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Michael White-ABIA Report: Without MetLife, Banking's Total Insurance Revenue Increased in 2008

**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 (BHCs) experienced an increase of 7.2 percent in their total insurance revenue from \$10.15 billion in 2007 to \$10.88 billion in 2008, when MetLife, which does not engage in significant banking activities, is excluded. During 2008, 586 of 880 bank holding companies (or 66.6 percent of all large top-tier BHCs reporting) earned some type of insurance-related revenue, compared to 591 of 857 BHCs in 2007.

Michael White Associates 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 large top-tier bank holding companies.¹

Total Insurance Income

Total BHC insurance revenue decreased 2.6 percent from \$43.66 billion in 2007 to \$42.53 billion in 2008. Excluding financial holding company MetLife, which did not engage in significant banking activities, total BHC insurance income was \$10.88 billion in 2008, up 7.2 percent from \$10.15 billion in 2007.

Again, excluding MetLife, Citigroup, Inc. (NY), Wells Fargo & Company (CA), and Bank of America Corporation (NC) led all bank holding companies in total insurance income in 2008. Among large BHCs with assets less than \$1 billion, leaders were 473 Broadway Holding Corporation (NY), Texas Independent Bancshares, Inc. (TX), and First Manitowoc Bancorp, Inc. (WI).

In the last two years, a few large banking companies sold insurance operations, because of changes in their particular circumstances, strategic aims, and commitment to insurance. Regardless, numerous other BHCs and thrift companies acquired or started new insurance operations, among them: Alliance Bankshares Corp. (VA), Arrow Financial Corp. (NY), BancFirst Group (OK), BancorpSouth, Inc. (MS), Bank of America (NC), Bank of the West (CA), BB&T Corporation (NC), Central Bancorp (CO), CoBiz (CO), Cullen/Frost Bankers (TX), Doral Financial (PR), Eastern Bancorp (MA), First Defiance Financial Corp. (OH), First Niagara Financial Group (NY), First United Corporation (MD), Harleysville National Corp. (PA), Huntington Bancshares (OH), Northeast Bancorp (ME), Shore Bancshares, Inc. (MD), Summit Financial Group (WV), and Wells Fargo & Company (CA).

¹ With few exceptions, only those bank holding companies defined by the Federal Reserve as "large" BHCs report detailed revenue line items like insurance brokerage and insurance underwriting income. The "large" BHCs were redefined in 2006 as being those top-tier BHCs with more than \$500 million in consolidated assets. This report covers only them.

Total insurance income could have been larger were it not for the fact that, starting in 2007, annuity commissions and fees not earned via BHC securities units were completely removed from the total insurance income data field reported to the FDIC and Federal Reserve. Adding income from annuities would increase the total insurance-related income of banking organizations. Combining total BHC annuity commissions and fees with BHC total insurance income, total BHC production of insurance product-related fee income was over \$45.14 billion in 2008 and \$45.69 billion in 2007. Like annuity commissions and fees, income from related non-insurance products like debt cancellation or debt suspension agreements is also excluded from the total insurance revenue figures.

Total insurance income includes insurance brokerage fee income and insurance underwriting fee income. During 2008, 583 bank holding companies (or 66.3 percent of all top-level large BHCs reporting) engaged in sales activities that produced insurance brokerage commissions and fees. Bank holding companies' insurance brokerage fee income decreased 3.6 percent from a record \$12.26 billion in 2007 to \$11.80 billion in 2008. Causes of the decline are largely attributable to the continuing, long-lasting soft market in commercial property-casualty insurance and sporadic, but seemingly more numerous, instances of decreases in contingent commissions. Again excluding MetLife, Wells Fargo & Company (CA), Citigroup, Inc. (NY), and BB&T Corporation (NC) led all bank holding companies in insurance brokerage fee income in 2008.

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. Insurance underwriting and reinsurance income decreased 2.2 percent to \$30.73 billion in 2008 from \$31.42 billion in 2007. Sixty BHCs (or 6.8 percent of all reporting large top-level BHCs) reported earning some insurance underwriting fee income, compared to 69 a year earlier. This decline in the number of BHCs engaged in insurance underwriting is, in part, related 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 31.8 percent from \$3.52 billion in 2007 to \$4.65 billion in 2008. The leaders were Citigroup, Inc. (NY), Bank of America Corporation (NC), and HSBC North America Holdings Inc. (IL).

