



MICHAEL WHITE ASSOCIATES
BANK INSURANCE CONSULTANTS

BANKINSURANCE.com



**AMERICAN BANKERS
INSURANCE ASSOCIATION**

An affiliate of the
AMERICAN BANKERS ASSOCIATION

Michael White-ABIA Report: Banking's Total Insurance Revenue Hits Record Level in 2009

**By Michael D. White, President, Michael White Associates (MWA),
In conjunction with the American Bankers Insurance Association (ABIA)
May 18, 2010**

The nation's bank holding companies (BHCs) experienced an increase of 38.5 percent in their total insurance revenue from \$10.88 billion in 2008 to a record \$15.08 billion in 2009, when MetLife, a traditional life insurance company that does not engage in significant banking activities, is excluded. During 2009, 609 of 916 bank holding companies (or 66.5 percent of all large top-tier BHCs reporting) earned some type of insurance-related revenue, compared to 588 of 882 BHCs in 2008.

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

During 2009, 609 bank holding companies (or 66.5 percent of all top-level large BHCs reporting) engaged in insurance sales and/or underwriting activities that produced insurance fee income. Total BHC insurance revenue increased 11.1 percent from \$42.53 billion in 2008 to \$47.24 billion in 2009, also a record. Excluding financial holding company MetLife, which did not engage in significant banking activities, total BHC insurance income was a record \$15.08 billion in 2009, up 38.5 percent from \$10.88 billion in 2008.

Again, excluding MetLife, Citigroup, Inc. (NY), Bank of America Corporation (NC), and Wells Fargo & Company (CA) led all bank holding companies in total insurance income in 2009. Among large BHCs with assets less than \$1 billion, leaders were Armed Forces Benefit Association (VA), 473 Broadway Holding Corporation (NY), and Texas Independent Bancshares, Inc. (TX).

Total insurance income could have been even 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 fee 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 \$49.86 billion in 2009 and \$45.14 billion in 2008. 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.

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 includes insurance brokerage fee income and insurance underwriting fee income. During 2009, 606 bank holding companies (or 66.2 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 increased 4.7 percent from \$11.80 billion in 2008 to \$12.36 billion in 2009. Causes of the increase are largely attributable to the chartering of new bank holding companies during the economic crisis of 2008-2009. Excluding financial holding company MetLife, Inc., which did not engage in significant banking activities, BHC insurance brokerage income was up 9.8 percent from \$6.07 billion in 2008 to \$6.66 billion in 2009. Wells Fargo & Company (CA), Citigroup, Inc. (NY), and BB&T Corporation (NC) led all bank holding companies in insurance brokerage fee income in 2009.

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 increased 13.5 percent to \$34.88 billion in 2009 from \$30.73 billion in 2008. Sixty-nine BHCs (or 7.5 percent of all reporting large top-level BHCs) reported earning some insurance underwriting fee income, compared to 66 a year earlier. There has been a large decline from 179 BHCs engaged in insurance underwriting in 2001, in part, due to the conversion by some BHCs of 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 74.8 percent from \$4.82 billion in 2008 to \$8.42 billion in 2009. The leaders were Bank of America Corporation (NC), Citigroup, Inc. (NY), and GMAC Inc. (MI).

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 in 2009, down from 7.5 percent in 2008. Excluding MetLife, the top 50 bank holding companies in total insurance income in 2009 earned \$14.54 billion, or 96.4 percent of the \$15.08 billion earned by all the reporting holding companies except MetLife.

Insurance revenue among the top 50 companies in total insurance income averaged 4.35 percent of the total noninterest income reported by the 50 institutions, down substantially from 8.31 percent in 2008, but more comparable to the average of 5.04 percent in 2007. The mean ratio of total insurance revenue to noninterest income among the top 50 in total insurance income was 16.4 percent, a decrease from 18.7 percent in 2008. The leaders in total insurance income appear in Table 1 on page 5.

