

T-MAIL

Navigating the Executive Benefits Landscape
with The Todd Organization

July 2011



BOLI: Continuity and Quality Gain Even Greater Importance

WHILE BANK-OWNED LIFE INSURANCE (BOLI) has been widely used at financial institutions, several developments in recent years have made clear the importance of consistently having high-quality products and administration. Simply put, constancy and quality are key.

The upheaval in the financial markets, historically low interest rates, and greater overall regulatory scrutiny are among the factors that make it important to have quality BOLI products and administration.

Addressing Several Needs

BOLI's value proposition, for many financial institutions, remains clear and compelling. It is being used as a long-term financing vehicle to address executive and employee benefits cost obligations. As such, it is often a prudent and well thought out component of asset-liability management.

On both a current and after-tax basis, the yield on BOLI is often superior to other securities in the bank's portfolio. With many banks having ample liquidity, and Fed funds yielding less than 0.25 percent, there is even greater impetus to use BOLI as a financial management tool. BOLI yields can also be adjusted higher.

The Challenges

The financial upheaval of recent years has separated the wheat from the chaff as far as the value of BOLI products goes. Financial institutions which utilized insurance products that had higher risk assets or bought from insurance carriers with less than the highest credit ratings have typically taken a hit to BOLI earnings, both actual and forecasted.

Explaining such results to the Board, or examiners, is not a pleasant task.

Furthermore, high quality administration is more important than ever in today's environment. Financial institutions need to be assured that they have high quality administration programs in place and that they work with BOLI providers who can provide an array of third-party administration platforms that will include timely, clear, and accurate reports.

BOLI: Continuity and Quality Gain Even Greater Importance... cont'd

Recommended Approaches

The Todd Organization was a pioneer in the BOLI marketplace and today serves an array of community, regional, and money center institutions. Today and throughout the years, we have found that clients are best served by the following principles and practices.

- *Quality insurance products.* Given the important role BOLI provides, and the generally long-term nature of this holding, it is usually highly advisable to have high quality insurance products and carriers.
- *Best-in-class administration.* It is very important for a company to be able to update and explain its BOLI plans at least once a year to the Board of Directors and more often for bank auditors. BOLI providers should be able to offer a variety of options and platforms in this regard, which also have a solid track record.
- *Regular review.* The BOLI holdings should be regularly reviewed and analyzed. Given this and overall administrative needs, it is advisable to only work with BOLI providers who have long-term staying power in the market.

When properly designed, financed, and administered, BOLI is an excellent vehicle for financing the cost of management benefits and other employee benefit costs at financial institutions. The stable and non-volatile nature of BOLI is especially appreciated these days.

The Todd Organization works closely with financial institutions so that BOLI is part of an effective asset-liability management strategy that strengthens shareholder value, addresses plan participants retirements needs, and meets regulator guidelines.

For more information about these programs, please contact your Todd consultant or visit our website at www.toddorg.com.



THE TODD ORGANIZATION

www.toddorg.com