

November 19, 2019

Chris Pezalla, Chief Actuary, Executive Vice President

Coming into the end of 2019 what's exciting and new in the BOLI market?

General Account BOLI

- Implementation of **2017 CSO mortality table** will have a negative impact on cash value return on new BOLI plan implementations; there is no impact to your existing BOLI holdings. The new table is being implemented industry wide, and will require higher face amounts on new policies, which will have higher cost of insurance charges, and will negatively impact cash value growth. Some insurance carriers have found creative ways to deal with this change, but the consensus is that returns could be 0.10% or lower on an annual basis. For banks looking at a BOLI purchase, getting it complete before year end may be the best strategy to avoiding this extra expense. One of the carriers with a creative approach to the issue is **Northwestern Mutual**. Their new product will likely perform better than the old product. And they are offering it to policyholders who recently purchased the old product.
- Index universal life products have been gaining in popularity. Most notably the **Global Atlantic IUL product** has just entered the market. Their product contains a strong guarantee on cash surrender value and presents a unique opportunity for banks to own a general account BOLI policy with the interest crediting tied to an equity index such as the S&P 500. Product guarantees include 0% crediting rate floor, and an additional guarantee on the cumulative earnings in the first seven years that can be as high as 3%. This product is a great compliment to other general account products whose returns are based on fixed income returns.

Separate Account BOLI

- We see growing interest in investment strategies that are taking advantage of bank eligible asset classes such as bank sub-debt, or floating rate CLO structures. Within a stable value PPVUL product these investment strategies have generated returns in excess of 4% while maintaining a risk weight as low as 20%.

- Stable value wrap providers are becoming more flexible in what types of asset classes they will wrap. We have seen providers wrap the bank sub debt and CLO's mentioned above, as well as several equity-based strategies.

About Us

Newcleus is dedicated to non-qualified benefit plan administration, and is the "go-to" firm to service and administer employer-owned life insurance and non-qualified benefit plans and assets. Newcleus provides administration through our proprietary MINTS platform. We have the most comprehensive BOLI product lineup and non-qualified benefit solutions that serves more than 750 clients and their plans, holding \$12B cash surrender value from over 45,000 policies and consists of 30+ corporate employees.

Contact us for more information on happenings in the BOLI market.