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Total Bank Insurance Revenue Up in First Half of 2006 as Insurance Brokerage Fee Income Climbs 23.1 Percent

**By Michael D. White, President, Michael White Associates (MWA),
In conjunction with the American Bankers Insurance Association (ABIA)
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The nation's bank holding companies increased their total insurance revenue 1.1 percent to \$21.4 billion in the first half of 2006 from \$21.2 billion during the same period in 2005. During the first six months of 2006, 644 bank holding companies (or 65 percent of all top-level BHCs reporting) earned some type of insurance-related revenue, compared to 1,395 in the first half of 2005.¹

Michael White Associates (MWA) performed the analysis in conjunction with the American Bankers Insurance Association (ABIA) to measure the growth of the insurance business in banking organizations and to provide some benchmarks that gauge bank insurance performance. The analysis is based on data reported to the Federal Reserve Board by 990 top-tier large bank holding companies.

Total insurance revenue can be broken down as insurance brokerage fee income and insurance underwriting fee income.

Insurance Brokerage Fee Income

Bank holding companies' insurance brokerage fee income climbed 23.1 percent from \$4.98 billion in the first half of 2005 to \$6.13 billion in the first half of 2006. During the first six months of 2006, 639 bank holding companies (or 64.6 percent of all top-level large² BHCs reporting) engaged in sales activities that produced insurance commissions and fees.³ Excluding financial holding companies MetLife in 2005-2006 and John Hancock/Manulife in 2005, which did not engage in significant banking activities, insurance brokerage fee income was \$3.62 billion in the first half of 2006, up 16.37 percent from \$3.11 billion in the same period in 2005.

BHCs with assets greater than \$1 billion experienced a 25.4 percent increase in insurance brokerage fee income in the first six months of 2006, rising from \$4.82 billion in the first half of 2005 to \$6.04 billion in 2006.

¹ The reason 751 fewer bank holding companies reported total insurance revenues was that, earlier this year, the Federal Reserve changed the definitions of "large" and "small" BHCs. The "small" BHCs were redefined from those top-tier BHCs with less than \$150 million in consolidated assets to those BHCs with less than \$500 million. This reduced by nearly 1,300 the total number of BHCs that must report detailed call report information, and it thereby reduced by 751 the number of BHCs that reported total insurance fee income in the first half of 2006.

² Line item noninterest income data were reported by 990 top-tier bank holding companies. As noted previously, earlier this year, the Federal Reserve changed the definition of "small" bank holding company from one with less than \$150 million in consolidated assets to one with less than \$500 million, thereby reducing by 744 the number of BHCs that reported insurance brokerage fee income in the first half of 2006.

³ These figures for insurance revenues do not include income earned from annuities sold by the bank holding company's securities units. Adding the income from annuity sales would significantly increase the total insurance product revenue for banking organizations. Income from related non-insurance products like debt cancellation or debt suspension agreements are also excluded from the insurance revenue figures.

BHCs with less than \$1 billion in assets in the first half of 2006 registered a decrease of 43.5 percent in their insurance brokerage fee income 14.3 percent from \$163.0 million to \$92.1 million. But, this was due largely to the change in the definition of large and small bank holding companies that, consequently, for the first time, exempted 760 smaller BHCs from filing this data. In other words, 760 fewer top-tier BHCs with consolidated assets less than \$500 million filed insurance brokerage fee income data; that was a decline of 70 percent in those filing in the smaller asset-classification.

Again excluding MetLife, which did not engage in significant banking activities, CitiGroup (NY), Wells Fargo & Company (CA), and BB&T Corporation (NC) led all bank holding companies in insurance brokerage fee income in the first six months of 2006. Among BHCs with less than \$1 billion in assets, leaders included BNCCorp (ND), Leesport Financial Corp. (PA), and Shore Bancshares, Inc. (MD).

Insurance Underwriting Income

Insurance underwriting and reinsurance fee income decreased by 5.6 percent to \$15.3 billion in the first of 2006 from \$16.2 billion at June 30, 2005. Eighty-one BHCs (or 8.2 percent of all reporting top-level BHCs) reported earning some insurance underwriting fee income, compared to 96 a year earlier.⁴ This decline in the reported number of BHCs engaged in insurance underwriting is directly related to the redefinition of smaller BHCs that permitted 1,328 to no longer file such line item data. Excluding financial holding companies MetLife in 2005-2006 and John Hancock/Manulife in 2005, neither of which engaged in significant banking activities, BHC insurance underwriting income was down 3.5 percent from \$2.55 billion in the first half of 2005 to \$2.46 billion in the first half of 2006.

