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BankInsurance.com News

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MOVING PIECES

ACQUISITIONS, DIVESTITURES & JOINT VENTURES ABOUND

Who Is Buying, Selling and Partnering ... and With Whom

ALSO INSIDE:

INVESTMENT PROGRAM EARNINGS BOAST DOUBLE-DIGIT GAINS AT COMMUNITY BANKS

ONEX & USI EMPLOYEES COMPLETE ACQUISITION OF USI

Toronto, Canada-based private equity firm Onex Corp., Onex Partners III and USI Insurance Services (USI) employees have completed their $2.3 billion acquisition of Briarcliff Manor, NY-based USI. USI Chairman, President and CEO Michael Sicard said, "With Onex as our private equity partner, USI will continue to accelerate our path to become the top insurance broker in the U.S. middle market and select specialty markets."

USI currently operates approximately 100 offices across the U.S. and ranks as the country's 9th largest insurance broker.

U.S. PROPERTY-CASUALTY INSURERS' NET INCOME MORE THAN TRIPLES

U.S. property-casualty insurers' aggregate net income in the third quarter more than tripled to $10.4 billion, up from $3.4 billion in third quarter 2011, as a $0.2 billion net gain on underwriting contrasted with a $10.7 billion net underwriting loss in the same quarter last year, according to the Insurance Services Office (ISO), the Insurance Information Institute (III) and the Property Casualty Insurers Association of America (PCI). A major slicing of net losses and loss adjustment expenses (LLAE) from catastrophes to $4.1 billion, down from $9.4 billion, drove the underwriting gain, as direct insured catastrophe losses plummeted 78.6% to $1.8 billion, down from $8.4 billion in third quarter 2011.

Net written premiums increased for the 10th consecutive quarter, rising 5.1% to $121.8 billion, up from $115.9 billion, and net earned premiums rose for their 9th consecutive quarter, up 4.2% to $116.1 billion from $111.4 billion in third quarter 2011. In contrast, net investment income slipped 2.7% to $11.4 billion, down from $11.7 billion; and realized capital gains on investments fell 36.8% to $1.2 billion, down from $1.9 billion, driving net investment gains down 7% to $12.7 billion from $13.6 billion in third quarter 2011.

Overall, the positive results generated a combined ratio of 98.5%, a major improvement from the third quarter 2011 combined ratio of 108.5%, and the best level for any quarter since third quarter 2007, when the combined ratio measured 95.9%.

For the first nine months of 2012, aggregate net income for property and casualty insurers spiked more than threefold to $27 billion, up from $8.4 billion in the first nine months of 2011, as net underwriting losses dropped to $6.7 billion from $34.7 billion, driven by a 52.4% cut in catastrophic losses to $16.7 billion, down from $35.1 billion.

A 4.2% increase in net written premiums to $349 billion, a 3.4% rise in net earned premiums to $335.3 billion, and a 7.7% fall in net LLAE to $243.9 billion (down from $264.1 billion) buoyed the results, as net investment income declined 4.1% to $35.1 billion, down from $36.6 billion in the first nine months of 2011.

Mortgage and financial guaranty insurers continued to be drags in overall property and casualty insurer performance. Among this group, net written premium fell 7.8% to $3.6 billion, down from $3.9 billion during the same period in 2011, and net earned premiums declined 5.5% to $4.4 billion. However, LLAE fell 22.8% to $6.6 billion and other underwriting expenses dropped 63.8% to $0.7 billion, down from $1.8 billion, driving an improvement in the combined ratio for mortgage and financial guaranty insurers to 165.4%, down from 226% in the first nine months of 2011.

Overall, policyholder surplus in the first nine months of 2012 grew 7.7% to $583.5 billion from $542.0 billion, and the combined ratio improved to 100.9%, down from 109.8%. Commenting on the industry's results, ISO Assistant Vice President Michael Murray said, "[Property and casualty] insurers are exceptionally well capitalized, with insurers' ample capacity to bear risk likely being the reason the recent firming in insurance markets has been so modest compared with previous cycles."

AIG DIVESTS SHARES IN AIA GROUP

New York City-based American International Group (AIG) intends to sell its remaining 13.69% stake in Hong Kong-based AIA Group to institutional investors for about $6.3 billion to $6.5 billion. AIA Group President and CEO Mark Tucker said, "This latest divestment of the remaining holding marks the end of AIG's shareholder interest in AIA … and represents one of Asia's largest-ever secondary placements."

Earlier this year, AIG generated about $8 billion selling off AIA shares and added those proceeds to its efforts to turn around the parent company and repay the U.S. government for its $182.3 billion "investment" during the 2008-2009 financial crisis. The U.S. government has now sold all its shares in AIG, recovered the $182.3 billion and earned an extra $22.7 billion in positive returns, *BestWeek Asia/Pacific* reports.

PRUDENTIAL PLC & INDIA'S ICICI FORM BANCASSURANCE PARTNERSHIP IN HONG KONG

London, England-based Prudential plc through Hong Kong-based Prudential Assurance Co. has formed a bancassurance partnership with Mumbai, India-based ICICI Bank to offer life insurance through ICICI's branches in Hong Kong. Prudential Assurance Chief Partnership Distribution Officer Virginia Wong said, "This partnership will reinforce our bancassurance platform, strengthen our brand image and provide financial security for ICICI Bank customers through our life insurance products.

The deal marks Prudential's second bancassurance partnership in Hong Kong, where it currently offers provident fund and pension management services through its joint venture with Bank of China International. Prudential said it's open to other opportunities in Hong Kong's "promising" bancassurance market, *BestNews* reports.

JANUARY 7 - 13, 2013

DELAWARE LIFE HOLDINGS TO ACQUIRE SUN LIFE'S U.S. ANNUITY & LIFE INSURANCE BUSINESSES

Wilmington, DE-based Delaware Life Holdings, a unit of New York City-based Guggenheim Partners, has agreed to acquire Toronto, Canada-based Sun Life Financial's U.S. domestic annuity business and its corporate, bank-owned and variable life insurance businesses for $1.35 billion.

Sun Life Financial President and CEO Dean Connor said, "This transaction … significantly advances our strategy of reducing Sun Life's risk profile and earnings volatility … [and] transfers this business to a financially strong buyer that understands and is committed to the annuity and life insurance sectors." Sun Life, he said, will continue to invest in its U.S. employee benefits, voluntary benefits and investment management businesses.

