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## **Banking's Total Insurance Revenue Down Slightly in 2006; Insurance Brokerage Fee Income Up 10.6%**

**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 experienced a slight decline of 1.3 percent in their total insurance revenue from \$44.1 billion in 2005 to \$43.5 billion in 2006. During 2006, 656 of 979 bank holding companies (or 67.0 percent of all top-level BHCs reporting) earned some type of insurance-related revenue, compared to 1,428 of 2,257 BHCs in 2005.<sup>1</sup>

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 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 increased 10.6 percent from \$10.98 billion in 2005 to a record \$12.14 billion in 2006. During 2006, 651 bank holding companies (or 66.5 percent of all top-level large BHCs reporting) engaged in sales activities that produced insurance commissions and fees.<sup>2</sup> Excluding financial holding company MetLife, Inc., which did not engage in significant banking activities, insurance brokerage fee income was \$7.05 billion in 2006, up 6.6 percent from \$6.61 billion in 2005.

BHCs with assets greater than \$1 billion experienced a 12.1 percent increase in insurance brokerage fee income from \$10.68 billion in 2005 to \$11.97 billion in 2006. BHCs with less than \$1 billion in assets in 2006 saw a decrease in their insurance brokerage fee income of 44.5 percent from \$300.5 million to \$166.8 million. But, this was due largely to the change in the definition of large and small bank holding companies that,

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<sup>1</sup> The reason fewer bank holding companies reported total insurance revenues in 2006 was that the Federal Reserve changed the definitions of "large" and "small" BHCs. The "small" BHCs were redefined from those top-tier BHCs with less than \$150 million in consolidated assets to those BHCs with less than \$500 million. In general, this reduced by 1,317 the total number of BHCs that must report detailed call report information, and it thereby reduced by 791 the number of small BHCs that had to report total insurance fee income in 2006. This represented a decline of 91 percent in those BHCs in the smaller asset-classification that were required to file fee income data in 2005, and a decline of 81 percent in those BHCs that filed insurance fee income data.

<sup>2</sup> 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.

consequently, exempted 791 top-tier BHCs with consolidated assets less than \$500 million from filing insurance brokerage fee income data in 2006.

Again excluding MetLife, which did not engage in significant banking activities, Citigroup, Inc. (NY), Wells Fargo & Company (CA), BB&T Corporation (NC), JPMorgan Chase & Co. (NY), and Wachovia Corporation (NC) led all bank holding companies in insurance brokerage fee income in 2006. Among BHCs with less than \$1 billion in assets, leaders included BNCCorp (ND), Leesport Financial Corp. (PA), and Great River Financial Group, Inc. (IA).

### Insurance Underwriting Income

Insurance underwriting and reinsurance income decreased 5.2 percent to \$31.35 billion in 2006 from \$33.08 billion in 2005. Eighty-two BHCs (or 8.4 percent of all reporting top-level BHCs) reported earning some insurance underwriting fee income, compared to 94 a year earlier.<sup>3</sup> This decline in the number of BHCs engaged in insurance underwriting is related to the redefinition of smaller BHCs and to the fact that a number of BHCs that formerly underwrote credit insurance have converted their credit insurance underwriting operations to debt cancellation and debt suspension contracts.

Excluding financial holding company MetLife, Inc., which did not engage in significant banking activities, BHC insurance underwriting income was up 2.3 percent from \$4.82 billion in 2005 to \$4.93 billion in 2006. The leaders were Citigroup, Inc. (NY), Countrywide Financial Corporation (CA), HSBC North America Holdings Inc. (IL), JPMorgan Chase & Co. (NY), and Wells Fargo & Company (CA).

### Total Insurance Income

Total BHC insurance revenue declined 1.3 percent from \$44.06 billion in 2005 to \$43.48 billion in 2006. Excluding financial holding company MetLife, which did not engage in significant banking activities, total insurance income was \$11.98 billion in 2006, up 4.8 percent from \$11.44 billion in 2005.

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 6.8 percent for all bank holding companies selling insurance, up from 6.6 percent a year ago. Excluding MetLife, which did not engage in significant banking activities, the top 50 bank holding companies in total insurance income in 2006 earned \$11.39 billion, or 95.0 percent of the \$11.98 billion earned by all the reporting holding companies except MetLife. Insurance revenue among all the top 50 companies averaged 5.03 percent of the total noninterest income reported by the 50 institutions, down from 5.32 percent in 2005. The mean ratio of total insurance revenue to noninterest income among the top 50 was 14.8 percent, an increase from 13.2 percent in 2005. The leaders in total insurance income appear in Table 1 on page 5.

