

BOLI Market Update Q4-2024:

of Bank Owned Life Insurance Purchases Increases from Prior Quarter

Q4-2024 BOLI Activity

Our analysis of Q4-2024 FDIC call report data shows the estimated number of purchases of Bank Owned Life Insurance, [BOLI](#), increased compared to the third quarter. But the total premium purchased decreased because there was not a significantly large single purchase like there was in the third quarter. There were an estimated 82 BOLI purchases of \$1 million or greater in Q4-2024. These 82 purchases totaled approximately \$536.61 million of estimated premium written. Table 1 below provides a breakdown of the BOLI purchases of \$1 million or greater.

Table 1. Q4-2024 Estimated BOLI Purchases of \$1 Million or Greater

Purchase Type	Estimated # of Purchases	Estimated Total Premium
New Purchase	5	\$16.50 Million
Additional Purchase	77	\$520.11 Million
Total	82	\$536.61 Billion

High purchase: \$100M | Average purchase: \$6.54M | Median purchase: \$2.85M

Banking Industry Update

According to the FDIC Quarterly Banking Profile, the banking industry finished the year with strong earnings, resulting in a return on assets ratio of 1.12 percent for the full year. Domestic deposit growth was higher in 2024 than in 2023, while loan growth remained modest in the elevated-rate environment. With strong capital and liquidity levels to support lending and protect against potential losses, the banking industry continued to support the country's needs for financial services while navigating the challenges presented by elevated unrealized losses, asset quality weakness in certain portfolios, and volatility in market interest rates.

Quarterly net income increased mainly due to recent short-term interest-rate cuts, which caused interest expenses to decline more than interest income. The industry's net interest margin (NIM) increased for a second consecutive quarter, improving 5 basis points from last quarter to 3.28 percent, driven by lower funding costs.

BOLI Yield vs. Treasury Yield

Treasury yields increased during the fourth quarter with the 10-year Treasury reaching a low of 3.74% on 10/1/2024 and a high of 4.62% on 12/27/2024. More recently, the 10-year Treasury yield has decreased and closed at 4.16% as of 3/3/2025. After cutting its benchmark rate by a total of 100 basis points at its last three meetings in 2024, the Federal Reserve left the rate unchanged at its January 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	4.27%	6.02%	4.16%	3.29%
5	4.24%	5.98%	4.16%	3.29%
10	4.24%	5.97%	4.16%	3.29%
15	4.22%	5.94%	4.16%	3.29%
20	4.18%	5.89%	4.16%	3.29%
25	4.14%	5.83%	4.16%	3.29%

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 or by phone at (888) 886-9128.

Sources and Assumptions

1. Q4-2024 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 3/3/2025. After-tax Treasury yield assumes a 21% federal corporate tax rate.