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BANK INSURANCE CONSULTANTS

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## ***Michael White-Prudential Report™*** **Bank Insurance Brokerage Income Slips From Record High in 1Q**

**FOR IMMEDIATE RELEASE** – Radnor, PA, September 4, 2012 – Despite attaining their second highest aggregate first-quarter results, banking companies reported first-quarter insurance brokerage fee income of \$1.81 billion was down 10.7% from the current record of \$2.03 billion set in first quarter 2011, according to the *Michael White-Prudential Bank Fee Income Report™*. First quarter insurance brokerage fee income was little affected by the presence of new reporters in the form of thrift holding companies (THCs) and new bank holding company (BHC) Raymond James Financial, which contributed, respectively, \$49.5 million and \$8.4 million. Thus far in 2012, 56.7% of large top-tier Holding Companies (HCs) engaged in insurance brokerage activities.

Compiled by Michael White Associates (MWA) since 2001 and sponsored by The Prudential Insurance Company of America's (Prudential's) Individual Life Insurance business, a proud member of the American Bankers Insurance Association (ABIA), the report measures and benchmarks the banking industry's performance in generating insurance brokerage and underwriting fee income. Results are based on data from all 7,307 commercial banks, FDIC-supervised savings banks and savings associations (thrifts), and 1,074 large top-tier BHCs and THCs operating on March 31, 2012. Thrifts and THCs began reporting annuity fee income for the first time in first quarter 2012. Several THCs and a BHC that are historically and traditionally insurance underwriting operations have been excluded from the report.

### **TOP 12 HOLDING COMPANIES IN INSURANCE BROKERAGE FEE INCOME** **YEAR-TO-DATE MARCH 31, 2012** **Nationally**

RANK	INSURANCE BROK. FEE INCOME		% CHANGE 1Q 2011 - 1Q 2012	HOLDING COMPANY	ASSETS	% OF NONINTEREST INCOME
	1Q2012	1Q2011				
(ALL DOLLAR AMOUNTS IN THOUSANDS)						
1	\$509,000	\$552,000	-7.79%	CITIGROUP INC.	NY \$1,944,058,000	7.41%
2	\$453,000	\$455,000	-0.44%	WELLS FARGO & COMPANY	CA \$1,333,693,000	4.29%
3	\$244,085	\$222,356	9.77%	BB&T CORPORATION	NC \$174,749,856	29.76%
4	\$49,000	\$54,000	-9.26%	AMERICAN EXPRESS COMPANY	NY \$150,369,000	0.84%
5	\$33,000	\$36,000	-8.33%	GOLDMAN SACHS GROUP, INC.	NY \$950,297,000	0.37%
6	\$32,267	\$36,173	-10.80%	DISCOVER FINANCIAL SERVICES	IL \$71,208,923	7.26%
7	\$28,218	\$29,033	-2.81%	REGIONS FINANCIAL CORP.	AL \$128,281,787	5.55%
8	\$25,000	\$17,000	47.06%	JPMORGAN CHASE & CO.	NY \$2,318,722,000	0.17%
9	\$23,269	\$22,660	2.69%	BANCORPSOUTH, INC.	MS \$13,313,732	35.51%
10	\$22,000	\$25,000	-12.00%	ALLY FINANCIAL INC.	MI \$186,350,000	1.42%
11	\$20,000	\$84,000	-76.19%	MORGAN STANLEY	NY \$781,030,000	0.29%
12	\$19,419	N/A	N/A	FIRST COMMAND FINANCIAL SVCS.TX	\$834,673	38.70%

Source: *Michael White-Prudential Bank Insurance Fee Income Report*

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“As we saw in 2011, we are seeing real progress in first quarter 2012 in the number of holding companies that expanded their insurance revenues. We examined 224 HCs in first quarter that are on track to earn \$250,000 in annualized insurance brokerage income. At quarter’s end, 145 of these HCs showed positive growth in their insurance brokerage income, up 34.3% from 108 HCs with positive growth at the end of first quarter 2011. Sixty-five percent (64.7%) of these HCs registered increases in their first quarter 2012 insurance brokerage income versus 47% in first quarter 2011,” said Michael White, President of MWA. “The number of big winners, i.e., those holding companies with double-digit increases in insurance brokerage compared to last year, rose by 25.3% from 75 at the end of first quarter 2011 to 94 this year so far. These changes signal meaningful improvement among HC-owned insurance agencies.”

