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Michael White-ABIA Report Total BHC Insurance Revenue Up Slightly in First Half 2010

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

Total insurance revenue at the nation's bank holding companies (BHCs) rose a slight 1.4 percent to \$23.9 billion in the first half of 2010, up from \$23.6 billion during the same period in 2009. During the first six months of 2010, 580 of 930 top-tier large bank holding companies¹ (or 62.4 percent of all top-level BHCs reporting) earned some type of insurance-related revenue, compared to 581 of 932 in the first half of 2009.

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 large top-tier large bank holding companies operating on June 30, 2010.

Total Insurance Income

During the first six months of 2010, 580 of 930 top-tier large bank holding companies (or 62.4 percent of all top-level BHCs reporting) engaged in insurance sales and/or underwriting activities that produced insurance fee income. Total BHC insurance revenue remained steady with a small increase of 1.4 percent to \$23.9 billion in first half 2010 from \$23.6 billion during the same period in 2009. Excluding financial holding company and insurer MetLife, which did not engage in significant banking activities, total insurance income was \$7.58 billion in the first half of 2010, down 8.3 percent from \$8.27 billion in the same period in 2009. All the factors that may have retarded growth in either insurance brokerage or insurance underwriting fee income are carried forward in their effects to total insurance income: a soft commercial property-casualty market and declines in insurance underwriting income.

Again, excluding MetLife, Bank of America Corporation (NC), Citigroup Inc. (NY), Wells Fargo & Company (CA), Ally Financial Inc. (MI), and BB&T Corporation (NC) led all bank holding companies in total insurance income in the first six months of 2010. Among BHCs with less than \$1 billion in assets, leaders in total insurance income were Armed Forces Benefit Association (VA), Two Rivers Financial Group, Inc. (IA), 473 Broadway Holding Corporation (NY), Texas Independent Bancshares, Inc. (TX), and Evans Bancorp, Inc. (NY).

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 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 \$25.17 billion in

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.

first half 2010 and \$24.95 billion in first half 2009. Like annuity commissions and fees, income from related non-insurance protection products such as debt cancellation or debt suspension agreements is also excluded from the total insurance revenue figures.

Total insurance revenue includes insurance brokerage fee income and insurance underwriting fee income. During the first six months of 2010, 578 bank holding companies (or 62.2 percent of all BHCs reporting) engaged in sales activities that produced insurance commissions and fees. Bank holding companies' insurance brokerage fee income increased 13.6 percent from \$6.05 billion in the first half of 2009 to \$6.88 billion in the first half of 2010. Excluding MetLife, Inc. (NY), BHC insurance brokerage fee income was \$3.86 billion in the first half of 2010, up 13.8 percent from \$3.40 billion in the same period in 2009. The relatively recent appearance of large financial companies (e.g., American Express, Goldman Sachs, Discover Financial) not previously regulated as BHCs has helped boost insurance brokerage revenues. But, even without the brokerage income of MetLife and these latter financial companies, the rest of the BHCs as a whole registered an 8.9 percent increase in insurance brokerage income in first half 2010.

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 2010. Among BHCs with less than \$1 billion in assets, leaders in insurance brokerage income were Two Rivers Financial Group, Inc. (IA), 473 Broadway Holding Corporation (NY), and Texas Independent Bancshares, Inc. (TX).

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 2.9 percent from \$17.6 billion at June 30, 2009, to \$17.1 billion in the first half of 2010. Sixty-four BHCs (64 or 6.9 percent of all reporting top-level BHCs) earned some insurance underwriting income, compared to 68 a year earlier. Excluding MetLife, BHC insurance underwriting income dropped \$1.2 billion or 23.7 percent from \$4.9 billion in the first half of 2009 to \$3.7 billion in the first half of 2010. Two organizations accounted for almost the entire drop. Nearly 64 percent of the decrease in underwriting income was due to the sale of some underwriting operations by Ally Financial Inc. (MI), the former GMAC Inc., which declined by \$730 million to \$945 million in first half 2010 from nearly \$1.7 billion in 2009. Citigroup Inc. (NY) accounted for \$382 million of the decrease in underwriting income. Over the long haul, the industry has experienced a continued decline in the number of holding companies engaged in insurance underwriting from 128 in first half 2003 to 96 in the same period in 2005 to 64 in the first six months of this year.

