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Michael White-ABIA Report **BHC Insurance Revenues Up in First Half of 2008**

By Michael D. White, President, Michael White Associates (MWA),
In conjunction with the American Bankers Insurance Association (ABIA)
October 2, 2008

The nation's bank holding companies increased their total insurance revenue 9.5 percent to \$23.7 billion in the first half of 2008 from \$21.7 billion during the same period in 2007. During the first six months of 2008, 607 top-tier large bank holding companies¹ (or 64.2 percent of all top-level BHCs reporting) earned some type of insurance-related revenue, compared to 627 in the first half of 2007. Conversions of banking charters, the sale of some bank insurance operations to nonbanks, and a soft property-casualty market were among the chief drags on BHC insurance revenue growth in the first half of 2008.

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 946 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 3.0 percent from \$6.26 billion in the first half of 2007 to \$6.44 billion in the first half of 2008. During the first six months of 2008, 603 bank holding companies (or 63.7 percent of all BHCs reporting) engaged in sales activities that produced insurance commissions and fees.² Excluding financial holding company MetLife, which did not engage in significant banking activities, insurance brokerage fee income was \$3.45 billion in the first half of 2008, down 1.7 percent from \$3.51 billion in the same period in 2007.

This slowing in insurance brokerage income was due to several factors. The first factor was some key conversions in charters from bank holding companies to thrift holding companies (e.g., earlier conversion of People's Mutual Holdings in CT, People's acquisition of Chittenden Corporation, conversion of Countrywide Financial). Thrift holding companies are not required to report detailed, line-item noninterest fee income like

¹ 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, with few exceptions, as being those top-tier BHCs with more than \$500 million in consolidated assets.

² 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 (by \$1.31 billion in first half 2008) 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.

insurance brokerage. Thus, the insurance brokerage income that a BHC previously reported is no longer reported when that BHC converts to a thrift holding company.

A second factor was the sales of their property-casualty insurance agencies or business lines by certain large bank holding companies, like BNCCORP, Inc. (ND), Capital One (VA), Citizens Financial Group, Inc. (RI), Commerce Bancorp, JPMorgan Chase (NY), Wachovia Corp. (NC), and Webster Financial Corp. (CT). The sales of bank insurance units to nonbanks are not a trend; they related quite specifically to each financial institution's particular circumstances, strategic aims, and commitment to insurance. Other BHCs like Arrow Financial Corp. (NY), BancFirst Corp. (OK), BancorpSouth, Inc. (MS), BB&T Corporation (NC), Central Bancorp (CO), CoBiz (CO), Cullen/Frost Bankers (TX), Doral Financial (PR), Eastern Bancorp (MA), First United Corporation (MD), Huntington Bancshares (OH), Northeast Bancorp (ME), Shore Bancshares, Inc. (MD), and Wells Fargo & Company (CA) acquired agencies and books of business.

Additional factors also slowed growth in insurance brokerage fee income in the first half of 2008: a long-lasting soft market in commercial property-casualty insurance and sporadic decreases in contingent commissions.

BHCs with assets greater than \$1 billion experienced a 2.1 percent increase in insurance brokerage fee income in the first six months of 2008, rising from \$6.18 billion in the first half of 2007 to \$6.37 billion in 2008. BHCs with less than \$1 billion in assets registered a decrease of 9.2 percent in their insurance brokerage fee income from \$80.0 million in the year-ago period to \$72.7 million in the first half of 2008. This decline was due mostly to BNCCORP's sale of its large Arizona agency to Hub International, Ltd. in second quarter 2007.

Again excluding MetLife, which did not engage in significant banking activities, Wells Fargo & Company (CA), CitiGroup (NY), and BB&T Corporation (NC) led all bank holding companies in insurance brokerage fee income in the first six months of 2008. Among BHCs with less than \$1 billion in assets, leaders in insurance brokerage income were 473 Broadway Holding Corporation (NY), Texas Independent Bancshares, Inc. (TX), and First Manitowoc Bancorp, Inc. (WI).

Insurance Underwriting Income

Insurance underwriting and reinsurance income increased 12.2 percent from \$15.4 billion at June 30, 2007, to \$17.3 billion in the first half of 2008.³ Sixty-seven (67) BHCs (or 7.1 percent of all reporting top-level BHCs) earned some insurance underwriting income, compared to 77 a year earlier.

