

How does a general account bank-owned life insurance policy crediting rate respond to fluctuations in interest rates?

Bank-Owned Life Insurance



What is Bank-Owned Life Insurance (BOLI)?

BOLI is a life insurance policy purchased by a bank on the lives of bank employees and is often used to establish an asset on the bank's balance sheet to offset its employee benefit liabilities. When properly structured in compliance with applicable tax laws and bank regulations, a BOLI policy generates earnings from the increase in the policy's cash value and provides tax-free death benefits to the bank.



What is a new money general account Bank-Owned Life Insurance policy?

A general account BOLI policy is a universal life insurance policy which offers a fixed rate of interest for premiums paid in excess of the mortality and administrative charges. MetLife's Premier BOLI uses a new money crediting rate method. In determining the crediting rate each premium is placed into a unique interest rate account (or "bucket") earning a declared rate of interest for a pre-determined period of time (typically a year). The initial rate is based on the market yields of the assets MetLife expects to purchase to support its obligations.

At the end of the initial interest crediting period, the rate is reset to reflect a blend of the reinvestment of assets due to maturities and coupon payments in that "bucket" at the then current rate, and the yield of the remaining assets from the initial investment. Each "bucket" can be viewed as "standing alone" for purposes of crediting rate reset. However, the assets are not segregated for other purposes. General account BOLI policies are backed solely by the assets and financial strength of the issuing insurance company's general account. In the event of company failure or dissolution, these general account assets may be subject to the claims of creditors — so it is very important to select a strong, stable and well-established insurance company for your GA BOLI policy.



What does a MetLife new money GA BOLI policy offer investors?

The MetLife Premier BOLI policy offers investors a fixed rate of interest for new money which we set as frequently as each calendar month based on prevailing market yields at the time of purchase. It offers a tiered interest rate structure which offers higher rates of interest for larger premium amounts paid into your policy. Once invested, our interest rates are reset annually. The minimum guaranteed rate is 1.50%.¹

A MetLife Premier BOLI policy also offers investors the strength and security of MetLife's general account. For over 150 years, we have been a trusted and stable provider of insurance and investment products. We are highly rated by the major rating agencies for our financial strength and strong capitalization. We have built our financial security on a strong foundation of business diversification, conservative risk management and expertise in investment management. In the future, we plan to continue offering competitive insurance products that meet the financial planning and security needs of our current and future customers.

Not all GA BOLIs are built the same. The following shows how the new money crediting rate methodology differs from a portfolio methodology.



What is a portfolio rate interest crediting BOLI (portfolio BOLI)?

In the portfolio BOLI policy all the premiums are invested and commingled in one large portfolio. As all premiums are combined, the portfolio is given one interest rate to reflect the entire yield, which is generally reset quarterly or annually.

Since the premiums are commingled and the interest rate is reset for the entire portfolio annually, the rate reset is based on the blended yields of all assets in that portfolio. New premium invested at a time when market interest rates are relatively lower dilutes the yield of the entire portfolio, but that new policy gets a higher than market initial crediting rate. When premium is added when market interest rates are higher, it increases the overall portfolio yield, but that new investor receives a crediting rate based on the blended yield, which is lower than the current interest rate environment.

How much a portfolio changes due to reinvestment depends on the size of the portfolio and the overall duration. In a period of rising rates, the portfolio rate only increases to the extent that market interest rates are higher than the portfolio rate. Otherwise, the rising rates just slow the rate of decrease in the portfolio rate. Finally, portfolio interest crediting BOLI portfolios are typically subject to participating limitations and closures in an effort to limit any dilution of the account. As a result, investors may find their premiums limited or decreased during certain market scenarios to avoid negative impact to the existing policyholders in the portfolio.



Why choose the MetLife GA BOLI policy?

- Our minimum rate guarantees protect investors against a declining interest rate environment.
- Our rates are set quarterly or more frequently, allowing for our interest rate to remain competitive.
- Your policy is protected by the strength of the MetLife general account and our 145-year track record of keeping our promises to our customers.

To show how our interest rates tracked with the market, see our MetLife customer example.

