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RISING RESULTS

Banks Boast Gains in Investment Income, Annuity Income and Bank-Owned Life Insurance

COMMUNITY BANKS BOAST BEST 1ST HALF INVESTMENT PROGRAM INCOME IN SIX YEARS

Community bank investment programs continued to perform well in first half 2012 with double digit growth in securities brokerage fee income and near double-digit growth in annuity commissions, according to the *Michael White-Securities America Report: Community Bank Investment Programs*.

Sponsored by Securities America and issued by Michael White Associates, LLC, the report measures and benchmarks investment programs at community banks, i.e., banks and savings associations with less than $4 billion in assets. The current quarterly report is based on data reported by all 7,246 commercial and savings banks and savings associations operating on June 30, 2012. The annual report specially examines the 7,043 community banks among them, further segmenting them into five asset classes whose performance is also analyzed.

"Our latest report finds that first-half community bank investment program revenues are the best they've been in the last six years," said Gregg H. Johnson, Senior Vice President at Securities America. "And, in the second quarter, income from securities brokerage and annuity sales grew nearly 15% and 9.5% over second quarter 2011. Second quarter 2012 had the most program income of any quarter since banks began filing these data in 2007."

Program Production

In first half 2012, 1,468 or 20.8% of community banks participated in investment program activities, producing $266.0 million in program income, up 11.0% from $239.6 million in first half 2011. Second quarter 2012 program income of $137.7 million increased 7.4% from $128.2 million in first quarter 2012 and 13.4% from $121.4 million in second quarter 2011, hitting its highest level in the five-and-a-half years these data have been available.

These community banks achieved average investment program fee income of $181,170 in first half 2012, up 7.4% from $168,614 in first half 2011. Average first-half investment program fee income in 2012 constituted its high-water mark. The number of banks participating in investment program activities was up 3.3% from 1,421 banks in first half 2011 to 1,468 banks in first half 2012.

Program Penetration

The Penetration of an investment program is measured as the amount of program revenue generated per million dollars of core or retail deposits. These deposits substitute as a measure of retail customers and the breadth of the customer relationship, since the data for retail customers or retail households are hard to obtain on a reliable, national, and standardized basis.

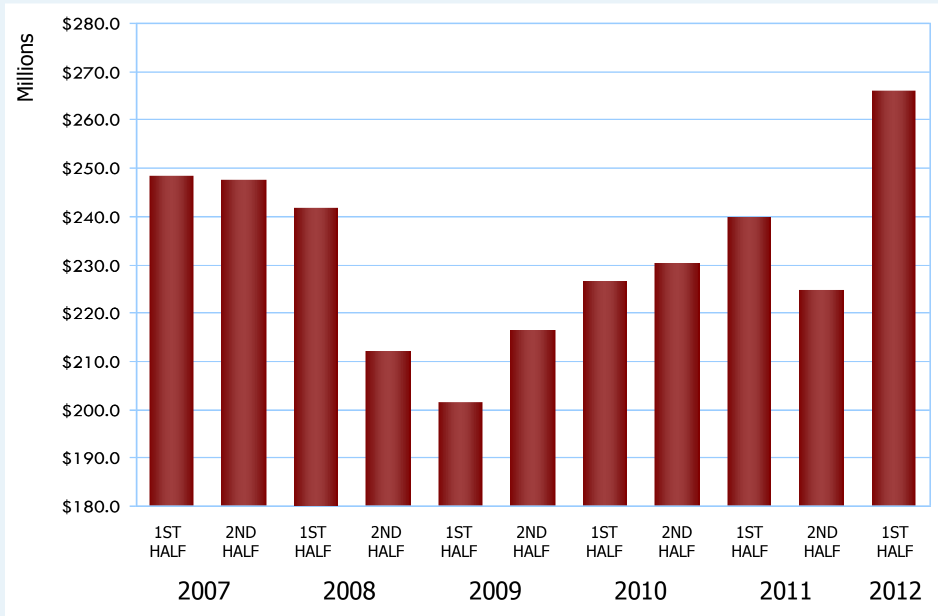
"In first half 2012, community banks earned mean investment program income of $408 per million dollars of retail bank deposits," said Michael White, president of Michael White Associates and author of the report. "That Penetration Ratio was down 1.4% from the previous year, due to the large amounts of retail deposits. In contrast, big banks with assets over $4 billion attained a higher mean Investment Program Penetration of $502 per million dollars of retail deposits; so, there is opportunity for community banks to enhance their programs."

Program Concentration

Program Concentration calculates the portion of total noninterest income attributable to a specific kind of noninterest fee income. This ratio enables us to know how concentrated or meaningful bank investment programs are among their banks' non-lending activities.

As a group, community banks achieved a higher mean Concentration of investment program income to noninterest income than larger banks in first half 2012. As a group, community banks attained an adjusted Concentration Ratio of 6.1%, adjusted for banks whose Concentration Ratio exceeded 100% as a result of significant losses on their sale of investment securities and properties. Large banks, those with assets greater than $4 billion, attained a slightly higher mean Concentration Ratio of 6.4% for the same period, reflecting a switch in the relative position of small and large banks.

FIRST HALF COMMUNITY BANK INVESTMENT PROGRAM INCOME REACHES HIGHEST LEVEL IN SIX-YEARS



SOURCE: *Michael White - Securities America Report: Community Bank Investment Programs*

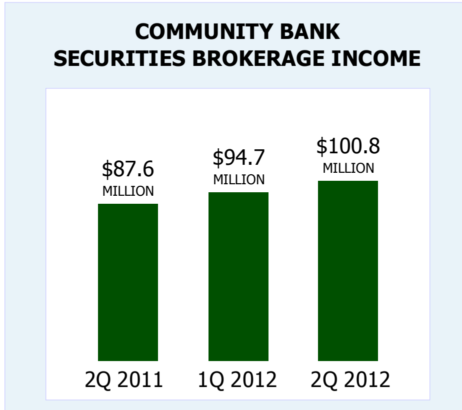
Program Productivity
Investment Program Productivity measures the amount of program fee income per bank employee. Program Productivity enables us to assess the relative generation of income among bank employees, which are frequently the important human assets in generating customer referrals and the attendant fee income earned from those customer relationships. In first half 2012, mean community bank Program Productivity was $1,256 per bank employee, up 1.6% from $1,236 in first half 2011, and the highest level of first-half productivity since MWA began analyzing these data in 2007. Community banks with assets between $1 billion and $4 billion generated the highest level of Program Productivity at $1,392 in program revenue per bank employee.

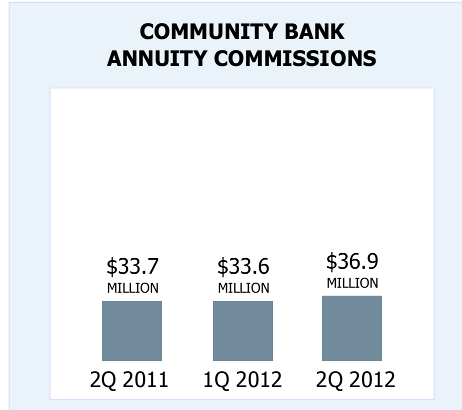
Program Density
Measured as the amount of program fee income per domestic banking office, Program Density evaluates the relative density of program income among banking locations, the critical physical assets in generating investment program income. Unadjusted mean density per domestic community bank office was $26,202 in first half 2012, down 2.4% from $26,850 in first half 2011.