Excluding financial holding company MetLife, which did not engage in significant banking activities, BHC insurance underwriting income was up 14.7 percent from \$1.75 billion in the first half of 2007 to \$2.00 billion in the first half of 2008. However, the industry has experienced a continued decline in the number of holding companies engaged in insurance underwriting from 128 in first half 2003 to 96 in the same period in 2005 to 67 in the first six months of this year, 2008.

³ This form of 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 9.5 percent to \$23.7 billion in the first half of 2008 from \$21.7 billion during the same period in 2007. Excluding financial holding company MetLife, which did not engage in significant banking activities, total insurance income was \$5.46 billion in the first half of 2008, up 3.7 percent from \$5.26 billion in the same period in 2007.

Again, all the factors that retarded growth in insurance brokerage fee income are carried forward in their effects to total insurance income: charter conversions, the sale of BHC insurance units, a soft commercial property-casualty market, and sporadically reduced contingent commissions.

This analysis by MWA 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. MWA calls this ratio Insurance Program Concentration. It denotes the degree to which noninterest income is concentrated in a particular noninterest fee income, in this case, insurance fee income.

Mean total insurance income as a percent of noninterest income was 5.3 percent for all bank holding companies engaged in insurance activities during the first six months in 2008, 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 the first six months of 2008 earned \$5.21 billion, or 95.4 percent of the \$5.46 billion earned by all the reporting holding companies except MetLife. Insurance revenue among all the top 50 companies averaged 6.39 percent of the total noninterest income reported by the 50 institutions, down from 4.07 percent in the first half of 2007. The mean ratio of insurance revenue to noninterest income among the top 50 was 14.3 percent, an increase from 13.8 percent for the first six months of 2007. 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), and BB&T Corporation (NC) led all bank holding companies in total insurance income in the first six months of 2008. Among BHCs with less than \$1 billion in assets, leaders in total insurance income were 473 Broadway Holding Corporation (NY), Texas Independent Bancshares, Inc. (TX), and First Manitowoc Bancorp, Inc. (WI).

Joining the top 50 in total insurance revenue during the first half of 2008 were nine BHCs: National Penn Bancshares (PA), CoBiz Financial, Inc. (CO), Shore Bancshares, Inc. (MD), Encore Bancshares, Inc. (TX), Tompkins Financial Corporation (NY), VIST Financial Corp. (PA), First Bancorp (PR), Doral GP Ltd. (PR), and Comerica Incorporated (TX).

Among the top 50, BBVA USA Bancshares, Inc. (TX) increased its rank in total insurance income the most, having jumped from 81st place at mid-2007 to 14th at June 30, 2008. Encore Bancshares, Inc. (TX) and Huntington Bancshares Inc. (OH) also jumped fairly dramatically, rising, respectively, from the 72nd and 42nd positions in 2007 to 41st and 12th places on June 30, 2008.

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 42.0 percent in that benchmark at June 30, 2008, up from 34.5 percent the prior year. Among this same top 50, the mean ratio

of insurance revenue to noninterest income was 40.9 percent in the first six months of 2008, while the standard deviation was 20.8 percent. The mean ratio was up from 39.1 percent in the first half of 2007. The median was 35.4 percent in the first half of 2008, virtually unchanged from 35.5 percent in the first half of 2007.