The deal for 100% of the shares of Sun Life Assurance Company of Canada (U.S.) is expected to close by the end of the second quarter 2013, pending regulatory approval. The acquired business will be renamed Delaware Life Insurance Company, and will continue to receive support from Sun Life Financial's operations in Wellesley, MA, Lethbridge, Alberta and Waterford, Ireland. Additionally, Guggenheim Partners will provide investment management services to the company. Todd Boehly of Delaware Life Holdings said, "Together with Sun Life Financial's employees, we look forward to maintaining a high level of customer service, strong capitalization and ratings."

FIDELITY NATIONAL ACQUIRES EMPLOYEE BENEFITS COMPANY DIGITAL

Jacksonville, FL-based Fidelity National Financial (FNF) has acquired Atlanta, GA-based Digital Insurance, Inc., an employee benefits company that specializes in health insurance distribution and benefits management for small and mid-sized businesses (SMB). Fidelity National Financial CEO George Scanlon said, "Digital Insurance has demonstrated a record of success in efficiently distributing health benefit plans in the SMB marketplace. It has a unique business model that provides FNF with a growth opportunity in an industry undergoing major change."

Digital earned about $50 million in revenue in 2012 managing $1 billion in annual premiums generated through 250 broker partnerships and 20,000 employer client relationships. Fidelity National Financial, which currently provides primarily title insurance and mortgage services, expects Digital to add about $70 million to the company's revenues in 2013.

FINRA ISSUES FINES FOR PROSPECTUS DELIVERY FAILURES

The Financial Institutions Regulatory Authority (FINRA) has fined five firms for failure to deliver mutual fund prospectuses to their customers from January 2009 through June 2011. Boston, MA-based LPL Financial agreed to pay $400,000 for failure to have procedures in place to determine if 3.4 million prospectuses were delivered on a timely basis. Bloomington, IL-based State Farm VP Management Corp. agreed to pay $155,000 for inadequate supervision over the delivery of 154,129 prospectuses. New York City-based Deutsche Bank Securities agreed to pay $125,000 for failure to deliver 3,800 out of 71,000 required prospectuses. St. Louis, MO-based Scottrade agreed to pay $50,000 for failure to deliver 14,000 out of 300,000 required prospectuses, and Baltimore, MD-based T. Rowe Price Investment Services agreed to pay $40,000 for failure to deliver prospectuses in 2,000 out of 68,000 transactions. None of the fined firms admitted to FINRA's findings, but each agreed to pay the fines and improve their supervision of prospectus delivery.

OKLAHOMA INSURANCE COMMISSIONER BACKS FAITH-BASED HEALTH INSURANCE EXEMPTIONS

Oklahoma Insurance Commissioner John Doak announced his support of an Illinois federal appeals court decision temporarily barring the U.S. government from requiring an Illinois-based company to provide contraception coverage in the health insurance it offers its employees. The company's owners, Cyril and Jane Korte said the contraceptive mandate in Obamacare violates their religious beliefs.

Commissioner Doak said, "Religious freedom is a basic constitutional right granted by our founding fathers and paid for by the sacrifice of millions of veterans." Doak added, "I'm not opposed to contraception. I am for religious freedom and capitalism, both of which are under daily attacks by big government. Doak said he will back businesses facing the same issue as the Kortes in Oklahoma.

PEOPLES BANCORP IN OHIO EXPANDS INSURANCE AGENCY REACH INTO EASTERN KENTUCKY

Marietta, OH-based, $1.9 billion-asset Peoples Bancorp unit Peoples Insurance Agency has acquired a Pikeville, KY-based commercial insurance agency office and related customer accounts. Peoples Bancorp President and CEO Chuck Sulerzyski said, "We are pleased with this opportunity to expand our presence and capabilities in eastern Kentucky." He added, "We will seek to cross-sell our banking and investment products to the newly acquired insurance customers and prospective customers in the region."

The cash deal adds one office, four insurance agents, six internal staff and potentially $1.6 million in annual revenue to Peoples Insurance Agency's current operations and supplements Peoples Bancorp's 47 locations across Ohio, Kentucky and West Virginia.

At mid-year 2012, Peoples Bancorp earned $5.39 million in insurance brokerage fee income, which comprised 30.6% of its noninterest income and 12.1% of its net operating revenue. The company ranked 15th in insurance brokerage earnings among bank holding companies with assets between $1 billion to $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

AIG'S BENMOSCHE ELECTED TO THE INSURANCE HALL OF FAME

American International Group (AIG) President and CEO Robert Benmosche has been named the winner of the International Insurance Society's (IIS) Insurance Hall of Fame Award. The Honors Committee, comprised of an international group of senior insurance company executives and academics, selected Benmosche from a slate of five nominees. IIS President and CEO Michael Morrissey said, "AIG's astonishing turnaround during Mr. Benmosche's three-year reign is nothing short of remarkable and further speaks to his outstanding management abilities evident throughout his extensive career in the industry."

Benmosche will be inducted into the Insurance Hall of Fame on June 17 at a dinner at the International Insurance Society's 49th Annual Seminar, held this year at the Grand Hyatt in Seoul, Korea.

THAILAND'S KRUNGTHAI BANK REARRANGES INSURANCE COMPANY HOLDINGS

Bangkok, Thailand-based Krungthai Bank Public Company (Krungthai Bank) has agreed to sell its 50% stake in Krungthai-AXA Life Insurance and half of its 50% stake in Krungthai Panich Insurance Public Company to KTB Capital Holding Company for 4.8 billion baht ($158 million). The transactions are designed to comply with new Bank of Thailand regulations limiting bank ownership in insurers. Krungthai Bank is diluting, not severing, its direct ties with the insurers, since KTB Capital Holding is 49%-owned by Krungthai Bank.

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PANAMA'S EXPANDED DISTRIBUTION LAW EXPECTED TO INCREASE INSURANCE SALES "EXPONENTIALLY"

Panama, Republic of Panama-based Pan American Life of Panama is amping up its plans to take advantage of a Panamanian insurance law passed in March 2012 allowing insurers to market their products through the country's banks, supermarkets, and cooperatives. Pan American Life of Panama Director Tony Eleta said, "We are preparing to develop the market through massive product offerings, targeting market segments with critical mass through simple and economic products."