Revenue Mix – Securities Brokerage
In first half 2012, community banks earned securities brokerage fee income of $195.5 million, up 11.6% from $175.1 million in first half 2011. Second quarter 2012 brokerage revenues of $100.8 million were 6.5% more than the $94.65 million in first quarter 2012 and 15.0% more than $87.65 million in second quarter 2011.

Security brokerage revenues constituted 73.5% of total investment program income of $266.0 million in first half 2012, up from a cumulative mix of 73.1% in 2011. Second quarter 2012 securities revenue mix rose 1 point from 72.2% in second quarter 2011 to 73.2%.

Of the 1,468 banks with assets under $4 billion that reported earning investment program income in first quarter 2012, 1,271 banks or 86.6% reported earning commissions and fees from securities brokerage, and 612 banks or 41.7% reported earning securities brokerage fee income only.





SOURCE: Michael White - Securities America Report: Community Bank Investment Programs

1ST HALF MEAN PERFORMANCE BENCHMARKS FOR COMMUNITY BANK INVESTMENT PROGRAM INCOME

MEAN PERFORMANCE MEASURES	1ST HALF 2012	1ST HALF 2012
PRODUCTION - Dollar Volume	$181,170	$168,614
CONCENTRATION - % of Noninterest Income	6.09%	7.04%
PENETRATION – $ per Million Dollars of Retail Deposits	$408	$414
PRODUCTIVITY - $ per Bank Employee	$1,256	$1,236
DENSITY - $ per Domestic Office	$26,202	$26,850

SOURCE: *Michael White - Securities America Report: Community Bank Investment Programs*

Revenue Mix – Annuities
Community banks earned annuity fee income of $70.5 million in first half 2012, up 9.3% from $64.5 million in first half 2011. Second quarter 2012 annuity revenues of $36.9 million were up 9.8% from $33.6 million in first quarter 2012 and up 9.2% from $33.8 million in second quarter 2011.

Annuity commissions constituted 26.5% of community bank investment program income of $266.0 million in first half 2012, down from first half 2011's annuity revenue mix of 26.9%. In second quarter 2012, annuity revenue mix was 26.8%, down from 27.8% in second quarter 2011. With 13.1% of first half 2011 program income and 17.0% of first half 2012 program income from annuities, the bigger banks with assets in excess of $4 billion had a considerably lower mix of annuity commissions in their programs.

Of the 1,468 community banks that reported earning investment program income in first half 2012, 856 banks or 58.3% reported earning annuity commissions, and 197 banks or 13.4% reported earning annuity income only. This latter finding of 197 banks reporting only annuity income may be indicative of banks that have only platform annuity or licensed bank employee (LBE) programs and not full-product or hybrid investment programs.

Leaders – Investment Program
In first half 2012, leaders in investment program fee income among big banks with assets under $4 billion were CenterState Bank of Florida (FL) with $19.39 million, up 79.6% from $10.80 million in first half 2011; North Shore Community Bank & Trust Company (IL) with $8.35 million in 2012, up 2.4% from $8.16 million; TIB The Independent Bankersbank (TX) with $6.67 million, up 7.6% from $2.86 million; United Bankers' Bank (MN) with $3.62 million, up 26.7% from $2.86 million; and Espirito Santo Bank (FL) with $3.29 million, down 12.4% from $3.75

million in first half 2011. (Not all income in some investment programs is derived from activities conducted for retail customers. For instance, CenterState Bank of Florida and bankers' banks sell securities, particularly bonds, for other community banks. When bank lending is tight and there are higher deposits and fewer loans, the increased liquidity of banks' balance sheets also increases community banks' demand for bonds.)

Leaders – Annuities

In first half 2012, leaders in annuity fee income among banks under $4 billion in assets were AnchorBank (WI), a thrift that did not previously report, with $1,181,000; Bank Mutual (WI) with $1,064,000, another non-reporting thrift in 2011; CenterState Bank of Florida (FL) with $1,056,000, up from $27,000 in first half 2011; Lake City Bank (IN) with $1,030,000, down 3.3% from $1,065,000; and First Victoria National Bank (TX) with $925,000 in 2012, up 17.4% from $788,000 in first half 2011.

For more information on the Michael White-Securities America Report: Community Bank Investment Programs, click here.

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PRUDENTIAL TO ACQUIRE THE HARTFORD'S INDIVIDUAL LIFE BUSINESS

Newark, NJ-based Prudential Financial has agreed to purchase The Hartford's Individual Life insurance business for $615 million in cash paid by ceding that amount in reinsurance commissions for 700,000 acquired Hartford life insurance policies worth $135 billion in face amount. The acquisition includes $7 billion in general account investment assets and reserves and $5 billion in separate account assets and liabilities.

Prudential Financial Chairman and CEO John Strangfeld said, "The integration of Prudential's Individual Life Insurance business and that of The Hartford will create an organization with greater scale, enhanced product offerings and expanded distribution expertise," giving Prudential leadership positions in universal term and variable life insurance.

The Hartford Chairman, President and CEO Liam McGee said the deal fits with The Hartford's intent to focus on its property and casualty, group benefits and mutual funds business and follows on the company's pending sales of Woodbury Financial Services to AIG's Advisor Group and its Retirement Plans business to MassMutual. McGee said, "The Hartford is taking the necessary actions, as outlined in March, to position the company for higher returns on equity, reduced sensitivity to capital markets, a lower cost of capital and increased financial flexibility."

The deal for the Individual Life business, which reported $105 million in net income for the twelve months ending June 30, 2012, is expected to close in early 2013, pending regulatory approval.

MORGAN STANLEY WEALTH MANAGEMENT ABSORBS SMITH BARNEY

New York City-based, $748.5 billion-asset Morgan Stanley has renamed Morgan Stanley Smith Barney to reflect its now 65% ownership in the joint partnership with Citigroup. The company now operates as Morgan Stanley Wealth Management (MSWM) and holds within it the broker-dealer designation Morgan Stanley Smith Barney LLC. Morgan Stanley Chairman and CEO James Gorman said MSWM "will remain focused on being the world's premier wealth management group."

Morgan Stanley Wealth Management manages $1.7 trillion in client assets through a network of 17,000 representatives operating in 740 locations. Morgan Stanley intends to acquire Citigroup's remaining stake in MSWM in 2015, pending regulatory approval.

METLIFE AMENDS BANK SALE

New York City-based MetLife has amended its agreement to sell its MetLife Bank subsidiary's $7.5 billion retail deposit business. MetLife has now agreed to sell the business to GE Capital Retail Bank, not GE Capital Bank. The amended agreement requires Office of the Comptroller of the Currency (OCC) approval, not Federal Deposit Insurance Corporation (FDIC) approval, possibly speeding up the approval process.

When the sale is completed, pending regulatory approval, MetLife Bank will end its relationship with the FDIC, and MetLife will de-register as a bank holding company. As a bank holding company, MetLife had failed the Federal Reserve's capital standards stress test. Those capital standards, MetLife said, are inappropriate for insurance companies.

