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BANK INSURANCE CONSULTANTS



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Total Bank Insurance Revenue Up in First Half of 2005

**By Michael D. White, President, Michael White Associates (MWA),
In conjunction with the American Bankers Insurance Association (ABIA)
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The nation's bank holding companies increased their total insurance revenue 1.6% to \$21.2 billion in the first half of 2005 from \$20.9 billion during the same period in 2004. During the first six months of 2005, 1,395 bank holding companies (or 61% of all top-level BHCs reporting) earned some type of insurance-related revenue, compared to 1,351 in the first half of 2004.

Michael White Associates (MWA) performed the analysis in conjunction with the American Bankers Insurance Association (ABIA) to measure the growth of the insurance business in banking organizations and to provide some benchmarks that gauge bank insurance performance. The analysis is based on data reported to the Federal Reserve Board by 2,287 top-tier bank holding companies.

Total insurance revenue can be broken down as insurance brokerage fee income and insurance underwriting fee income.

Insurance Brokerage Fee Income

Bank holding companies' insurance brokerage fee income decreased slightly by 2% from \$5.09 billion in the first half of 2004 to \$4.98 billion in the first half of 2005. During the first six months of 2005, 1,383 bank holding companies (or 60% of all top-level BHCs reporting) engaged in sales activities that produced insurance commissions and fees, compared to 1,336 a year earlier.¹ Excluding bank holding companies MetLife and John Hancock/Manulife, which do not engage in significant banking activities, insurance brokerage fee income was \$5.66 billion in the first half of 2005, down 4% from \$5.89 billion in the same period in 2004.

BHCs with assets greater than \$1 billion experienced a 2.5% decrease in insurance brokerage fee income in the first six months of 2005, declining from \$4.94 billion in the first half of 2004 to \$4.82 billion in 2005. BHCs with less than \$1 billion in assets in the first half of 2005 increased their insurance brokerage fee income 14.3% from \$143 million to \$163 million.

Again excluding MetLife and John Hancock/Manulife, which do not engage in significant banking activities, Wells Fargo & Company (CA), CitiGroup (NY), and BB&T Corporation (NC) led all bank holding companies in insurance brokerage fee income in the first six months of 2005. Among BHCs with less than \$1 billion in assets, leaders included BNCCorp (ND), Leesport Financial Corp. (PA), and Shore Bancshares, Inc. (MD).

¹ These figures for insurance revenues do not include income earned from annuities sold by the bank holding company's securities units. Adding the income from annuity sales would significantly increase the total insurance product revenue for banking organizations. Income from related non-insurance products like debt cancellation or debt suspension agreements are also excluded from the insurance revenue figures.

Insurance Underwriting Income

Insurance underwriting and reinsurance fee income increased by 2.7% to \$16.2 billion in the first of 2005 from \$15.8 billion at June 30, 2004. Ninety-six BHCs (or 4.2% of all reporting top-level BHCs) reported earning some insurance underwriting fee income, compared to 99 a year earlier.² Excluding bank holding companies MetLife and John Hancock/Manulife, which do not engage in significant banking activities, BHC insurance underwriting income was up 0.8% from \$2.53 billion in the first half of 2004 to \$2.55 billion in the first half of 2005.

Total Insurance Income

This analysis by MWA/ABIA ranks the top 50 bank holding companies on the basis of the absolute dollar amount of total insurance income (the sum of insurance brokerage and insurance underwriting fee income) and on the basis of total insurance revenue as a percentage of the institution's total noninterest income.

Mean total insurance income as a percent of noninterest income was 6.5% for all bank holding companies selling insurance. Excluding Metlife and John Hancock/Manulife, which did not engage in significant banking activities, the top 50 bank holding companies in total insurance income in the first six months of 2005 earned \$5.29 billion, or 93.5% of the \$5.66 billion earned by all the reporting holding companies. Insurance revenue among all the top 50 companies averaged 5.45% of the total noninterest income reported by the 50 institutions. The mean ratio of insurance revenue to noninterest income among the top 50 was 13.1%, a decrease from 14.6% for the first six months of 2004. The leaders in total insurance income appear in Table 1 on page 4.

Joining the top 50 in total insurance revenue during the first half of 2005 were Capital One Financial Corporation, Bancwest Corporation, Hancock Holding Company, F.N.B. Corporation, and First Charter Corporation.

Bancwest Corporation increased its rank in total insurance income the most, having jumped from 76th place at the end of 2004 to 39th through June 2005. Hancock Holding Company also jumped fairly dramatically, rising from 61st place at December 31, 2004, to 44th place on June 30, 2005.

Insurance Income as a Percent of Noninterest Income

The top 50 bank holding companies (excluding Metlife and John Hancock) that reported the highest percentage of total insurance revenue to total noninterest income appear in Table 2 on page 5.

Among the 50 companies leading in the ratio of total insurance income to noninterest income, the simple average of that ratio was 54.5%. The mean among the 50 institutions' ratios of insurance revenue to noninterest income among the top 50 was 47.2%, while the standard deviation was 10.6%. The median is 43.5%.