Total Insurance Income

Total BHC insurance revenue increased 1.1 percent to \$21.4 billion in the first half of 2006 from \$21.2 billion during the same period in 2005. Excluding financial holding companies MetLife and John Hancock/Manulife, which did not engage in significant banking activities, total insurance income was \$6.08 billion in the first half of 2006, up 7.4 percent from \$5.66 billion in the same period in 2005.

This analysis by MWA/ABIA ranks the top 50 bank holding companies on the basis of the absolute dollar amount of total insurance income (the sum of insurance brokerage and insurance underwriting fee income) and on the basis of total insurance revenue as a percentage of the institution's total noninterest income.

Mean total insurance income as a percent of noninterest income was 7.0 percent for all bank holding companies selling insurance during the first six months in 2006, up from 6.5 percent a year ago. Excluding MetLife, which did not engage in significant banking activities, the top 50 bank holding companies in total insurance income in the first six months of 2006 earned \$5.29 billion, or 87.1 percent of the \$6.08 billion earned by all the reporting holding companies except MetLife. Insurance revenue among all the top 50 companies averaged 5.09 percent of the total noninterest income reported by the 50 institutions, down from 5.45 percent in the first half of 2005. The mean ratio of insurance revenue to noninterest income among the top 50 was 14.6 percent, an increase from 13.1 percent for the first six months of 2005. The leaders in total insurance income appear in Table 1 on page 5.

Excluding MetLife, which did not engage in significant banking activities, CitiGroup (NY), Wells Fargo & Company (CA), Countrywide Financial Corporation (CA), and HSBC North America Holdings Inc. (IL) led all

⁴ This indicates that the holding company is engaged in insurance underwriting or reinsurance activities in which an insurance affiliate of the holding company carries some or all of the insurance risk, as opposed to simply acting as an agent for the sale of insurance underwritten by an unaffiliated insurance company.

bank holding companies in total insurance income in the first six months of 2006. Among BHCs with less than \$1 billion in assets, leaders included BNCCorp, Inc. (ND), Leesport Financial Corp. (PA), and Shore Bancshares, Inc. (MD).

Joining the top 50 in total insurance revenue during the first half of 2006 were North Fork Bancorporation, Inc. (NY), R&G Financial Corporation (PR), and Susquehanna Bancshares, Inc. (PA).

North Fork Bancorporation increased its rank in total insurance income the most, having jumped from 65th place at mid-2005 to 39th at June 30, 2006. R&G Financial Corporation also jumped fairly dramatically, rising from an unrated position in 2005 to 46th place on June 30, 2006.

Insurance Income as a Percent of Noninterest Income

The top 50 bank holding companies (excluding MetLife) that reported the highest percentage of total insurance revenue to total noninterest income appear in Table 2 on page 6.

The leading 50 companies in the ratio of total insurance income to noninterest income averaged 34.5 percent in that benchmark at June 30, 2006, down from 54.5 percent in the prior year. Among this same top 50, the mean ratio of insurance revenue to noninterest income was 38.4 percent in the first six months of 2006, while the standard deviation was 12.7 percent. The mean ratio was down from 47.2 percent in the first half of 2005. The median was 35.5 percent in the first half of 2006, down from 43.5 percent in the first half of 2005.

To recap for overall benchmarking purposes, the following figures may prove useful:

- For all bank holding companies reporting insurance income, mean total insurance income as a percent of noninterest income was 7.0 percent.
- The top 50 BHCs in insurance revenue attained a mean ratio of insurance to noninterest income of 14.6 percent.
- For the top 50 BHCs in insurance as a percent of noninterest income, the mean ratio of total insurance revenue to noninterest income was 38.4 percent.

The percentage of noninterest income from insurance might be lower than these averages, even with a robust and profitable insurance program, if the institution enjoys a high level of earnings from other noninterest or non-credit sources.

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Michael White Associates (MWA) is a bank insurance consulting firm headquartered in Radnor, PA, and at www.BankInsurance.com. Michael White's annual bank and bank holding company *Insurance & Investment Fee Income Reports*[™] provide a more comprehensive analysis of bank insurance, investment, and mutual fund and annuity fee income. Those reports are co-sponsored by DFC Group, Inc. and Symetra Financial. Additionally, the *MWA Fee Income Ratings Reports*[™] compare, rank and rate a particular financial institution's insurance or other noninterest fee income program nationally, regionally, statewide and in its asset-peer group. Copies of MWA's reports can be obtained from MWA by calling (610) 254-0440 or by visiting www.BankInsurance.com.