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USI COMPLETES TDI INSURANCE ACQUISITION

Briarcliff Manor, NY-based USI insurance Services has completed its acquisition of TD Insurance (TDI) from Wilmington, DE-based, $195.9 billion-asset TD Bank. Former TDI President and now USI Regional CEO Joseph Fico said the merger gives TD Bank customers "access to a full suite of USI's customized risk management and benefit products while maintaining the ease of shopping for insurance that they have come to expect." The acquisition is expected to contribute $58.2 million in annual revenues to USI's operations.

ENROLLMENT JUMPS IN HIGH-DEDUCTIBLE GROUP HEALTH INSURANCE PLANS

The percentage of employees enrolled in high-deductible group health insurance plans jumped to 27.5% in the first quarter, while the number of enrollees contributing to flexible spending accounts climbed to 21.5%, according to the National Center for Health Statistics (NCHS). Additionally, the percentage of adults aged 19-25 with health insurance coverage rose to 55.1%, up from 51% in first quarter 2010, before health insurance law mandated group plan coverage of employees' adult children under age 26, the NCHS found. NCHS is a unit of the U.S. Department of Health and Human Services.

U.S. HEALTH CARE COSTS UP IN 2011

U.S. health care costs – excluding health insurance premium costs – rose 4.6% in 2011 to $4,547 per person, up from a 3.8% rise in 2010 to $4,381, according to *The Health Care Cost and Utilization Report: 2011* completed by the Health Care Cost Institute (HCCI). Included in the cost increase was a 4.6% rise in out-of-pocket consumer spending to $735 per person, up from $703 in 2010.

Health care costs rose greatest for outpatient care, as emergency room visits increased 3.7%. In contrast, prescription cost increases slowed to 1%, as the price for generics fell 7.2%, and their use rose 3.4%, while the price of brand-name drugs grew 17.7% and their use dropped 13%.

Commenting on what the HCCI described as the "unexpected" rise in health care costs, HCCI Chairman Martin Gaynor, Ph.D., said, "While it's hard to know whether this means spending levels are going to continue rising, it clearly is a signal that we have to pay attention to."

OCTOBER 8 - 14, 2012

AMERICAN EXPRESS TO PAY $172 MILLION TO SETTLE DECEPTIVE CREDIT CARD & DEBT COLLECTION PRACTICES

The Federal Deposit Insurance Corporation (FDIC), the Consumer Financial Protection Bureau (CFPB), the Office of the Comptroller of the Currency (OCC), the Utah Department of Financial Institutions, and the Board of Governors of the Federal Reserve System (FRS) have reached settlements with Salt Lake City, UT-based, $34.0 billion-asset American Express Centurion Bank (American Express) regarding the bank's deceptive debt collection and credit card marketing practices.

The regulators found that American Express (1) misrepresented to consumers that if they entered into an agreement to settle old debt, that settlement would be reported to consumer reporting agencies and thereby improve the consumers' credit scores, but no such reporting occurred; (2) implied that consumers who agreed to partially pay old debt would have the remaining portion of their debt forgiven, but the balance remained as a debt owed to American Express; (3) misrepresented the points and awards consumers would receive when they enrolled in an American Express card product.

In its settlement with the regulators, American Express agreed to Consent Orders requiring the bank to (1) correct all violations, (2) provide clearly written disclosures on debt collection statements, (3) stop using deceptive credit card solicitations, (4) and improve its compliance management system and oversight of affiliates and third-party service providers in order to adequately manage third-party risk.

American Express also agreed to pay regulators $27 million in civil penalties and pay approximately $85 million in restitution to over 250,000 affected customers. American Express agreed to the orders and neither admitted nor denied the charges.

INDEXED & FIXED ANNUITY BUYERS SATISFIED WITH PURCHASES

The vast majority of indexed annuity (83%) and fixed annuity (86%) buyers who purchased these products within the last three years are satisfied with their purchases, according to a LIMRA survey of 1,200 American adults aged 40 and over. These same annuity holders said their top reason for purchasing their annuities was to supplement their Social Security and/or pension income, giving them a guaranteed lifetime stream of income.

Commenting on the survey results, National Association for Fixed Annuities (NAFA) President and CEO Kim O'Brien said, "The guarantees and features of fixed annuities are becoming increasingly popular among consumers to save for retirement and provide income throughout retirement." Interestingly, the survey also revealed that only 25% of annuity buyers are confident that their assets will last throughout their retirement.

U.S. PROPERTY & CASUALTY INSURERS REPORT 242% SPIKE IN FIRST HALF EARNINGS

U.S. property and casualty insurers reported net income more than tripled in the first half to $16.4 billion, up 241.7% from $4.8 billion in first half 2011, as net underwriting losses dropped 71.0% to $7 billion, down from $24.1 billion in first half 2011, when catastrophe expenses were more than double ($25.7 billion) the $12.6 billion recorded in first half 2012, according to the Property Casualty Insurers Association of America (PCI) and the Insurance Services Office (ISO).

Policyholder surplus also grew, rising 3.2% to $567.8 billion, up from $550.3 billion at year-end 2011. Additionally, net written premiums rose 3.6% over first half 2011 to $226.7 billion, and net earned premiums rose 3% to $218.9 billion. Annualized rate of return climbed to 5.9% from 2.3% in first half 2011, bolstered by an improvement in negative rates of return for mortgage and financial guaranty insurers, which rose to -7.6% from -26.1% in first half 2011.

On the negative side, property and casualty insurers were hit by a massive spike in taxes to $3.6 billion, up from $0.1 billion in first half 2011, and a $3 billion drop in investment gains.

Commenting on overall property and casualty insurer performance in the first half, PCI Senior Vice President Robert Gordon said, "The $17.5 billion increase in policyholders' surplus to a near-record-high $567.8 billion at June 30, 2012, is a testament to the strength and safety of insurers' commitment to policyholders." Gordon added, "Policyholders and regulators can rely on the insurance industry to fulfill its obligations when catastrophes strike."

EUROZONE-BASED FINANCIAL INSTITUTIONS FACE CLIMBING LIABILITY RATES

Liability insurance renewal rates at Eurozone-based financial institutions climbed in the third quarter, driven by 10% to 20% jumps in Spain and Italy and up to 10% climbs in France and Germany, while rates in the United Kingdom remained basically stable, ranging between -5% to +5%, according to the Marsh Risk Management Global Insurance Index.

Financial institutions in Australia and Russia also faced 10% to 20% climbs in liability insurance renewal rates, and those in Brazil, India, Korea and Turkey experienced up to 10% rate increases. Financial institutions in Canada, Chile, China, Japan, Mexico, South Africa, the United Arab Emirates and the United States had stable rates, New York City-based Marsh found.

For more on Marsh's Global Insurance Market Quarterly Briefing, click here.

OCTOBER 15 - 21, 2012

BANK ANNUITY INCOME UP, BUT LIST OF GROWING BANK ANNUITY PROGRAMS SHRINKS

Income earned from the sale of annuities at bank holding companies in the first half of 2012 hit $1.58 billion, up 3.4% over $1.53 billion earned in first half 2011, according to the *Michael White-ABIA Bank Annuity Fee Income Report*. However, annuity income would have been down were it not for the contributions of new reporters in the form of thrift holding companies (THCs) and new bank holding company (BHC) Raymond James Financial, Inc. (FL). Second-quarter 2012 annuity commissions rose to $799.9 million, up 2.4% from $781.4 million earned in second quarter 2011 and up 2.3% from $781.7 million in first quarter 2012.