Total Insurance Performance

MWA's analysis ranks the top 50 bank holding companies on the basis of the absolute dollar amount of total insurance income and on the basis of total insurance revenue as a percentage of the institution's total noninterest income. MWA calls this ratio the Total Insurance Program Concentration Ratio. It denotes the degree to which noninterest income is concentrated in this particular type of noninterest fee income, i.e., total insurance fee 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 2008 earned \$10.06 billion, or 92.4 percent of the \$10.88 billion earned by all the reporting holding companies except MetLife.

Insurance revenue among all the top 50 companies averaged 8.31 percent of the total noninterest income reported by the 50 institutions, up substantially from 5.04 percent in 2007. The mean ratio of total insurance revenue to noninterest income among the top 50 in total insurance income was 18.7 percent, an increase from 13.4 percent in 2007. These substantial increases from 2007 to 2008 in both average and mean ratio of insurance concentration within total noninterest income were due to increased noninterest income losses on the sale of assets, which disproportionately increased the ratios of total insurance to total noninterest income. The leaders in total insurance income appear in Table 1 on page 5.

Joining the top 50 in total insurance revenue in 2008 were National Penn Bancshares, Inc. (PA), CoBiz Financial Inc. (CO), The ANB Corporation (TX), Shore Bancshares, Inc. (MD), Doral Gp Ltd. (PR), 473 Broadway Holding Corporation (NY), Comerica Incorporated (TX), and Peoples Bancorp Inc. (OH).

Among the top 50 nationally, Doral Gp Ltd. (PR) increased its rank in total insurance income the most, having jumped from 92nd place at the end of 2007 to 43rd by year-end 2008. National Penn Bancshares, Inc. (PA) and 473 Broadway Holding Corporation (NY) each jumped 40 rungs of the ladder, respectively, from 74th to 34th and 84th to 44th place in the rankings. Also jumping two digit's worth of ranks were BBVA USA Bancshares, Inc. (TX), Huntington Bancshares (OH), Barclays Group US Inc. (DE), CoBiz Financial Inc. (CO), The ANB Corporation (TX), Shore Bancshares, Inc. (MD) and Comerica Incorporated (TX).

Insurance Concentration Ratio: Total Insurance Income as a Percent of Noninterest Income

The top 50 bank holding companies (excluding MetLife, Inc.) that reported the highest concentration or 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 72.0 percent in that benchmark at December 31, 2008, up from 32.4 percent in the prior year. Among this same top 50, the mean ratio of insurance revenue to noninterest income was 49.9 percent in 2008, while the standard deviation was 49.5 percent. The mean ratio was up from 40.6 percent in 2007. The median was 36.8 percent in 2008, up slightly from 35.8 percent in 2007.

The extremes in the change in the average ratio of total insurance income to noninterest income (from 32.4 percent to 72.0 percent) and in the standard deviation (49.5 percent) are due to the extremes in BHC performance in noninterest income, of which some cases registered such large losses that total insurance income constituted Concentration Ratios in excess of 100 percent of noninterest income. Median ratios help restore some balance for the observer. Another useful method by which to establish the more typical performance of particular BHCs would be to measure total insurance income as a percent of noninterest fee income, which excludes gains and losses from the sale of bank assets.

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 18.6 percent.
- For the top 50 BHCs in insurance as a percent of noninterest income, the mean Concentration Ratio of total insurance revenue to noninterest income was 49.9 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.

A Word about Wachovia Data

Please note that all industry ratios, benchmarks and rankings exclude the contribution of Wachovia Corporation. Effective December 31, 2008, Wells Fargo & Company acquired Wachovia Corporation. Wachovia's assets and liabilities were included in Wells Fargo's consolidated balance sheet at their respective

acquisition date fair value. Because the acquisition was completed at the end of 2008, Wachovia's results were not included in Wells Fargo's income statement. Indeed, they were not reported at all.

Because Wachovia Corporation was a significant contributor and leader in a number of noninterest fee income activities such as insurance, MWA annualized Wachovia's year-to-date income statement results for the first three quarters of 2008 and added its insurance income to the bank holding company totals nationally. Only the totals have been adjusted to account for Wachovia production. No further adjustments have been made to include Wachovia in any rankings or benchmarks such as mean or median performance ratios.