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 5.3 percent.
- The top 50 BHCs in insurance revenue attained a mean ratio of insurance to noninterest income of 14.3 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 40.9 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. The *Michael White-Symetra Bank Fee Income Report* and *Michael White-Symetra Bank Holding Company Fee Income Reports*[™] provide more comprehensive analyses of bank insurance, investment, and mutual fund and annuity fee income. Symetra Financial sponsors those reports. 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, 2008					
NATIONALLY					
(In thousands of dollars)					
Rank 1st Half 2008	Rank 1st Half 2007	Total Insurance Income (\$000s)	Bank Holding Company Name	City	State
1	1	\$1,969,000	CITIGROUP INC.	NEW YORK	NY
2	2	\$1,054,000	WELLS FARGO & COMPANY	SAN FRANCISCO	CA
3	4	\$448,904	BB&T CORPORATION	WINSTON-SALEM	NC
4	5	\$324,023	BANK OF AMERICA CORPORATION	CHARLOTTE	NC
5	3	\$275,147	HSBC NORTH AMERICA HOLDINGS INC.	METTAWA	IL
6	6	\$203,000	JPMORGAN CHASE & CO.	NEW YORK	NY
7	7	\$168,000	WACHOVIA CORPORATION	CHARLOTTE	NC
8	9	\$66,525	NATIONAL CITY CORPORATION	CLEVELAND	OH
9	10	\$59,019	REGIONS FINANCIAL CORPORATION	BIRMINGHAM	AL
10	12	\$46,331	BANCORPSOUTH, INC.	TUPELO	MS
11	17	\$40,739	SUNTRUST BANKS, INC.	ATLANTA	GA
12	42	\$39,735	HUNTINGTON BANCSHARES INCORPORATED	COLUMBUS	OH
13	14	\$32,000	U.S. BANCORP	MINNEAPOLIS	MN
14	81	\$31,085	BBVA USA BANCSHARES, INC.	THE WOODLANDS	TX
15	16	\$30,779	TD BANKNORTH INC.	PORTLAND	ME
16	21	\$27,755	EASTERN BANK CORPORATION	BOSTON	MA
17	19	\$26,000	POPULAR, INC.	SAN JUAN	PR
18	29	\$23,791	FIFTH THIRD BANCORP	CINCINNATI	OH
19	22	\$23,242	ASSOCIATED BANC-CORP	GREEN BAY	WI
20	23	\$21,432	FIRST HORIZON NATIONAL CORPORATION	MEMPHIS	TN
21	24	\$21,373	OLD NATIONAL BANCORP	EVANSVILLE	IN
22	38	\$19,480	BARCLAYS GROUP US INC.	WILMINGTON	DE
23	28	\$18,922	LAURITZEN CORPORATION	OMAHA	NE
24	30	\$18,230	CULLEN/FROST BANKERS, INC.	SAN ANTONIO	TX
25	25	\$17,783	BANCWEST CORPORATION	HONOLULU	HI
26	31	\$17,650	M&T BANK CORPORATION	BUFFALO	NY
27	27	\$16,650	TRUSTMARK CORPORATION	JACKSON	MS
28	34	\$12,413	JOHNSON FINANCIAL GROUP, INC.	RACINE	WI
29	35	\$10,519	CENTRAL COMMUNITY CORPORATION	TEMPLE	TX
30	36	\$10,418	BANK OF HAWAII CORPORATION	HONOLULU	HI
31	41	\$8,877	FIRST NATIONAL OF NEBRASKA, INC.	OMAHA	NE
32	33	\$8,600	HANCOCK HOLDING COMPANY	GULFPORT	MS
33	39	\$8,148	STIFEL FINANCIAL CORP.	SAINT LOUIS	MO
34	43	\$8,105	F.N.B. CORPORATION	HERMITAGE	PA
35	40	\$7,940	R&G FINANCIAL CORPORATION	SAN JUAN	PR
36	65	\$7,800	NATIONAL PENN BANCSHARES, INC.	BOYERTOWN	PA
37	56	\$7,741	COBIZ FINANCIAL INC.	DENVER	CO
38	32	\$7,554	PNC FINANCIAL SERVICES GROUP, INC., THE	PITTSBURGH	PA
39	44	\$7,242	SUSQUEHANNA BANCSHARES, INC.	LITITZ	PA
40	66	\$6,578	SHORE BANCSHARES, INC.	EASTON	MD
41	72	\$6,036	ENCORE BANCSHARES, INC.	HOUSTON	TX
42	49	\$5,825	BREMER FINANCIAL CORPORATION	SAINT PAUL	MN
43	53	\$5,726	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY
44	50	\$5,635	VALLEY NATIONAL BANCORP	WAYNE	NJ
45	51	\$5,479	VIST FINANCIAL CORP.	WYOMISSING	PA
46	48	\$5,448	SOUTH FINANCIAL GROUP, INC., THE	GREENVILLE	SC
47	52	\$5,279	FIRST BANCORP	SAN JUAN	PR
48	20	\$5,276	CAPITAL ONE FINANCIAL CORPORATION	MCLEAN	VA
49	58	\$5,261	DORAL GP LTD.	SAN JUAN	PR
50	63	\$5,176	COMERICA INCORPORATED	DALLAS	TX

