<i>Bloomberg US Securitized</i>	2.05%	-11.67%	-3.07%	-0.43%	61.41%
CLO / Bank Loan	<i>Palmer CLOSE Index</i>	2.15%	0.70%	1.60%	2.26%	0.99%
Short Duration	<i>ICE BofA USD 3M DOR</i>	0.87%	1.26%	0.84%	1.43%	3.45%
Government	<i>BofA / ML 1-3Y Treasury</i>	0.74%	-3.65%	-0.41%	0.76%	2.19%
Industry Proxy MV Performance using rolling weights:		2.03%	-10.89%	-2.47%	-0.01%	
Industry Proxy Stable Value Performance:		0.39%	1.75%	2.12%	2.31%	

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



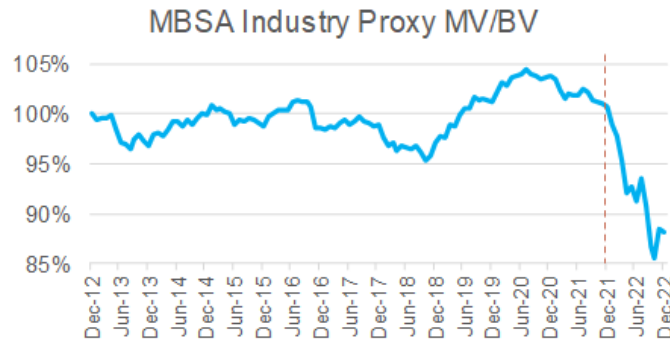
Data as of 2022-Q4

Industry MV/BV Ratio Developments

Ratio decreases in October after the poor Q3 continued to result in some breaches of SVP contractual thresholds (e.g., write-downs or forced reallocations). However, November's large yield decreases gave many MV/BV ratios breathing room for year-end.

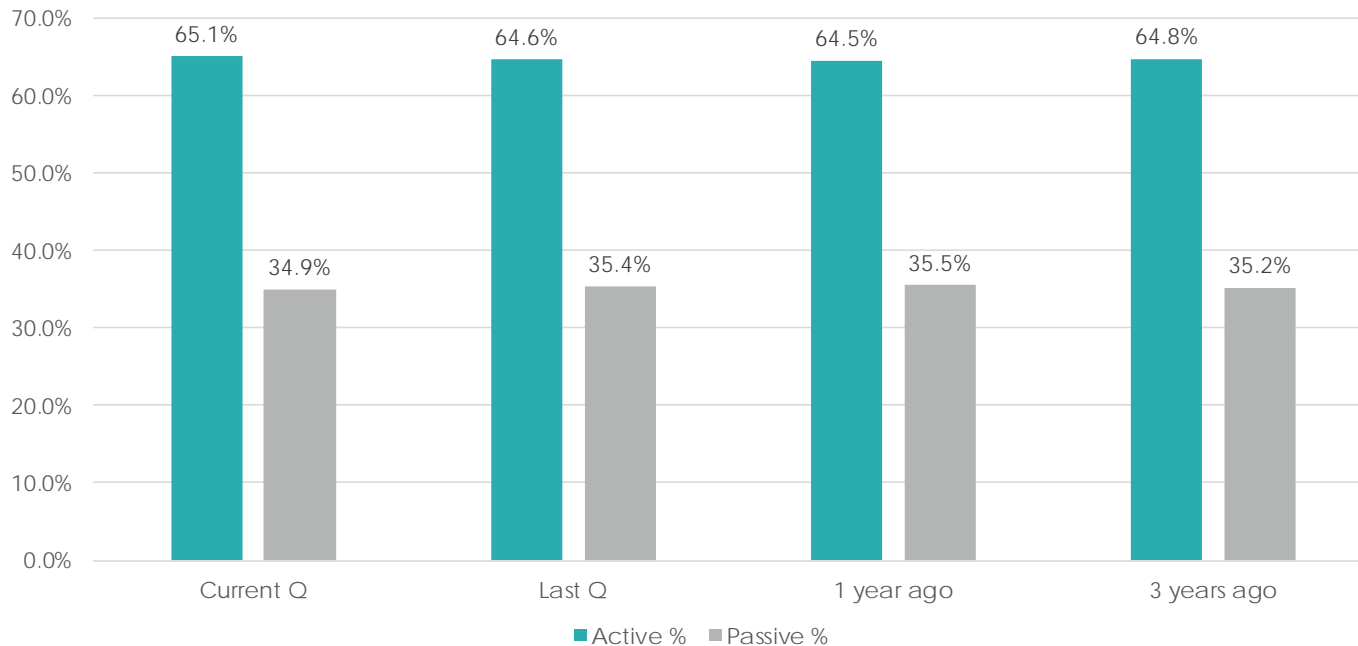
- MBSA began compiling market value and book value data to monitor the overall MV/BV ratios of BOLI allocations
 - ❖ As of Q4, the total MV in the carrier aggregate values was ~\$49 billion
- Additionally, using our proxy MV and BV performance monitoring from the prior pages, we calculate a proxy overall 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%
9/30/2022	86.5%	86.7%
12/31/2022	88.2%	88.2%