Compiled by Michael White Associates (MWA) and sponsored by American Bankers Insurance Association (ABIA), the report measures and benchmarks the banking industry's performance in generating annuity fee income. It is based on data from all 7,246 commercial banks, savings banks and savings associations (thrifts), and 1,070 large top-tier bank and savings and loan holding companies (collectively, BHCs) operating on June 30, 2012. Thrifts and savings and loan holding companies began reporting insurance fee income for the first time in first quarter 2012. Several BHCs that are historically and traditionally insurance companies have been excluded from the report.

Of the 1,070 BHCs, 426 or 39.8% participated in annuity sales activities during first half 2012. Their $1.58 billion in annuity commissions and fees constituted 14.0% of their total mutual fund and annuity income of $11.33 billion and 28.9% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of $5.47 billion. Of the 7,246 banks, 942 or 13.0% participated in first-half annuity sales activities. Those participating banks earned $367.4 million in annuity commissions or 23.2% of the banking industry's total annuity fee income; their annuity income production was down 8.4% from $401.1 million in first half 2011.

Kevin McKechnie, Executive Director of the ABIA, noted, "Of 426 large top-tier BHCs reporting annuity fee income in first half 2012, 185 or 43.4% were on track to earn at least $250,000 this year. Of those 185, 65 BHCs or 35.1% achieved double-digit growth in annuity fee income for the quarter. That's more than a 30-point decline from first half 2011, when 121 institutions or 65.4% of 185 BHCs on track to earn at least $250,000 in annuity fee income achieved double-digit growth. Along with a doubling of BHCs that experienced decreases in annuity commissions and fees, these findings of less growth and more declines are troublesome, despite the overall increase in the banking industry's annuity revenues year-to-date."

Two-thirds (67.1%) of BHCs with over $10 billion in assets earned first-half annuity commissions of $1.49 billion, constituting 94.1% of total annuity commissions reported by the banking industry. This revenue represented an increase of 2.3% from $1.46 billion in annuity fee income in first half 2011. Among this asset class of largest BHCs in the first half, annuity commissions made up 14.9% of their total mutual fund and annuity income of $9.99 billion and 30.3% of their total insurance sales volume of $4.92 billion.

BHCs with assets between $1 billion and $10 billion recorded an increase of 24.3% in annuity fee income, rising from $61.8 million in first half 2011 to $76.8 million in first half 2012 and accounting for 18.3% of their total insurance sales income of $418.9 million. BHCs with $500 million to $1 billion in assets generated $16.2 million in annuity commissions in first half 2012, up 31.7% from $12.3 million in first half 2011. Only 29.9% of BHCs this size engaged in annuity sales activities, which was the lowest participation rate among all BHC asset classes. Among these BHCs, annuity commissions constituted the smallest proportion (12.1%) of total insurance sales volume of $134.0 million.

Wells Fargo & Company (CA), Morgan Stanley (NY), and Raymond James Financial, Inc. (FL), a new addition to BHC ranks in 2012, led all bank holding companies in annuity commission income in first half 2012. Among BHCs with assets between $1 billion and $10 billion, leaders included Stifel Financial Corp. (MO), National Penn Bancshares, Inc. (PA), and Old National Bancorp (IN). Among BHCs with assets between $500 million and $1 billion, leaders were First Command Financial Services, Inc. (TX), Liberty Shares, Inc. (GA), and Nutmeg Financial MHC (CT). The smallest community banks, those with assets less than $500 million, were used as "proxies" for the

TOP 10 BANK HOLDING COMPANIES IN ANNUITY FEE INCOME YEAR-TO-DATE JUNE 30, 2012- NATIONALLY

RANK	ANNUITY INCOME		% CHANGE	BANK HOLDING COMPANY		ASSETS	% OF NONINT. INCOME
	1ST HALF 2012	1ST HALF 2011					
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	$383,000	$415,000	-7.71%	Wells Fargo & Company	CA	$1,336,100,000	1.85%
2	$313,000	$214,000	46.26%	Morgan Stanley	NY	$748,517,000	2.25%
3	$141,862	N/A	N/A	Raymond James Financial	FL	$20,874,325	7.95%
4	$124,000	$163,000	-23.93%	JPMorgan Chase & Co.	NY	$2,288,620,000	0.52%
5	$103,764	$124,440	-16.62%	Bank of America Corp.	NC	$2,155,914,728	0.46%
6	$48,173	$40,380	19.30%	SunTrust Banks, Inc.	GA	$178,307,292	2.72%
7	$29,000	$34,000	-14.71%	U.S. Bancorp	MN	$353,136,000	0.63%
8	$26,097	$36,140	-27.79%	BBVA USA Bancshares, Inc.	TX	$66,013,042	6.24%
9	$24,751	$24,976	-0.90%	BB&T Corporation	NC	$178,527,436	1.43%
10	$23,016	$38,318	-39.93%	PNC Financial Services Group	PA	$299,712,018	0.94%

SOURCE: *Michael White-ABIA Bank Annuity Fee Income Report*

The most comprehensive source of institution rankings and industry data on banks and bank holding company annuity programs in the nation.

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www.bankinsurance.com/products/annuity-fir smallest BHCs, which are not required to report annuity fee income. Leaders among bank proxies for small BHCs were Essex Savings Bank (NJ), The First National Bank of Elk River (MN), and Sturgis Bank & Trust Company (MI).

Among the top 50 BHCs nationally in annuity concentration (i.e., annuity fee income as a percent of noninterest income), the median Annuity Concentration Ratio was 4.7% in first half 2012. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 15.1% of noninterest income.

For more on the first half findings of the Michael White-ABIA Bank Annuity Fee Income Report, click here.

RISE IN U.S. APPLICATIONS FOR INDIVIDUALLY UNDERWRITTEN LIFE INSURANCE

U.S. applications for individually underwritten life insurance rose 1.5% in September compared to September 2011 and grew 8.9% over August applications. Year-to-date, they are up 1.7% compared to the same period in 2011, according to the MIB Index.

Applications among individuals aged 60 and older continued to show the most robust growth in September, both year-over-year (+2.8%) and year-to-date (+5.4%). However, applications among individuals aged 0-44 followed close behind, growing 2.1% year-over-year, marking the first increase in September applications among this group since 2003. Year-to-date, applications among individuals aged 0-44 were up 1% compared to 2011.

In contrast to these performances, applications for individually underwritten life insurance among individuals aged 45-59 slipped 0.4% in September compared to September 2011 and ticked up a tepid 0.7% year-to-date compared to 2011, Braintree, MA-based MIB Group found.

The MIB Index is based on the number of searches MIB life member company underwriters perform on the MIB Checking Service database. The vast majority of individually underwritten life premium dollars in the U.S. include an MIB search as a routine underwriting requirement.

PRINCIPAL FINANCIAL TO ACQUIRE CHILEAN PENSION COMPANY CUPRUM

Des Moines, IA-based Principal Financial Group has agreed to acquire Santiago, Chile-based pension product company AFP Cuprum for $1.51 billion. Cuprum manages about $32.1 billion in assets held in employee-funded pension plans, voluntary pension plans and other long-term savings products.

