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## **Michael White-ABIA Report Finds Banking's Total Insurance Revenue Stays Level in 2007**

**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 (BHCs) experienced a slight increase of 0.5 percent in their total insurance revenue from \$43.5 billion in 2006 to \$43.7 billion in 2007. During 2007, 637 of 936 bank holding companies (or 68.1 percent of all top-level BHCs reporting) earned some type of insurance-related revenue, compared to 642 of 953 BHCs in 2006.<sup>1</sup>

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 top-tier 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 increased 1.0 percent from \$12.13 billion in 2006 to a record \$12.26 billion in 2007. During 2007, 632 bank holding companies (or 67.5 percent of all top-level large BHCs reporting) engaged in sales activities that produced insurance commissions and fees.<sup>2</sup> Excluding financial holding company MetLife, Inc., which did not engage in significant banking activities, insurance brokerage fee income was \$6.64 billion in 2007, down 5.8 percent from \$7.05 billion in 2006.

BHCs with assets greater than \$1 billion experienced a 1.1 percent increase in insurance brokerage fee income from \$11.97 billion in 2006 to \$12.10 billion in 2007. BHCs with less than \$1 billion in assets in 2007 saw a decrease in their insurance brokerage fee income of 2.5 percent from \$164.2 million to \$160.1 million.

The slowing in insurance brokerage income was due to several factors. First, several banking companies, e.g., People's Mutual Holdings (CT) and Countrywide Financial (CA), converted their charters to thrift holding companies, thereby removing insurance brokerage revenues from the count; OTS-regulated thrifts that do not report insurance brokerage income. These two examples alone accounted for a loss to the banking industry of \$70

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<sup>1</sup> With few exceptions, only those bank holding companies defined by the Federal Reserve as "large" BHCs report detailed revenue line items like insurance brokerage and insurance underwriting income. The "large" BHCs were redefined in 2006 as being those top-tier BHCs with more than \$500 million in consolidated assets.

<sup>2</sup> These figures for insurance revenues do not include income earned from the sale or servicing of annuities. Adding the income from annuities would significantly increase the total insurance product revenue for banking organizations. Income from related non-insurance products like debt cancellation or debt suspension agreements is also excluded from the insurance revenue figures.

million in insurance brokerage income (not to mention an even more substantial loss in insurance underwriting income). Thrifts and thrift holding companies are not required to report detailed, line-item, noninterest fee income like insurance brokerage.

Second, a number of large BHCs, like Bank of America Corporation (NC), BNCCORP, Inc. (ND), Capital One (VA), Citizens Financial Group, Inc. (RI), and Webster Financial Corporation (CT) sold large property-casualty insurance agencies. They represented a loss to the banking industry of \$175 million in insurance brokerage income. The sales of those agencies related quite specifically to each financial institution's particular circumstances, strategic aims, and commitment to insurance.<sup>3</sup>

Additional causes for the slowdown in 2007 of BHC insurance brokerage fee income, which had been growing at a compound annual rate of 19.5 percent from 2001 through 2006, included a softening market in commercial property-casualty insurance, sporadic decreases in contingent commissions, and the complete removal of annuity commissions not earned via securities units from insurance brokerage fee income totals.

Again excluding MetLife, which did not engage in significant banking activities, Citigroup, Inc. (NY), Wells Fargo & Company (CA), BB&T Corporation (NC), Bank of America Corporation (NC), and HSBC North America Holdings Inc. (IL) led all bank holding companies in insurance brokerage fee income in 2007. Among BHCs with less than \$1 billion in assets, leaders included Central Community Corporation (TX), Shore Bancshares, Inc. (MD), First Western Bancorp, Inc. (SD), MountainOne Financial Partners, MHC (MA), and Van Diest Investment Company (IA).

### Insurance Underwriting Income

Insurance underwriting and reinsurance income increased 0.2 percent to \$31.42 billion in 2007 from \$31.35 billion in 2006. Seventy-four BHCs (or 7.9 percent of all reporting top-level BHCs) reported earning some insurance underwriting fee income, compared to 82 a year earlier.<sup>4</sup> This decline in the number of BHCs engaged in insurance underwriting is, in part, related to charter changes from financial holding companies to thrifts (e.g., Countrywide Financial Corporation (CA)) and to the fact that a number of BHCs that formerly underwrote credit insurance have converted their credit insurance underwriting operations to debt cancellation and debt suspension contracts.

Excluding financial holding company MetLife, Inc., which did not engage in significant banking activities, BHC insurance underwriting income was down 28.6 percent from \$4.93 billion in 2006 to \$3.52 billion in 2007. The leaders were Citigroup, Inc. (NY), HSBC North America Holdings Inc. (IL), Bank of America Corporation (NC), JPMorgan Chase & Co. (NY), and Wells Fargo & Company (CA).