Joining the top 50 in total insurance revenue in 2009 were GMAC Inc. (MI), Goldman Sachs Group, Inc. (NY), American Express Company (NY), Morgan Stanley (NY), Discover Financial Services (IL), Armed Forces Benefit Association (VA), CIT Group Inc. (NY), NBT Bancorp Inc. (NY), and International Bancshares Corporation (TX). All but the latter two were newly chartered bank holding companies in 2009.

Among the top 50 nationally and those BHCs operating in 2008, NBT Bancorp Inc. (NY) increased its rank in total insurance income the most, having jumped from 83rd place at the end of 2008 to 42nd by year-end 2009. The PNC Financial Services Group, Inc. (PA) and International Bancshares Corporation (TX) each jumped 24 rungs of the ladder, respectively, from 36th to 12th place and 72nd to 48th place in the rankings. Most of the top 50 that

operated in 2008 declined in the rankings, if only because of the addition to the list of new BHCs that were highly ranked in total insurance revenue.

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 34.0 percent in that benchmark at December 31, 2009, down from 72.0 percent in 2008 and the more normalized 32.4 percent in 2007. Among this same top 50, the mean ratio of insurance revenue to noninterest income was 46.6 percent in 2009, while the standard deviation was 33.9 percent. The mean ratio was down from 49.9 percent in 2008, and the standard deviation was a much greater 49.5 percent. The median was 40.0 percent in 2009, up from 36.8 percent in 2008.

The extreme fluctuations in the average ratio of total insurance income to noninterest income (from 32.4 percent in 2007 to 72.0 percent in 2008 back to 34.0 percent in 2009) and in the standard deviation (49.5 percent in 2008 and 33.9 percent in 2009) are due to the extremes in BHC performance in noninterest income, brought on by increased noninterest income losses on the sales of assets that disproportionately increased the ratio of total insurance to total 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 total insurance to noninterest income of 16.4 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 46.6 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.

###

Michael White Associates (MWA) is a bank insurance consulting firm headquartered in Radnor, PA, and at www.BankInsurance.com. The *Michael White-ABIA Bank Annuity Fee Income Report* and *Michael White-Prudential Bank Insurance Fee Income Report*[™] provide, respectively, more comprehensive analyses of bank annuity and insurance brokerage and underwriting fee income. The ABIA sponsors the former report, and Prudential Financial the latter. 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.

###

For additional information contact:

Valerie Barton
American Bankers Insurance Association
1120 Connecticut Avenue, NW
Washington, DC 20036

Phone: (202) 663-5072
Fax: (202) 828-4546
Email: vbarton@aba.com

Michael White
Michael White Associates, LLC
823 King of Prussia Road
Radnor, PA 19087