Excluding MetLife, which did not engage in significant banking activities, Citigroup, Inc. (NY), Wells Fargo & Company (CA), Countrywide Financial (CA), HSBC North America Holdings (IL), and BB&T Corporation (NC) led all bank holding companies in total insurance income in 2006. Among BHCs with less than \$1 billion in

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<sup>3</sup> The presence of insurance underwriting fee income 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.

assets, leaders included BNCCorp, Inc. (ND), Texas Independent Bancshares, Inc. (TX), and Shore Bancshares, Inc. (MD).

Joining the top 50 in total insurance revenue in 2006 were First Charter Corporation (NC), CoBiz, Inc. (CO), Susquehanna Bancshares, Inc. (PA), Bremer Financial Corporation (MN) (one of the original "sweet sixteen" bank holding companies whose broad insurance activities were grandfathered in 1982 by Exemption G of the Garn St. Germain Act), and The South Financial Group (SC).

Sky Financial Group, Inc. (OH) increased its rank in total insurance income the most, having jumped from 41<sup>st</sup> place at the end of 2005 to 20<sup>th</sup> by year-end 2006. Capital One Financial Corporation (VA) and The South Financial Group (SC) jumped 14 spots, landing respectively at ranks of 26<sup>th</sup> and 50<sup>th</sup>. Also jumping more than two digit's worth of ranks were Johnson Financial Group, Inc. (WI), which rose 12 ranks from 48<sup>th</sup> to 36<sup>th</sup> position; and CoBiz, Inc., which rose 10 ranks from 57<sup>th</sup> to 47<sup>th</sup> position.

#### Insurance Income as a Percent of Noninterest Income

The top 50 bank holding companies (excluding MetLife, Inc.) that reported the highest percentage of total insurance revenue to total noninterest income appear in Table 2 on page 6.

The leading 50 companies in the ratio of total insurance income to noninterest income averaged 34.5 percent in that benchmark at December 31, 2006, down from 52.5 percent in the prior year. Among this same top 50, the mean ratio of insurance revenue to noninterest income was 37.6 percent in 2006, while the standard deviation was 12.5 percent. The mean ratio was down from 45.6 percent in 2005. The median was 35.5 percent in 2006, down from 42.2 percent in 2005.

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

- For all bank holding companies reporting insurance income, mean total insurance income as a percent of noninterest income was 6.8 percent.
- The top 50 BHCs in insurance revenue attained a mean ratio of insurance to noninterest income of 14.8 percent.
- For the top 50 BHCs in insurance as a percent of noninterest income, the mean ratio of total insurance revenue to noninterest income was 37.6 percent.

The percentage of noninterest income from insurance might be lower than these averages and means, 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](http://www.BankInsurance.com). Michael White's annual *Bank and Bank Holding Company Insurance & Investment Fee Income Reports*<sup>™</sup> provide a more comprehensive analysis of bank insurance, investment, and mutual fund and annuity fee income. Those reports are sponsored by Symetra Financial. Additionally, the *MWA Fee Income Ratings Reports*<sup>™</sup> 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 (610) 254-0440, or by visiting [www.BankInsurance.com](http://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](http://www.theabia.com).