Carlos Berguido, Executive Director of Apadea, Panama's insurer association, said the new distribution law is "designed to serve the insurance needs of lower and lower-middle income people." The products offered, he said, will "be the more simple underwriting type … with small premiums and small sums insured." But, Berguido said, "The number of people purchasing insurance will grow exponentially … [perhaps] by 20-fold in the next 10 or 15 years," *Best News* reports.

JANUARY 14 - 20, 2013

METLIFE BANK TO SELL MORTGAGE SERVICING PLATFORM TO WALTER INVESTMENT MANAGEMENT

Convent Station, NJ-based, $8.6 billion-asset MetLife Bank, a unit of New York City-based MetLife, Inc., has agreed to sell its Irving, TX-based residential mortgage servicing platform, including related technology assets to Tampa, FL-based Walter Investment Management Corp. The deal does not include the approximately $70 billion in Fannie Mae, Freddie Mac and Ginnie Mae mortgage loans currently serviced by the platform. That portfolio will be transferred to JPMorgan Chase & Co. prior to the platform sale, which is expected to close in March 2013, pending regulatory approval.

MetLife Bank's 300 mortgage-platform servicing employees will continue to operate from the Irving, TX location as employees of Green Tree Credit Solutions, a Walter Investment subsidiary. Walter Investment Chairman and CEO Mark O'Brien said, "We are excited about adding the strong MetLife servicing management group and associates to our team … and to providing additional capacity to assist with our projected portfolio growth. In addition, the platform accelerates our opportunities with respect to product diversity plans."

METLIFE GRANTED THIRD EXTENSION FOR CAPITAL PLAN SUBMISSION

New York City-based MetLife, Inc. has been granted a third extension to submit its capital plan to the U.S. Federal Reserve Board. The deadline has thus far been moved from June 2012 to September 2012 to January 5, 2013 to June 30, 2013. During this time, MetLife has continued its efforts to divest itself of its MetLife Bank subsidiary with the goal of relinquishing its bank holding company charter and its attendant bank-specific regulation. In December 2012, banking regulators approved MetLife's plan to sell MetLife Bank's deposit business to GE Capital.

US COMMERCIAL PROPERTY-CASUALTY RATES CONTINUE TO RISE IN DECEMBER

U.S. commercial property and casualty insurance rates continued up in December 2012 compared to December 2011, according to Dallas, TX-based MarketScout. Increases by industry class showed the greatest climbs, with rates for the manufacturing, service and transportation industries up 6%, rates for the contracting and habitational industries up 5%, and renewal rates for public entities and companies in the energy business up 4%.

Rates by account size recorded the next highest level of growth with renewal rates for small accounts up to $25,000 climbing 6%, followed by medium accounts of $25,001 to $250,000 (+5%), large accounts of $250,001 to $1 million (+4%), and jumbo accounts over $1 million (+3%).

Renewal rates by coverage class were also up across the board, but rises for surety (+1%), crime (+2%) and fiduciary (+2%) remained tepid. In contrast, commercial auto rates climbed 6%, and commercial property and general liability rates grew 5%, while business interruption, business owner policies (BOP), umbrella/excess, workers' compensation, professional liability, and directors and officers liability rates increased 4%, and inland marine and employment practices liability insurance (EPLI) renewal rates rose 3%, MarketScout found based on survey data collected by the National Alliance for Insurance Education and Research.

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PRUDENTIAL CAMBODIA & ACLEDA BANK FORGE BANCASSURANCE PARTNERSHIP

Phnom Penh, Cambodia-based Prudential Cambodia and Acleda Bank have forge a bancassurance partnership whereby the London-based Prudential plc subsidiary will market its life insurance products through Acleda's 238 branches across Cambodia and assist Acleda in product development, staff training, customer service and insurance sales management.

Acleda Bank President and CEO In Channy said, "The partnership marks another step in Acleda Bank's continued efforts to develop the financial services industry … [and] meet the growing life insurance needs of our customers." Prudential Cambodia CEO Pankaj Banerjee added, "We will leverage Prudential's vast experience of around 90 years in Asia and Acleda Bank's unmatched local knowledge to develop jointly tailored products to suit the financial needs of the Cambodian people."

The bancassurance partnership launches Prudential's first life insurance venture in Cambodia.

GENERALI TO ACQUIRE PPF GROUP'S STAKE IN PRAGUE-BASED JOINT VENTURE GPH

Trieste, Italy-based Assicurazioni Generali (Generali) has agreed to acquire the 49% stake in Prague, Czech Republic-based GPH held by its joint venture partner, Amsterdam, Netherlands-based PPF Group for €2.52 billion ($3.36 billion), and PFF Group has agreed to acquire GPH's insurance operations in Russia, Ukraine, Belarus and Kazakhstan for €80 million ($106.7 million). Additionally, Generali and PPF Group have agreed to a no cash, equity swap whereby Generali will acquire PPF Group's stake in PPF Beta, which includes a 38.46% stake in Moscow, Russia-based Ingosstrakh, and PFF Group will acquire Generali's 27.5% stake in PPF Partners fund manager and PPF Partners 1 Fund.

After the two-step deal closes, with step one completed on March 28, 2013, and step two completed by December 13, 2014, Generali will own 100% of GPH and all shares of PPF Beta, including 38.5% ownership in Ingosstrakh. PPF Group will own 100% of GPH's consumer finance insurance business in Russia, Ukraine, Belarus and Kazakhstan and

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100% of PPF Partner's private equity business. Al agreements and closings are subject to regulatory approval.

Commenting on the deals, Generali Group CEO Mario Greco said, "The pending transactions eliminate all uncertainty over our development strategy in Central and Eastern Europe (CEE). With full control of GPH, we shall be able to take full advantage of our investment and focus on developing our core insurance business while improving competitiveness and profitability."

In 2011, GPH serviced €4 billion ($5.3 billion) in gross premiums for 14 million customers in the CEE area, Greco said.