Phone: (610) 254-0440
Fax: (610) 254-5044
Email: MWA@BankInsurance.com

TABLE 1: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME YTD DECEMBER 31, 2009 NATIONALLY (In thousands of dollars)					
Rank 2009	Rank 2008	Total Insurance Income (\$000s)	Bank Holding Company Name	City	State
1	1	\$3,020,000	CITIGROUP INC.	NEW YORK	NY
2	3	\$2,759,959	BANK OF AMERICA CORPORATION	CHARLOTTE	NC
3	2	\$2,126,000	WELLS FARGO & COMPANY	SAN FRANCISCO	CA
4	N/A	\$2,099,000	GMAC INC.	DETROIT	MI
5	4	\$1,047,757	BB&T CORPORATION	WINSTON-SALEM	NC
6	N/A	\$442,000	GOLDMAN SACHS GROUP, INC., THE	NEW YORK	NY
7	N/A	\$429,036	AMERICAN EXPRESS COMPANY	NEW YORK	NY
8	6	\$417,000	JPMORGAN CHASE & CO.	NEW YORK	NY
9	5	\$382,236	HSBC NORTH AMERICA HOLDINGS INC.	METTAWA	IL
10	N/A	\$191,000	MORGAN STANLEY	NEW YORK	NY
11	N/A	\$128,796	DISCOVER FINANCIAL SERVICES	RIVERWOODS	IL
12	36	\$125,527	PNC FINANCIAL SERVICES GROUP, INC., THE	PITTSBURGH	PA
13	N/A	\$117,893	ARMED FORCES BENEFIT ASSOCIATION	ALEXANDRIA	VA
14	7	\$113,342	REGIONS FINANCIAL CORPORATION	BIRMINGHAM	AL
15	8	\$81,354	BANCORPSOUTH, INC.	TUPELO	MS
16	10	\$73,311	HUNTINGTON BANCSHARES INCORPORATED	COLUMBUS	OH
17	9	\$65,170	SUNTRUST BANKS, INC.	ATLANTA	GA
18	11	\$63,000	U.S. BANCORP	MINNEAPOLIS	MN
19	14	\$58,627	EASTERN BANK CORPORATION	BOSTON	MA
20	17	\$55,793	FIFTH THIRD BANCORP	CINCINNATI	OH
21	13	\$53,717	TD BANK US HOLDING COMPANY	PORTLAND	ME
22	12	\$49,787	BBVA USA BANCSHARES, INC.	HOUSTON	TX
23	15	\$45,000	POPULAR, INC.	SAN JUAN	PR
24	16	\$43,999	ASSOCIATED BANC-CORP	GREEN BAY	WI
25	25	\$42,448	M&T BANK CORPORATION	BUFFALO	NY
26	18	\$37,860	BARCLAYS GROUP US INC.	WILMINGTON	DE
27	20	\$37,851	OLD NATIONAL BANCORP	EVANSVILLE	IN
28	21	\$36,837	LAURITZEN CORPORATION	OMAHA	NE
29	22	\$34,601	BANCWEST CORPORATION	HONOLULU	HI
30	19	\$34,378	FIRST HORIZON NATIONAL CORPORATION	MEMPHIS	TN
31	23	\$33,218	CULLEN/FROST BANKERS, INC.	SAN ANTONIO	TX
32	24	\$29,079	TRUSTMARK CORPORATION	JACKSON	MS
33	26	\$21,838	JOHNSON FINANCIAL GROUP, INC.	RACINE	WI
34	31	\$20,146	STIFEL FINANCIAL CORP.	SAINT LOUIS	MO
35	29	\$19,488	FIRST NATIONAL OF NEBRASKA, INC.	OMAHA	NE
36	33	\$16,672	F.N.B. CORPORATION	HERMITAGE	PA
37	34	\$16,069	NATIONAL PENN BANCSHARES, INC.	BOYERTOWN	PA
38	27	\$15,395	BANK OF HAWAII CORPORATION	HONOLULU	HI
39	N/A	\$14,970	CIT GROUP INC.	NEW YORK	NY
40	32	\$14,745	BREMER FINANCIAL CORPORATION	SAINT PAUL	MN
41	30	\$14,355	HANCOCK HOLDING COMPANY	GULFPORT	MS
42	83	\$13,740	NBT BANCORP INC.	NORWICH	NY
43	39	\$13,139	SUSQUEHANNA BANCSHARES, INC.	LITITZ	PA
44	38	\$12,321	R&G FINANCIAL CORPORATION	SAN JUAN	PR
45	41	\$12,307	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY
46	42	\$12,254	VIST FINANCIAL CORP.	WYOMISSING	PA
47	35	\$11,773	COBIZ FINANCIAL INC.	DENVER	CO
48	72	\$11,350	INTERNATIONAL BANCSHARES CORP.	LAREDO	TX
49	40	\$11,131	SHORE BANCSHARES, INC.	EASTON	MD
50	28	\$10,997	CENTRAL COMMUNITY CORPORATION	TEMPLE	TX