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Michael White Associates (MWA) is a bank insurance consulting firm headquartered in Radnor, PA, and at www.BankInsurance.com. The annual *Michael White-Prudential Bank Insurance Fee Income Report*[™] provides a comprehensive analysis of bank insurance brokerage and underwriting fee income. Prudential Financial sponsors that report. 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 (610) 254-0440, 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 DECEMBER 31, 2008 NATIONALLY (In thousands of dollars)					
Rank 2008	Rank 2007	Total Insurance Income (\$000s)	Bank Holding Company Name	City	State
1	1	\$3,221,000	CITIGROUP INC.	NEW YORK	NY
2	2	\$1,830,000	WELLS FARGO & COMPANY	SAN FRANCISCO	CA
3	4	\$1,822,499	BANK OF AMERICA CORPORATION	CHARLOTTE	NC
4	5	\$928,449	BB&T CORPORATION	WINSTON-SALEM	NC
5	3	\$505,906	HSBC NORTH AMERICA HOLDINGS INC.	METTAWA	IL
6	6	\$396,000	JPMORGAN CHASE & CO.	NEW YORK	NY
7	7	\$117,982	REGIONS FINANCIAL CORPORATION	BIRMINGHAM	AL
8	9	\$87,072	BANCORPSOUTH, INC.	TUPELO	MS
9	10	\$75,595	SUNTRUST BANKS, INC.	ATLANTA	GA
10	12	\$72,625	HUNTINGTON BANCSHARES INCORPORATED	COLUMBUS	OH
11	17	\$63,000	U.S. BANCORP	MINNEAPOLIS	MN
12	42	\$57,077	BBVA USA BANCSHARES, INC.	HOUSTON	TX
13	14	\$56,653	TD BANKNORTH INC.	PORTLAND	ME
14	81	\$51,033	EASTERN BANK CORPORATION	BOSTON	MA
15	16	\$47,000	POPULAR, INC.	SAN JUAN	PR
16	21	\$45,065	ASSOCIATED BANC-CORP	GREEN BAY	WI
17	19	\$42,889	FIFTH THIRD BANCORP	CINCINNATI	OH
18	29	\$42,825	BARCLAYS GROUP US INC.	WILMINGTON	DE
19	22	\$41,024	FIRST HORIZON NATIONAL CORPORATION	MEMPHIS	TN
20	23	\$39,153	OLD NATIONAL BANCORP	EVANSVILLE	IN
21	24	\$36,888	LAURITZEN CORPORATION	OMAHA	NE
22	38	\$35,948	BANCWEST CORPORATION	HONOLULU	HI
23	28	\$33,128	CULLEN/FROST BANKERS, INC.	SAN ANTONIO	TX
24	30	\$32,442	TRUSTMARK CORPORATION	JACKSON	MS
25	25	\$30,671	M&T BANK CORPORATION	BUFFALO	NY
26	31	\$22,294	JOHNSON FINANCIAL GROUP, INC.	RACINE	WI
27	27	\$19,978	BANK OF HAWAII CORPORATION	HONOLULU	HI
28	34	\$18,803	CENTRAL COMMUNITY CORPORATION	TEMPLE	TX
29	35	\$18,763	FIRST NATIONAL OF NEBRASKA, INC.	OMAHA	NE
30	36	\$16,554	HANCOCK HOLDING COMPANY	GULFPORT	MS
31	41	\$15,857	STIFEL FINANCIAL CORP.	SAINT LOUIS	MO
32	33	\$15,638	BREMER FINANCIAL CORPORATION	SAINT PAUL	MN
33	39	\$15,572	F.N.B. CORPORATION	HERMITAGE	PA
34	43	\$15,381	NATIONAL PENN BANCSHARES, INC.	BOYERTOWN	PA
35	40	\$15,076	COBIZ FINANCIAL INC.	DENVER	CO
36	65	\$14,413	PNC FINANCIAL SERVICES GROUP, INC., THE	PITTSBURGH	PA
37	56	\$14,116	ANB CORPORATION, THE	TERRELL	TX
38	32	\$14,013	R&G FINANCIAL CORPORATION	SAN JUAN	PR
39	44	\$13,206	SUSQUEHANNA BANCSHARES, INC.	LITITZ	PA
40	66	\$12,090	SHORE BANCSHARES, INC.	EASTON	MD
41	49	\$11,607	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY
42	53	\$11,290	VIST FINANCIAL CORP.	WYOMISSING	PA
43	50	\$10,550	DORAL GP LTD.	SAN JUAN	PR
44	51	\$10,386	473 BROADWAY HOLDING CORPORATION	SARATOGA	NY
45	48	\$10,188	COMERICA INCORPORATED	DALLAS	TX
46	52	\$10,157	FIRST BANCORP	SAN JUAN	PR
47	20	\$10,081	SOUTH FINANCIAL GROUP, INC., THE	GREENVILLE	SC
48	58	\$10,053	VALLEY NATIONAL BANCORP	WAYNE	NJ
49	63	\$9,902	PEOPLES BANCORP INC.	MARIETTA	OH
50	63	\$9,245	CAPITAL ONE FINANCIAL CORPORATION	MCLEAN	VA