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<sup>3</sup> Despite the loss of fairly significant insurance brokerage income from the BHC total, the sales of bank insurance units to nonbanks are not a trend. Other banking organizations announced in 2007 they would acquire agencies, among them Alliance Bankshares Corp. (VA), BancFirst Group (OK), BancorpSouth (MS), Bank of the West (CA), BB&T Corporation (NC), First Defiance Financial Corp. (OH), First Niagara Financial Group (NY), Harleysville National Corp. (PA), Huntington Bancshares (OH), National City Corp. (OH), Northeast Bancorp (ME), Oak Hill Financial (OH), Shore Bancshares, Inc. (MD), Summit Financial Group (WV), Wachovia (NC), and Wells Fargo & Co. (CA).

<sup>4</sup> The presence of insurance underwriting fee income 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.

### Total Insurance Income

Total BHC insurance revenue increased 0.5 percent from \$43.48 billion in 2006 to \$43.68 billion in 2007. Excluding financial holding company MetLife, which did not engage in significant banking activities, total insurance income was \$10.17 billion in 2007, down 15.2 percent from \$11.98 billion in 2006.

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 6.6 percent for all bank holding companies selling insurance, down from 6.8 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 2007 earned \$9.65 billion, or 94.9 percent of the \$10.17 billion earned by all the reporting holding companies except MetLife. Insurance revenue among all the top 50 companies averaged 5.04 percent of the total noninterest income reported by the 50 institutions, essentially flat compared to 5.03 percent in 2006. The mean ratio of total insurance revenue to noninterest income among the top 50 was 13.4 percent, a decrease from 14.8 percent in 2006. The leaders in total insurance income appear in Table 1 on page 5.

Excluding MetLife, which did not engage in significant banking activities, Citigroup, Inc. (NY), Wells Fargo & Company (CA), HSBC North America Holdings (IL), BB&T Corporation (NC), and Bank of America Corporation (NC) led all bank holding companies in total insurance income in 2007. Among BHCs with less than \$1 billion in assets, leaders included Central Community Corporation (TX), Shore Bancshares, Inc. (MD), First Western Bancorp, Inc. (SD), MountainOne Financial Partners, MHC (MA), and Van Diest Investment Company (IA).

Joining the top 50 in total insurance revenue in 2007 were Barclays Group US Inc. (DE), Central Community Corporation (TX), Utrecht-America Holdings, Inc. (NY), Stifel Financial Corp. (MO), Santander Bancorp (PR), Leesport Financial Corp. (PA), Tompkins Financial (NY), First Bancorp (PR), and Valley National Bancorp (NJ).

Utrecht-America Holdings, Inc. (NY) increased its rank in total insurance income the most, having jumped from 609<sup>th</sup> place at the end of 2006 to 33<sup>rd</sup> by year-end 2007. Central Community Corporation (TX) jumped 156<sup>th</sup> to 33<sup>rd</sup> place in the rankings. Also jumping two digit's worth of ranks were Huntington Bancshares (OH), Capital One Financial (VA), SunTrust Banks Inc. (GA), Bancwest Corporation (HI), and Tompkins Financial Corporation (NY).

### Insurance Income as a Percent of Noninterest Income

The top 50 bank holding companies (excluding MetLife, Inc.) 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 32.4 percent in that benchmark at December 31, 2007, down from 34.5 percent in the prior year. Among this same top 50, the mean ratio of insurance revenue to noninterest income was 40.6 percent in 2007, while the standard deviation was 20.8 percent. The mean ratio was down from 45.6 percent in 2006. The median was 35.8 percent in 2007, up slightly from 35.5 percent in 2006.

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 6.6 percent.
- The top 50 BHCs in insurance revenue attained a mean ratio of insurance to noninterest income of 13.4 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 40.6 percent.

The percentage of noninterest income from insurance might be lower than these averages and means, 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](http://www.BankInsurance.com). The annual *Michael White-Symetra Bank and Bank Holding Company Fee Income Reports*<sup>™</sup> provide a more comprehensive analysis of bank insurance, securities brokerage, and mutual fund and annuity fee income. Symetra Financial sponsors those reports. Additionally, the *MWA Fee Income Ratings Reports*<sup>™</sup> compare, rank and rate a particular financial institution's insurance or other noninterest fee income program nationally, regionally, statewide and in its asset-peer group. Copies of MWA's reports can be obtained from MWA by calling (610) 254-0440, or by visiting [www.BankInsurance.com](http://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](http://www.theabia.com).