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

Athene v. American General, et al. – COLI SVP Dispute (Dec)

- In our [April 2022 LRA Update](#) we reported that the parties notified the court that they had agreed in principle to a settlement. On December 23 this matter was dismissed with prejudice. Since it was private litigation, the terms of the settlement do not appear to be disclosed. To briefly recap this dispute:
 - ❖ In October of 2000 and June of 2001, American General separately sold two substantially similar group-variable life insurance policies to Plaintiffs in return for \$150 million in premiums.
 - ❖ Athene chose to invest in a portfolio named the SVP Balanced Portfolio, which was comprised of two components: 1) an equity and bond portfolio; and 2) a guarantee from non-party Zurich Insurance Company that is calculated as “the difference between (i) the total value of the SVP Balanced Portfolio and (ii) the net asset value of the equity and bond portfolio.
 - ❖ In 2001 Athene provided notice of its intention to surrender the policies at a time that the SVP product value was \$23 million. Instead of proceeding with the surrender, the parties agreed to amend the Transaction Documents to, among other things, set a minimum crediting rate of eight percent and a cap of ten percent. Importantly from AGL’s perspective, the renegotiation also vested “sole discretion” with AGL as to when surrender proceeds would be paid. Over time, the SVP Product has grown to become a larger and larger portion of the SVP Balanced Portfolio value.
 - ❖ In late 2011 and early 2012 AGL issued amendments to “cap” the value of the SVP Product at fifty-five percent of the total value of the SVP Balanced Portfolio and to clarify that surrender proceeds would not be paid until the value of the SVP Product is at or below zero.
 - ❖ In May 2020 the Court granted defendants’ motion to dismiss as it related to allegations that Athene’s surrender and/or reallocation rights were impaired. The Court concluded that those allegations were not ripe for adjudication. However, the allegations that the fifty-five percent cap improperly impacted death benefit proceeds was not dismissed.
 - ❖ In April 2022 the Court granted an order to stay discovery and all other pending deadlines because the parties had agreed in principle to a settlement that would resolve the proceedings.

Docket: C.A. No. N19C-10-55-PRW CCLD

Noteworthy Tax Developments

IRS Notice 2023-7 – Initial Guidance Regarding Corporate Alternative Minimum Tax (Dec)

- On December 27 the IRS published [Notice 2023-7](#), which announced an intention to issue proposed regulations addressing the application of the new corporate alternative minimum tax (CAMT) that was enacted with the passage of the Inflation Reduction Act of 2022. Notice 2023-7 also provides interim guidance regarding certain issues deemed to be “time-sensitive”, such as rules with respect to the depreciation of property to which § 168 applies and a safe harbor method for determining whether a corporation is an “applicable corporation” subject to the CAMT.
- As we have noted previously, we do not anticipate any of the CAMT regulations having a direct effect on BOLI programs. We anticipate that earnings from BOLI programs will be included in the definition of “adjusted financial statement income” (AFSI). Even so, we will continue to provide updates on the implementation of the CAMT.