Ranking excludes MetLife

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 DECEMBER 31, 2008 NATIONALLY				
RANK	% of Noninterest Income	Bank Holding Company Name	City	State
1	323.72%	CITIGROUP INC.	NEW YORK	NY
2	235.06%	ALLIANCE BANKSHARES CORPORATION	CHANTILLY	VA
3	68.51%	473 BROADWAY HOLDING CORPORATION	SARATOGA SPRINGS	NY
4	62.52%	CENTRAL COMMUNITY CORPORATION	TEMPLE	TX
5	61.41%	VIST FINANCIAL CORP.	WYOMISSING	PA
6	60.82%	FIRST MANITOWOC BANCORP, INC.	MANITOWOC	WI
7	59.53%	EASTERN BANK CORPORATION	BOSTON	MA
8	58.30%	SHORE BANCSHARES, INC.	EASTON	MD
9	57.46%	TEXAS INDEPENDENT BANCSHARES, INC.	TEXAS CITY	TX
10	55.87%	MOUNTAINONE FINANCIAL PARTNERS, MHC	NORTH ADAMS	MA
11	55.00%	NORTHEAST BANCORP	LEWISTON	ME
12	51.53%	SUMMIT FINANCIAL GROUP, INC.	MOOREFIELD	WV
13	49.47%	INDUSTRY BANCSHARES, INC.	INDUSTRY	TX
14	49.22%	FARMERS STATE CORPORATION	MANKATO	MN
15	47.62%	VAN DIEST INVESTMENT COMPANY	ANKENY	IA
16	47.28%	COBIZ FINANCIAL INC.	DENVER	CO
17	45.90%	OCEANPOINT FINANCIAL PARTNERS, MHC	NEWPORT	RI
18	42.70%	PLATTE VALLEY FINANCIAL SERVICE COMPANIES, INC.	SCOTTSBLUFF	NE
19	42.49%	SOUTH DAKOTA BANCSHARES, INC.	PIERRE	SD
20	41.07%	LAURITZEN CORPORATION	OMAHA	NE
21	40.71%	FIRST BANK CORP	FORT SMITH	AR
22	39.89%	ACNB CORPORATION	GETTYSBURG	PA
23	38.52%	COMMUNITY FIRST BANCSHARES, INC.	UNION CITY	TN
24	38.41%	BEACON BANCORP	TAUNTON	MA
25	36.88%	SMITHTOWN BANCORP, INC.	HAUPPAUGE	NY
26	36.64%	ANB CORPORATION, THE	TERRELL	TX
27	36.61%	LEGACYTEXAS GROUP, INC.	PLANO	TX
28	36.36%	HIGH POINT BANK CORPORATION	HIGH POINT	NC
29	36.30%	GORHAM BANCORP, MHC	GORHAM	ME
30	36.29%	ONE AMERICAN CORP.	VACHERIE	LA
31	34.81%	GERMAN AMERICAN BANCORP, INC.	JASPER	IN
32	34.50%	MINNWEST CORPORATION	MINNETONKA	MN
33	33.82%	MID-MISSOURI BANCSHARES, INC.	SPRINGFIELD	MO
34	33.01%	AMERICAN BANCOR, LTD.	DICKINSON	ND
35	32.90%	DELMAR BANCORP	DELMAR	MD
36	32.82%	GOODENOW BANCORPORATION	OKOBOJI	IA
37	30.36%	BANCORPSOUTH, INC.	TUPELO	MS
38	30.35%	BB&T CORPORATION	WINSTON-SALEM	NC
39	30.25%	CAMCO FINANCIAL CORPORATION	CAMBRIDGE	OH
40	30.14%	PEOPLES BANCORP INC.	MARIETTA	OH
41	30.13%	STARION BANCORPORATION	BISMARCK	ND
42	29.46%	AMERICAN BANK HOLDING CORPORATION	CORPUS CHRISTI	TX
43	29.42%	AMBANK COMPANY, INC.	SIOUX CENTER	IA
44	28.95%	FIRST YORK BAN CORP.	YORK	NE
45	28.60%	SUNFLOWER FINANCIAL, INC.	SALINA	KS
46	28.47%	NARRAGANSETT FINANCIAL CORP	FALL RIVER	MA
47	27.02%	WATFORD CITY BANCSHARES, INC.	WATFORD CITY	ND
48	26.78%	NEW MEXICO BANQUEST CORPORATION	SANTA FE	NM
49	26.48%	DACOTAH BANKS, INC.	ABERDEEN	SD
50	26.18%	CADENCE FINANCIAL CORPORATION	STARKVILLE	MS

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