PICC GROUP ACQUIRES STAKE IN CHINA INDUSTRIAL BANK

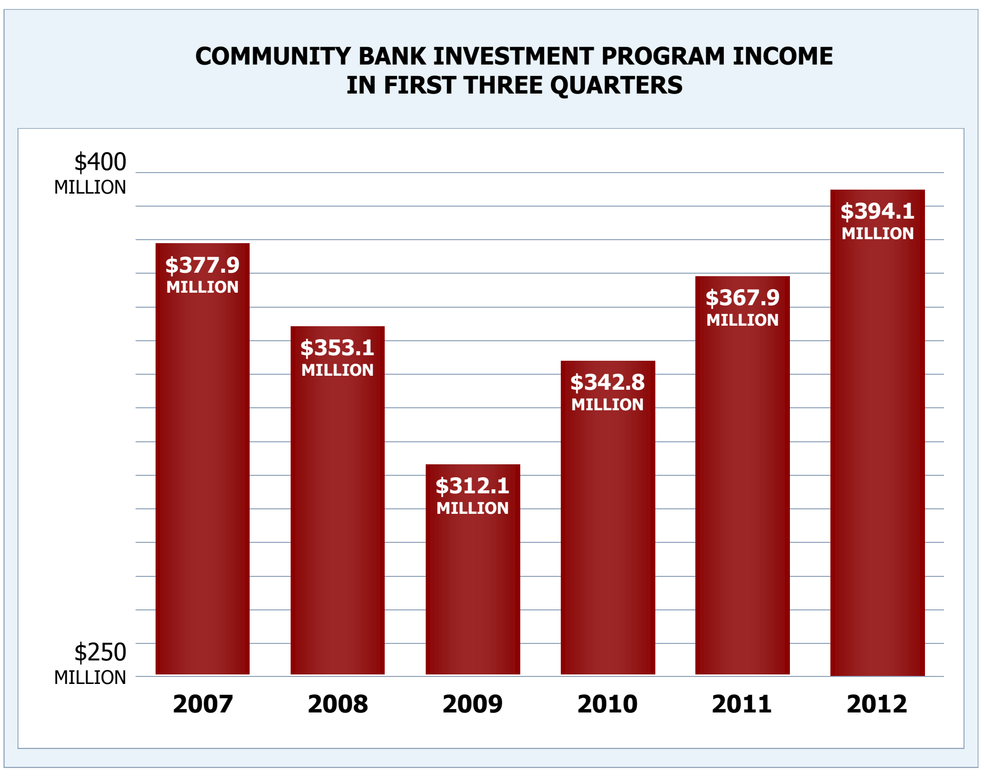
Hong Kong-based Peoples Insurance Company of China (PICC Group) and its subsidiaries PICC Property and Casualty Company and PICC Life Insurance Company have agreed to pay 17.06 billion yuan ($2.71 billion) to acquire 1.38 billion shares of Fuzhou, China-based Industrial Bank, *Bestnews* reports.

JANUARY 21 - 27, 2013

U.S. COMMUNITY BANK ENJOY 10% INCREASE IN INVESTMENT PROGRAM EARNINGS

Community bank investment programs grew by 10.0% in the first three quarters of 2012 with a double-digit increase in securities brokerage fee income and near double-digit growth in annuity commissions and fees, 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 with less than $4 billion in assets. The current quarterly report is based on data reported by all 7,181 commercial and savings banks and savings associations operating on September 30, 2012. The annual report specially examines the 6,975 community banks among the 7,181, and further segments them into five asset classes whose performance is also analyzed.



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

Gregg H. Johnson, Senior Vice President at Securities America said, "Total revenues of community bank investment programs rose to their highest point over three quarters since 2007, when we were first able to measure them. Financial institutions increased their 2012 year-to-date mean program income by 6.6%, as the banking industry consolidated and bank investment programs strengthened. Of community banks on track to earn revenues of at least $200,000 in 2012, nearly 3 in 5 (56%) have grown their investment program income through third quarter, and more than 1 in 4 (27%) have been growing it at a rate of 20% or better so far."

Program Production

In the first nine months of 2012, 1,491 or 21.4% of community banks participated in investment program activities, producing $394.1 million in program income, up 10.0% from $358.5 million in nine months of 2011. Third quarter 2012 program income of $128.2 million decreased 6.9% from a record $137.7 million in second quarter 2012 but rose 8.4% from $118.3 million in third quarter 2011. Each of this year's three quarters achieved revenues greater than any prior year's quarter since third quarter 2007.

These community banks achieved average investment program fee income of $264,351 over nine months of 2012, up 6.6% from $248,082 for the same period in 2011. Average three-quarters' investment program fee income in 2012 constituted the high-water mark since MWA has been able to measure these data starting in 2007. The number of banks participating in investment program activities was up by 3.2% from 1,445 banks over three quarters of last year to 1,491 banks and thrifts through three quarters in 2012, as the drop in banks was offset by the entry of 95 savings associations/thrifts newly reporting investment program income. Still, the total number of community banks and thrifts fell 3.6% from 7,237 to 6,975 over the same period.

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.

"Year-to-date third quarter 2012, community banks earned mean investment program income of $595 per million dollars of retail bank deposits," said Michael White, president of Michael White Associates and author of the report. "That Penetration Ratio was virtually the same as the previous year. In contrast, big banks with assets over $4 billion attained a higher mean Investment Program Penetration of $722 per million dollars of retail deposits. Although the higher amount indicates that community banks can further grow their programs by increasing penetration of their customer bases, it should be noted that big bank Penetration declined 12.3% from $823 in 2011."

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 for three quarters in 2012. As a group, community banks attained a Concentration ratio of 6.4%. Large banks, those with assets greater than $4 billion, had a lower mean Concentration ratio of 5.9% for the same period, reflecting the fact that, in their case, they tend to have more sources of noninterest income in larger volumes than just investment program income.

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.

Year-to-date 2012, mean community bank Program Productivity was $1,842 per bank employee, up 1.6% from $1,813 over three quarters of 2011, and the highest level of three-quarters' worth of productivity since MWA began analyzing these data in 2007.

