Why institutional insurance makes strategic sense

Nationwide®

Institutional insurance solutions, such as corporate-owned life insurance (COLI) and bank-owned life insurance (BOLI), are financial planning tools that play a vital role in helping organizations meet long-term financial obligations, attract and retain top talent, and ensure organizational stability. Despite their value, common myths remain. Let's set the record straight.

Myth	Fact
It's just like personal life insurance.	While COLI and BOLI may appear similar to individual life insurance on the surface, they are purpose-built for institutional use and designed to integrate into a business's long-term strategic planning. The complexity and customization involved make them powerful institutional tools — far beyond the scope of standard retail policies. Institutional insurance products such as COLI and BOLI are designed specifically for business applications and offer features that are not available in the individual market: • **Guaranteed-issue underwriting** — No medical exams required for eligible groups • **Institutional pricing** — Cost advantages from economies of scale • **Strategic integration** — Used for things such as funding nonqualified deferred compensation plans or supplemental executive retirement plans for key executives • **Ongoing administration** — Requires expert oversight, reporting and compliance
It's insurance on all employees.	This outdated perception stems from early misuses of life insurance policies. Modern COLI and BOLI programs are governed by strict best practices and regulatory guidelines. Participation is limited to employees who meet minimum compensation thresholds and are in eligible roles — typically executives who are highly compensated individuals.
It benefits only the company.	While COLI and BOLI do provide financial advantages to the business, their true value lies in supporting a company's long-term strategy by helping to attract and retain top-tier talent. Business owners can use these insurance solutions to help informally fund executive benefit programs, such as a nonqualified deferred compensation plan, that reward key employees for their loyalty and performance — creating a powerful incentive to stay. Think of it like building a championship sports team: A franchise might recruit a visionary coach not just for their leadership, but because their presence attracts elite players who want to be part of a winning culture. Similarly, businesses use COLI and BOLI to create a stable, attractive environment for high-performing executives, ensuring continuity, leadership strength and a competitive edge in the marketplace. It's not just about the company — it's about building a strong team that lasts.
These strategies are only for big corporations.	Businesses of all sizes can benefit. Whether it's a buy/sell agreement for a family-owned business or succession planning for a startup, COLI and BOLI are scalable to provide stability and protection at every level.
COLI is a niche solution in financial planning.	COLI is far more than a niche solution. It's a versatile financial asset that can play a central role in a company's long-term planning portfolio, along with other tools such as mutual funds or corporate bonds.

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Here's how COLI compares to other common funding tools

Criteria	COLI	Mutual Funds	Corporate Bonds
Tax treatment	Tax-deferred growth; tax-free death benefit (if compliant)	Taxable annually on gains/dividends	Interest income is taxable
Liquidity	Moderate (access to cash value via loans/withdrawals)	High (can be sold anytime)	Moderate (depends on maturity/market)
Risk	Low to moderate (depends on policy type)	High (Market risk due to high volatility)	Low (credit risk)
Return potential	Moderate (based on policy performance)	High (market-dependent)	Low to moderate
Use for executive compensation	Highly effective (used for deferred compensation, retention)	Limited (not tailored for executive benefits)	Limited (not designed for executive compensation)

Bottom line: It's more than insurance — it's strategy

COLI and BOLI are strategic financial tools, not just insurance policies. They help manage future obligations, fund key talent strategies and maintain long-term stability.

Why work with Nationwide Business Solutions Group (NBSG)?

- Innovative and customizable solutions with a comprehensive investment lineup
- Specialized expertise from a team focused solely on institutional insurance
- Proven experience with nearly 30 years in the COLI/BOLI marketplace

Visit nationwidefinancial.com/businesslife to learn more about Nationwide Business Solutions Group.

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CLM-1281AO (09/25)