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TABLE 1: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME AT YEAR-END DECEMBER 31, 2006 NATIONALLY (In thousands of dollars)					
Rank 2006	Rank 2005	Total Insurance Income (\$ 000s)	Bank Holding Company Name	City	State
1	1	\$3,202,000	CITIGROUP INC.	NEW YORK	NY
2	2	\$1,340,000	WELLS FARGO & COMPANY	SAN FRANCISCO	CA
3	4	\$1,214,100	COUNTRYWIDE FINANCIAL	CALABASAS	CA
4	3	\$1,068,263	HSBC NORTH AMERICA	PROSPECT	IL
5	6	\$812,894	BB&T CORPORATION	WINSTON-SALEM	NC
6	5	\$801,000	JPMORGAN CHASE & CO.	NEW YORK	NY
7	8	\$542,233	BANK OF AMERICA	CHARLOTTE	NC
8	7	\$470,000	WACHOVIA CORPORATION	CHARLOTTE	NC
9	11	\$168,938	NATIONAL CITY CORPORATION	CLEVELAND	OH
10	10	\$165,460	GREATER BAY BANCORP	EAST PALO ALTO	CA
11	14	\$89,697	REGIONS FINANCIAL	BIRMINGHAM	AL
12	12	\$83,796	FIFTH THIRD BANCORP	CINCINNATI	OH
13	17	\$83,084	COMMERCE BANCORP, INC.	CHERRY HILL	NJ
14	19	\$81,952	PNC FINANCIAL SERVICES	PITTSBURGH	PA
15	15	\$75,000	U.S. BANCORP	MINNEAPOLIS	MN
16	18	\$74,772	COMPASS BANCSHARES, INC.	BIRMINGHAM	AL
17	13	\$73,234	UNIONBANCAL CORPORATION	SAN FRANCISCO	CA
18	22	\$68,836	BANCORPSOUTH, INC.	TUPELO	MS
19	24	\$64,464	KEYCORP	CLEVELAND	OH
20	41	\$58,677	SKY FINANCIAL GROUP, INC.	BOWLING GREEN	OH
21	21	\$56,114	FIRST HORIZON NATIONAL	MEMPHIS	TN
22	29	\$56,102	TD BANKNORTH INC.	PORTLAND	ME
23	25	\$54,000	POPULAR, INC.	SAN JUAN	PR
24	23	\$53,636	SUNTRUST BANKS, INC.	ATLANTA	GA
25	28	\$52,475	ASSOCIATED BANC-CORP	GREEN BAY	WI
26	40	\$48,880	CAPITAL ONE FINANCIAL	MCLEAN	VA
27	30	\$41,490	OLD NATIONAL BANCORP	EVANSVILLE	IN
28	28	\$38,806	WEBSTER FINANCIAL	WATERBURY	CT
29	32	\$35,804	EASTERN BANK CORPORATION	BOSTON	MA
30	31	\$34,042	TRUSTMARK CORPORATION	JACKSON	MS
31	33	\$33,658	LAURITZEN CORPORATION	OMAHA	NE
32	37	\$31,565	M&T BANK CORPORATION	BUFFALO	NY
33	34	\$28,524	CULLEN/FROST BANKERS, INC.	SAN ANTONIO	TX
34	40	\$28,001	BANCWEST CORPORATION	HONOLULU	HI
35	43	\$21,420	BANK OF HAWAII CORPORATION	HONOLULU	HI
36	48	\$19,513	JOHNSON FINANCIAL GROUP,	RACINE	WI
37	42	\$19,246	HANCOCK HOLDING COMPANY	GULFPORT	MS
38	39	\$18,337	BNCCORP, INC.	BISMARCK	ND
39	47	\$17,387	FIRST NATIONAL OF NEBRASKA,	OMAHA	NE
40	45	\$17,258	HUNTINGTON BANCSHARES	COLUMBUS	OH
41	20	\$17,072	CITIZENS FINANCIAL GROUP, INC.	PROVIDENCE	RI
42	44	\$16,792	MERCANTILE BANKSHARES	BALTIMORE	MD
43	46	\$15,573	R&G FINANCIAL CORPORATION	SAN JUAN	PR
44	16	\$14,210	ABN AMRO NORTH AMERICA	CHICAGO	IL
45	50	\$13,988	F.N.B. CORPORATION	HERMITAGE	PA
46	51	\$13,426	FIRST CHARTER CORPORATION	CHARLOTTE	NC
47	57	\$13,089	COBIZ INC.	DENVER	CO
48	55	\$12,885	SUSQUEHANNA BANCSHARES,	LITITZ	PA
49	54	\$12,033	BREMER FINANCIAL	SAINT PAUL	MN
50	64	\$12,025	SOUTH FINANCIAL GROUP, THE	GREENVILLE	SC

Ranking excludes MetLife, Inc.  
 Source: Michael White Associates and American Bankers Insurance Association

