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AUGUST 30 - SEPTEMBER 5, 2010

SECOND QUARTER VARIABLE ANNUITY SALES CONTINUE UP; FIXED ANNUITY SALES CHOPPY

U.S. fixed annuity sales in the second quarter dropped 30.2% to $19.4 billion, down from $27.8 billion in second quarter 2009, while variable annuity sales rose 8.2% to $34.4 billion, up from $31.8 billion the year before, according to the Insured Retirement Institute based on data supplied by Evanston, IL-based Beacon Research and Chicago, IL-based Morningstar. Compared to first quarter 2010, fixed annuity sales climbed 17.7%, up from $16.5 billion, and variable annuity sales increased 9%, up from $31.6 billion.

Commenting on quarter-to-prior-quarter results, Beach Research President and CEO Jeremy Alexander said, "The spread between Treasury and corporate bond yields widened. This enabled fixed annuities to offer competitive credit rates." Regarding variable annuity sales, Morningstar Variable Annuity Data Operations Manager Mario Chmura said, "While variable annuity products may be offering less lucrative benefits than in the past, investors are still attracted to the idea of creating a floor against losses." He added, "Variable annuity sales reached their highest quarterly level since the third quarter of 2008."

U.S. THRIFT EARNINGS UP YEAR OVER YEAR, DOWN QUARTER TO QUARTER

The U.S. Office of Thrift Supervision (OTS) reported U.S. thrifts earned $1.49 billion in net income in the second quarter compared to a net loss of $94 million in second quarter 2009. Second quarter earnings reflected the industry's fourth consecutive quarterly profit, but were down 22.4% from $1.92 billion earned in first quarter 2010, as thrift's set aside $2.3 billion in loan loss provisions, and the number of problem thrifts grew to 54, up from 50 in the previous quarter and 40 in first quarter 2009, the OTS said.

FIRST NIAGARA LOOKS TO NEW ENGLAND WITH NEWALLIANCE

Buffalo, NY-based, $21 billion-asset First Niagara Financial Group has agreed to acquire New Haven, CT-based, $8.7 billion-asset NewAlliance Bancshares in a stock and cash deal valued at $1.5 billion. When the deal closes in second quarter 2011, pending shareholder and regulatory approvals, First Niagara will add 75 NewAlliance Bank branches in Connecticut and 13 in Massachusetts to its 255 branches across New York and Western and Eastern Pennsylvania.

- Banks' Earnings & Asset Quality Indicators Improve
- FPC and NAIFA Take Sides On Universal Fiduciary Standard
- AIG Faces Another Divestment Roadblock

First Niagara President and CEO John Koelman said the acquisition fits First Niagara's strategy of "entering new markets that complement our geographic footprint with companies that enhance our strong business model." He described NewAlliance as a "well-positioned franchise with tremendous upside potential in a region with strong demographics." NewAlliance's current headquarters in New Haven will become First Niagara's New England Regional Market Center when this 10th Niagara acquisition in 10 years is completed.

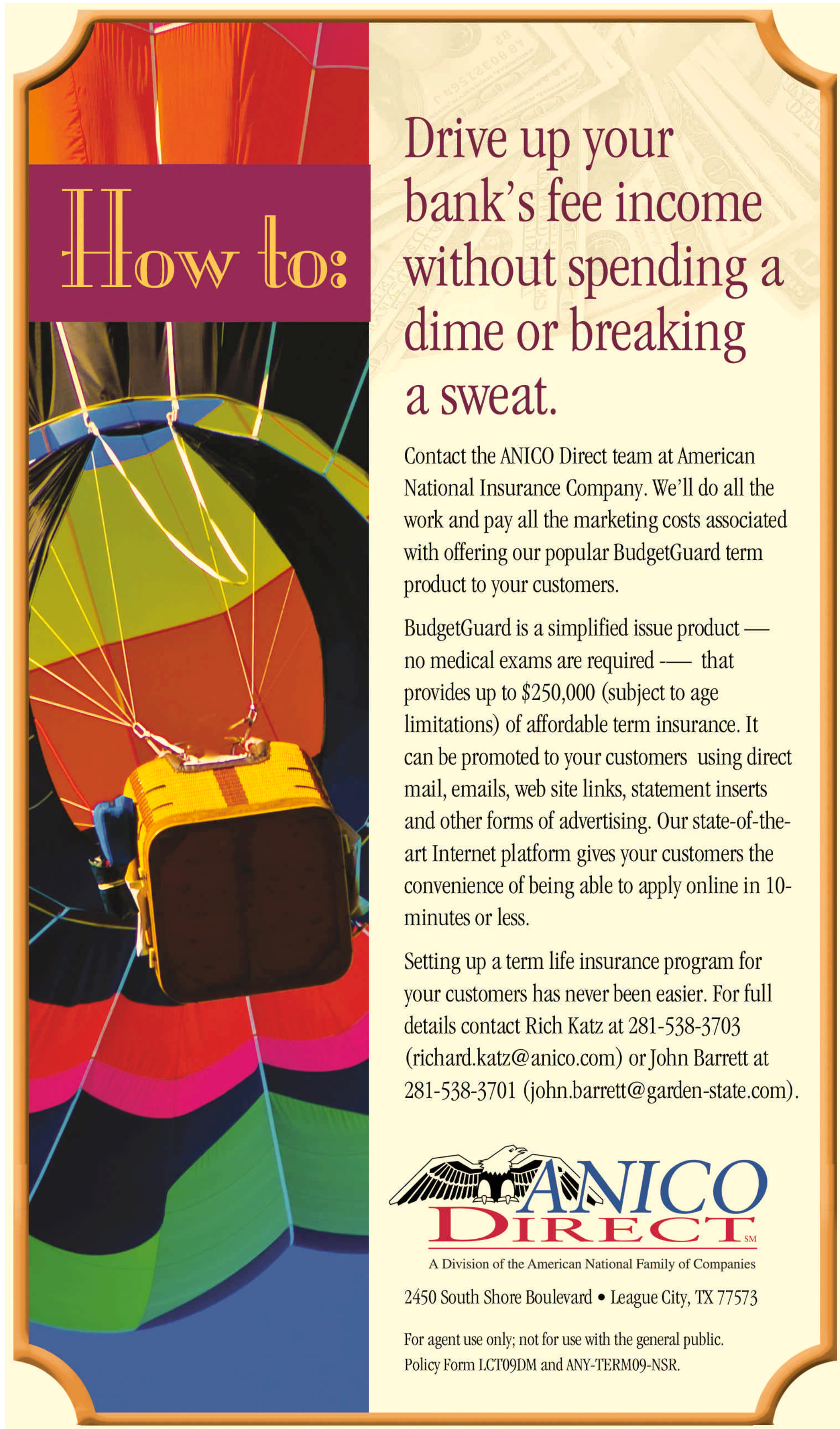
NY AG CUOMO SUBPOENAS MORE LIFE INSURERS' RETAINED ASSET ACCOUNTS

New York Attorney General Andrew Cuomo is expanding his investigation into retained-asset accounts set up by life insurers to hold and manage insurance policy funds after a policyholder dies. Cuomo alleges that not only do some beneficiaries mistakenly believe that these funds are FDIC-insured (they are protected by industry guaranty funds), but that the accounts earn as much as a 4.8% return but pay out as little as 0.5% in interest.