To recap for overall benchmarking purposes, the following figures may prove useful:

- For all bank holding companies selling insurance, mean total insurance income as a percent of noninterest income was 6.5%.
- The top 50 BHCs in insurance revenue attained a mean ratio of insurance to noninterest income of 13.1%.

² This indicates that the holding company is engaged in insurance underwriting or reinsurance activities in which an insurance affiliate of the holding company carries some or all of the insurance risk, as opposed to simply acting as an agent for the sale of insurance underwritten by an unaffiliated insurance company.

- For the top 50 BHCs in percent of noninterest income, the mean ratio of total insurance revenue to noninterest income was 47.2%.

The percentage of noninterest income from insurance might be lower than these averages, even with a robust and profitable insurance program, if the institution enjoys a high level of earnings from other noninterest or non-credit sources.

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Michael White Associates (MWA) is a bank insurance consulting firm headquartered in Radnor, PA, and at www.BankInsurance.com. Michael White's annual bank and bank holding company *Insurance & Investment Fee Income Reports*[™] provide a more comprehensive analysis of bank insurance, investment, and mutual fund and annuity fee income. Those reports are co-sponsored by Newtek Insurance Agency, MetLife Investors, and Symetra Financial. Additionally, the *MWA Fee Income Ratings Reports*[™] compare, rank and rate a particular financial institution's insurance or other noninterest fee income program nationally, regionally, statewide and in its asset-peer group. Copies of MWA's reports can be obtained from MWA by calling 1-877-DIAL MWA or by visiting www.BankInsurance.com.

The American Bankers Insurance Association (ABIA) is the separately chartered insurance affiliate of the American Bankers Association (ABA) and is the only Washington, D.C.-based full service association for bank insurance interests. The ABIA's mission is to develop policy and provide advocacy for banks in insurance and to support bank insurance operations through research, education, compliance-assistance and peer group networking opportunities. ABIA Membership consists of banks, and their affiliated agencies, insurance companies, marketing, and administrative services suppliers, non-bank lending organizations and other firms involved in the bank affiliated insurance industry. Additional information on the ABIA can be found on the Internet at www.theabia.com.

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TABLE 1: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME YTD JUNE 30, 2005 NATIONALLY				
Rank 1ST HALF 2005	Rank 1ST HALF 2004	TOTAL INSURANCE INCOME	BANK HOLDING COMPANY	STATE
1	1	\$1,528,000	CITIGROUP INC.	NY
2	2	\$695,000	WELLS FARGO & COMPANY	CA
3	3	\$487,231	HSBC NORTH AMERICA HOLDINGS INC.	IL
4	8	\$449,000	JPMORGAN CHASE & CO.	NY
5	4	\$421,035	COUNTRYWIDE FINANCIAL CORPORATION	CA
6	6	\$333,902	BB&T CORPORATION	NC
7	7	\$179,000	WACHOVIA CORPORATION	NC
8	9	\$127,258	BANK OF AMERICA CORPORATION	NC
9	10	\$116,003	MBNA CORPORATION	DE
10	11	\$77,345	GREATER BAY BANCORP	CA
11	12	\$65,497	NATIONAL CITY CORPORATION	OH
12	15	\$41,869	FIFTH THIRD BANCORP	OH
13	17	\$41,357	UNIONBANCAL CORPORATION	CA
14	16	\$41,287	REGIONS FINANCIAL CORPORATION	AL
15	19	\$39,000	U.S. BANCORP	MN
16	21	\$38,922	COMPASS BANCSHARES, INC.	AL
17	13	\$38,893	ABN AMRO NORTH AMERICA HOLDING COMPANY	IL
18	20	\$38,293	COMMERCE BANCORP. INC.	NJ
19	18	\$35,747	PNC FINANCIAL SERVICES GROUP, INC., THE	PA
20	22	\$31,167	FIRST HORIZON NATIONAL CORPORATION	TN
21	25	\$30,838	BANCORPSOUTH, INC.	MS
22	23	\$29,785	SUNTRUST BANKS, INC.	GA
23	30	\$26,442	CITIZENS FINANCIAL GROUP, INC.	RI
24	33	\$25,810	ASSOCIATED BANC-CORP	WI
25	34	\$24,000	POPULAR, INC.	PR
26	27	\$23,074	AMSOUTH BANCORPORATION	AL
27	31	\$22,364	WEBSTER FINANCIAL CORPORATION	CT
28	28	\$21,494	KEYCORP	OH
29	32	\$19,826	HIBERNIA CORPORATION	LA
30	35	\$19,736	EASTERN BANK CORPORATION	MA
31	26	\$19,640	TD BANKNORTH INC.	ME
32	24	\$18,145	OLD NATIONAL BANCORP	IN
33	43	\$17,206	TRUSTMARK CORPORATION	MS
34	40	\$17,150	LAURITZEN CORPORATION	NE
35	37	\$15,467	CULLEN/FROST BANKERS, INC.	TX
36	38	\$13,232	PEOPLE'S MUTUAL HOLDINGS	CT
37	NA	\$11,438	CAPITAL ONE FINANCIAL CORPORATION	VA
38	39	\$11,240	M&T BANK CORPORATION	NY
39	130	\$11,061	BANCWEST CORPORATION	HI
40	41	\$10,437	BNCCORP. INC.	ND
41	29	\$9,157	SKY FINANCIAL GROUP, INC.	OH
42	45	\$8,629	MERCANTILE BANKSHARES CORPORATION	MD
43	44	\$8,082	BANK OF HAWAII CORPORATION	HI
44	57	\$7,898	HANCOCK HOLDING COMPANY	MS
45	50	\$7,734	COMERICA INCORPORATED	MI
46	47	\$7,683	FIRST NATIONAL OF NEBRASKA, INC.	NE
47	51	\$7,499	HUNTINGTON BANCSHARES INCORPORATED	OH
48	48	\$7,414	JOHNSON FINANCIAL GROUP, INC.	WI
49	61	\$6,896	F.N.B. CORPORATION	PA
50	53	\$6,707	FIRST CHARTER CORPORATION	NC

