



NYLEX News

News and Events in the Executive Benefit Program Marketplace

BOLI – An Important Bank Financing Strategy

TO OUR CLIENTS AND FRIENDS

THIS ISSUE OF NYLEX NEWS DISCUSSES BANK-OWNED LIFE INSURANCE (BOLI). WITH HOME MORTGAGE DEFAULTS ON THE RISE AND THE RECENT UPHEAVALS IN THE CREDIT AND FINANCIAL MARKETS, BANKS NEED TO CONSIDER BOLI AS A FINANCING STRATEGY.

PLEASE SEND COMMENTS ABOUT THIS EDITION OF NYLEX NEWS, AS WELL AS SUGGESTIONS FOR FUTURE ISSUES, TO OUR STAMFORD, CT OFFICE.

Banks Searching For New Financing Strategies

Home mortgage defaults have continued to escalate. Credit and financial markets continue to experience major upheavals in an uncertain global economy. Write-downs of certain mortgage backed securities resulting from non-performing collateral limit the viable investment alternatives for financial institutions. These events have led to billions of dollars in losses for banks and the need for banks to find new competitive investments.

If your bank is looking for high quality, alternative earning assets, you should consider Bank Owned Life Insurance (BOLI). BOLI is

a tax-deferred opportunity which “can provide attractive tax-equivalent yields to offset the rapidly rising cost of providing employee benefits” (OCC Bulletin 2004-56).

Why BOLI?

Almost all banks are affected by the increasing cost of providing benefits to employees. At the same time, banks are continually seeking to deliver attractive benefit programs, while sustaining profitability and growth. To respond to these challenges, almost half of all U.S. banks¹ utilize BOLI to finance existing employee benefits as well as fund new benefit plans.

¹ BOLIStar™, Bank-Owned Life Insurance Statistical Analysis & Review. 12/31/07.

BOLI clearly is an important tool banks use to help retain their most productive employees and recover benefit costs.

BOLI is a very stable, low-risk source of financing that offers net annual after-tax returns that generally are higher than returns from other bank investments. More specifically, BOLI utilizes institutional life insurance arrangements designed so that banks can generate greater cash value growth than available through typical retail individual life insurance policies.

In addition, BOLI is income tax deferred and, if the BOLI contract is held until maturity, income is exempt

from federal income tax. This tax savings increases the bank's net investment yield and is reflected currently on the bank's financial statements.

BOLI offers several strategic advantages. First, BOLI helps a bank diversify its investment portfolio with an asset that enhances earnings and balances liquidity and risk. Second, BOLI is an efficient asset/liability management tool. It is a low maintenance asset that involves:

- No collection efforts
- No loan loss provision

- No origination costs
- No servicing by bank personnel.

NYLEX BENEFITS CAN HELP

OCC Bulletin 2004-56 recognizes that most banks need the assistance of a qualified vendor to assist in the BOLI purchase. NYLEX Benefits is a nationally recognized vendor with years of experience in helping banks analyze proposed BOLI transactions.

NYLEX Benefits assists banks in conducting due

diligence reviews, carrier and product selection, plan implementation and compliance with regulatory requirements.

To assist banks in conducting a peer review, NYLEX Benefits has developed a proprietary system known as BOLISTMar, or Bank-Owned Life Insurance Statistical Analysis & Review. Call NYLEX to receive this unique, comprehensive review for your bank.

About **NYLEX**Benefits

NYL Executive Benefits LLC (NYLEX Benefits) is an independently managed subsidiary and the executive benefits consulting arm of the New York Life Insurance Company, a Fortune 100 company. New York Life is the largest mutual life insurance company in the United States, with an enviable 163 year history, and as of 12/31/07 had \$14.7 billion in surplus and \$280 billion in assets under management.

NYLEX Benefits provides supplemental executive benefit programs to a wide range of commercial clients. We focus on developing cost effective executive benefit solutions that are designed to attract, reward and retain key employees.

NYLEX Benefits' professional staff includes the following professional disciplines, all dedicated to supporting our client's programs, processes, systems and services:

- Accountants
- Actuaries
- Attorneys
- Benefit specialists
- Insurance specialists

NYLEX Benefits
281 Tresser Blvd., Suite 1110
Stamford, CT 06901
203-353-5800 www.nylexbenefits.com

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