In July Cuomo's office subpoenaed Newark, NJ-based Prudential Financial and New York City-based MetLife in order to examine how they handle policies for federal employees, including the military. The office has since subpoenaed Hartford, CT-based Aetna, New York City-based American International Group (AIG), Carmel, IN-based CNO Financial Group and Des Moines, IA-based Principal Financial Group.

Aetna said it will cooperate with Cuomo and added that over the past six years it has paid more than $17 million in interest to beneficiaries using retained asset accounts. "That's above and beyond the life insurance." Principal Financial Group said its life insurance beneficiaries "have complete and immediate access to the money they receive as a death benefit at any time when a retained asset account is used."

Recipients of life insurance policy benefits can keep their money in interest-bearing retained asset accounts and use them like checking accounts, or they can remove their money from their individual accounts in a lump sum by writing one single check, *BestWire* reports.



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CRITICAL ILLNESS INSURANCE APPEALS

Almost 60% (58%) of fulltime employees who had critical illness insurance explained to them said they would be interested in buying the product through their employer even if they had to pay 100% of the premium, according to the *MetLife Study of the Financial Impact of Critical Illness*. The study found that a critical illness can reduce a family's income by more than $12,000 in the first year even when the family has comprehensive health insurance. The study also found that 46% of fulltime workers have less than $5,000 in savings, and 28% have less than $500 in savings to cover the $12,000 income loss. In addition, only 7% of those experiencing a critical illness had critical illness insurance, and only 28% were aware that such insurance was available.

AMERICAN COLLEGE TO HOLD FINANCIAL SERVICES DIVERSITY SUMMIT

The American College based in Bryn Mawr, PA plans to hold the first national Summit on Diversity in Financial Services in November to address the fact that white males hold 64% of the financial services industry's senior management positions, Asian Americans hold 3.5%, Hispanics hold 3%, and African Americans hold 2.8%. Among the seminars to be offered at the Fairmont Mayakoba Hotel on Riviera Maya, Cancun, Mexico are the following:

- -The African American Advisor: Recruitment, Retention, Recharge!
- -Beyond the Glass Ceiling: New Insight on Building a Strong Women's Network
- -Understanding the Gay and Lesbian Market: Helping Advisors Understand Cultural and Language Differences

HSBC HOLDINGS WANTS 70% OF OLD MUTUAL'S NEDBANK GROUP

London, England-based Old Mutual plc has granted London-based HSBC Holdings plc "exclusivity" in the latter's proposal to acquire up to 70% of Johannesburg, South Africa-based Nedbank Group, an Old Mutual subsidiary. The proposal to acquire the Nedbank shares requires Old Mutual and Nedbank board approvals and South Africa regulatory approval. Old Mutual said that if the deal goes through, it will use the proceeds to reduce its debt and reinvest in South Africa and other emerging markets. Nedbank said the HSBC investment "should enhance Nedbank Group's ability to strengthen its position in the South African banking sector."

INDIA'S IDBI, FORTIS AND FEDERAL BANK PARTNERSHIP RENAMED

Mumbai, India-based IDBI Fortis Life Insurance Company in association with Federal Bank has changed its name to IDBI Federal Life Insurance Co. in association with Ageas. The name change reflects Fortis' global rebranding to Ageas and emphasizes Federal Bank's bancassurance association. The bancassurance partnership is 48% owned by IDBI Bank, 26% owned by Federal Bank, and 26% owned by Ageas (Fortis Insurance International).

IDBI Bank Chairman R.M. Malla said, "This name change will help IDBI Federal tap into markets that are known to be Federal Bank strongholds." Federal Bank Executive Director P.C. John said, "This change allows us to project our deep commitment to the life insurance business and provide a full product range to our customers." IDBI Bank has 725 branches throughout India, and Federal Bank has 708 branches, with a dominant presence in the state of Kerala.

EMPLOYEE BENEFITS AND TRUST-ASSOCIATED EARNINGS GROW AT COMMUNITY BANK SYSTEM

DeWitt, NY-based, $5.4 billion-asset Community Bank System reported "new client and services generation and increased asset-based revenues" drove employee benefits administration, consulting and actuarial fee income up 10% in the second quarter to $7.26 million from $6.6 million in second quarter 2009. At the same time, "favorable market valuation comparisons and generally improving demand" helped boost trust, investment and asset management fees 17.6% to $2.67 million, up from $2.27 million. Employee benefit earnings and trust-associated fees comprised, respectively, 32.4% and 11.9% of noninterest income, which grew 8.4% to $22.38 million, up from $20.65 million, despite a major drop in mortgage banking fees.

Net interest income on a 4.10% net interest margin climbed 14% to $43.9 million, up from $38.5 million, as interest expenses declined and loan loss provisions remained basically steady at just over $2 million. Net income jumped 76.5% to a quarterly record of $16.2 million, up from $9.2 million in second quarter 2009. Community Bank System President and CEO Mark Tryniski said, "We believe that these strong quarterly results reflect our commitment to a disciplined and balanced approach to our business regardless of market conditions."

BENEFICIAL MUTUAL GROUP REPORTS RISING INSURANCE AND ADVISORY EARNINGS

Philadelphia, PA-based, $4.9 billion-asset Beneficial Mutual Bancorp reported insurance and advisory fee income rose 2.3% in the second quarter to $1.76 million, up from $1.72 million in second quarter 2009, and comprised 28.1% of noninterest income, which increased 2.1% to $6.27 million, up from $6.14 million in second quarter 2009, when the company recorded a $1.32 million gain on the sale of securities.

