



BANK EXAMINERS FOCUS ON BOLI

by *Robert A. Singer*

Overview

We have received several reports that federal banking regulators are continuing to focus upon bank-owned life insurance policies (“BOLI”). They are particularly interested in whether an institution has a written policy containing clear procedures under which executive management and the board of directors:

- Conduct pre-purchase analyses of the risks, rewards and unique characteristics of BOLI policies; and
- Conduct on-going and comprehensive assessments of BOLI policies held by the institution.

There are different types of BOLI policies (term, permanent, general account permanent, special account permanent, etc.) and different intended uses (pre-retirement and post-retirement compensation funding, “key” officer coverage,

and so forth). The inherent risk exposures, and potential benefits, vary by type and use.

Federal banking regulators are continuing to focus on bank-owned life insurance policies (“BOLI”) and are particularly interested in whether an institution has a written policy containing clear procedures regarding these policies.

We are familiar with the Interagency Statement on the Purchase and Risk Management of Life Insurance and the applicable regulatory materials (e.g. FDIC Financial Institution Letter and FDIC Manual of Examination Policies, Section 3.7).

If you do not have a written BOLI policy and desire our assistance, please contact Bob Singer at (336) 271-3123 or one of the other Brooks Pierce advisors in the following list.

CONTACT INFORMATION

Robert A. Singer
Brooks, Pierce, McLendon, Humphrey & Leonard, LLP
2000 Renaissance Plaza
230 North Elm Street
Greensboro, North Carolina 27401
336.271.3123
336.378.1001 FAX
rsinger@brookspierce.com

Edward C. Winslow III
ewinslow@brookspierce.com

Randall A. Underwood
runderwood@brookspierce.com

Jean C. Brooks
jbrooks@brookspierce.com

John M. Cross
jcross@brookspierce.com

Kathryn V. Purdom
kpurdom@brookspierce.com

Andrew J. Haile
ahaile@brookspierce.com

J. Benjamin Davis
bdavis@brookspierce.com

Sara R. Vizithum
svizithum@brookspierce.com

Greensboro, NC • Raleigh, NC

Brooks, Pierce, McLendon, Humphrey & Leonard, LLP is a business law firm providing comprehensive strategic counsel and innovative solutions to its clients. The information contained in this bulletin is not legal advice and does not create an attorney-client relationship between the reader and Brooks, Pierce, McLendon, Humphrey & Leonard, LLP.