Bank of American Corporation (NC), Ally Financial Inc. (MI), and Citigroup (NY) led all bank holding companies in insurance underwriting income in the first six months of 2010. Among BHCs with less than \$1 billion in assets, leaders in insurance underwriting income were Armed Forces Benefit Association (VA), First Volunteer Corporation (TN), and United Security Bancshares, Inc. (AL).

Total Insurance Performance

MWA's analysis here 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 each institution's total noninterest income. MWA calls this ratio the Total Insurance Program Concentration. 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 7.8 percent for all bank holding companies engaged selling insurance in the first six months in 2010, up from 6.6 percent a year ago. Excluding

MetLife, the top 50 bank holding companies in total insurance income in the first six months of 2010 earned \$7.33 billion, or 96.7 percent of the \$7.58 billion earned by all the reporting holding companies except MetLife.

Insurance revenue among the top 50 companies in total insurance income averaged 4.27 percent of the total noninterest income reported by the 50 institutions, down slightly from 4.37 percent in the first half of 2009. Their mean Concentration Ratio of total insurance revenue to noninterest income was 17.9 percent, an increase from 17.6 percent for the first six months of 2009. Last but not least, the median Concentration Ratio of insurance revenue to noninterest income among the top 50 in total insurance revenue was 7.6 percent for the first six months of 2010. The leaders in total insurance income appear in Table 1 on page 5.

Joining the top 50 in total insurance revenue during the first half of 2010 were four BHCs: First Niagara Financial Group, Inc. (NY), Two Rivers Financial Group, Inc. (IA), Valley National Bancorp (NJ), and First Citizens Bancshares, Inc. (NC). First Niagara converted from a savings association to a national bank with a holding company earlier this year, so, now reports insurance data to the Federal Reserve that we are now able to analyze and report. Two Rivers was previously a small BHC and, thus, did not report insurance data till now.

Among the top 50 nationally and those operating or reporting in 2009, Stifel Financial Corp. (MO) increased its rank in total insurance income the most, jumping from 44th place at mid-2009 to 30th at June 30, 2010. First Citizens Bancshares (NC) was next in improvement, jumping six rungs of the ladder from 56th place in mid-2009 to 50th place this year.

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

The top 50 bank holding companies (excluding MetLife) 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 Concentration Ratio of total insurance income to noninterest income averaged 42.6 percent in that benchmark at June 30, 2010, up from 30.9 percent the prior year. Among this same top 50, the mean ratio of total insurance revenue to noninterest income was 49.4 percent in the first six months of 2010, while the standard deviation was 23.4 percent. The mean ratio was up from 45.9 percent in the first half of 2009. The median was 42.4 percent in the first half of 2010, up from 38.9 percent in the first half of 2009.

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 7.8 percent.
- The top 50 BHCs in insurance revenue attained a mean ratio of total insurance revenue to noninterest income of 17.9 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 49.4 percent.

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. 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.