Principal International CEO Luis Valdes said, "The acquisition, combined with Principal International's current success in the Chilean annuity, mutual fund and voluntary pension markets, will generate accelerated growth" for The Principal's operations in that country.

The Principal Financial Group Chairman, President and CEO Larry Zimpleman added, "This acquisition continues our efforts to find targeted, strategic acquisitions that strengthen our competitive position in the most attractive emerging retirement and long-term savings markets." The Cuprum acquisition, he said, will add "to our fee-based earnings, giving us continued financial flexibility."

The agreement requires Empresas Penta S.A. and Inversiones Banpexta Limitada to sell their combined 63% stake in Cuprum. The deal is expected to close in first quarter 2013, pending regulatory approval.

U.S COMPOSITE P&C RATES RISE 5% AS INCREASE IN PROPERTY RATES DECLINES

Commercial property and casualty insurance rates in September rose 5% year-over-year, matching the same increase posted in August, according to Dallas, TX-based MarketScout.

While commercial property insurance rates rose the highest by coverage class, that 6% increase was down from the 7% increase recorded in August, and matched 6% increases in workers' compensation, BOP (business owner policies) and general liability insurance. All other rates by coverage class were up, respectively, 5% (commercial auto), 4% (business interruption, umbrella excess and directors and officers liability), 2% (fiduciary and inland marine), and 1% (crime and surety).

Rates by account size were also up across the board, with both small (up to $25,000) and medium ($25,001-$250,000) accounts up 6%, large accounts ($250,001-$1 million) up 4%, and jumbo accounts (over $1 million) up 3%.

Rate increases by industry class ranged from +6% for the habitational industry to +4% for public entities, with rates for all other industries, including contracting, service, transportation and energy up 5%, MarketScout found based on pricing surveys conducted by the National Alliance for Insurance Education and Research.

WELLS FARGO INSURANCE CAN ENFORCE ACQUIRED AGENCY'S NONCOMPETE AGREEMENT

San Francisco, CA-based, $1.34 trillion-asset Wells Fargo & Co. unit, Chicago-based Wells Fargo Insurance Services has the right to enforce the noncompete agreements signed by Acordia Insurance employees before Wells Fargo acquired the agency in 2001.

On October 11, the Ohio Supreme Court (OSC) ruled that "employee noncompete agreements transfer by operation of law to the surviving company after merger." Wells Fargo Insurance Services, it said, "has the right to enforce noncompete agreements as if it had stepped into the shoes of the contracting companies, provided that the noncompete agreements are reasonable under the circumstances of this case."

The OSC reversed the decision of the Ohio Court of Appeals and remanded *Acordia of Ohio v. Fishel et. al.* to the trial court "so that it may determine the reasonableness of the noncompete agreements."

To read the Ohio Supreme Court's decision, click here.

U.S. COMMERCIAL P&C RATES PROJECTED FLAT TO HIGHER IN 2013

Commercial property and casualty insurance rates should average "flat" to moderately higher in 2013, thanks to abundant capacity, low underwriting losses and a weak economy, according to Willis Group Holdings' *2013 Marketplace Realities* report.

Willis expects catastrophe-exposed property insurance rates to remain flat and non-catastrophe property insurance rates to decline 5% to 10%, while it expects cyber insurance rates to be flat to down 3%. But the insurer sees rates trending flat to upward in umbrella (flat to +7.5%), directors and officers (flat to +10%), employee practices liability (flat to +10%), and fiduciary (flat to +15%) insurance.

In all other commercial insurance areas Willis predicts rate increases: auto (+2% to +5%), workers compensation (+2.5% to +7.5% except in California where it may jump 20%), general liability (+3% to +7.5%), excess (+2% to +15%), errors and omissions (+5% with good loss experience or +10% to +15% with poor loss experience), and employee benefits (+8% to +10%). The climb in employee benefits rates is driven by rising health insurance and compliance costs tied to Obamacare, Willis said.

To access the Willis 2013 Marketplace Realities *report, click here*.

S&P CUTS GENWORTH FINANCIAL'S RATINGS

Standard & Poors (S&P) has cut Richmond, VA-based Genworth Financial's credit rating to BBB- from BBB and has reduced Genworth Life Insurance Company's financial strength rating to A- from A. S&P cited Genworth Financial's mortgage insurance operations, the company's decision to allow two 5-year credit facilities to expire, and weakness in the global economy as its bases for downgrading the parent company's credit rating.

S&P said it downgraded Genworth Life's financial rating because of the sensitivity of the company's fixed annuity and long-term care (LTC) businesses to interest rates, the insurer's under-performing legacy term insurance and LTC blocks, and the stress placed on the insurer to "support holding company interest expenses."

Genworth said it was encouraged that S&P said it believed that Genworth's "ongoing strategic review will address many of the factors that currently strain the company's financial flexibility." Genworth added, "We do not expect those downgrades to have a material impact from a commercial, liquidity or financial perspective," *lifeprohealth.com* reports.

INDIA'S CABINET APPROVES 49% FOREIGN INVESTMENT IN INSURERS

India's cabinet has approved proposals to increase the cap on direct foreign investment in India's insurance and pension companies from 26% to 49%. The proposals will be submitted to India's parliament as an amendment to insurance legislation and an amendment to pension legislation. Parliament is expected to consider the amendments in its upcoming winter session, *BestWeek Asia/Pacific* reports.

OCTOBER 22 - 28, 2012

U.S. BOLI ASSETS GROW 8.6% IN FIRST HALF

Bank-owned life insurance (BOLI) assets reached $146.3 billion in first half 2012, reflecting an 8.6% increase from $134.8 billion in first half 2011 BOLI assets held by large bank and savings and loan (or thrift) holding companies (BHCs and THCs, collectively, holding companies or HCs) and stand-alone banks, according to the *Michael White/Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*.

BOLI is used to recover costs of employee benefits and offset the liabilities of retirement benefits, helping banks to keep up with the rising benefit costs. BOLI may be differentiated by three types of assets: separate account life insurance or SALI assets, general account life insurance (GALI) assets and hybrid account life insurance (HALI) assets. Commercial banks and FDIC-supervised savings banks began reporting these types of assets in 2011, and THCs and savings associations began reporting them during this first half of 2012.

TABLE 1. TOTAL BOLI ASSETS (IN BILLIONS) HELD BY BANKS AND THRIFTS

BANKS BY ASSET SIZE	1ST HALF 2012	1ST HALF 2011	PERCENT CHANGE
Over $10 billion	$106.05 billion	$102.62 billion	3.30%
$1 billion - $10 billion	$15.04 billion	$14.25 billion	5.60%
$500 million - $1 billion	$5.13 billion	$4.86 billion	5.60%
$300 million - $500 million	$3.33 billion	$3.07 billion	8.30%
$100 million - $300 million	$4.43 billion	$4.10 billion	8.10%
Under $100 million	$889.70 million	$897.40 million	-0.90%
All	**$134.88 billion**	**$129.81 billion**	**3.90%**

SOURCE: *Michael White / Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*

Compiled by Michael White Associates (MWA) and sponsored by Meyer-Chatfield, the *Michael White/Meyer-Chatfield BOLI Holdings Report* measures and benchmarks the cash surrender values (CSV) of life insurance and ratios of CSV to capital attained by BHCs, THCs, commercial banks and savings associations (or thrifts). The data in this report were submitted to regulators by 1,070 large top-tier holding companies with assets greater than $500 million and all 7,246 commercial banks, savings banks, and savings associations operating on June 30, 2012. Several THCs that are historically and traditionally insurance underwriting operations have been excluded from the report. Among the study's most significant findings are these:

By Types of Institutions:

- Of 1,070 bank and thrift holding companies, 881 or 82.3% reported holding BOLI assets in first half 2012, increasing their BOLI holdings by 8.4% from $131.57 billion in first half 2011 to $142.64 billion in first half 2012.