Net interest income on a 3.57% net interest margin jumped 41.3% to $32.95 million, up from $23.32 million, as loan loss provisions decreased by almost $1 million and expenses decreased over $4 million. The company reported net income of $5.6 million compared to a net loss of $50,000 in second quarter 2009, and Beneficial President and CEO Gerard Cuddy said, "We were able to grow our earnings, assets and core deposits by aligning the products and services we offer with the needs of our customers."

GROWING INVESTMENT SERVICES AND TRUST REVENUES CONTRAST WITH NET LOSS AT PINNACLE

Nashville, TN-based, $4.9 billion-asset Pinnacle Financial Partners reported second quarter investment services fee income grew 22.2% to $1.32 million, up from $1.08 million in second quarter 2009, and trust income climbed 17.6% to $754,515 from $641,646, while insurance brokerage income slid 1.6% to $904,359, down from $919,342. Investment services, trust and insurance brokerage fee income comprised, respectively, 12.5%, 7.1% and 6.1% of noninterest income, which slipped 0.3% to $10.57 million, down from $10.60 million, as gains on loan sales dropped.

Net interest income on a 3.23% net interest margin reached $5.19 million compared to a net interest loss of $34.81 million in second quarter 2009, as loan loss provisions were reduced by almost $35 million to $30.51 million. But with charge offs of $33.5 million largely tied to the company's construction and development loan portfolio, Pinnacle reported a net loss of $27.87 million for the quarter compared to a net loss of $33.25 million in second quarter 2009. Pinnacle President and CEO Terry Turner said, "We believe the Nashville market is well-positioned to begin the process of recovery and that our capital and liquidity position will enable us to take advantage of local market opportunities."

WEALTH MANAGEMENT AND BOLI INCOME UP AT INDEPENDENT BANK CORP.

Rockland, MA-based, $4.7 billion-asset Independent Bank Corp. reported wealth management earnings in the second quarter grew 18.1% to $3.19 million, up from $2.7 million in second quarter 2009, and bank-owned life insurance (BOLI) income increased 7.0% to $731,000, up from $683,000. Wealth management and BOLI earnings comprised, respectively, 29.2% and 6.7% of noninterest income, which fell 17.3% to $10.94 million, down from $13.22 million in second quarter 2009, when the company recorded a $3.78 million gain tied to terminating a hedging relationship.

Net interest income on a 3.96% net interest margin slipped 1.14% to $34.24 million, down from $34.63 million, as loan loss provisions increased $2.5 million to $6.9 million, and the company recorded net income of $8.03 million compared to a net loss of $3.87 million in second quarter 2009. Independent Bank Corp. President and CEO Christopher Oddleifson said, "Our second quarter performance was solid, fueled in large part by growth in priority loan portfolios and very strong core deposit growth." He added, "We significantly reduced our nonperforming assets this quarter."

BankInsurance.com News

WEALTH MANAGEMENT AND INSURANCE BROKERAGE EARNINGS COMPRISE 34% OF NONINTEREST REVENUE AT S&T

Indiana, PA-based, $4.1 billion-asset S&T Bancorp reported that wealth management fee income in the second quarter inched ahead 0.5% to $1.92 million, up from $1.91 million in second quarter 2009, while insurance brokerage earnings slipped 1.5% to $1.96 million, down from $1.99 million. Wealth management and insurance brokerage fee income comprised, respectively, 16.8% and 17.1% of noninterest income, which dipped 2.7% to $11.43 million, down from $11.75 million.

Net interest income on a 4.05% net interest margin surged five-fold to $28.69 million, up from $5.68 million, as loan loss provisions were slashed by over $22 million to $9.13 million. Net income of $7.9 million compared favorably with a net loss of $10.2 million in second quarter 2009, but was down 19.4% from first quarter 2010 net income of $9.8 million. S&T Bancorp President and CEO Todd Brice said, “We are cognizant of the fact that the economic recovery has not fully taken shape. We continue to believe that S&T Bank’s strong capital position will enable us to meet the challenges presented by the current economic times.”

HEARTLAND FINANCIAL REPORTS GROWING TRUST, SECURITIES/ INSURANCE BROKERAGE AND BOLI INCOME

Dubuque, IA-based, $4 billion-asset Heartland Financial USA reported second quarter trust fees grew 18.3% to $2.33 million, up from $1.97 million in second quarter 2009; combined securities brokerage and insurance commissions increased 9.8% to $785,000, up from $715,000; and income from bank-owned life insurance (BOLI) climbed 37.6% to $293,000, up from $213,000. Trust, combined securities and insurance earnings and BOLI income comprised, respectively, 21.5%, 7.2% and 2.7% of noninterest income, which dropped 26.1% to $10.83 million, down from $14.66 million, impacted by a $1.7 million fall in loan servicing income, a $1.15 million decline in gains on loan sales and a $1.2 million drop in securities gains.

Net interest income on a 4.09% net interest margin grew 15.7% to $25.85 million, up from $22.34 million, as expenses declined just short of $4 million. Net income rose 10.2% to $3.77 million, up from $3.42 million, and Heartland Financial Chairman, President and CEO Lynn Fuller said, “We are focused on reducing problem credits. This will only enhance our ability to grow profitably in an economic recovery.” Nonperforming assets increased in the second quarter, Fuller said.

SEPTEMBER 6 - 12, 2010

COMBINED EARNINGS UP AT U.S. BANKS, AS LOAN LOSS PROVISIONS DROP 40%

U.S. commercial banks and savings institutions earned a combined profit of $21.6 billion in the second quarter, a $26 billion improvement over the $4.4 billion net loss reported in second quarter 2009, according to the Federal Deposit Insurance Corporation (FDIC). A 40.2% drop in loan loss provisions to $40.3 billion, down from $67.4 billion a year ago, drove improved earnings the FDIC said, as insured banks and thrifts charged off $49 billion in uncollectable loans, down from $49.21 billion.

While total loans and leases slid 1.4% to $107.5 billion, and assets an insured deposits slipped, respectively 1% and 0.7%, average return on assets (ROA) rose to 0.65%, up from 0.13% a year ago. In addition, nearly two-thirds of all institutions reported increased earnings, 13% remained flat and 20% reported net losses, compared to 29% a year ago. The number of banks on the problem list, however, grew 7% to 829, up from 775, and 45 failed in the second quarter. FDIC Chairman Sheila Bair said, “Earnings remain low by historical standards, and the numbers of unprofitable institutions, problem banks and failures remain high. But the banking sector is gaining strength. Earnings have grown and most asset quality indicators are moving in the right direction.”