The American Bankers Insurance Association (ABIA) is the separately chartered insurance affiliate of the American Bankers Association (ABA) and is the only Washington, D.C.-based full service association for bank insurance interests. The ABIA's mission is to develop policy and provide advocacy for banks in insurance and to support bank insurance operations through research, education, compliance-assistance and peer group networking opportunities. ABIA Membership consists of banks, and their affiliated agencies, insurance companies, marketing, and administrative services suppliers, non-bank lending organizations and other firms involved in the bank affiliated insurance industry. Additional information on the ABIA can be found on the Internet at www.theabia.com.

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TABLE 1: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME YTD JUNE 30, 2006 NATIONALLY				
Rank 1ST HALF 2006	Rank 1ST HALF 2005	TOTAL INSURANCE INCOME (\$ 000s)	BANK HOLDING COMPANY	STATE
1	1	\$1,570,000	CITIGROUP INC.	NY
2	2	\$728,000	WELLS FARGO & COMPANY	CA
3	5	\$580,777	COUNTRYWIDE FINANCIAL CORPORATION	CA
4	3	\$533,204	HSBC NORTH AMERICA HLDNGS INC.	IL
5	4	\$464,000	JPMORGAN CHASE & CO.	NY
6	6	\$390,599	BB&T CORPORATION	NC
7	7	\$225,000	WACHOVIA CORPORATION	NC
8	8	\$219,425	BANK OF AMERICA CORPORATION	NC
9	10	\$85,274	GREATER BAY BANCORP	CA
10	11	\$84,700	NATIONAL CITY CORPORATION	OH
11	12	\$44,661	FIFTH THIRD BANCORP	OH
12	14	\$42,661	REGIONS FINANCIAL CORPORATION	AL
13	18	\$42,261	COMMERCE BANCORP. INC.	NJ
14	19	\$40,861	PNC FINANCIAL SERVICES GROUP, INC.	PA
15	16	\$39,290	COMPASS BANCSHARES, INC.	AL
16	15	\$38,000	U.S. BANCORP	MN
17	13	\$37,559	UNIONBANCAL CORPORATION	CA
18	17	\$35,147	ABN AMRO NORTH AMERICA HOLDING CO.	IL
19	21	\$34,012	BANCORPSOUTH, INC.	MS
20	41	\$31,451	SKY FINANCIAL GROUP, INC.	OH
21	31	\$30,764	TD BANKNORTH INC.	ME
22	28	\$30,372	KEYCORP	OH
23	20	\$30,358	FIRST HORIZON NATIONAL CORPORATION	TN
24	24	\$27,444	ASSOCIATED BANC-CORP	WI
25	25	\$27,000	POPULAR, INC.	PR
26	37	\$26,269	CAPITAL ONE FINANCIAL CORPORATION	VA
27	22	\$24,652	SUNTRUST BANKS, INC.	GA
28	30	\$20,793	EASTERN BANK CORPORATION	MA
29	27	\$20,712	WEBSTER FINANCIAL CORPORATION	CT
30	32	\$20,443	OLD NATIONAL BANCORP	IN
31	34	\$18,304	LAURITZEN CORPORATION	NE
32	33	\$17,233	TRUSTMARK CORPORATION	MS
33	23	\$15,540	CITIZENS FINANCIAL GROUP, INC.	RI
34	35	\$15,251	CULLEN/FROST BANKERS, INC.	TX
35	38	\$15,125	M&T BANK CORPORATION	NY
36	39	\$14,393	BANCWEST CORPORATION	HI
37	26	\$14,251	AMSOUTH BANCORPORATION	AL
38	36	\$13,516	PEOPLE'S MUTUAL HOLDINGS	CT
39	65	\$12,721	NORTH FORK BANCORPORATION, INC.	NY
40	48	\$11,034	JOHNSON FINANCIAL GROUP, INC.	WI
41	43	\$10,132	BANK OF HAWAII CORPORATION	HI
42	44	\$9,976	HANCOCK HOLDING COMPANY	MS
43	40	\$9,587	BNCCORP. INC.	ND
44	42	\$9,144	MERCANTILE BANKSHARES CORP.	MD
45	47	\$8,014	HUNTINGTON BANCSHARES INC.	OH
46	NR	\$7,611	R&G FINANCIAL CORPORATION	PR
47	49	\$7,339	F.N.B. CORPORATION	PA
48	50	\$7,231	FIRST CHARTER CORPORATION	NC
49	61	\$7,220	SUSQUEHANNA BANCSHARES, INC.	PA
50	46	\$6,295	FIRST NATIONAL OF NEBRASKA, INC.	NE