THIRD QUARTER YTD MEAN PERFORMANCE BENCHMARKS FOR COMMUNITY BANK INVESTMENT PROGRAM INCOME

MEAN PERFORMANCE MEASURES	3Q YTD 2012	3Q YTD 2011
PRODUCTION - Dollar Volume	$264,351	$248,082
CONCENTRATION - % of Noninterest Income	6.37%	6.13%
PENETRATION – $ per Million Dollars of Retail Deposits	$595	$597
PRODUCTIVITY - $ per Bank Employee	$1,842	$1,813
DENSITY - $ per Domestic Office	$38,105	$39,270

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

Community banks with assets between $1 billion and $4 billion generated the highest level of Program Productivity at $2,091 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.

Mean density per domestic community bank office was $38,105 at September 30, 2012, down 3.0% from $39,270 for nine months in 2011.

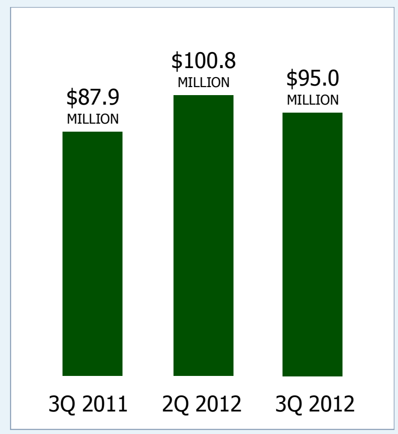
Revenue Mix – Securities Brokerage

In the first nine months of 2012, community banks earned securities brokerage fee income of $290.5 million, up 10.3% from $263.4 million in three quarters in 2011. Third quarter 2012 brokerage revenues of $95.02 million were 5.8% or $5.8 million less than the $100.83 million in second quarter 2012, but 8.1% more than $87.88 million in third quarter 2011.

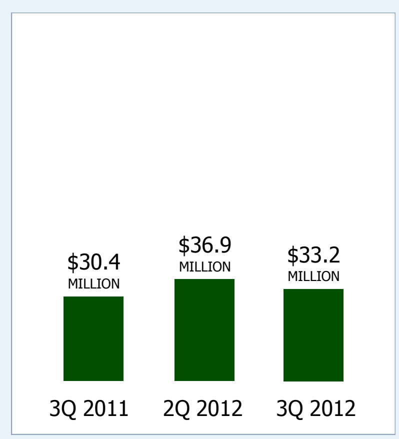
Security brokerage revenues constituted 73.7% of total investment program income of $394.1 million in nine months of 2012, up slightly from a cumulative mix of 73.5% in 2011.

Of the 1,491 banks with assets under $4 billion that reported earning investment program income in third quarter 2012, 1,295 banks or 86.9% reported earning commissions and fees from securities brokerage, and 621 banks or 41.6% reported earning securities brokerage fee income only.

COMMUNITY BANK SECURITIES BROKERAGE INCOME



COMMUNITY BANK ANNUITY COMMISSIONS



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

Revenue Mix – Annuities

Community banks earned annuity fee income of $103.6 million through September 30, up 9.0% from $95.1 million in nine months of 2011. Third quarter 2012 annuity revenues of $33.2 million were down 10.1% from $36.9 million in second quarter 2012 and up 9.2% from $30.4 million in third quarter 2011.

Annuity commissions constituted 26.3% of community bank investment program income of $394.1 million over three quarters in 2012, down slightly from 2011's annuity revenue mix of 26.5% at the end of three quarters. In third quarter 2012, annuity revenue mix was 25.9%, up from 25.7% in third quarter 2011. With 17.0% of YTD 2011 program income and 14.4% of YTD 2012 program income from annuities, the bigger banks with assets in excess of $4 billion had a considerably lower mix of annuity commissions.

Of the 1,491 community banks that reported earning investment program income through three quarters in 2012, 870 banks or 58.4% reported earning annuity commissions, and 196 banks or 13.1% reported earning annuity income only. This latter finding of 196 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 three quarters of 2012, leaders in investment program fee income among big banks with assets under $4 billion were CenterState Bank of Florida (FL) with $28.84 million, up 49.7% from $19.27 million for the same period in 2011; North Shore Community Bank & Trust Company (IL) with $12.91 million in 2012, up 6.7% from $12.10 million; TIB The Independent Bankersbank (TX) with $9.99 million, down 1.3% from $10.12 million; United Bankers' Bank (MN) with $5.14 million, up 6.4% from $4.83 million; and Espirito Santo Bank (FL) with $4.49 million, down 15.7% from $5.33 million in the first three quarters of 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, the increased liquidity of banks' balance sheets also increases community banks' demand for bonds.

Leaders – Annuities

Over three quarters of 2012, leaders in annuity fee income among banks under $4 billion in assets were CenterState Bank of Florida (FL)) with $1.63 million, up enormously from $27,000; Bank Mutual (WI) with $1.56 million, a thrift that did not report in data in 2011; AnchorBank, fsb (WI) with $1.54 million, another thrift that did not report in 2011; First Victoria National Bank (TX) with $1.38 million, up 15.7% from $1.20 million; and Lake City Bank (IN) with $1.37 million in 2012, down 13.6% from $1.58 million on September 30, 2011.

For more on the Michael White-Securities America Report*, click here*.

METLIFE COMPLETES SALE OF METLIFE BANK'S DEPOSIT BUSINESS TO GE CAPITAL

New York City-based MetLife, Inc. has completed the sale of Convent Station, NJ-based, $8.59 billion-asset MetLife Bank's $6.4 billion deposit business to Draper, UT-based, $28.1-asset GE Capital Retail Bank, a unit of Norwalk, CT-based GE Capital. MetLife Chairman, President and CEO Steven Kandarian described the sale as "an important step in the process of exiting retail banking and allows MetLife to maintain its strategic focus as a global insurance and employee benefits leader."

The deal adds 40 employees and an online banking platform as well as the $6.4 billion in deposits to GE Capital Retail Bank's business. "The acquisition aligns with GE Capital's goal to build a stronger, more diversified funding base and invest in core, high performing businesses where we have expertise and broad capabilities," GE Capital Retail Bank CEO Margaret Keane said.

With the sale and the pending sales of MetLife Bank's mortgage-related businesses, MetLife has begun the necessary administrative steps to deregister as a bank holding company, Kandarian said.