BOOK VALUE ANNUITIES BIG SELLERS AT U.S. BANKS, WIREHOUSES & LARGE BROKER-DEALERS

U.S. banks and savings institutions sold New York Life’s book value annuities more than any other fixed annuity product in the second quarter, according to Evanston, IL-based Beacon Research. Wirehouses and large and regional broker-dealers also favored book value annuities, while captive insurance agents

and independent broker-dealers sold primarily fixed income annuities, and independent producers sold previously fixed indexed products.

Fixed indexed annuities were the biggest seller in the quarter, rising 0.4% over second quarter 2009 to $8.2 billion. Fixed book value annuities followed, dropping 48% to $7.2 billion. Fixed income annuities ranked a distant third, growing 10% to $2.4 billion, and market value annuities dropped 57% to rank last with $1.5 billion. Overall, total fixed annuity sales fell 30% to $19.4 billion, down from 14.9% in second quarter 2009, Beacon Research found.

U.S. BANKS RANK SECOND WITH 18.5% OF VARIABLE ANNUITY SALES

U.S. banks accounted for 18.5% ($2.18 billion) of all variable annuity products sold in the second quarter, enough to rank second among all providers. Independent broker-dealers ranked first, generating 48% ($5.66 billion) of all variable annuity sales. Proprietary agents ranked third behind banks with 15.5% ($1.83 billion), followed by regional broker-dealers with 10.5% ($1.24 billion), wirehouses with 6.8% ($805 million) and direct response providers with 0.7% ($85.6 million), according to the Advanced Sales and Marketing Corporation.

UMB'S SCOUT INVESTMENT ADVISORS TO ACQUIRE REAMS ASSET MANAGEMENT

Kansas City, MO-based Scout Investment Advisors, a unit of Kansas City, MO-based, $11.1 billion-asset UMB Financial, has agreed to acquire Columbus, IN-based Reams Asset Management Company. Reams, which manages $9.8 billion in fixed income assets for corporations, pension funds, healthcare organizations, universities, foundations and endowments, will retain its leadership team and location and operate as a division of Scout Investment Advisors, more than doubling the latter's assets under management, when the deal closes in the fourth quarter, pending approvals.

UMB Financial Corp. President and CEO Peter de Silva said, "Fixed income represents a key strategic growth area in the institutional asset management business. Ream's expertise in the fixed income sector complements Scout's existing product offerings and allows us to offer clients a diversified array of top tier investment options." Reams Asset Management President Dave McKinney said, "Given recent global economic conditions, institutional clients are seeking service providers that have a strong parent company like UMB Financial."

BNY MELLON ENTERS CANADIAN WEALTH MANAGEMENT MARKET WITH I(3) ADVISORS ACQUISITION

New York City-based, $235.9 billion-asset BNY Mellon has acquired Toronto, Canada-based I(3) Advisors. The wealth management firm with $3.8 billion (US $3.66 billion) under advisement will retain its leadership team and location and serve as BNY Mellon's flagship wealth management arm in Canada. BNY Mellon Wealth Management CEO Larry Hughes said, "Canada's high net-worth market represents a very attractive opportunity for BNY Mellon as we accelerate our global expansion and seize new opportunities in dynamic markets."

BBVA COMPASS & WESTERN NATIONAL LIFE PARTNER IN ANNUITY & ASSET MANAGEMENT DEAL

Birmingham, AL-based, $65.1 billion-asset BBVA Compass, a trade name of Compass Bank, has partnered with Houston, TX-based Western National Life Insurance Company to co-brand an annuity and manage its assets. Western National will issue and underwrite the flexible-premium, tax-deferred fixed annuity to be offered exclusively through BBVA Compass Insurance Agency, and BBVA Compass will manage a portion of Western National's assets tied to the product.

REGIONS FINANCIAL EXPANDS INSURANCE PROGRAM

Birmingham, AL-based, $135 billion-asset Regions Financial announced that it plans to make its online Regions Insurance services available across its 16-state branch network by fall 2011. Earlier this year, Regions Insurance launched an Agent Call Center in Kokomo, IN, to answer Region's Bank branch insurance requests, giving Regions Bank customers access to the agency's personal lines property and casualty insurance products. Regions Insurance CEO Curren Coco said, "Partnering with the company's bank branches just makes sense for Regions and our customers."

JUDGE ALLOWS SHAREHOLDER SUITS AGAINST BofA TO GO AHEAD

U.S. District Court Judge P. Kevin Castel has dismissed a lawsuit filed by Charlotte, NC-based, $2.37 trillion-asset Bank of America (B of A) employees over retirement plan losses tied to B of A stock. The Judge for the Southern District of New York, however, refused to dismiss shareholder suits regarding alleged material misstatements over bonuses given to employees of subsidiary Merrill Lynch, the extent of Merrill Lynch's losses and whether B of A intentionally hid a prior bailout agreement with regulators, *Reuters* reports.

AMERICAN FAMILIES DANGEROUSLY UNDER INSURED

Currently, 30% of U.S. households (35 million) have no life insurance coverage. Included among that group are 11 million households with children under 18, according to Arlington, VA-based Life and Health Insurance Foundation for Education (LIFE) and Windsor, CT-based LIMRA. LIMRA President and CEO Robert Kerzner said, "A majority of families either have no life insurance or not enough, leaving them one accident or terminal illness away from financial catastrophe for their loved ones." Coverage among married men with minor children who have life insurance averages five times their annual household income. At the same time, average coverage among insured women with minor children equals three times their annual household income, according to MetLife's *Study of Employee Benefits Trends*. MetLife Senior Vice President Bill Raczko said, "It's concerning to see the income of working mothers is not as adequately protected as that of their male counterparts." At the same time, 36% of workers in households with less than $50,000 in annual income choose life insurance as an employee benefit. In contrast, 69% of all workers select the coverage, according to a survey by The Hartford. The Hartford Executive Vice President Ron Gendrea said, "We are concerned that many working Americans are putting their family's financial security at risk. No matter what your income level, you can benefit from life insurance."