Ranking excludes MetLife

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, 2008 NATIONALLY				
RANK	% of Noninterest Income	Bank Holding Company Name	City	State
1	104.67%	DORAL GP LTD.	SAN JUAN	PR
2	67.25%	FIRST MANITOWOC BANCORP, INC.	MANITOWOC	WI
3	65.54%	473 BROADWAY HOLDING CORPORATION	SARATOGA SPRINGS	NY
4	63.17%	CENTRAL COMMUNITY CORPORATION	TEMPLE	TX
5	61.50%	SHORE BANCSHARES, INC.	EASTON	MD
6	60.40%	VIST FINANCIAL CORP.	WYOMISSING	PA
7	57.68%	MOUNTAINONE FINANCIAL PARTNERS, MHC	NORTH ADAMS	MA
8	57.08%	TEXAS INDEPENDENT BANCSHARES, INC.	TEXAS CITY	TX
9	56.01%	EASTERN BANK CORPORATION	BOSTON	MA
10	55.15%	NORTHEAST BANCORP	LEWISTON	ME
11	50.56%	MID-MISSOURI BANCSHARES, INC.	SPRINGFIELD	MO
12	48.69%	INDUSTRY BANCSHARES, INC.	INDUSTRY	TX
13	47.63%	OCEANPOINT FINANCIAL PARTNERS, MHC	NEWPORT	RI
14	47.29%	CITIGROUP INC.	NEW YORK	NY
15	46.99%	SUMMIT FINANCIAL GROUP, INC.	MOOREFIELD	WV
16	46.40%	PLATTE VALLEY FINANCIAL SERVICE COMPANIES, INC.	SCOTTSBLUFF	NE
17	44.49%	VAN DIEST INVESTMENT COMPANY	ANKENY	IA
18	41.66%	LEGACYTEXAS GROUP, INC.	PLANO	TX
19	41.65%	ACNB CORPORATION	GETTYSBURG	PA
20	41.55%	COBIZ FINANCIAL INC.	DENVER	CO
21	41.41%	FARMERS STATE CORPORATION	MANKATO	MN
22	40.47%	SMITHTOWN BANCORP, INC.	HAUPPAUGE	NY
23	40.04%	GORHAM BANCORP, MHC	GORHAM	ME
24	38.84%	ONE AMERICAN CORP.	VACHERIE	LA
25	35.99%	FIRST BANK CORP	FORT SMITH	AR
26	34.83%	GORHAM BANCORP, MHC	GORHAM	ME
27	34.80%	SUNFLOWER BANKS, INC.	SALINA	KS
28	34.74%	GERMAN AMERICAN BANCORP, INC.	JASPER	IN
29	33.92%	BANCORPSOUTH, INC.	TUPELO	MS
30	33.21%	HIGH POINT BANK CORPORATION	HIGH POINT	NC
31	32.71%	DELMAR BANCORP	DELMAR	MD
32	31.98%	PEOPLES BANCORP INC.	MARIETTA	OH
33	31.09%	FIRST NATIONAL BANCSHARES, INC.	EAST LANSING	MI
34	30.99%	COMMUNITY FIRST BANCSHARES, INC.	UNION CITY	TN
35	30.87%	SOUTH DAKOTA BANCSHARES, INC.	PIERRE	SD
36	30.62%	LAURITZEN CORPORATION	OMAHA	NE
37	29.86%	NARRAGANSETT FINANCIAL CORP	FALL RIVER	MA
38	29.49%	AMERICAN BANK HOLDING CORPORATION	CORPUS CHRISTI	TX
39	29.29%	BB&T CORPORATION	WINSTON-SALEM	NC
40	29.21%	LINCOLN BANCORP	REINBECK	IA
41	28.49%	AMERICAN BANCOR, LTD.	DICKINSON	ND
42	28.44%	PENNS WOODS BANCORP, INC.	JERSEY SHORE	PA
43	27.99%	GATEWAY FINANCIAL HOLDINGS, INC.	VIRGINIA BEACH	VA
44	27.96%	ANB CORPORATION, THE	TERRELL	TX
45	26.44%	R&G FINANCIAL CORPORATION	SAN JUAN	PR
46	26.27%	FIRST VOLUNTEER CORPORATION	CHATTANOOGA	TN
47	25.50%	OLD NATIONAL BANCORP	EVANSVILLE	IN
48	25.02%	FIRST YORK BAN CORP.	YORK	NE
49	24.77%	AMBANK COMPANY, INC.	SIoux CENTER	IA
50	24.74%	STARION BANCORPORATION	BISMARCK	ND

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