

# The BOLI BLURB

Good morning,

Enclosed are the Q4 2020 BOLI statistics.

Total BOLI Cash Surrender Value (CSV) increased by \$2.1 Billion compared to the linked quarter through a combination of CSV growth and additional investment purchases. General Account BOLI led the way once again experiencing a pick-up of \$1.9 Billion.

Overall BOLI investment activity began to strengthen in Q3 2020 and has continued into Q1 2021. BOLI is typically not high on the radar for many Banks with other strategic initiatives taking priority. Credit uncertainty, limited loan growth opportunities, search for yield, and challenges to deploy excess liquidity have helped elevate its status.

On December 27th, 2020, the Consolidated Appropriations Act was signed into law. It included a change to the definition of life insurance contracts. In effect, it allows for a lower face amount (i.e. death benefit) relative to the underlying premium or cash surrender value while still qualifying as life insurance under Internal Revenue Code Section 7702. A few BOLI carriers have already updated their products for new purchases/investment to reflect the change. The result is a better yield profile and greater cash value accumulation. It certainly makes BOLI more attractive from an asset purchase and earnings perspective.

If you have any questions regarding the above or would like us to illustrate anything for you, please don't hesitate to reach out. We're here to help and be a resource.

Regards,

The Galbreath Group

## STATISTICS

**5,001 TOTAL U.S. BANKS\***

32 fewer banks than previous quarter

176 fewer banks than 12/31/19



**65.4%**  
3,271 with BOLI

**34.6%**  
1,730 without BOLI

**Total of \$184.3 Billion**

- \$90.5 Billion General Account
- \$74.9 Billion Separate Account
- \$18.9 Billion Hybrid Account

Average Concentration of Tier 1 Capital for banks holding BOLI is 11.68%

**Capacity based on 25% of Tier 1 Capital guideline:**

- Banks with BOLI holdings → additional \$210.0 Billion
- Banks without BOLI holdings → \$71.9 Billion