TAIWAN REGULATOR DENIES HONG KONG-BASED CONSORTIUM'S BID FOR AIG'S NAN SHAN

Taiwan's Financial Supervisory Commission has rejected the $2.15 billion bid by the Hong Kong-based consortium led by Primus Financial Holdings and China Strategic Holdings to acquire Taipei, Taiwan-based Nan Shan Life Insurance Company from New York City-based American International Group. The regulator said the purchase would not only violate Taiwan's laws restricting investments in the nation's companies by investors based in China, but that it would also result in an insurance company being owned by a consortium that lacked experience in the insurance business. The consortium is considering appealing the decision, and AIG expressed its disappointment saying it will meet with Nan Shan's board and senior executives "to determine how best to proceed." Taiwan-based Chinatrust Financial remains interested in pursuing its second place bid for Nan Shan, *Reuters* reports.

PING AN INSURANCE TO ACQUIRE MAJORITY STAKE IN SDB

Shenzhen, China-based Ping An Insurance Group has agreed to add 1.64 newly issued Shenzhen Development Bank (SDB) shares to its 1.05 billion in share holdings in order to raise its stake in the bank from 29.99% to 52.38%. The stock-and-cash deal valued a 29.1 billion yuan ($4.3 billion) will increase SDB's assets to 900 billion Yuan ($132.3 billion) and is expected to create a dynamic bancassurance partnership when it closes, pending shareholder and regulatory approvals, *BestWire* reports.

HONG KONG'S INSURANCE & ANNUITY SALES BUSTLE

Hong Kong's net insurance premiums for general insurance products climbed 11.8% the first half to $11.74 billion, up from $10.5 billion in first half 2009, but underwriting profit remained flat at $1.3 billion, according to the Hong Kong Office of the Commissioner of Insurance (OCI). Among general insurance products, accident and health rose 6.6% to $3.88 billion, providing the greatest revenue, followed by general liability, up 8% to $2.64 billion; property, up 21% to $1.76 billion; auto, up 9% to $1.34 billion; and pecuniary loss, up 33.8% to $696 million.

Individual non-linked life and annuity office premiums jumped 49.3% to $19.8 billion, up from $13.26 billion, and individual linked life and annuity office premiums climbed 41.4% to $8.52 billion, up from $6.03 billion. In contrast, non-retirement group business inched ahead 2.8% to $109 million from $106 million in the first half of 2009, the OCI said.

SEPTEMBER 13 - 19, 2010

TREASURY TO SELL HARTFORD AND LINCOLN NATIONAL WARRANTS

The U.S. Department of the Treasury announced that over the next several weeks it will sell the warrants it received in The Hartford Financial Services Group and Lincoln National Corporation under the Capital Purchase Program (CPP). Both insurers have fully repurchased the preferred stock Treasury had purchased from them under the Troubled Asset Relief Program (TARP). Treasury said it has retained Deutsche Bank Securities to offer the warrants through a modified Dutch auction and said it has future plans to sell off warrants in other financial institutions that have repaid CPP using the same method.

AMERICANS HIGH ON ANNUITIES, JUST NOT THE NAME

An overwhelming 92% of American aged 44-75 who participated in an Allianz Life Insurance Company survey of more than 3,200 believe the U.S. is experiencing a retirement crisis. About 60% said they are more afraid of outliving their assets than they are of dying. Given a choice between investing in a product with a 4% return that is guaranteed not to lose its value and a product with an 8% return but subject to market risks, 80% chose the guaranteed, lower return product. While the preferred product describes an annuity, 54% attached negative connotations to the word "annuity." Allianz Life President and CEO Gary Bhojwani said, "Perceptions need to change if consumers are to access guaranteed income and create a more stable environment." *For more on the survey, click here*.

AIA AND ICBC IN BANCASSURANCE DEAL

Hong Kong-based American International Assurance Company (AIA), a unit of New York City American International Group (AIG), and Beijing, China-based Industrial and Commercial Bank of China (ICBC) have formed a bancassurance partnership in mainland China. AIA Group Executive Chairman Mark Tucker said, "AIA will work jointly with ICBC in areas such as sales and marketing system, product innovation, service quality, technological advancement and sustainable profitability. Together we aim to build a strong foundation and platform to help us take full advantage of the rapid development in China's bancassurance business." ICBC, which also has bancassurance agreements with China Life Insurance Company and Peoples' Insurance Group of China, operates 16,000 branches throughout Mainland China. AIA offers life, health and accident insurance through 17 additional bancassurance partnerships in China.

AIG READY TO END PLANS TO SELL NAN SHAN TO HONG KONG CONSORTIUM

Taiwan's Ministry of Economic Affairs has added its voice to the country's Financial Supervisory Commission in rejecting the bid by the Hong Kong-based consortium led by China Strategic Holdings and Primus Financial Holdings to acquire Taipei-based Nan Shan Life Insurance Company. In response, New York City-based American International Group (AIG), Nan Shan's parent, "has indicated its current view that it would be in the best interests of the parties to terminate the share purchase agreement," *WSJ.com* reports.

AXA DIVESTMENTS NOT ENOUGH FOR DEAL WITH NAB TO PROCEED

The Australian Competition and Consumer Protection Commission (ACCP) has rejected the proposed undertakings offered by Melbourne-based National Australia Bank (NAB) and Melbourne-based AXA Asia Pacific Holdings (AXA) in their efforts to make NAB's proposed acquisition of AXA acceptable to the ACCP. The ACCP said AXA's proposal to sell its North platform administration business to Melbourne-based IOOF Holdings did not do enough to mitigate the effects of the AXA-NAB deal, which it said would "result in a substantial lessening of competition in the relevant retail investment platform market." ACCP said the divestiture includes neither the distribution network of financial planners nor the North products, and, because it depends on third parties to complete certain actions, it involves "complex and long-term behavioral obligations that present risks." [To read the ACCP's Public Competition Assessment regarding the proposed NAB-AXA deal, click here].

SEPTEMBER 20 - 26, 2010

NAVY FEDERAL CREDIT TO ACQUIRE FEDERAL CREDIT

Vienna, VA-based, $41.5 billion-asset Navy Federal Credit Union has agreed to acquire San Diego, CA-based, $1.5 billion-asset Federal Credit Union (USA Fed). USA Fed's home office will become Navy Federal's West Coast operations center, and its eight branches in Southern California and eleven at military bases in Japan and Korea will bring Navy Federal's branch presence in Southern California to 22 and increase its branches worldwide to 200.

Navy Federal President and CEO Cutler Dawson said, "This merger with USA Federal expands our branch access for members here and overseas." The deal to merge into a $43 billion-asset credit union with more than 3.5 million members is expected to close October 1, 2010, pending regulatory approval by the National Credit Union Administration.