Noteworthy Accounting Developments

[None covered this quarter]

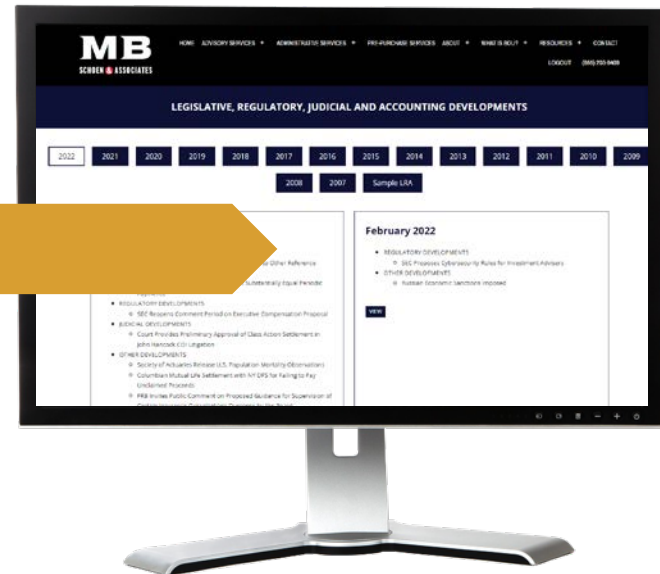
- For prior recent developments, see historical LRJA updates on our [website](#).

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LEGISLATIVE, REGULATORY, JUDICIAL,
AND ACCOUNTING DEVELOPMENTS



Noteworthy Regulatory Developments

NAIC Releases Draft Privacy Model Law for Insurance (Feb)

- On February 1 the NAIC Privacy Protections Working Group released a draft of a new model law ([Model Law #674](#)). This Draft Model Law seeks to establish standards for the collection, processing, retaining, and sharing of consumers' personal information by licensees. It also sets forth standards for additional permitted transactions involving consumers' personal information as well as standards governing licensees' collection, processing, retention, and sharing of personal information.

Aspects of this Draft Model Law That May Be of Interest to BOLI Insurers and Licensees

- Although the Draft Model Law appears geared toward personal lines insurance businesses, it defines “consumer” as follows (emphasis added):
 - ❖ “Consumer” means an individual and the individual’s legal representative, including a current or former (i) applicant, (ii) policyholder, (iii) **insured**, (iv) beneficiary, (v) participant, (vi) annuitant, (vii) claimant, or (viii) certificate holder who is a resident of this state and whose personal information is used, may be used, or has been used in connection with an insurance transaction.
- Note that the NAIC draft includes a comment that this definition is similar to that in current Model Law #672.
- Section 6 requires a licensee to provide certain notices to consumers

Continued...

Noteworthy Regulatory Developments

NAIC Releases Draft Privacy Model Law for Insurance (Feb) Continued

- Section 7 sets forth the content that must be included in consumer notices. Notable requirements include (among others)
 - ❖ Whether personal information has been or may be collected from any sources other than the consumer, and whether such information is collected by the licensee or by a third-party service provider;
 - ❖ The specific types of personal information that may be collected, processed or retained;
 - ❖ The specific purposes for which the licensee collects, processes, retains, or shares personal information;
 - ❖ A summary of the reasons the licensee or any third-party service provider retains personal information and the approximate period of retention.
- A further information practice notice is required annually to each consumer with whom the licensee has an ongoing business relationship. The Draft Model Law does not define an ongoing business relationship.

Procedural Status

- This Draft Model Law is open for comments through April 3. The Working Group plans to have a revised proposal ready to be voted on during the NAIC's Summer National Meeting in August.

Noteworthy Legislative Developments

Consolidated Appropriation Act Enacted (Dec)

- On December 29 President Biden signed [H.R. 2617](#), the “Consolidated Appropriations Act, 2023” into law. This omnibus legislation included consolidated appropriations for the fiscal year ending September 30, 2023, additional support for the situation in Ukraine, and various other provisions.
- The legislation also included a package of reforms referred to as the SECURE 2.0 Act of 2022 (Division T of the Act) that focus on retirement plans. Noteworthy changes include
 - ❖ Required Minimum Distribution ages are being increased to 75 over the next ten years
 - ❖ Expanding Automatic Enrollment in retirement plans
 - ❖ Modifications to catch-up contribution limits and rules

Insurance-Dedicated Exchange Traded Funds

- The Act also requires the Secretary of the Treasury to amend the diversification rules for variable insurance contracts in order to facilitate the use of exchange-traded funds as investment options under variable contracts within the meaning of IRC § 817(d). The Act will allow certain financial institutions acting as clearing agencies or market makers to own shares of the insurance-dedicated ETF to facilitate necessary trading operations.
- The Act sets a 7-year deadline for these amendments.