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, 2009 NATIONALLY				
RANK	% of Noninterest Income	Bank Holding Company Name	City	State
1	253.25%	MINNWEST CORPORATION	MINNETONKA	MN
2	94.97%	ARMED FORCES BENEFIT ASSOCIATION	ALEXANDRIA	VA
3	79.43%	MARLIN BUSINESS SERVICES CORP.	MOUNT LAUREL	NJ
4	74.48%	CHOICE FINANCIAL HOLDINGS, INC.	GRAFTON	ND
5	67.61%	473 BROADWAY HOLDING CORPORATION	SARATOGA SPRINGS	NY
6	66.46%	VIST FINANCIAL CORP.	WYOMISSING	PA
7	65.12%	BEACON BANCORP	TAUNTON	MA
8	61.42%	LAURITZEN CORPORATION	OMAHA	NE
9	59.55%	FIRST MANITOWOC BANCORP, INC.	MANITOWOC	WI
10	57.10%	SHORE BANCSHARES, INC.	EASTON	MD
11	53.24%	NORTHEAST BANCORP	LEWISTON	ME
12	52.50%	INDUSTRY BANCSHARES, INC.	INDUSTRY	TX
13	51.38%	CENTRAL COMMUNITY CORPORATION	TEMPLE	TX
14	51.32%	LEGACYTEXAS GROUP, INC.	PLANO	TX
15	49.75%	SUMMIT FINANCIAL GROUP, INC.	MOOREFIELD	WV
16	49.68%	COBIZ FINANCIAL INC.	DENVER	CO
17	49.56%	MOUNTAINONE FINANCIAL PARTNERS, MHC	NORTH ADAMS	MA
18	49.00%	TEXAS INDEPENDENT BANCSHARES, INC.	TEXAS CITY	TX
19	45.27%	EASTERN BANK CORPORATION	BOSTON	MA
20	45.20%	VAN DIEST INVESTMENT COMPANY	ANKENY	IA
21	45.03%	ACNB CORPORATION	GETTYSBURG	PA
22	41.87%	SOUTH DAKOTA BANCSHARES, INC.	PIERRE	SD
23	41.26%	PLATTE VALLEY FINANCIAL SERVICE COMPANIES, INC.	SCOTTSBLUFF	NE
24	40.85%	OCEANPOINT FINANCIAL PARTNERS, MHC	NEWPORT	RI
25	40.07%	HIGH POINT BANK CORPORATION	HIGH POINT	NC
26	39.89%	SMITHTOWN BANCORP, INC.	HAUPPAUGE	NY
27	37.38%	FIRST BANK CORP	FORT SMITH	AR
28	36.25%	AMERICAN BANCOR, LTD.	DICKINSON	ND
29	35.91%	GOODENOW BANCORPORATION	OKOBOJI	IA
30	35.26%	GORHAM BANCORP, MHC	GORHAM	ME
31	35.17%	FARMERS STATE CORPORATION	MANKATO	MN
32	32.53%	GERMAN AMERICAN BANCORP, INC.	JASPER	IN
33	31.16%	BANCORPSOUTH, INC.	TUPELO	MS
34	30.70%	AMERICAN BANK HOLDING CORPORATION	CORPUS CHRISTI	TX
35	30.10%	BB&T CORPORATION	WINSTON-SALEM	NC
36	29.39%	PEOPLES BANCORP INC.	MARIETTA	OH
37	27.65%	DACOTAH BANKS, INC.	ABERDEEN	SD
38	27.21%	WATFORD CITY BANCSHARES, INC.	WATFORD CITY	ND
39	27.16%	HAMPTON ROADS BANKSHARES, INC.	NORFOLK	VA
40	27.09%	STOCKMENS FINANCIAL CORPORATION	RAPID CITY	SD
41	26.97%	CAPITOL BANCORP LTD.	LANSING	MI
42	26.81%	SUNFLOWER FINANCIAL, INC.	SALINA	KS
43	26.75%	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY
44	26.61%	FIRST M & F CORPORATION	KOSCIUSKO	MS
45	26.57%	NARRAGANSETT FINANCIAL CORP	FALL RIVER	MA
46	26.43%	COMMUNITY FIRST BANCSHARES, INC.	UNION CITY	TN
47	26.00%	FIRST STATE BANCSHARES, INC.	FARMINGTON	MO
48	25.92%	STARION BANCORPORATION	BISMARCK	ND
49	25.77%	FIRST YORK BAN CORP.	YORK	NE
50	25.74%	AMBANK COMPANY, INC.	SIoux CENTER	IA

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