MERITRUST CREDIT UNION PARTNERS WITH CFS

Wichita, KS-based Meritrust Credit Union has entered into an agreement with San Diego-based CUSO Financial Services (CFS) whereby the latter will provide Meritrust with broker-dealer services and back office support, including marketing and compliance support. Meritrust CUSO Director Evan Wilson said, "At Meritrust we desire to be the trusted resource for all our members financial needs. With CFS we are confident we can do that."

LIBERTY MUTUAL TO ISSUE AGENCY UNIT IPO

Boston, MA-based Liberty Mutual Group plans to issue over 64 million shares in Liberty Mutual Agency Corp. (LMA) as part of an initial public offering (IPO), giving the underwriters the option of selling 6.4 million additional shares in LMA. Liberty Mutual will retain 82% ownership in LMA, but hopes the IPO will net up to $1.17 billion, enough to help it pay down the debt associated with its $2.7 billion purchase of Ohio Casualty in 2007 and its $6.2 billion purchase of Seattle, WA-based SAFECO in 2008, *insurancejournal.com* reports.

HHS' SEBELIUS THREATENS ZERO TOLERANCE FOR "AFFORDABLE HEALTHCARE"-LINKED RATE INCREASES

U.S. Health and Human Services (HHS) Secretary Kathleen Sebelius has warned America's Health Insurance Plans (AHIP) President and CEO Karen Ignagni that "there will be zero tolerance" for health insurance carriers "falsely blaming premium increases for 2011 on the patient protections in the Affordable Care Act." In a letter sent earlier in September, Sebelius said, "We will not stand idly by as insurers blame their premium hikes and increased profits on the requirement that they provide consumers with basic protections." In fact, she said, "We will keep track of insurers with a record of unjustified rate increases," and "those plans may be excluded from health insurance exchanges in 2014." Indeed, HHS will "require state or federal review of all potentially unreasonable rate increases filed by health insurers, with the justification for increases posted publicly for consumers and employers," Sebelius said.

In response, AHIP President and CEO Karen Ignagni noted that the so-called Affordable Health Care Act requires that health plans: (1) cover preventive services without cost-sharing, (2) prohibit pre-existing condition exclusions, (3) open access to OB/GYNs and out-of-network emergency rooms, (4) restrict annual and lifetime limits, and (5) add adult children up to age 26 to family policies. "It's a basic law of economics that additional benefits incur additional costs, and the impact on premiums depends on the type and amount of coverage policyholders had before." In addition, she said, "soaring medical costs" and the decrease in young healthy adults purchasing health insurance due to the weak economy, add to the costs medical insurers must assume, *BestWire* and *NU Online* report.

BANCASSURANCE SALES DOMINATE AND SPUR TAIWAN'S LIFE AND ANNUITY MARKET

Taiwan's bancassurance operations accounted for 67.3% of new life insurance premiums (NT$451.4 billion or US$14.3 billion) and 90.3% of new individual annuity premiums (NT$257.9 billion or US$8.1 billion) sold in the country in the first seven months of 2010, according to the Life Insurance Association of the Republic of China (LIAROC). Bancassurance drove overall first-year life insurance premiums up 39.8% to NT$670.7 billion (US $20.93 billion) and sent first-year annuity premiums soaring 105.8% to NT$285.5 billion (US$9.0 billion), the LIAROC said. Fubon Life Insurance Co., supported by its strong bancassurance distribution system, led the industry with an 18.6% new premium market share (NT$4.8 billion or US$151.5 million), followed by Cathay Life (17.4%), Nan Shan Life (6.5%), Shin Kong Life (5.7%), Cardiff Assurance Vie (5.3%), BNP Paribas TCB Life (2.2%), and Allianz Taiwan Life (1.5%).

NAB AND AXA APH TERMINATE PROPOSED DEAL

Melbourne, Australia-based National Australia Bank (NAB) and Melbourne-based AXA Asia Pacific Holdings (AXA APH) have terminated their agreement whereby NAB would acquire AXA APH, and AXA APH would divest its Asian business to AXA. The termination follows the Australia Competition and Consumer Commission's (ACCC's) decision not to accept proposed undertakings offered by the two companies. NAB Group CEO Cameron Clyne said, "NAB remains very committed to participating in the wealth management industry, which is an important part of the bank's future." AXA said it remains fully committed to support the Australia and New Zealand businesses and will continue to review its options.

FPC AND NAIFA TAKE DIFFERENT SIDES ON UNIVERSAL FIDUCIARY STANDARD

The Financial Planning Coalition (FPC) and the National Association of Insurance and Financial Advisors (NAIFA) have responded to the U.S. Securities and Exchange Commission's (SEC) request for comment on extending the fiduciary standard of care required for investment advisors to broker-dealers. FPC, comprised of the Certified Financial Planner Board of Standards, Financial Planning Association, and the National Association of Professional Financial Advisors, strongly endorsed the idea; NAIFA opposed. According to the FPC, "The SEC should establish the fiduciary standard … applicable to investment advisors under the Advisors Act" and apply it to both investment advisors and broker-dealers. "The fiduciary standard of care would require broker-dealers to act in the best interests of their clients, which is a higher standard than the suitability standard to which they are currently held," the FPC said.

NAIFA disagreed. "The need (and desire) of NAIFA members [80% of whom are licensed Registered Representatives of broker-dealers] to serve clients ethically and in their best interests ensures a vigorous level of investor protection that rivals any new standards that may be put in place," NAIFA said. In addition, "NAIFA members who are Registered Representatives must comply with FINRA's suitability standard and make recommendations that are appropriate for the client, based on the client's financial situation and financial objectives … and may be liable for fraud or negligence if they provide false or misleading information to customers."

NAIFA contrasted the differing business models followed by Registered Representatives and Registered Investment Advisors. Registered Representatives, NAIFA noted, may provide incidental advice in connection with a commission-based sale dependent on the product's suitability for the client, but Registered Investment Advisors charge fees and sell advice in the form of managing client assets and drafting financial plans. Adding requirements appropriate to the latter to the business of the former would increase costs and negate the value of the broker-dealer business model, NAIFA said. This would harm the average consumer, who cannot afford the fees charged by investment advisors, NAIFA added, saying, "The comprehensive regulatory requirements, oversight and enforcement of rules governing Registered Representative conduct, combined with best practices and rigorous implementation of those requirements by broker-dealers, work well to protect investors."