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TABLE 1: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME					
YTD JUNE 30, 2010					
NATIONALLY					
(In thousands of dollars)					
Rank 1st Half 2010	Rank 1st Half 2009	Total Insurance Income (\$000s)	Bank Holding Company Name	City	State
1	3	\$1,392,640	BANK OF AMERICA CORPORATION	CHARLOTTE	NC
2	2	\$1,384,000	CITIGROUP INC.	NEW YORK	NY
3	4	\$1,165,000	WELLS FARGO & COMPANY	SAN FRANCISCO	CA
4	1	\$1,003,000	ALLY FINANCIAL INC.	DETROIT	MI
5	5	\$540,184	BB&T CORPORATION	WINSTON-SALEM	NC
6	6	\$252,000	GOLDMAN SACHS GROUP, INC., THE	NEW YORK	NY
7	7	\$244,000	JPMORGAN CHASE & CO.	NEW YORK	NY
8	9	\$229,945	AMERICAN EXPRESS COMPANY	NEW YORK	NY
9	8	\$163,967	HSBC NORTH AMERICA HOLDINGS INC.	NEW YORK	NY
10	14	\$136,000	MORGAN STANLEY	NEW YORK	NY
11	11	\$67,966	DISCOVER FINANCIAL SERVICES	RIVERWOODS	IL
12	13	\$58,211	ARMED FORCES BENEFIT ASSOCIATION	ALEXANDRIA	VA
13	12	\$55,647	REGIONS FINANCIAL CORPORATION	BIRMINGHAM	AL
14	10	\$55,349	PNC FINANCIAL SERVICES GROUP, INC.	PITTSBURGH	PA
15	15	\$43,556	BANCORPSOUTH, INC.	TUPELO	MS
16	16	\$36,718	HUNTINGTON BANCSHARES INCORPORATED	COLUMBUS	OH
17	18	\$32,161	SUNTRUST BANKS, INC.	ATLANTA	GA
18	17	\$31,440	EASTERN BANK CORPORATION	BOSTON	MA
19	20	\$31,000	U.S. BANCORP	MINNEAPOLIS	MN
20	21	\$25,830	TD BANK US HOLDING COMPANY	PORTLAND	ME
21	N/A *	\$23,780	FIRST NIAGARA FINANCIAL GROUP, INC.	BUFFALO	NY
22	19	\$22,665	FIFTH THIRD BANCORP	CINCINNATI	OH
23	22	\$22,537	BBVA USA BANCSHARES, INC.	HOUSTON	TX
24	23	\$22,291	ASSOCIATED BANC-CORP	GREEN BAY	WI
25	27	\$20,338	LAURITZEN CORPORATION	OMAHA	NE
26	29	\$20,277	M&T BANK CORPORATION	BUFFALO	NY
27	24	\$20,000	POPULAR, INC.	SAN JUAN	PR
28	25	\$19,119	OLD NATIONAL BANCORP	EVANSVILLE	IN
29	30	\$18,741	CULLEN/FROST BANKERS, INC.	SAN ANTONIO	TX
30	44	\$18,522	STIFEL FINANCIAL CORP.	SAINT LOUIS	MO
31	31	\$16,918	BANCWEST CORPORATION	HONOLULU	HI
32	26	\$14,000	BARCLAYS GROUP US INC.	WILMINGTON	DE
33	32	\$13,721	TRUSTMARK CORPORATION	JACKSON	MS
34	33	\$12,127	JOHNSON FINANCIAL GROUP, INC.	RACINE	WI
35	28	\$11,208	FIRST HORIZON NATIONAL CORPORATION	MEMPHIS	TN
36	35	\$9,225	FIRST NATIONAL OF NEBRASKA, INC.	OMAHA	NE
37	36	\$8,173	F.N.B. CORPORATION	HERMITAGE	PA
38	N/A **	\$8,083	TWO RIVERS FINANCIAL GROUP, INC.	BURLINGTON	IA
39	40	\$7,684	NBT BANCORP INC.	NORWICH	NY
40	39	\$7,485	NATIONAL PENN BANCSHARES, INC.	BOYERTOWN	PA
41	41	\$7,153	HANCOCK HOLDING COMPANY	GULFPORT	MS
42	38	\$6,816	CIT GROUP INC.	NEW YORK	NY
43	47	\$6,684	COBIZ FINANCIAL INC.	DENVER	CO
44	42	\$6,503	SUSQUEHANNA BANCSHARES, INC.	LITITZ	PA
45	45	\$6,357	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY
46	48	\$6,305	BREMER FINANCIAL CORPORATION	SAINT PAUL	MN
47	49	\$6,168	VIST FINANCIAL CORP.	WYOMISSING	PA
48	51	\$5,856	VALLEY NATIONAL BANCORP	WAYNE	NJ
49	46	\$5,484	SHORE BANCSHARES, INC.	EASTON	MD
50	56	\$5,206	FIRST CITIZENS BANCSHARES, INC.	RALEIGH	NC

* First Niagara recently converted from a thrift to a BHC. ** Two Rivers recently became a large BHC. Both have had excellent insurance programs prior to 2010, but they have not previously qualified for this report as large BHCs.