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TABLE 1: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME AT YEAR-END DECEMBER 31, 2007 NATIONALLY (In thousands of dollars)					
Rank 2007	Rank 2006	Total Insurance Income (\$ 000s)	Bank Holding Company Name	City	State
1	1	\$3,534,000	CITIGROUP INC.	NEW YORK	NY
2	2	\$1,530,000	WELLS FARGO & COMPANY	SAN FRANCISCO	CA
3	4	\$866,583	HSBC NORTH AMERICA HOLDINGS	PROSPECT	IL
4	5	\$853,779	BB&T CORPORATION	WINSTON-SALEM	NC
5	7	\$630,485	BANK OF AMERICA CORPORATION	CHARLOTTE	NC
6	6	\$425,000	JPMORGAN CHASE & CO.	NEW YORK	NY
7	8	\$282,000	WACHOVIA CORPORATION	CHARLOTTE	NC
8	9	\$133,617	NATIONAL CITY CORPORATION	CLEVELAND	OH
9	11	\$103,184	REGIONS FINANCIAL CORPORATION	BIRMINGHAM	AL
10	13	\$84,624	COMMERCE BANCORP, INC.	CHERRY HILL	NJ
11	18	\$71,631	BANCORPSOUTH, INC.	TUPELO	MS
12	17	\$70,509	UNIONBANCAL CORPORATION	SAN FRANCISCO	CA
13	15	\$65,000	U.S. BANCORP	MINNEAPOLIS	MN
14	24	\$62,085	SUNTRUST BANKS, INC.	ATLANTA	GA
15	26	\$57,568	CAPITAL ONE FINANCIAL	MCLEAN	VA
16	22	\$56,040	TD BANKNORTH INC.	PORTLAND	ME
17	23	\$56,000	POPULAR, INC.	SAN JUAN	PR
18	25	\$44,359	ASSOCIATED BANC-CORP	GREEN BAY	WI
19	21	\$40,791	FIRST HORIZON NATIONAL	MEMPHIS	TN
20	29	\$40,719	EASTERN BANK CORPORATION	BOSTON	MA
21	40	\$40,092	HUNTINGTON BANCSHARES	COLUMBUS	OH
22	27	\$38,996	OLD NATIONAL BANCORP	EVANSVILLE	IN
23	12	\$38,204	FIFTH THIRD BANCORP	CINCINNATI	OH
24	34	\$36,361	BANCWEST CORPORATION	HONOLULU	HI
25	30	\$35,290	TRUSTMARK CORPORATION	JACKSON	MS
26	31	\$34,253	LAURITZEN CORPORATION	OMAHA	NE
27	32	\$33,141	M&T BANK CORPORATION	BUFFALO	NY
28	33	\$31,124	CULLEN/FROST BANKERS, INC.	SAN ANTONIO	TX
29	14	\$24,398	PNC FINANCIAL SERVICES GROUP,	PITTSBURGH	PA
30	N/A	\$21,104	BARCLAYS GROUP US INC.	WILMINGTON	DE
31	156	\$20,787	CENTRAL COMMUNITY	TEMPLE	TX
32	35	\$20,514	BANK OF HAWAII CORPORATION	HONOLULU	HI
33	609	\$20,311	UTRECHT-AMERICA HOLDINGS, INC.	NEW YORK	NY
34	36	\$19,738	JOHNSON FINANCIAL GROUP, INC.	RACINE	WI
35	16	\$19,658	BBVA USA BANCSHARES, INC.	THE WOODLANDS	TX
36	37	\$19,220	HANCOCK HOLDING COMPANY	GULFPORT	MS
37	N/A	\$18,879	STIFEL FINANCIAL CORP.	SAINT LOUIS	MO
38	39	\$16,101	FIRST NATIONAL OF NEBRASKA, INC.	OMAHA	NE
39	43	\$14,803	R&G FINANCIAL CORPORATION	SAN JUAN	PR
40	19	\$14,184	KEYCORP	CLEVELAND	OH
41	49	\$14,066	BREMER FINANCIAL CORPORATION	SAINT PAUL	MN
42	45	\$13,994	F.N.B. CORPORATION	HERMITAGE	PA
43	46	\$13,077	FIRST CHARTER CORPORATION	CHARLOTTE	NC
44	48	\$12,951	SUSQUEHANNA BANCSHARES, INC.	LITITZ	PA
45	50	\$12,029	SOUTH FINANCIAL GROUP, THE	GREENVILLE	SC
46	51	\$11,780	SANTANDER BANCORP	SAN JUAN	PR
47	53	\$11,362	LEESPORT FINANCIAL CORP.	WYOMISSING	PA
48	58	\$11,046	TOMPKINS FINANCIAL	ITHACA	NY
49	52	\$10,877	FIRST BANCORP	SAN JUAN	PR
50	55	\$10,711	VALLEY NATIONAL BANCORP	WAYNE	NJ

Ranking excludes MetLife, Inc.