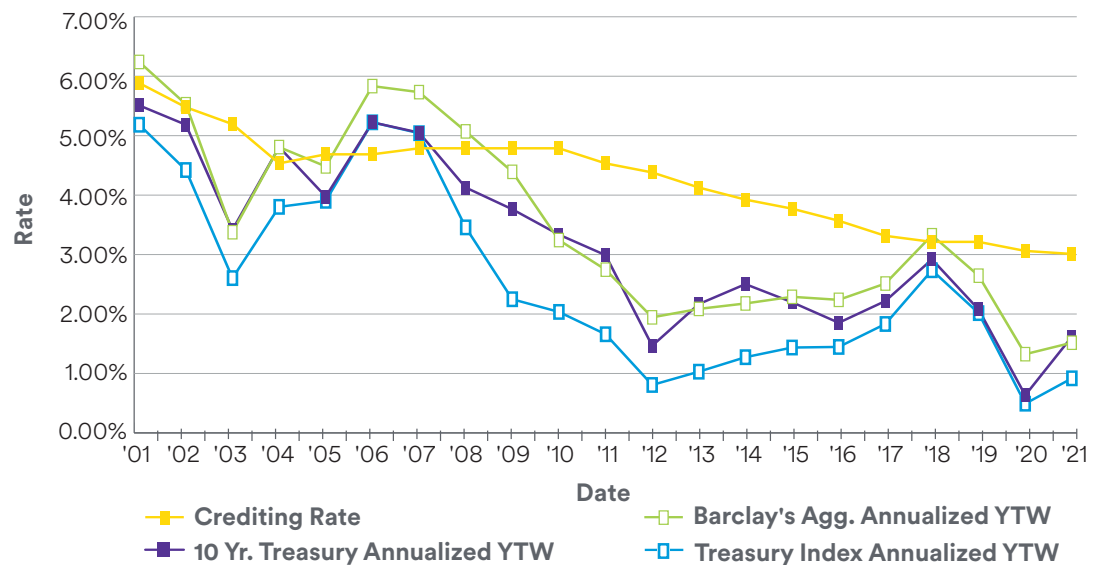


The MetLife new money GA BOLI customer

The graph below illustrates the Crediting Rate history of a composite average of actual MetLife new money GA BOLI customers with a total policy value of about \$10 million that have been with MetLife since 2001.² These sample clients are representative of the new money crediting methodology with transaction sizes comparable to the current product target market.

Important note: Reset rates for the “bucket” are affected by pricing elements within that group, such as variations in commission levels. The sample is meant to represent the historic trend and not a guarantee of spread nor a guarantee of performance.

Rate History vs. Barclay's Aggregate and Treasuries



Rate History vs. Barclay's Aggregate and Treasuries

Date	Crediting Rate	Barclay's Agg. Annualized YTW	Date	10 yr. Treasury Annualized YTW	Treasury Index Annualized YTW
6/1/2001	5.83%	6.18%	6/1/2001	5.46%	5.14%
6/1/2002	5.43%	5.48%	6/1/2002	5.14%	4.39%
6/1/2003	5.15%	3.36%	6/1/2003	3.40%	2.60%
6/1/2004	4.50%	4.77%	6/1/2004	4.77%	3.78%
6/1/2005	4.65%	4.45%	6/1/2005	3.95%	3.88%
6/1/2006	4.65%	5.78%	6/1/2006	5.18%	5.18%
6/1/2007	4.75%	5.68%	6/1/2007	5.01%	5.00%
6/1/2008	4.75%	5.03%	6/1/2008	4.10%	3.44%
6/1/2009	4.75%	4.36%	6/1/2009	3.74%	2.25%
6/1/2010	4.75%	3.23%	6/1/2010	3.32%	2.04%
6/1/2011	4.50%	2.74%	6/1/2011	2.98%	1.67%
6/1/2012	4.35%	1.95%	6/1/2012	1.48%	0.83%
6/1/2013	4.10%	2.09%	6/1/2013	2.17%	1.05%
6/1/2014	3.90%	2.18%	6/1/2014	2.50%	1.29%
6/1/2015	3.75%	2.29%	6/1/2015	2.20%	1.45%
6/1/2016	3.55%	2.24%	6/1/2016	1.86%	1.46%
6/1/2017	3.30%	2.51%	6/1/2017	2.22%	1.84%
6/1/2018	3.20%	3.31%	6/1/2018	2.91%	2.73%
6/1/2019	3.20%	2.64%	6/1/2019	2.08%	2.02%
6/1/2020	3.05%	1.34%	6/1/2020	0.66%	0.52%
6/1/2021	3.00%	1.53%	6/1/2021	1.63%	0.94%

The MetLife GA BOLI is competitive and responsive to the rising interest rate market while remaining stable and higher during periods of lower interest rates.



Our advantage

MetLife's Retirement & Income Solutions team is here to help guide the far-reaching financial decisions that will impact hundreds, even thousands, of lives for years. We know what's at stake. By partnering with us, you'll work with skilled associates who develop innovative financial solutions designed to help reduce financial and regulatory risk, so both your company and your plan participants can have a more secure future. Explore our solutions to find the one that best suits your organization's needs.



For more information on how MetLife can work with you to design a solution to fit your bank's needs, please call **877-MET-EXEC**.

1. For policies issued on or after October 1, 2012.
2. Illustration as of June 30, 2021. The illustration represents a sampling of a group of BOLI customers with over \$10 million who have held their policies since 2001. This illustration is representative of a sample customer experience and is not a guarantee of future performance.

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