

LATHAM & WATKINS LLP

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**Current Developments and
Trends in Bank Owned Life
Insurance and Corporate
Owned Life Insurance**

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Agenda

- Current Market Conditions and its Effects on BOLI Holdings
- Stable Value Agreements
- Planning for Increased Regulatory Oversight
- Restructuring Alternatives
- Conclusions
- Questions and Answers

Current Market Conditions and Its Effects on BOLI Holdings

- Slow down in BOLI Purchase
- Imbalance in Expectations and Performance?
- Emerging Tensions



Current Market Conditions and Its Effects on BOLI Holdings

- Search for Restructuring Alternatives
- Financial Impacts:
 - Diversification
 - P&L Effect



Stable Value Agreements

- Post Purchase Diligence
- Close Examination of Contractual Obligations
 - Role of Parties
 - Early Termination Fees
 - Notices
- Crediting Rate Resets

Stable Value Agreements

- Reallocations to Another Strategy
- Effect of 1035 Exchanges on Stable Value Agreements

Planning for Increased Regulatory Oversight

- Documenting post purchase BOLI compliance
- Strategies to deal with problems



Planning for Increased Regulatory Oversight

- Careful Consideration of Restructuring Strategies and Alternatives
- Continued Vigilance with respect to Safety and Soundness Considerations
 - Internal/External Audit
 - Risk Review
 - Internal Control vs. “Investor Control”

Planning for Increased Regulatory Oversight

- Administrative issues
 - Contract Review and Update
 - Quality of administration is key – detailed and timely reporting

Restructuring

- Recent IRS Private Letter Rulings
- Alternatives are Emerging



Conclusions/Questions and Answers

- Conclusions
- Questions and Answers

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