<b>Table 2: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME                  AS A PERCENT OF NONINTEREST INCOME                  AT YEAR-END DECEMBER 31, 2006                  NATIONALLY</b>				
<b>RANK</b>	<b>% of Noninterest Income</b>	<b>Bank Holding Company Name</b>	<b>City</b>	<b>State</b>
1	76.94%	BNCCORP, INC.	BISMARCK	ND
2	74.36%	GREATER BAY BANCORP	EAST PALO ALTO	CA
3	62.16%	MOUNTAINONE FINANCIAL	NORTH ADAMS	MA
4	55.90%	TEXAS INDEPENDENT BANCSHARES,	TEXAS CITY	TX
5	54.40%	LEESPORT FINANCIAL CORP.	WYOMISSING	PA
6	52.67%	SHORE BANCSHARES, INC.	EASTON	MD
7	51.42%	FIRST WESTERN BANCORP, INC.	HURON	SD
8	51.00%	OCEANPOINT FINANCIAL PARTNERS,	NEWPORT	RI
9	50.47%	BEACH COMMUNITY BANCSHARES,	FORT WALTON	FL
10	47.08%	GORHAM BANCORP, MHC	GORHAM	ME
11	44.49%	COBIZ INC.	DENVER	CO
12	44.45%	ENTERPRISE FINANCIAL SERVICES	CLAYTON	MO
13	44.39%	FARMERS STATE CORPORATION	MANKATO	MN
14	44.09%	ACNB CORPORATION	GETTYSBURG	PA
15	44.00%	473 BROADWAY HOLDING	SARATOGA	NY
16	41.11%	SMITHTOWN BANCORP, INC.	HAUPPAUGE	NY
17	40.54%	LEGACYTEXAS GROUP, INC.	PLANO	TX
18	39.91%	VAN DIEST INVESTMENT COMPANY	ANKENY	IA
19	38.46%	AMERICAN BANCOR, LTD.	DICKINSON	ND
20	38.14%	PLATTE VALLEY FINANCIAL SERVICE	SCOTTSBLUFF	NE
21	37.45%	FIRST MANITOWOC BANCORP, INC.	MANITOWOC	WI
22	36.51%	SUNFLOWER BANKS, INC.	SALINA	KS
23	35.79%	LAURITZEN CORPORATION	OMAHA	NE
24	35.28%	GERMAN AMERICAN BANCORP, INC.	JASPER	IN
25	34.21%	GATEWAY FINANCIAL HOLDINGS, INC.	ELIZABETH CITY	NC
26	34.05%	BANCORPSOUTH, INC.	TUPELO	MS
27	33.64%	EASTERN BANK CORPORATION	BOSTON	MA
28	32.66%	WASHINGTON FIRST FINANCIAL	SEATTLE	WA
29	32.66%	ANB CORPORATION, THE	TERRELL	TX
30	31.34%	BB&T CORPORATION	WINSTON-SALEM	NC
31	31.14%	PEOPLES BANCORP INC.	MARIETTA	OH
32	31.03%	PENNS WOODS BANCORP, INC.	JERSEY SHORE	PA
33	29.66%	FIRST BANK CORP	FORT SMITH	AR
34	28.54%	FIRST SOUTHERN BANCORP, INC.	STANFORD	KY
35	28.17%	WATFORD CITY BANCSHARES, INC.	WATFORD CITY	ND
36	27.94%	FSB MUTUAL HOLDINGS, INC.	PERKASIE	PA
37	27.40%	SOUTH DAKOTA BANCSHARES, INC.	PIERRE	SD
38	27.24%	OLD NATIONAL BANCORP	EVANSVILLE	IN
39	26.96%	HIGH POINT BANK CORPORATION	HIGH POINT	NC
40	26.94%	RAINIER PACIFIC FINANCIAL GROUP,	TACOMA	WA
41	26.83%	AMBANK COMPANY, INC.	SIOUX CENTER	IA
42	26.28%	NORTHEAST BANCORP	LEWISTON	ME
43	26.24%	ALLIANCE BANKSHARES	CHANTILLY	VA
44	26.11%	MINNWEST CORPORATION	MINNETONKA	MN
45	25.65%	NEW MEXICO BANQUEST	SANTA FE	NM
46	25.25%	ONE AMERICAN CORP.	VACHERIE	LA
47	24.75%	DACOTAH BANKS, INC.	ABERDEEN	SD
48	24.60%	AMERICAN BANK HOLDING	CORPUS CHRISTI	TX
49	24.46%	SKY FINANCIAL GROUP, INC.	BOWLING GREEN	OH
50	23.74%	R&G FINANCIAL CORPORATION	SAN JUAN	PR

Ranking excludes MetLife, Inc.  
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