AQUESTA BANK SELLS OFF AGENCY'S EMPLOYEE BENEFITS BUSINESS

Cornelius, NC-based, $202.6 million-asset Aquesta Bank unit Aquesta Insurance Services, Inc. (AISI) has sold its employee benefits practice to Mooresville, NC-based Lake Norman Benefits, Inc. AISI President Denis Bilodeau said the sale will enable AISI to focus on the continued growth of its commercial and personal property and casualty insurance business. Aquesta Bank President and CEO added that because the sale was completed before the end of 2012, the bank was able to "release significant intangible from our balance sheet with the effect of further strengthening our already strong Tier 1 capital."

In 2011, Aquesta Bank earned $1.8 million in insurance brokerage fee income, which comprised 74.5% of its non-interest fee income and 21.0% of its net operating revenue. The company ranked 2nd in insurance brokerage earnings among banks with assets between $100 million and $300 million, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

ABIA URGES CFPB TO RECONSIDER LENDER-PLACED INSURANCE RULE

The American Bankers Insurance Association (ABIA) has asked the Consumer Financial Protection Board (CFPB) to reconsider its lender-placed insurance rule. The rule's "mandate requiring [mortgage] servicers to advance a borrower's homeowners insurance premium," not only undermines shared responsibility between the lender and a borrower facing foreclosure, but it also risks imposing greater borrowing costs on all mortgagors in the future," ABIA Senior Vice President Kevin McKechnie said. He added that instead of providing "borrowers and servicers with a roadmap for avoiding foreclosure and the expense of having hazard insurance placed against their collateral," the CFPB rule "prohibits servicers from force placing coverage as long as the servicer can continue the borrower's insurance policy."

NORTH CAROLINA STATE EMPLOYEES CREDIT UNION LAUNCHES LIFE INSURANCE COMPANY

Raleigh, NC-based North Carolina State Employees Credit Union (SECU) has launched SECU Life Insurance Company and funded it with $25 million in capital. The insurer will offer SECU's 1.8 million members simplified-issue term and whole life policies and single premium deferred and immediate fixed annuities through non-commissioned agent SECU employees operating from SECU's 245 branch offices across North Carolina.

North Carolina Insurance Commissioner Wayne Goodwin, who signed the authorization licensing SECU Life Insurance Company, said, "SECU Life Insurance Company will be able to pass on the benefits of its offerings to SECU members and their families across the state." SECU Life expects to be operational by summer 2013.

MORGAN STANLEY REQUESTS FRB APPROVAL TO COMPLETE BROKERAGE JOINT VENTURE BUYOUT

New York City-based, $765.0 billion-asset Morgan Stanley has asked the Federal Reserve Board to approve its plan to purchase the remaining 35% of its brokerage joint venture with Citigroup, Inc. this year. Morgan Stanley agreed to pay Citigroup $4.7 billion for the stake, *Bloomberg.com* reports.

BASEL III MAY PROMPT GOLDMAN REINSURANCE UNIT SALE

New York City-based, $949.5 billion-asset Goldman Sachs Group is considering selling 75% of its wholly-owned reinsurance unit, Global Atlantic. In an earnings call last week, incoming Chief Financial Officer Harvey Schwartz said, "Given the Basel III capital changes that we incur as the owner of our own reinsurance business, we are considering a potential sale of a majority stake in the business."

Global Atlantic includes a $450 million global property and casualty reinsurance business and a $950 million life and annuity reinsurance business. Goldman Sachs reported net revenue from its reinsurance business in 2012, climbed 13.6% to $1 billion, up from $880 million in 2011, *Reuters* reports.

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RELIANCE FINANCIAL TO ACQUIRE CITIGROUP TRUST-DELAWARE

Atlanta, GA-based Reliance Financial Corp. has agreed to acquire Citibank unit, Newcastle, DE-based Citigroup Trust-Delaware. Reliance Financial Chairman and CEO James Maxwell said, "The acquisition allows us to continue our focus on the institutional marketplace … and reflects Reliance's standing as a leading provider of advisor-based fiduciary services in the Delaware market and nationally."

Citigroup Trust-Delaware will add approximately 3,000 accounts and $1.7 billion in assets under administration to Reliance Trust Company of Delaware, when it merges into that company late in the first quarter, pending regulatory approval. Reliance Financial founding partner Anthony Guthrie said, "The Reliance team will work with the Citi team to ensure a seamless transition for their clients."

FINRA ISSUES REGULATORY & EXAM PRIORITIES FOR 2013

The Financial Institutions Regulatory Authority (FINRA) has published its regulatory and examination priorities for 2013, emphasizing it is "particularly concerned about sales practice abuses, yield chasing behaviors and the potential impact of any market correction, external stress event or market dislocation on market prices."

To protect consumers and prevent abuses, FINRA said it will focus on the suitability of such complex products as variable annuities, municipal securities, closed-end funds, non-traded real estate investment trusts (REITs), exchange-traded funds (ETFs) and notes, structured products, high-yield debt instruments, commercial mortgage-backed securities, leveraged loan products and products provided by business development companies.

Along the same lines, FINRA said it will closely examine cyber-security and data integrity, private placement securities, branch office supervision, controls associated with automated investment advice, and safeguards against microcap fraud, money laundering and insider trading.

In order to assure that firms are adequately funded and operationally sound, FINRA intends to review each firm's implementation of Generally Accepted Accounting Principles (GAAP) and look at its guarantees and contingencies, margin-lending practices, leverage and liquidity.

In regard to each firm's market integrity, FINRA said it will examine algorithmic trading, alternative trading systems and signs of high-frequency trading abuses. Additionally, FINRA will examine options origin codes, large options position reporting and liquidity and fair pricing in such fixed income products as collateralized mortgage obligations and mortgage-backed securities.

For a detailed account of FINRA's regulatory oversight priorities in 2013, click here.

FFIEC ISSUES PROPOSED GUIDANCE ON SOCIAL MEDIA USE

The Federal Financial Institutions Examination Council (FFIEC) has issued proposed guidance on how U.S. banks, savings institutions, credit unions and others supervised by the Consumer Financial Protection Bureau and state regulators can utilize social media. The FFIEC said, "The guidance is intended to help financial institutions understand potential consumer compliance, legal, regulation and operational risks associated with the use of social media, along with expectations for managing those risks."

The FFIEC is seeking comments on the proposed guidance and input on other aspects of the use of social media.