Ranking excludes MetLife
NR = Not ranked due to charter change or lack of insurance brokerage fee income
Source: Michael White Associates and American Bankers Insurance Association

TABLE 2: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME AS A PERCENT OF NONINTEREST INCOME YTD JUNE 30, 2006 NATIONALLY			
RANK	% OF NON- INTEREST INCOME	BANK HOLDING COMPANY	STATE
1	77.51%	BNCCORP. INC.	ND
2	73.00%	GREATER BAY BANCORP	CA
3	66.33%	MOUNTAINONE FINANCIAL PARTNERS, MHC	MA
4	59.16%	TEXAS INDEPENDENT BANCSHARES, INC.	TX
5	57.01%	SHORE BANCSHARES, INC.	MD
6	54.30%	FIRST WESTERN BANCORP, INC.	SD
7	53.42%	LEESPORT FINANCIAL CORP.	PA
8	53.06%	OCEANPOINT FINANCIAL PARTNERS, MHC	RI
9	49.88%	BEACH COMMUNITY BANCSHARES, INC.	FL
10	47.93%	ACNB CORPORATION	PA
11	45.68%	473 BROADWAY HOLDING CORPORATION	NY
12	45.33%	ENTERPRISE FINANCIAL SERVICES CORP	MO
13	43.40%	LEGACYTEXAS GROUP, INC.	TX
14	42.34%	SUNFLOWER BANKS, INC.	KS
15	41.90%	COBIZ INC.	CO
16	41.67%	AMERICAN BANCOR, LTD.	ND
17	41.20%	SMITHTOWN BANCORP, INC.	NY
18	40.73%	PLATTE VALLEY FINANCIAL SERVICE COMPANIES, INC.	NE
19	40.24%	FARMERS STATE CORPORATION	MN
20	38.82%	DELMAR BANCORP	MD
21	38.74%	VAN DIEST INVESTMENT COMPANY	IA
22	37.45%	EASTERN BANK CORPORATION	MA
23	36.39%	LAURITZEN CORPORATION	NE
24	35.97%	FIRST MANITOWOC BANCORP, INC.	WI
25	34.96%	PEOPLES BANCORP INC.	OH
26	34.50%	GOODENOW BANCORPORATION	IA
27	34.09%	GERMAN AMERICAN BANCORP, INC.	IN
28	32.98%	PENNS WOODS BANCORP, INC.	PA
29	32.54%	BANCORPSOUTH, INC.	MS
30	31.58%	ANB CORPORATION, THE	TX
31	31.14%	FSB MUTUAL HOLDINGS, INC.	PA
32	31.05%	GATEWAY FINANCIAL HOLDINGS, INC.	NC
33	31.03%	BB&T CORPORATION	NC
34	30.50%	SKY FINANCIAL GROUP, INC.	OH
35	30.31%	COMMUNITY BANCSHARES, INC.	AL
36	29.85%	R&G FINANCIAL CORPORATION	PR
37	29.71%	FIRST BANK CORP	AR
38	28.50%	WATFORD CITY BANCSHARES, INC.	ND
39	28.20%	RAINIER PACIFIC FINANCIAL GROUP, INC.	WA
40	28.15%	NB&T FINANCIAL GROUP, INC.	OH
41	28.15%	HIGH POINT BANK CORPORATION	NC
42	27.54%	NORTHEAST BANCORP	ME
43	27.30%	ALLIANCE BANKSHARES CORPORATION	VA
44	26.16%	CARBON COUNTY HOLDING COMPANY	WY
45	25.75%	AMERICAN BANK HOLDING CORPORATION	TX
46	25.63%	OLD NATIONAL BANCORP	IN
47	24.87%	KNBT BANCORP INC.	PA
48	24.82%	MINNWEST CORPORATION	MN
49	24.78%	JOHNSON FINANCIAL GROUP, INC.	WI
50	24.74%	FIRST VOLUNTEER CORPORATION	TN

Ranking excludes MetLife
Source: Michael White Associates and American Bankers Insurance Association