

# BOLI Market Update Q1-2025:

## # of Bank Owned Life Insurance Purchases Remains Steady

### Q1-2025 BOLI Activity

Our analysis of Q1-2025 FDIC call report data shows the estimated number of purchases of Bank Owned Life Insurance, [BOLI](#), remained steady compared to recent quarters. However, total premium purchased almost doubled compared to the previous quarter due to several large purchases of \$100 million or more. There were an estimated 75 BOLI purchases of \$1 million or greater in Q1-2025. These 75 purchases totaled approximately \$1.070 billion of estimated premium written. Table 1 below provides a breakdown of the BOLI purchases of \$1 million or greater.

**Table 1. Q1-2025 Estimated BOLI Purchases of \$1 Million or Greater**

Purchase Type	Estimated # of Purchases	Estimated Total Premium
New Purchase	6	\$25.75 Million
Additional Purchase	69	\$1.045 Billion
<b>Total</b>	<b>75</b>	<b>\$1.070 Billion</b>

**High purchase: \$200M | Average purchase: \$14.27M | Median purchase: \$3.30M**

### Banking Industry Update

According to the FDIC Quarterly Banking Profile, the banking industry finished the quarter with slightly higher earnings quarter over quarter, resulting in a return on assets (ROA) ratio of 1.16 percent. Domestic deposits increased for the third consecutive quarter, while loan growth remained modest. 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 economic uncertainty, elevated inflation and interest rates, tighter credit, and elevated unrealized losses.

Quarterly net income increased from the prior quarter and was led by higher noninterest income and lower losses on the sale of securities. The industry's net interest margin (NIM) declined modestly by two basis points from last quarter to 3.25 percent, equal to the pre-pandemic average.

### BOLI Yield vs. Treasury Yield

Treasury yields decreased during the first quarter with the 10-year Treasury reaching a high of 4.79% on 1/13/2025 and a low of 4.16% on 3/3/2025. More recently, the 10-year Treasury yield has increased and closed at 4.41% as of 6/10/2025. After cutting its benchmark rate by a total of 100 basis points at its last three meetings in 2024, the Federal Reserve has left the rate unchanged at its three 2025 meetings in January, March, and May.

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	4.57%	6.02%	4.41%	3.48%
5	4.54%	5.98%	4.41%	3.48%
10	4.54%	5.97%	4.41%	3.48%
15	4.52%	5.94%	4.41%	3.48%
20	4.48%	5.89%	4.41%	3.48%
25	4.44%	5.83%	4.41%	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. Q1-2025 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 6/10/2025. After-tax Treasury yield assumes a 21% federal corporate tax rate.