To access the FFIEC's Social Media: Consumer Compliance Risk Management Guidance, click here.

BankInsurance.com News

U.S. APPLICATIONS FOR INDIVIDUALLY UNDERWRITTEN LIFE INSURANCE UP ACROSS ALL AGE GROUPS IN 2012

U.S. applications for individually underwritten life insurance ticked up 0.3% in December 2012 compared to December 2011 driven by a 1.5% increase in applications among individuals aged 60 and older, and a 0.5% uptick among individuals aged 0-44, while applications among individuals aged 45-59 slipped 0.6%, according to the MIB Life Index.

For the year 2012, applications for individually underwritten life insurance rose 1.4% compared to 2011, with applications up across all age groups. Again, individuals aged 60 and over drove the overall increase (+4.8%), followed by individuals aged 0-44 (+1.0%) and individuals aged 45-59 (+0.5%). MIB Group CEO Lee Oliphant said, “This is the first time we’ve seen positive numbers (for the year) in the ages 44 and below market.” Oliphant added, “We are very encouraged by the overall positive growth, however, we remain cautiously optimistic as growth early in 2012 predominated this year’s results.”

For more on the findings by Braintree, MA-based MIB Group, click here.

ING TO SELL INTEREST IN ING VYSYA LIFE INSURANCE

Amsterdam, Netherlands-based ING Group has agreed to sell its 26% interest in Bangalore, India-based ING Vysya Life Insurance Company to its joint venture partner Exide Industries. The deal is expected to close before the end of first half 2013, pending regulatory approval.

ING is maintaining its 44% stake in ING Vysya Bank, bancassurance partner of ING Vysya Life Insurance Company. ING said its decision to end its ownership in the life insurer fit with its previously announced intention to divest all its Asian insurance and investment management businesses.

U.S. BANCORP REPORTS GROWING WEALTH MANAGEMENT EARNINGS

Minneapolis, MN-based, $354 billion-asset U.S. Bancorp reported trust and investment management (TIM) fees 2012 rose 5.5% to $1.05 billion, up from $1.00 billion in 2011, and investment product fees and commissions grew 16% to $150 million, up from $129 million, while treasury management fees slipped 1.8% to $541 million, down from $551 million. TIM, investment product and treasury management fees comprised, respectively, 11.3%, 1.6% and 5.8% of noninterest income, which rose 6.4% to $9.32 billion, up from $8.76 billion in 2011, benefiting additionally from a 96.5% spike in mortgage banking revenue to $1.94 billion, as credit card revenue and ATM processing fees dropped, respectively, 17% and 24%.

Net interest income on a 3.58% net interest margin rose 6% to $10.97 billion, and provisions for credit losses dropped 20% to $1.88 billion. Noninterest expense rose 6% to $10.18 billion, and net income climbed 16% to a record $5.65 billion, up from $4.87 billion in 2011. U.S. Bancorp Chairman, President and CEO Richard Davis said, "Our full year results included record total net revenue of $20.3 billion, representing growth in net interest income and fee revenues, as well as controlled expenses."

In 2011, U.S. Bancorp reported $1.13 billion in wealth management income, which comprised 12.9% of its noninterest income and 6.0% of its net operating revenue. The company ranked 13th in wealth management earnings among bank holding companies with assets over $10 billion, according to the *Michael White - IPI Bank Wealth Management Report*.

TRUST INCOME JUMPS 42% AT M&T BANK CORP.

Buffalo, NY-based, $83 billion-asset M&T Bank Corp. reported trust income jumped 42% in 2012 to $471.9 million, up from $332.4 million in 2011, reflecting the full impact of the Wilmington Trust acquisition. Additionally, brokerage services income rose 5% to $59.1 million, up from $56.5 million. Trust and brokerage services income comprised, respectively, 28.3% and 3.5% of noninterest income, which increased 5% to $1.67 billion, up from $1.58 billion in 2011, helped by a 110% surge in mortgage banking revenues to $349.1 million, as service charges on deposit accounts slid 2% to $446.7 million.

Net interest income on a 3.73% net interest margin grew 9% to $2.60 billion, up from $2.39 billion in 2011, reflecting a 5% rise in interest income and a 15% cut in interest expense. Net interest income, after a 24% drop in credit loss provisions to $204 million, grew 13% to $2.39 billion, up from $2.12 billion. Net income, after a 1% rise in noninterest expense to $2.51 billion, climbed 20% to a record $1.03 billion, up from $859.5 million in 2011. M&T Chief Financial Officer Rene Jones said, "This was a year of tremendous accomplishments in which M&T recorded record levels of net income and earnings per share … all the while improving our capital base and expanding the services we offer our customers." Jones added, "We await shareholder and regulatory approvals for our proposed acquisition of Hudson City Bancorp."

In 2011, M&T earned $27.4 million and $290.7 million, respectively, in securities brokerage and fiduciary income, which comprised 1.9% and 19.9% of its noninterest income. The company ranked 26th in securities brokerage earnings and 13th in fiduciary income among all bank holding companies, according to the *Michael White - IPI Bank Wealth Management Report*.

INSURANCE, WEALTH MANAGEMENT & BOLI INCOME GROW AT FIRST NIAGARA

Buffalo, NY-based, $36.8 billion-asset First Niagara Financial Group reported insurance brokerage fee income in 2012 rose 4.7% to $68.17 million, up from $65.13 million in 2011. Wealth management earnings climbed 34.5% to $41.32 million, up from $30.73 million, and income from bank-owned life insurance (BOLI) grew 23.2% to $13.71 million, up from $11.13 million. Insurance brokerage, wealth management and BOLI income comprised, respectively, 19.0%, 11.5% and 3.8% of noninterest earnings, which jumped 46.6% to $359.53 million, up from $245.31 million in 2011, helped by a more than doubling of mortgage banking income and tripling of capital markets earnings.

Net interest income in 2012 grew 15.8% to $1.02 billion, up from $881.2 million in 2011, reflecting a 10.3% rise in interest income to $1.18 billion, up from $1.07 billion, and a 17.0% cut in interest expense to $152.8 million, down from $184.1 million. Net interest income, after a $34.2 million jump in provisions for credit losses to $92.3 million, increased 13.1% to $930.98 million, up from $823.1 million. Net income, after a $244.8 million climb in noninterest expense, largely associated with acquisitions, declined 3.2% to $168.4 million, down from $173.9 million in 2011.