SEPTEMBER 27 - OCTOBER 3, 2010

WUNDERLICH TO ACQUIRE 5 RBS (US) WEALTH MANAGEMENT OFFICES

Memphis, TN-based, Wunderlich Securities has agreed to acquire RBC (U.S.) Wealth Management offices in Beechwood, Ohio, and Plymouth, Flint, East Lansing and Brighton, Michigan. The deal adds 21 retail brokers and five offices to Wunderlich's 400 broker and 21 office network in 12 states. Minneapolis, MN-based RBC Correspondent Services will continue to clear client trades in the to-be-acquired offices, while St. Louis, MO-based First Clearing, a unit of Wells Fargo & Co., will continue to clear trades at all other Wunderlich offices.

HOUSTON MANAGING AGENCIES MERGE TO FORM IMS/LONDON AMERICAN

Houston, TX-based Insurance Market Solutions (IMS) has acquired Houston, TX-based London American Risk Specialists. The merged multiline managing general agency's 1,500 agents will have access to 50 brokerage markets and ten domestic and Lloyds binding facilities. The company will be renamed IMS/London American, illustrating "the best of both organizations," IMS President Larry Mennes said, "showing our clients that they have gained a larger, improved resource for their customers' needs."

NJ'S PROFESSIONAL RISK SOLUTIONS ACQUIRES FL'S GREMESCO

Warren, NJ-based Professional Risk Solutions (PRS) has acquired Boca Raton, FL-based Gremesco of Florida, an executive liability wholesale insurance broker that specializes in hard to place specialty insurance. PRS CEO De 'Andre Salter said, "This asset purchase is a component of our strategic growth strategy that includes gaining access to key markets, products and strategies." Professional liability wholesale insurance broker PRS specializes in directors and officers (D&O), E&O and Cyber Security liability coverages.

ORDER OF FORESTERS TO ACQUIRE NYC'S FIRST INVESTORS CONSOLIDATED

Toronto, Canada-based Independent Order of Foresters has agreed to acquire New York City-based First Investors Consolidated Corp. (FICC), including its registered broker-dealer, registered investment advisory firm, transfer agent and life insurance operations. When the deal for the financial firm with $6.3 billion assets under management closes by the end of 2010, pending shareholder and regulatory approvals, FICC will be headed by Independent Order of Foresters U.S. (IOFUS) President Chris Pinkerton, but it will otherwise retain its management team, staff, name and 46 offices in 26 states and operate as a unit of IOFUS.

WHITE HOUSE PRESS SECRETARY SLAMS AMERICA'S HEALTH INSURANCE PLANS (AHIP)

White House Press Secretary Robert Gibbs referred to Washington, DC-based America's Health Insurance Plans (AHIP) as the "insurance protection lobby" and implied their mission was to allow insurance companies to, in his words, "continue to make decisions on the backs of children and families that need their help." Gibbs said in a press briefing last week, "The insurance protection lobby, AHIP, had previously stated their willingness to abide by the law and not make the decision that we see several of these insurers have made." When a reporter asked Gibbs if he meant to call the AHIP "the insurance protection lobby," Gibbs said, "I don't know what AHIP stands for, but for some reason, 'P' in my mind popped into 'protection.' But it seems to fit, doesn't it?"

HEALTHCARE LEGISLATION PUTS 80-85% MINIMUM LOSS RATIO SQUEEZE ON INSURERS

The newly passed healthcare legislation requires that small and large plan health insurers meet minimum loss ratios (MLRs) of 80% and 85%, respectively, meaning 80% or 85% of all health insurance premiums must be spent on patient care, leaving 20% or 15% to cover all other costs and profits. In response, Iowa and Maine have asked for compliance waivers, and the National Association of Insurance Commissions (NAIC) has drafted a proposal that would allow insurers to deduct all federal and state taxes except those on investment income and capital gains, before calculating their MLRs.

NEW LEGISLATION SIMPLIFIES PARTIAL ANNUITIZATION

Owners of non-qualified annuity contracts will be able to annuitize part of their contract and allow the rest to grow in value tax-deferred, if President Obama signs into law the Small Business Lending Fund Act recently passed by the U.S. Senate and House of Representatives. Currently, annuity owners must exchange their annuity for two annuities and annuitize one, if they wish to annuitize part of the original purchase. American Council of Life Insurers President Frank Keating said the annuity provision "provides additional flexibility to a product that is playing a crucial role in helping Americans achieve retirement security."

NAIC DRAFTS STRANGER-ORIGINATED ANNUITY TRANSACTIONS (STOA) MODEL

The National Association of Insurance Commissioners (NAIC) has drafted a model bulletin on stranger-originated annuity transactions (STOAs) whereby an agent or investor pays an individual a fee to buy an annuity in his or her name with the "stranger" as the beneficiary. STOAs are generally made on individuals with short life expectancies and have guaranteed minimum death benefits attached to them. The NAIC's draft bulletin encourages annuity carriers to establish methods for reviewing annuity applications and annuity histories, including whether or not an annuity is annuitized the first year, in order to identify agents who may be involved in STOAs.

NFIP GETS ONE-YEAR EXTENSION

The U.S. Senate and House of Representatives have voted to extend the National Flood Insurance Program (NFIP) until September 30, 2011. Property Casualty Insurers of America (PCI) President David Sampson said, "While we are pleased that Congress passed the one-year extension, there is still work to be done." PCI Vice President Marguerite Tortorello agreed, saying, "This does not change the need for a long-term reauthorization that includes fundamental reform of the program and prevents the patchwork of short-term fixes that have allowed the NFIP to lapse four times this year." Noting that the NFIP is $18 billion in debt, American Insurance Association President Blain Rethmeier said, "The program is financially unstable, and failing to address that only makes problems worse for homeowners, insurers and the American taxpayers."

BANK INSURANCE AGENCIES ON FOR OCTOBER INSURANCE EXCHANGE LAUNCH

Sixteen insurance brokerages, including BB&T Insurance Services and BancorpSouth Insurance Services, have signed on to use the Lexis Nexis Insurance Exchange, an online, single entry submission system designed to transact commercial insurance lines business with various insurance carriers. Beginning in October, agents with the participating brokerages can submit to the Exchange data for their contracted carriers and wholesalers. The Exchange will aggregate all the documents, and the agent-selected wholesalers and carriers will then access the information through the Exchange.