- Of 1,322 stand-alone banks, i.e., those banks without parent-BHCs, 475 or 34.5% recorded $3.69 billion in BOLI holdings in first half 2012, up 14.4% from $3.23 billion in first half 2011.

- Of 7,246 banks and savings associations (which, henceforth, we will refer to collectively as "banks"), 3,759 or 51.9% reported BOLI assets of $134.88 billion in first half 2012, an increase of 3.9% from $129.81 billion in first half 2011. (See Tables 1 and 2.)

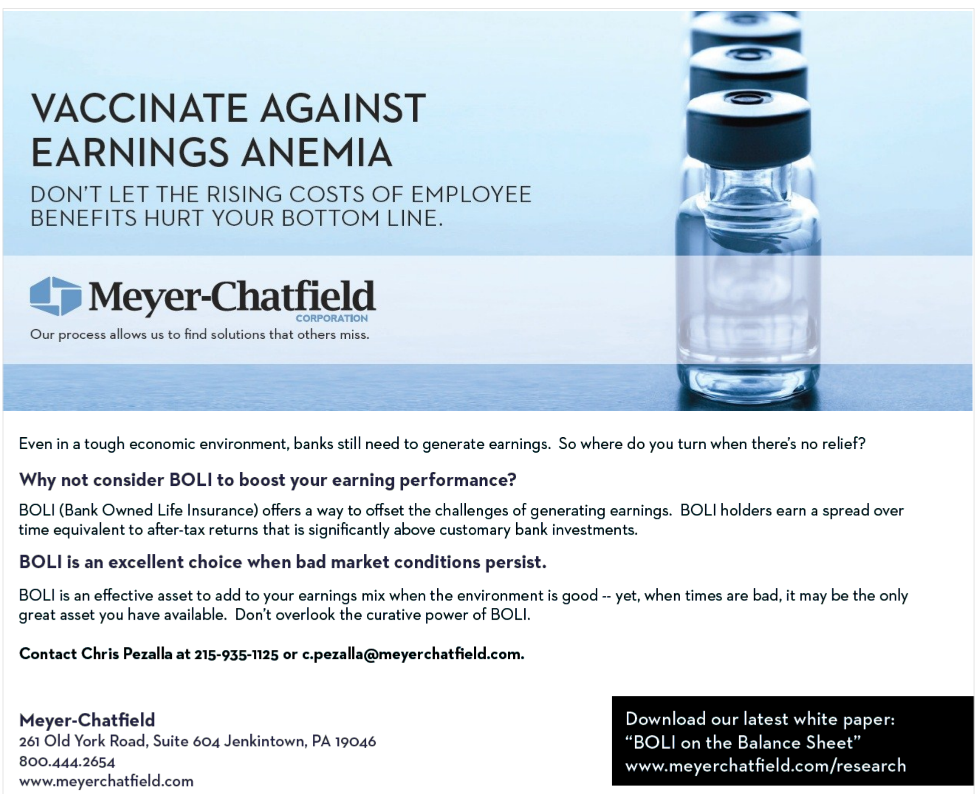

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TABLE 2. NUMBER OF BANKS AND THRIFTS REPORTING BOLI ASSETS			
BANKS BY ASSET SIZE	1ST HALF 2012	1ST HALF 2011	PERCENT CHANGE
Over $10 billion	71	71	0.00%
$1 billion - $10 billion	425	418	1.70%
$500 million - $1 billion	482	479	0.60%
$300 million - $500 million	532	509	4.50%
$100 million - $300 million	1,461	1,427	2.40%
Under $100 million	788	830	-5.10%
All	3,759	3,734	0.70%

SOURCE: *Michael White / Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*

By Types of BOLI Assets:

- Among banks, the largest amount of BOLI assets was to be found in separate accounts. Separate account CSV assets totaled $68.53 billion among banks, representing 50.8% of all BOLI assets in first half 2012. (See Table 3.) At the same time, only 607 or 16.1% of all banks reporting BOLI held separate account assets. (See Table 4.) Thus, among all banks holding BOLI assets, SALI assets, the largest portion of BOLI assets, were held by the fewest number of banks. Separate account life insurance assets are the cash surrender values (CSVs) associated with separate account insurance policies, whose CSVs are supported by assets segregated from the general assets of the insurance carrier. Under such arrangements, the policyholders neither own the underlying separate account created by the insurance carrier on its behalf, nor control investment decisions in the underlying account. They do assume all investment and price risk so the investment income and investment gains and losses generally accrue directly to the policyholders and are not accounted for in the general account of the insurer.

- The BOLI assets most widely held by banks in first half 2012 were GALI policies. (See Table 4.) Ninety-three percent (92.9%) or 3,491 of the 3,759 banks reporting BOLI assets had $53.67 billion in general account life insurance assets, representing 39.8% of total BOLI assets. (See Tables 3 and 4.) In GALI policies, the general assets of the insurance company issuing the policies support their CSV.

- 1,007 or 26.8% of the 3,759 institutions reporting BOLI assets held $12.68 billion in hybrid account life insurance assets in first half 2012, representing 9.4% of total BOLI assets and making HALI the smallest reporting category of BOLI assets. (See Tables 3 and 4.) Hybrid account insurance policies combine features of both general and separate account insurance products. Similar to

TABLE 3. TOTAL BOLI ASSETS (IN BILLIONS) HELD BY BANKS IN FIRST HALF 2012				
BANKS BY ASSET SIZE	GENERAL ACCOUNT LIFE INSURANCE ASSETS (GALI)	SEPARATE ACCOUNT LIFE INSURANCE ASSETS (SALI)	HYBRID ACCOUNT LIFE INSURANCE ASSETS (HALI)	TOTAL
Over $10 billion	$33.93	$63.28	$8.85	$106.05
$1 billion - $10 billion	$8.99	$4.16	$1.89	$15.04
$500 million - $1 billion	$3.82	$0.53	$0.78	$5.13
$300 million - $500 million	$2.63	$0.24	$0.46	$3.33
$100 million - $300 million	$3.55	$0.26	$0.62	$4.43
Under $100 million	$0.74	$0.07	$0.08	$0.89
All	**$53.67**	**$68.53**	**$12.68**	**$134.88**

SOURCE: *Michael White / Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*

general account life insurance policies, the general assets of the insurance company issuing hybrid account policies support the policies' cash surrender values. However, like separate account policies, the assets of hybrid accounts are protected from claims on the insurer. Additionally, the banks holding hybrid account life insurance policies are able to select the investment strategies in which the insurance premiums are invested.