Ranking excludes MetLife

Source: Michael White Associates and American Bankers Insurance Association

Table 2: TOP BANK HOLDING COMPANIES IN INSURANCE PROGRAM CONCENTRATION				
TOTAL INSURANCE INCOME AS A PERCENT OF NONINTEREST INCOME				
YTD JUNE 30, 2010				
NATIONALLY				
RANK	% of Noninterest Income	Bank Holding Company Name	City	State
1	164.25%	MINNWEST CORPORATION	MINNETONKA	MN
2	100.42%	LEGACYTEXAS GROUP, INC.	PLANO	TX
3	86.91%	ARMED FORCES BENEFIT ASSOCIATION	ALEXANDRIA	VA
4	80.05%	SUMMIT FINANCIAL GROUP, INC.	MOOREFIELD	WV
5	74.07%	TWO RIVERS FINANCIAL GROUP, INC.	BURLINGTON	IA
6	71.01%	LAURITZEN CORPORATION	OMAHA	NE
7	69.31%	CHOICE FINANCIAL HOLDINGS, INC.	GRAFTON	ND
8	65.09%	473 BROADWAY HOLDING CORPORATION	SARATOGA SPRINGS	NY
9	64.18%	BEACON BANCORP	TAUNTON	MA
10	60.07%	BUSINESS FIRST BANCSHARES, INC.	BATON ROUGE	LA
11	58.49%	COBIZ FINANCIAL INC.	DENVER	CO
12	58.06%	EVANS BANCORP, INC.	ANGOLA	NY
13	58.03%	SHORE BANCSHARES, INC.	EASTON	MD
14	57.51%	VIST FINANCIAL CORP.	WYOMISSING	PA
15	55.18%	TEXAS INDEPENDENT BANCSHARES, INC.	TEXAS CITY	TX
16	54.12%	FSB MUTUAL HOLDINGS, INC.	PERKASIE	PA
17	53.62%	INDUSTRY BANCSHARES, INC.	INDUSTRY	TX
18	52.38%	NORTHEAST BANCORP	LEWISTON	ME
19	51.13%	FIRST BANK CORP	FORT SMITH	AR
20	50.29%	COMMUNITY FIRST BANCSHARES, INC.	UNION CITY	TN
21	47.59%	SOUTH DAKOTA BANCSHARES, INC.	PIERRE	SD
22	47.48%	EASTERN BANK CORPORATION	BOSTON	MA
23	45.73%	MOUNTAINONE FINANCIAL PARTNERS, MHC	NORTH ADAMS	MA
24	44.08%	VAN DIEST INVESTMENT COMPANY	ANKENY	IA
25	43.54%	ACNB CORPORATION	GETTYSBURG	PA
26	41.17%	FARMERS STATE CORPORATION	MANKATO	MN
27	41.16%	HIGH POINT BANK CORPORATION	HIGH POINT	NC
28	40.65%	OCEANPOINT FINANCIAL PARTNERS, MHC	NEWPORT	RI
29	40.37%	BB&T CORPORATION	WINSTON-SALEM	NC
30	39.13%	PLATTE VALLEY FINANCIAL SERVICE COMPANIES	SCOTTSBLUFF	NE
31	39.00%	BANCORPSOUTH, INC.	TUPELO	MS
32	38.87%	HANMI FINANCIAL CORPORATION	LOS ANGELES	CA
33	36.00%	FIRST MANITOWOC BANCORP, INC.	MANITOWOC	WI
34	35.92%	GORHAM BANCORP, MHC	GORHAM	ME
35	35.33%	SMITHTOWN BANCORP, INC.	HAUPPAUGE	NY
36	34.92%	AMERICAN BANCOR, LTD.	DICKINSON	ND
37	33.62%	AMERICAN BANK HOLDING CORPORATION	CORPUS CHRISTI	TX
38	33.38%	FIRST VOLUNTEER CORPORATION	CHATTANOOGA	TN
39	33.08%	GERMAN AMERICAN BANCORP, INC.	JASPER	IN
40	32.78%	GOODENOW BANCORPORATION	OKOBOJI	IA
41	32.32%	PEOPLES BANCORP INC.	MARIETTA	OH
42	32.26%	ENCORE BANCSHARES, INC.	HOUSTON	TX
43	31.52%	COLOEAST BANKSHARES, INC.	LAMAR	CO
44	29.79%	FIRST YORK BAN CORP.	YORK	NE
45	29.68%	NARRAGANSETT FINANCIAL CORP	FALL RIVER	MA
46	29.67%	FIRST NIAGARA FINANCIAL GROUP, INC.	BUFFALO	NY
47	29.60%	FIRST STATE BANCSHARES, INC.	FARMINGTON	MO
48	28.92%	SUNFLOWER FINANCIAL, INC.	SALINA	KS
49	28.59%	DORAL GP LTD.	SAN JUAN	PR
50	28.28%	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY

This calculation of this ratio for this report requires a minimum of \$200,000 in total insurance income.
Ranking excludes MetLife, Inc.

Source: Michael White Associates and American Bankers Insurance Association