Ranking excludes MetLife and John Hancock/Manulife
 Source: Michael White Associates and American Bankers Insurance Association

TABLE 2: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME AS A PERCENT OF NONINTEREST INCOME YTD JUNE 30, 2005 NATIONALLY			
RANK	% OF NON-INTEREST INCOME	BANK HOLDING COMPANY	STATE
1	75.77%	BNCCORP. INC.	ND
2	74.27%	GREATER BAY BANCORP	CA
3	69.27%	MOUNTAINONE FINANCIAL PARTNERS, MHC	MA
4	67.92%	GREAT RIVER FINANCIAL GROUP, INC.	IA
5	65.86%	EVANS BANCORP. INC.	NY
6	64.07%	FIRST OF WAVERLY CORPORATION	IA
7	62.89%	CHOICE FINANCIAL HOLDINGS, INC.	ND
8	61.96%	SHORE BANCSHARES. INC.	MD
9	57.85%	TEXAS INDEPENDENT BANCSHARES, INC.	TX
10	56.38%	FIRST WESTERN BANCORP, INC.	SD
11	51.84%	CITIZENS BANCORPORATION OF NEW ULM, INC.	MN
12	51.64%	LEESPORT FINANCIAL CORP.	PA
13	51.14%	LABETTE COUNTY BANKSHARES, INC.	KS
14	50.19%	SUSSEX BANCORP	NJ
15	49.95%	INDUSTRY BANCSHARES. INC.	TX
16	49.53%	PLATTE VALLEY FINANCIAL SERVICE COMPANIES, INC.	NE
17	48.56%	GRAFF FAMILY, INC.	NE
18	47.45%	FIRST NEBRASKA BANCS, INC.	NE
19	47.12%	COMMUNITY BANK GROUP, INC.	MN
20	46.69%	NEWBURG INSURANCE AGENCY, INC.	MO
21	45.26%	ACNB CORPORATION	PA
22	45.16%	COBIZ INC.	CO
23	44.96%	LOGAN INVESTMENT CORP.	IA
24	43.71%	SMITHTOWN BANCORP, INC.	NY
25	43.36%	GNB BANCORPORATION	IA
26	43.19%	LAURITZEN CORPORATION	NE
27	43.02%	SCB BANCORP, INC.	IL
28	42.78%	FIRST MANITOWOC BANCORP, INC.	WI
29	42.32%	FRIENDSHIP BANCORP	IN
30	42.13%	SUNFLOWER BANKS, INC.	KS
31	42.08%	FIRST MAINSTREET FINANCIAL. LTD.	CO
32	41.58%	HARDEMAN COUNTY INVESTMENT COMPANY, INC.	TN
33	41.56%	PENNS WOODS BANCORP, INC.	PA
34	40.98%	WILBER CO.	NE
35	40.98%	EASTERN BANK CORPORATION	MA
36	40.12%	DELMAR BANCORP	MD
37	39.26%	FIDELITY CORPORATION	SD
38	38.80%	UNITED BANCOR, LTD.	ND
39	38.63%	OCEANPOINT FINANCIAL PARTNERS. MHC	RI
40	38.50%	WESTERN OKLAHOMA FINANCIAL SERVICES. INC.	OK
41	38.05%	ASSOCIATED COMMUNITY BANCORP. INC.	CT
42	37.91%	FARMERS STATE CORPORATION	MN
43	37.38%	CHOICEONE FINANCIAL SERVICES, INC.	MI
44	37.09%	QUAIL CREEK BANCSHARES, INC.	OK
45	37.07%	VAN DIEST INVESTMENT COMPANY	IA
46	36.80%	473 BROADWAY HOLDING CORPORATION	NY
47	36.71%	TRI-COUNTY FINANCIAL GROUP, INC.	IL
48	35.97%	ANDREW JOHNSON BANCSHARES, INC.	TN
49	35.87%	GOODENOW BANCORPORATION	IA
50	35.86%	MAIN STREET BANKS, INC.	GA

Ranking excludes MetLife and John Hancock/Manulife
 Source: Michael White Associates and American Bankers Insurance Association