- Separate account life insurance (SALI) assets were most heavily concentrated (92.3%) among the largest banks with assets greater than $10 billion. But, while also concentrated among the big banks, GALI and HALI assets were less so. Smaller banks held 36.8% of general account life insurance assets and 30.2% of hybrid account life insurance assets in first half 2012, as opposed to the much lower 7.7% of SALI assets. (See Table 3.)

- The fastest growing type of BOLI assets in first 2012, in terms of the increase in the number of banks employing them, were hybrid assets. From first half 2011, the number of banks using hybrid accounts increased 31.5% from 766 in first half 2011 to 1,007 banks in first half 2012. Banks employing separate account or SALI assets increased slightly by 9.6% to 607 in first half 2012, up from 554 in first half 2011. The number of banks reporting the three types of BOLI assets increased rather dramatically because thrifts only began reporting them in first half 2012.

By Size of Institutions:

- The highest rate of BOLI ownership occurred among banks and thrifts with assets between $1 billion and $10 billion, as 425 of 553 banks and thrifts or 76.9% reported having them in first half 2012. The same-sized holding companies reported the highest incidence of BOLI ownership, as 401 of 470 BHCs or 85.3% declared they had BOLI assets.

- The largest banks and thrifts, those over $10 billion in assets, accounted for the largest dollar increase ($3.43 billion) in BOLI. Institutions with assets between $300 million and $500 million attained the largest percentage increase (8.3%) in BOLI assets. (See Table 1.) Among holding companies, it was the largest that accounted for the biggest dollar increase ($7.43 billion) year-over-year, but holding companies with assets between $1 billion and $10 billion attained the greatest percentage increase (27.5%) in their combined BOLI assets in first half, as thrift holding companies began reporting BOLI for the first time.

- Five of six asset classes experienced increases in first half 2012 in the number of banks and thrifts reporting BOLI assets. The largest numerical and percentage increases, 34 banks and thrifts and 4.5%, respectively, occurred among depository institutions between $100 million and $300 million and between $300 million and $500 million in assets. (See Table 2.)

- According to federal banking regulators, it is generally not prudent for a banking company to hold BOLI assets with an aggregate cash surrender value (CSV) that exceeds 25 percent of the sum of the institution's total capital. (Depending on an institution's charter, total capital is defined either as Tier 1 capital or the sum of Tier 1 capital and the allowance for loan and lease losses). Nationally, median bank BOLI assets as a percent of the sum of Tier 1 capital and the loss allowances increased (1.8%) from 14.93% in first half 2011 to 15.19% in first half 2012. Nationally, median BHC BOLI assets as a percent of total capital increased (11.4%) from 13.22% in first half 2011 to 14.72% in 2012.

For more on the first half findings of the Michael White / Meyer-Chatfield BOLI Holdings Report, click here.

ALLY FINANCIAL TO SELL MEXICAN INSURER ABA SEGUROS TO ACE GROUP

Detroit, MI-based, $179 billion-asset Ally Financial has agreed to sell Monterrey, Mexico-based auto, property and casualty insurer ABA Seguros to Zurich, Switzerland-based ACE Group for $865 million in cash. Ally Financial CEO Michael Carpenter described the sale as "a significant step in what will be a series of actions to find the best solutions for Ally's international businesses and maximize value for shareholders," including the U.S. government, which owns 74% of the company. Carpenter said Ally intends to use the proceeds from the sale of ABA Seguros and other international businesses to "invest in and grow its leading U.S.-based automotive services and direct banking franchises."

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pany, General Motors Corp., has paid back $5.8 billion of the $17 billion in U.S. taxpayer dollars the U.S. government loaned the company in 2009. The deal to sell ABA Seguros is expected to close in first quarter 2013, pending regulatory approval.

PRUDENTIAL STRIKES DEAL TO ANNUITIZE VERIZON MANAGEMENT PENSION PLAN

Newark, NJ-based Prudential Financial unit Prudential Insurance Company of America (Prudential) has forged an annuity-based pension plan agreement with Verizon Communications (Verizon). Verizon Management Pension Plan has agreed to purchase from Prudential a group annuity contract that is designed to cover approximately $7.5 billion in Verizon's pension obligations. In turn, Prudential has agreed to assume responsibility for making payments to the 41,000 Verizon Management Pension Plan participants who retired and began receiving pension benefits before January 1, 2010.

Prudential Retirement President Christine Marcks said, "This agreement underscores our financial strength, pension management expertise and investment capabilities." She added, "We are delighted that Verizon will meet its pension obligations for these retirees by agreeing to purchase monthly guaranteed annuity benefits from Prudential. The deal is expected to close in December 2013, pending "certain conditions."

LIFE INSURERS OFFER PREFERRED RATES TO AMERICANS WITH WELL-CONTROLLED MEDICAL CONDITIONS

American adults aged 18-64 with well-controlled medical conditions may be eligible for preferred rates on life insurance, according to Genworth Financial Medical Director Dr. Marjorie Keymore.

As it stands, however, 39% to 59% of American adults with common, self-reported pre-existing conditions have no life insurance, largely because they doubt they are insurable and have not even applied for coverage. Individuals with the following common, controllable conditions are uninsured accordingly: asthma (54%), anxiety (53%), depression (53%), weight issues (44%), sleep apnea (42%) and high cholesterol (39%), Genworth found in its *2012 Genworth Life Jacket Study*.

The reality is that medical advances and wellness programs have made it possible for many of these individuals to manage chronic conditions, and life insurers have developed increasingly sophisticated underwriting practices to offer them preferred rates, according to Genworth. Genworth Senior Vice President Janet Deskins said, "Life insurance can be an affordable part of the overall financial plan for individuals actively taking steps to manage their conditions."

U.S. INDEPENDENT INSURANCE AGENCIES ON THE INCREASE

The number of independent insurance agencies operating in the U.S. has been on the rise since 2006, when that number dropped 14.8% to 37,500 from 44,000 in 1996. Currently, 38,500 agencies (up 2.7% from 2006) are offering insurance products throughout the country, and 60% of that number report increased revenue year-to-date, according to the *2012 Agency Universe Study* completed by the Independent Insurance Agents and Brokers of America (IIABA or "Big I") and Future One (a consortium of fifteen insurers).

About half the independent agencies surveyed for the study have developed plans to "meet the needs of emerging markets, including women, ethnic markets and the LGBT community," and many are "developing a more diverse staff," Big I Vice President Madelyn Flannagan said. Additionally, 25% use Facebook to keep in touch with prospects; 20% use LinkedIn to further their businesses, and most say systems and data security rank as their top technology challenges.

Commenting on the study, which also showed an increase in minority principals at new small and medium small agencies, Big I President and CEO Robert Rusbuldt said, "The independent agency system reflects a stable and growing distribution system that remained resilient during the recent economic challenges."

For more on the 2012 Agency Universe Study, click here.

BIPARTISAN POLICY CENTER LAUNCHES FINANCIAL REGULATORY REFORM INITIATIVE

The Bipartisan Policy Center has launched a new Financial Regulatory Reform Initiative (FRRI) intended to evaluate the financial regulatory system post-Dodd Frank and propose reforms designed to balance financial stability, economic growth and consumer protection in the U.S.