Source: Michael White Associates and American Bankers Insurance Association

<b>Table 2: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME                  AS A PERCENT OF NONINTEREST INCOME                  AT YEAR-END DECEMBER 31, 2007                  NATIONALLY</b>				
<b>RANK</b>	<b>% of Noninterest Income</b>	<b>Bank Holding Company Name</b>	<b>City</b>	<b>State</b>
1	152.85%	ALLIANCE BANKSHARES	CHANTILLY	VA
2	104.67%	DORAL GP LTD.	SAN JUAN	PR
3	65.54%	CENTRAL COMMUNITY CORPORATION	TEMPLE	TX
4	57.18%	LEESPORT FINANCIAL CORP.	WYOMISSING	PA
5	55.33%	MOUNTAINONE FINANCIAL	NORTH ADAMS	MA
6	52.46%	SHORE BANCSHARES, INC.	EASTON	MD
7	49.32%	OCEANPOINT FINANCIAL PARTNERS,	NEWPORT	RI
8	46.70%	INDUSTRY BANCSHARES, INC.	INDUSTRY	TX
9	46.10%	R&G FINANCIAL CORPORATION	SAN JUAN	PR
10	45.75%	FIRST WESTERN BANCORP, INC.	HURON	SD
11	45.44%	473 BROADWAY HOLDING	SARATOGA	NY
12	43.65%	FARMERS STATE CORPORATION	MANKATO	MN
13	43.08%	EASTERN BANK CORPORATION	BOSTON	MA
14	41.74%	ACNB CORPORATION	GETTYSBURG	PA
15	40.47%	VAN DIEST INVESTMENT COMPANY	ANKENY	IA
16	40.42%	LEGACYTEXAS GROUP, INC.	PLANO	TX
17	40.08%	PLATTE VALLEY FINANCIAL SERVICE	SCOTTSBLUFF	NE
18	40.04%	GORHAM BANCORP, MHC	GORHAM	ME
19	39.08%	SMITHTOWN BANCORP, INC.	HAUPPAUGE	NY
20	38.51%	NORTHEAST BANCORP	LEWISTON	ME
21	37.63%	LAURITZEN CORPORATION	OMAHA	NE
22	37.14%	ENTERPRISE FINANCIAL SERVICES	CLAYTON	MO
23	36.69%	DELMAR BANCORP	DELMAR	MD
24	36.16%	FIRST MANITOWOC BANCORP, INC.	MANITOWOC	WI
25	35.36%	GERMAN AMERICAN BANCORP, INC.	JASPER	IN
26	35.21%	SUMMIT FINANCIAL GROUP, INC.	MOOREFIELD	WV
27	34.57%	GOODENOW BANCORPORATION	OKOBOJI	IA
28	33.98%	COBIZ FINANCIAL INC.	DENVER	CO
29	33.96%	SOUTH DAKOTA BANCSHARES, INC.	PIERRE	SD
30	32.62%	BEACH COMMUNITY BANCSHARES,	FORT WALTON	FL
31	32.50%	ONE AMERICAN CORP.	VACHERIE	LA
32	32.31%	FIRST BANK CORP	FORT SMITH	AR
33	31.53%	BANCORPSOUTH, INC.	TUPELO	MS
34	31.48%	SUNFLOWER BANKS, INC.	SALINA	KS
35	31.19%	ANB CORPORATION, THE	TERRELL	TX
36	31.04%	AMERICAN BANCOR, LTD.	DICKINSON	ND
37	30.75%	BB&T CORPORATION	WINSTON-SALEM	NC
38	30.45%	PEOPLES BANCORP INC.	MARIETTA	OH
39	30.34%	COMMUNITY FIRST BANCSHARES,	UNION CITY	TN
40	29.80%	GATEWAY FINANCIAL HOLDINGS, INC.	VIRGINIA BEACH	VA
41	29.50%	PENNS WOODS BANCORP, INC.	JERSEY SHORE	PA
42	29.05%	AMBANK COMPANY, INC.	SIOUX CENTER	IA
43	28.68%	HIGH POINT BANK CORPORATION	HIGH POINT	NC
44	28.46%	NEW MEXICO BANQUEST	SANTA FE	NM
45	28.37%	MINNWEST CORPORATION	MINNETONKA	MN
46	27.23%	RAINIER PACIFIC FINANCIAL GROUP,	TACOMA	WA
47	26.49%	AMERICAN BANK HOLDING	CORPUS CHRISTI	TX
48	25.59%	KNBT BANCORP INC.	BETHLEHEM	PA
49	25.51%	DACOTAH BANKS, INC.	ABERDEEN	SD
50	25.30%	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY

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