Excluding traditional life-health insurers and property-casualty insurers, Citigroup Inc. (NY) topped the leader board in first quarter 2012 with insurance brokerage earnings of \$509.0 million. Wells Fargo & Company (CA) ranked second nationally with \$453.0 million in insurance brokerage fee income. BB&T Corporation (NC), which owns more agencies than any other holding company, ranked third with \$244.1 million in insurance brokerage revenue in first quarter 2012.

Holding companies over \$10 billion in assets continued to have the highest participation (80.7%) in insurance brokerage activities. These HCs produced \$2.32 billion in insurance fee income in first quarter 2012, 8.9% LESS than the \$2.54 billion they produced in first quarter 2011. These large holding companies accounted for 87.1% of all HC insurance brokerage fee income earned in first quarter 2012.

Bank insurance income continues to be a useful addition to the income statement. “Next to banking, insurance is the most common financial service,” said Joan H. Cleveland, senior vice president, Business Development with Prudential’s Individual Life Insurance business. “Offering life insurance products can help banks expand the relationship they have with customers and strengthen their retention efforts. With life insurance applications up 3% in the first six months of 2012, Internet-based simplified issue products offer an easy way to help increase bank revenue.”

Among HCs with between \$1 billion and \$10 billion in assets, leaders in insurance brokerage income in first quarter 2012 included Eastern Bank Corporation (MA), Stifel Financial Corp. (MO), Old National Bancorp (IN), Johnson Financial Group, Inc. (WI), and Trustmark Corporation (MS). HCs of this size registered a 6.4% increase in insurance brokerage income to \$173.9 million in first quarter 2012, up from \$163.5 million in first quarter 2011.

Among HCs with assets between \$500 million and \$1 billion, leaders were First Command Financial Services, Inc. (TX), Two Rivers Financial Group (IA), Oneida Financial Corp. (NY), 473 Broadway Holding Corporation (NY), and Texas Independent Bancshares (TX). HCs of this size registered a 76.3% increase in insurance brokerage income to \$60.8 million, up from \$34.5 million in first quarter 2011. Most of the increase, however, was due to the influx of newly reporting THCs or more than 90% of the increase. Without the thrifts, the HCs would have registered an approximately 6.5% or better increase in first quarter 2012 insurance brokerage fee income.

The smallest community banks, those with assets less than \$500 million, were used as “proxies” for the smallest HCs, which are not required to report insurance brokerage income. Leaders among bank proxies for small HCs were Soy Capital Bank and Trust Company (IL), Industry State Bank (TX), Hoosac Bank (MA), First State Bank (IA), and Midwest Heritage Bank, FSB (IA). These small banks, representing small HCs, also registered an increase in insurance brokerage income of 6.7%, from \$38.2 million in first quarter 2011 to \$40.8 million in first quarter 2012.

Among the top 50 HCs nationally in insurance brokerage concentration (i.e., insurance brokerage income as a percent of noninterest income), the median Insurance Brokerage Concentration Ratio was 38.4%. Among the top 50 small banks in insurance brokerage concentration that are serving as proxies for small HCs, the median Insurance Brokerage Concentration Ratio was 68.7% of noninterest income.

Among the top 50 HC leaders in insurance brokerage productivity (i.e., insurance brokerage income per HC employee), the median Insurance Brokerage Productivity Ratio was \$5,109 per employee (or an annualized Productivity Ratio of \$20,434). Among the top 50 small banks in insurance brokerage productivity, the median Insurance Brokerage Productivity Ratio was \$5,682 per employee (or an annualized Productivity Ratio of \$22,728).

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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). The annual *Michael White-Prudential Bank Insurance Fee Income Report*<sup>™</sup> and *Michael White-ABIA Bank Annuity Fee Income Report*<sup>™</sup> provide, respectively, comprehensive analyses of bank insurance brokerage and bank annuity commission income. 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 reports can be ordered by calling (610) 254-0440, or by visiting [www.BankInsurance.com](http://www.BankInsurance.com).

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