Lexis Nexis Risk Solutions, The Council of Insurance Agents and Brokers (CIAB) and Marketcare, Inc. partnered to develop Lexis Nexis Insurance Exchange. CIAB Technology Director Frank Sentner said, "Today most agents and brokers attach numerous documents to emails and attempt to email them successfully to their markets, to their carriers and to their wholesalers. It's a very inefficient and time-consuming process" that the Exchange is designed to eliminate. CIAB President Ken Crerar said, "Streamlining the communication of data between agents and brokers and improving the transparency and productivity of the current system has been a Council goal for more than a decade."

JOHN HANCOCK SUSPENDS GROUP LTC SALES; PLANS 40% HIKE ON IN-FORCE POLICIES

Boston, MA-based John Hancock Life Insurance Company is suspending sales of group long-term care insurance (LTC) and plans to hike rates for LTC policies in place 40%. The moves come in response to an internal company study which found that it processed twice as many LTC claims this year as it did in 2006, with claims among policyholders aged 80 and older up four times. Hancock said, "Put simply, more people used the insurance than anticipated, reinforcing the value of the product to policyholders, but creating a pricing issue." The proposed rate hike requires Massachusetts regulatory approval.

MS REFUSES ALLSTATE'S 44% RATE HIKE REQUEST

Northbrook, IL-based Allstate Property and Casualty Insurance Company will not be given the go-ahead to boost its Mississippi homeowners premiums 44% without a court order, according to Mississippi Insurance Commissioner Mike Chaney. Chaney said, "Allstate will not negotiate a reasonable rate, period," and wants to price itself out of the market. Allstate said it needs the rate hike to cover increased fire, theft, water damage and liability claims. Allstate, with a 12.6% share of Mississippi's homeowners insurance market, ranks third in the state behind State Farm Insurance (25%) and Southern Farm Bureau (15.8%).

ZURICH LISTS DECADE'S TOP TEN MEGA DISASTERS

Zurich Services Corporation has identified what it describes as the "Top Ten Mega Disasters" of the past decade. Taking into account the business impact, geographic scope, duration of impact, cost in lives and money, and news tied to the event, Zurich ranked the top ten chronologically: 9-11 (2001), SARS (2003), U.S. Canada power outage (2003), Indian Ocean earthquake and tsunami (2004), Hurricanes Katrina, Rita and Wilma (2005), financial crisis (2008), China earthquake (2008), H1N1 pandemic (2009), Iceland volcano (2010), and floods in Europe and Pakistan (2010).

Regarding the human response to mega disasters, Zurich Risk Prevention and Technical Services Director Vic Gordon said, "A mega disaster can strike without warning and without precedent and the impact to businesses in affected industries is usually immediate. Therefore, planning ahead for the unexpected is a critical component of any risk management program."

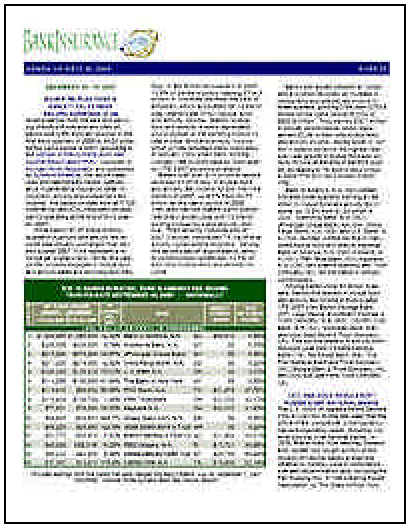
SCANDANAVIAN CONSORTIUM TO ACQUIRE DENMARK'S FIH BANK FROM ICELAND'S SEDLABANKI

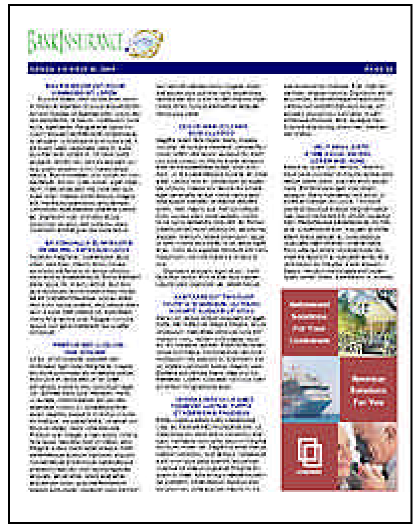
A consortium comprised of Denmark-based Arbejdsmarkedets Tillaegspension (ATP), PFA Pension (PFA), C.P. Dyvig & Co. (CPD) and Sweden-based Folksam Group (Folksam) has agreed to acquire Copenhagen, Denmark-based, DKK125 billion-asset ($22.6 billion) FIH Erhversbank A/S (FIH) from Reykjavik, Iceland-based Sedlabanki (The Central Bank of Iceland), which is administering failed Reykjavik, Iceland-based Kaupthing Bank, the owner of FIH. The consortium will pay Sedlabanki DKK1.9 billion ($343.5 million) in cash and an earn-out payment of DKK3.1 billion ($560.4 million) adjusted for losses incurred through December 31, 2014.

When the deal closes, ATP will own 49.95% of FIH's shares, PFA and Folksom will each own 19.98%, CPD will own 9.99% and FIH employees will own 0.11%. ATP Chief Investment Officer Bjarne Graven Larsen said, "It is the consortium's intention for FIH to prosper as the best corporate and investment bank in Denmark." Toward that end, ATP has offered FIH a committed loan facility of DKK10 billion ($1.8 billion). Larsen said, "We expect an attractive return on our investment." FIH's current management team will remain in place, when the transaction is completed, pending regulatory approvals.

LLOYD'S CHACER TO ENTER INTERNATIONAL LIABILITY INSURANCE MARKET

London, England-based Lloyd's of London unit Chaucer Syndicate 1084 announced it will launch a new International Liability Division by the end of 2010. Chaucer said it expects the unit to earn about £40 million ($62.75 million) in its first year, with professional indemnity products comprising 50% of its business and general liability products making up 25%. Chaucer Active Underwriter John Fowle said, "Our intention has always been to develop a market-leading underwriting team for non-U.S. liability insurance business."





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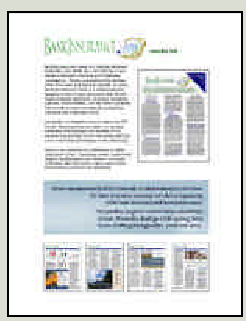

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