Other Noteworthy Developments

BCBS Evaluation of the Impact of Basel III Reforms (Dec)

- On December 14 the BIS published a [report](#) evaluating the impact and efficacy of the Basel III reforms implemented between 2009 and 2019. The examined reforms included the adjustments to the risk-based capital framework and the implementation of leverage ratios, the Liquidity Coverage Ratio (LCR), and the Net Stable Funding Ratio (NSFR).
- Key findings include
 - ❖ Banks have significantly increased their Common Equity Tier 1 Capital since the implementation of the Basel III reforms
 - ❖ Banks have improved liquidity positions by increasing HQLA holdings and decreasing reliance on short-term funding sources
 - ❖ While the reforms may have limited lending by banks with weaker initial regulatory ratios, there was no indication that the reforms impaired the aggregate supply of credit to the economy
 - ❖ The report acknowledges that the Basel III reforms have resulted in greater regulatory complexity; however, this report does not assess whether the complexity could be reduced while maintaining the same level of overall resilience in the banking system.

Other Noteworthy Developments

Secure 2.0 Creates New Opportunity to Use Surplus Pension Assets for Retiree Welfare Benefits (Feb)

- On February 8 the Groom Law Group published a [report](#) describing an amendment to IRC Section 420 enacted as part of the Consolidated Appropriations Act, 2023.
- According to Groom's report, IRC Section 420 allows certain transfers of assets in an overfunded pension plan to a separate health benefits "401(h) account" or an applicable life insurance account that is part of that plan, to provide the retiree health and/or group term life insurance benefits. Groom observes that SECURE 2.0 reduces the level of surplus pension assets that a plan must hold to make a de minimis transfer from 175% to 110%.
- Please refer to the Groom report for further details.

U.S. Unveils New Economic Sanctions on Russia (Feb)

- On February 24 the U.S. expanded economic sanctions on Russian interests in coordination with the G-7. According to the [press release](#), the new sanctions focus on the financial sector, military supply chains, metals and mining sector, and certain individuals and entities believed to be involved in evading existing sanctions.
- We have reviewed clients' Separate Account BOLI holdings to verify that none of the current positions list Russia as the country of domicile or exposure. As such, we do not expect the new round of sanctions to impact BOLI portfolios.

Insurance Company and Counterparty Updates

Current S&P Financial Strength Ratings

Insurance Carriers Rated AAA

- None

Insurance Carriers Rated AA+

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

Insurance Carriers Rated AA

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

Insurance Carriers Rated AA-

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

Insurance Carriers Rated A+

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

Insurance Carriers Rated A

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

Insurance Carriers Rated BBB+

- Delaware Life Insurance Company
- Talcott Resolution Life Insurance Company

*Categories based on S&P's Financial Strength Rating as February 15, 2023

Current Moody's Financial Strength Ratings

Insurance Carriers Rated Aaa

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

Insurance Carriers Rated Aa1

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

Insurance Carriers Rated Aa2

- None

Insurance Carriers Rated Aa3

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

Insurance Carriers Rated A1

- 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

- Talcott Resolution Life Insurance Company

*Categories based on Moody's Insurance Financial Strength Rating as of February 15, 2023

Ratings or Outlook Revisions

Bank of America, N.A.

- Rating placed under review for **potential upgrade** by Moody's (Feb)

Delaware Life Insurance Company

- Outlook **upgraded** from stable to positive by S&P (Feb)

Security Life of Denver Insurance Company

- S&P withdrew its BBB+ rating at the request of the company (Dec)

Talcott Resolution Life Insurance Company

- Rating **upgraded** from from Baa3 to Baa2 by Moody's (Jan)
- Rating **upgraded** from from BBB to BBB+ by S&P (Jan)

Zurich Insurance Company

- Outlook **upgraded** from stable to positive by Moody's (Jan)

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Industry Developments

[No notable developments from Dec-Feb]

COUNTERPARTY TRACKING SYSTEM

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

✓ Monthly Newsletter

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

Custom Reports

Net Rating Changes by Period (Number of Notches)					
2022 Q1	2021 Q4	2022 YTD	2021	2020	2019
-	-	-	-	-	1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-2	-	1
-	-	-	-1	-	-
-	-	-	-1	-	-1
-	-	-	-	-	-
-	-	-	-	-	1
-	-	-	-	-	-

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

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

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