Former Clinton Administration Council

of Economic Advisors Chair Martin Baily and former Assistant Secretary for Economic Policy Phillip Swagel will head the FRRI, which plans to focus on systemic risk, failure resolution, capital markets and the Volcker rule, consumer financial protection, and regulatory architecture. Additionally, the initiative will consider the impact of each area of focus on domestic and international policy, domestic growth and job creation, the competitive position of U.S. firms in world markets, regulatory policy and the entry of foreign banks into the U.S. market.

The FRRI has released a white paper outlining its mission and approach and plans to issue a series of white papers covering each "substantive area" as the project unfolds, beginning in 2013. The FRRI projects that it will release a comprehensive report in fall 2013.

To read the initial Financial Regulatory Reform Initiative while paper, click here.

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NORTHWESTERN LIFE RECEIVES FED APPROVAL TO DE-REGISTER AS A THRIFT HOLDING COMPANY

Milwaukee, WI-based Northwestern Life Insurance Company, parent of Northwestern Mutual Wealth Management Co. (NM Wealth) has received Federal Reserve Board (Fed) approval to de-register as a savings and loan holding company. The decision was based on the Fed's determination that NM Wealth functions solely as a trust-only company, serving as a trustee and custodian under section 1841 (c)(2)(D) of the Bank Holding Company Act.

Northwestern Life stated in its application to the Fed that NM Wealth (1) neither maintains nor will it accept demand deposits or deposits that can be withdrawn by check or similar means to pay third parties; (2) does not a and will not offer commercial loans; (3) will not establish a Federal Reserve Bank account and seek discount borrowing privileges from the Fed; (4) will hold 99% or more of its deposits in a trust or fiduciary capacity; (5) will not engage in activities beyond those permissible under section 5(n) of the Home Owners' Loan Act, 12 U.S.C. ¶1464(n); and affiliates will not market NM Wealth FDIC-insured deposits.

MIDDLE CLASS AMERICANS FINANCIALLY UNPREPARED FOR RETIREMENT

About half (52%) of middle class Americans say their most important day-to-day financial concern is paying their monthly bills, according to a Wells Fargo-sponsored telephone survey of individuals aged 25-29 with $25,000 to $99,999 in household income and $99,000 or less in investable assets and individuals aged 30 and older with household incomes of $50,000 to $99,999 and investable assets of $25,000 to $99,000. Only 16% say saving for retirement is a key concern.

In line with these findings, 53% of pre-retired middle class Americans are not confident they will have saved enough to support their desired lifestyle in retirement; and 34% expect their retirement income to equal 50% or less of their current income. Not surprisingly, 70% expect to continue to work during their retirement years, and 30% say they will need to work until they are at least 80 to live comfortably.

While they remain focused on day-to-day expenses, middle class Americans believe they are responsible for setting aside 50% of the money they will need in retirement. They assign 27% of that responsibility to their employer through their pension plan, and they expect the government to pick up another 24% through their social security benefits.

Just over a third (34%) of middle class Americans have a written retirement plan, and only 22% describe their planning efforts as detailed and based on "calculations." In contrast, 75% describe their calculations for retirement as "some sort of a guess." In fact, the group overall believes their out-of-pocket healthcare costs during their retirement years will average $47,000 per couple. But the Center for Retirement Research estimates that cost will average $260,000.

While middle class Americans believe they will need to have saved $300,000 to support them during retirement, their average savings total $25,000. When asked how they would invest a $5,000 windfall for retirement, 40% chose to put that money into a certificate of deposit or savings account; 24% would invest in stocks, and 22% said they would buy gold and other precious metals.

Middle class Americans rank 401(k)s as the "best retirement savings vehicle." Individual retirement accounts (IRAs) and savings accounts rank, respectively, second and third. Among those with employer-sponsored 401(k)s, 34% are investing 3% to 5% of their annual income in those accounts; 32% are investing 6% to 10%, and 12% are investing 11% or more. More than three-fourths (77%) have their contributions matched by their employers.

About three-quarters (74%) of middle class Americans believe employers should offer employees advice on how to save for retirement; 60% believe 401(k) plans should automatically increase contribution rates by 1% each year, and 59% believe employers should automatically enroll employees in retirement plans, the *Wells Fargo Retirement Survey* found. The survey was conducted this past summer by Harris Interactive on behalf of San Francisco-based, $1.4 trillion-asset Wells Fargo & Co.

ILLINOIS STATE PENSION FUNDS DRAMATICALLY UNDERFUNDED

Illinois' five state pension funds are reportedly 41% funded and burdened with a combined $85 billion in unfounded liabilities. And these numbers may be optimistic.

The state's $36 billion Illinois Teachers' Retirement System, $13 billion Illinois State University Retirement System, and the $11 billion State Employees Retirement System assume an 8% rate of return. The Government Accounting Standards Board has lowered that assumed rate, making the Illinois Teachers Retirement System, for example, 18% funded as of July 2010.

Currently, Illinois' state pension plans, including the $63 million General Assembly Retirement System and the $60 million Judges' Retirement System, consume 20% of the state's annual budget and are responsible for 60% of the state's outstanding debt, due to bonds sold to cover required pension fund contributions, *businessinsurance.com* reports.

INSURANCE INDUSTRY COMMENT LETTERS OPPOSE BANK-CENTRIC INSURANCE REGULATION

Chief financial officers (CFOs) of eight insurance companies, including Prudential, TIAA-CREF, The Principal, Nationwide, Mutual of Omaha, USAA, Country Financial and the Westfield Group, have joined in opposition to the Federal Reserve Board's proposed rules requiring insurance companies that hold thrifts to be subject to Basel requirements and GAAP accounting standards.

In their joint comment letter to the Federal Reserve, FDIC and OCC, the CFOs said that applying bank-centric standards to insurance companies "would be duplicative, unduly burdensome and costly and may drive insurers to make business decisions based on a capital framework that does not adequately assess their risks." The CFOs asked the regulators to "engage the [insurance] industry directly to arrive at final regulations that both strengthen the economy and appropriately accommodate the business of insurance."

The National Association of Mutual Insurance Companies (NAMIC) and Nationwide Mutual Insurance (Nationwide) also weighed in on the proposed rules. NAMIC said in its comment letter that the proposed rules have not only "added uncertainty concerning the rules of the road governing capital allocation" but they also "represent a sea change for insurance savings and loan holding companies."

Nationwide commented in its letter that "the application of an undifferentiated, bank-centric capital framework to all organizations with a depository institution without regard to their predominant line of business or their unique set of risks, raises safety and soundness concerns for thrift holding companies (THCs), makes it increasingly difficult for THCs to serve as a source of strength for their depository institution subsidiaries … and increases the threat of systemic risk in the U.S. financial system," *lifehealthpro.com* reports.

MOST U.S. BANK CUSTOMERS GET THEIR MORTGAGES ELSEWHERE

Only 39% of U.S. bank customers finance their mortgage loans through their primary bank, according to an online survey conducted by Carlisle & Gallagher Consulting Group. Most cited cost (66%), application time (56%), and the onerous application process (28%) as the main reasons for getting their mortgages from vendors other than their primary bank.

Banked customers who acquired their mortgages through a mortgage lender cited cost as their primary motivator (84%), followed by trust in their mortgage advisor (42%). Being treated as a unique customer trailed at 15%, the *American Banker* reports.

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