First Niagara President and CEO John Koelmel said, "We finished 2012 with our team and franchise in a very solid and stable position. As we look ahead to the next twelve months, our focus is to …

deepen relationships across all business lines to improve the performance of our fee based businesses and services." Koelmel added, "Running our business a little bit better each and every day is what we are about in 2013."

In 2011, First Niagara reported $65.7 million in insurance brokerage income, which comprised 29.2% of its noninterest income and 5.9% of its net operating revenue. The company ranked 13th in insurance brokerage earnings among all bank holding companies, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

WEBSTER REPORTS CLIMBING WEALTH MANAGEMENT EARNINGS

Waterbury, CT-based, $20.1 billion-asset Webster Financial Corp. reported wealth management income in 2012 climbed 11.7% to $29.52 million, up from $26.42 million in 2011, and income from bank-owned life insurance (BOLI) rose 8.6% to $11.25 million, up from $10.36 million. Wealth management and BOLI income comprised, respectively, 15.3% and 5.8% of noninterest earnings, which grew 8.9% to $192.76 million, up from $177.04 million in 2011, bolstered by a nearly five-fold surge in mortgage banking income to $23.04 million, up from $4.91 million. In contrast, deposit service fees and loan-related fees dropped, respectively, 6.4% and 12.2%.

Net interest income on a 3.27% net interest margin rose 2.7% to $578.9 million, up from $563.8 million in 2011, reflecting a $21.36 million cut in interest expense to $114.6 million, which more than made up for a $6.22 million drop in interest revenue to $693.5 million. Net interest income, after a $1 million decline in loan loss provisions to $21.5 million, increased 3.0% to $557.4 million, up from $541.3 million. Net income, after dividends and an over $9 million cut in noninterest expense to $501.8 million, climbed 15.6% to $171.2 million, up from $148.1 million in 2011. Webster Financial Chairman and CEO James C. Smith said, "We are deeper, stronger and able to meet our customers' financial needs better than ever before."

In 2011, Webster Financial earned $8.06 million in annuity fee income, which comprised 4.8% of its noninterest income. The company ranked 30th in annuity earnings among all bank holding companies in the United States, according to the *Michael White - ABIA Bank Annuity Fee Income Report*.

INSURANCE DOMINATES 35.6% OF BB&T'S GROWING NONINTEREST INCOME

Winston-Salem, NC-based, $184 billion-asset BB&T Corp. reported insurance earnings in 2012 benefited from organic growth and the April acquisition of the life and property-casualty operations of the Crump Group. Insurance income climbed 30.2% to $1.36 billion, up from $1.04 billion in 2011, and dominated 35.6% of noninterest income, which grew 22.7% to $3.82 billion, up from $3.11 billion in 2011. Investment banking and brokerage fees increased 9.6%% to $365 million, up from $333 million; trust and investment advisory revenues rose 6.4% to $184 million from $173 million, but income from bank-owned life insurance (BOLI) slipped 4.9% to $116 million, down from $122 million. Investment banking and brokerage fees, trust and investment advisory revenues, and BOLI earnings comprised, respectively, 9.6%, 4.8% and 3.0% of noninterest income.

Net interest income for the year rose 6.4% to $5.86 billion, driven by a 23.1% drop in interest expense to $1.06 billion, down from $1.38 billion in 2011, which compensated for a tepid 0.5% rise in interest income to $6.89 billion. Net interest income, after an 11.2% drop in loan loss provisions to $1.06 billion, grew 11.2% to $4.80 billion, up from $4.32 billion in 2011. Net income, after dividends and basically stable noninterest expenses, jumped 48.6% to a record $1.92 billion, up from $1.29 billion in 2011. BB&T Chairman and CEO Kelly King said, "2012 was an outstanding year for BB&T. We achieved record net income and accomplished most of our strategic initiatives. Noninterest income grew 23%, led by record performances in mortgage banking [+93% to $840 million], insurance and investment banking and brokerage."

In 2011, BB&T Corp. reported $936.1 million in insurance brokerage income, which comprised 39.1% of its noninterest income and 11.9% of its net operating revenue. The company ranked third in insurance brokerage earnings among BHCs engaged in significant banking activities, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

INSURANCE, INVESTMENT MANAGEMENT & SECURITIES FEES RISE AT PEOPLE'S UNITED

Bridgeport, CT-based, $30.3 billion-asset People's United Financial reported insurance brokerage fee income in 2012 rose 3.6% to $31.8 million, up from $30.7 million in 2011; investment management fees increased 5.1% to $34.9 million, up from $33.2 million; and securities brokerage commissions rose 2.5% to $12.2 million, up from $11.9 million. Insurance brokerage fee income, investment management and securities brokerage fees comprised, respectively, 10.1%, 11.1%, and 3.9% of noninterest earnings, which rose 2.0% to $313.8 from $307.6 million in 2011.

While bank services charges continued to comprise the largest percentage of noninterest income (40.5%), those fees declined 3.1% to $127.2 million, down from $131.3 million in 2011.

Net interest income in 2012 rose 1.7% to $928.7 million, up from $913.4 million in 2011, driven by a 17.4% cut in interest expense to $106.2 million, down from $128.5 million, overcoming a 1.0% slip in interest revenue to $1.03 billion, down from $1.04 billion in 2011. Net interest income, after a $14.5 million drop in loan loss provisions to $49.2 million, increased 3.5% to $879.5 million, up from $849.7 million. Net income, after a $41.3 million cut in noninterest expense to $830.6 million, climbed 27.5% to $245.3 million, up from $192.4 million in 2011.

People's United President and CEO Jack Barnes said, "Our financial results in 2012 reflect stable operating metrics in a challenging economic environment, supported by solid loan and deposit growth, strength in our fee income businesses and meaningful cost control."

At mid-year 2012, People's United Financial, a thrift holding company, reported $15.6 million in insurance brokerage income, which comprised 10.3% of its noninterest income and 2.5% of its net operating revenue. The company ranked 26th in insurance brokerage earnings among BHCs engaged in significant banking activities, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.