

# BOLI Market Update Q3-2024:

## Bank Owned Life Insurance Activity Increases from Prior Quarter

### Q3-2024 BOLI Activity

Our analysis of Q3-2024 FDIC call report data shows total estimated purchases of Bank Owned Life Insurance, [BOLI](#), increased slightly compared to the second quarter and the total premium purchased grew significantly due to a large purchase of about \$810 million by one bank. There were an estimated 72 BOLI purchases of \$1 million or greater in Q3-2024. These 72 purchases totaled approximately \$1.242 billion of estimated premium written. Table 1 below provides a breakdown of the BOLI purchases of \$1 million or greater.

**Table 1. Q3-2024 Estimated BOLI Purchases of \$1 Million or Greater**

Purchase Type	Estimated # of Purchases	Estimated Total Premium
New Purchase	2	\$6.50 Million
Additional Purchase	70	\$1.235 Billion
<b>Total</b>	<b>72</b>	<b>\$1.242 Billion</b>

**High purchase: \$810M | Average purchase: \$17.25M | Median purchase: \$2.55M**

### Banking Industry Update

According to the FDIC Quarterly Banking Profile, the banking industry continued to show resilience in the third quarter. Though the industry's net income declined from the previous quarter, the decline was mainly driven by one-time gains on equity security transactions that occurred last quarter that were absent from the results this quarter. The industry reported an increase in net interest income this quarter to partially offset the absence of those gains. The net interest margin increased this quarter for all size groups in the banking industry.

The banking industry still faces significant downside risks from the continued effects of inflation, volatility in market interest rates, and geopolitical uncertainty. These issues could cause credit quality, earnings, and liquidity challenges for the industry. In addition, weakness in certain loan portfolios, particularly office properties, credit cards, auto, and multifamily housing loans, continues to warrant close monitoring.

### BOLI Yield vs. Treasury Yield

Treasury yields decreased during the third quarter with the 10-year Treasury reaching a high of 4.48% on 7/1/2024 and a low of 3.63% on 9/16/2024. More recently, the 10-year Treasury yield has increased and closed at 4.40% as of 12/13/2024. The Federal Reserve cut its benchmark rate by 50 basis points at its September meeting, 25 basis points at its November meeting, and another 25 basis points at its December meeting.

Taking into consideration these continued headwinds, BOLI remains an attractive regulatory approved investment alternative. [BOLI](#) offers predictable and steady yields, no mark-to-market risk, tax-deferred earnings and minimum interest rates guarantees.

**Table 2. Comparison of Sample Yield on \$10M BOLI Purchase vs. 10-Year Treasury**

Year	BOLI		10-Year Treasury	
	Cumulative IRR On Cash Value	Pre-Tax Equiv IRR On Cash Value	Annual Yield	After-Tax Yield
1	4.32%	6.09%	4.40%	3.48%
5	4.29%	6.05%	4.40%	3.48%
10	4.29%	6.04%	4.40%	3.48%
15	4.27%	6.01%	4.40%	3.48%
20	4.23%	5.96%	4.40%	3.48%
25	4.19%	5.90%	4.40%	3.48%

### **Bank Owned Life Insurance - BOLI**

[Bank-Owned Life Insurance \(BOLI\)](#) is life insurance purchased by a bank on its key employees (typically limited to the top 35% most highly compensated employees). BOLI is a stable, low-risk source of financing that can generate gains to offset the rapidly rising cost of providing employee benefits, such as medical, group life, supplemental life, and qualified retirement plan expenses.

BOLI can also be used as a tool to informally fund nonqualified executive benefit plans. Typically, the bank pays the premiums and is the owner and beneficiary of the insurance policies. The death benefit proceeds can be used to defray the costs of overall health and employee benefits for the bank.

If you would like to [learn more](#) about BOLI or have a relationship with a bank that you believe could be a good prospect, please contact Michael Nolan at [NolanM@nolanfinancial.com](mailto:NolanM@nolanfinancial.com) or by phone at (888) 886-9128.

### **Sources and Assumptions**

1. Q3-2024 FDIC call report data for U.S. banks.
2. BOLI yield based on sample 45-year-old male insured with guaranteed issue underwriting on a \$10M BOLI transaction. Pre-tax equivalent BOLI IRR assumes a 29% combined corporate tax rate (21% federal and 8% state). 10-year Treasury yield as of 12/13/2024. After-tax Treasury yield assumes a 21% federal corporate tax rate.