



MICHAEL WHITE ASSOCIATES
BANK INSURANCE CONSULTANTS

BANKINSURANCE.com

N E W S R E L E A S E

Michael White Report: While Couple of Big Banks Stumble, Most Grow Insurance Brokerage Income in 2012

FOR IMMEDIATE RELEASE – Radnor, PA, and Chicago, IL, May 20, 2013 – Bank holding companies (BHCs) tallied \$6.20 billion in insurance brokerage fee income in 2012, down 19.5% from \$7.70 billion for the same period in 2011, according to the *Michael White Bank Insurance Fee Income Report*[™]. Of 1,053 large top-tier BHCs, 665 or 63.2% engaged in insurance brokerage activities in 2012.

The decline in insurance brokerage income in 2012 was attributable generally to a dozen big banks with more than \$10 billion in assets that collectively accounted for a decline of \$2.03 billion in insurance brokerage income. Had they not suffered that decline, BHC insurance brokerage income would have increased nearly 7.0%. More specifically, two BHCs, Citigroup, Inc. (NY) and Bank of America Corporation (NC), accounted for most of the industry’s reverse with a combined drop of over \$1.5 billion in insurance brokerage income. That figure accounted for the difference between 2012 and 2011 insurance brokerage revenues.

TOP 12 BANK HOLDING COMPANIES IN INSURANCE BROKERAGE FEE INCOME YEAR-END DECEMBER 31, 2012 – NATIONALLY

RANK	INSURANCE BROKERAGE FEE INCOME		PERCENT CHANGE	BANK HOLDING COMPANY	ST	ASSETS	% OF NONINTEREST INCOME
	2012	2011					
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	\$1,556,000	\$1,617,000	-3.77%	Wells Fargo & Company	CA	\$1,422,957,000	3.67%
2	\$1,246,403	\$936,072	33.15%	BB&T Corporation	NC	\$183,869,842	34.02%
3	\$1,171,000	\$2,141,000	-45.31%	Citigroup Inc.	NY	\$1,864,339,000	5.80%
4	\$179,000	\$210,000	-14.76%	American Express Company	NY	\$153,255,000	0.67%
5	\$124,000	\$132,000	-6.06%	Goldman Sachs Group, Inc.	NY	\$937,961,000	0.41%
6	\$108,563	\$105,216	3.18%	Regions Financial Corp.	AL	\$121,347,388	5.18%
7	\$99,000	\$344,000	-71.22%	Morgan Stanley	NY	\$780,960,000	0.39%
8	\$90,592	\$87,351	3.71%	BancorpSouth, Inc.	MS	\$13,401,898	36.85%
9	\$90,047	\$139,489	-35.45%	Discover Financial Services	IL	\$73,232,533	4.52%
10	\$77,409	N/A	N/A	First Command Financial Services	TX	\$857,222	38.83%
11	\$70,860	\$65,692	7.87%	First Niagara Financial Group	NY	\$36,894,648	21.24%
12	\$68,800	\$66,709	3.13%	Huntington Bancshares Inc.	OH	\$55,766,562	6.50%

Source: *Michael White Bank Insurance Fee Income Report*[™]

Compiled by Michael White Associates (MWA), this report measures and benchmarks the banking industry’s performance in generating insurance brokerage and underwriting fee income. Results are based on data from all 7,083 commercial banks, savings banks and savings associations and 1,053 large top-tier bank holding companies and thrift holding companies (defined as those BHCs with consolidated assets of \$500 million or greater) based upon financial information reported as of December 31, 2012. Certain thrift holding companies, such as those

-more-

that are historically insurance companies, have been excluded from this report in order to better understand the insurance performance of financial institutions that historically have engaged in significant banking activities. Bank holding company insurance brokerage fee income consists of commissions and fees earned by a bank holding company or its subsidiary from insurance product sales and referrals of credit, life, health, property, casualty, and title insurance.

“We found real progress in the expansion of insurance revenues among most BHCs that were more significantly committed to insurance brokerage in 2012. We examined 160 BHCs in 2012 and 154 BHCs in 2011 that earned a minimum of \$1 million in insurance brokerage revenues. At year’s end, 116 of these BHCs, or 72.5% of the group of 160, showed some level of positive growth in their insurance brokerage income, up 33.3% from 87 BHCs, or 56.5%, of the group of 154 in 2011,” said Michael White, President of MWA.

Robert Seda, President of Dowling Hales who is a sponsor of the report, continued: “Many bank holding companies that have built or acquired insurance brokerages experienced double-digit increases in brokerage income, signaling an improvement in the financial health of their agencies, specifically those agencies focused in the property and casualty sector. At Dowling Hales, we continue to see a strong interest in acquiring insurance brokerages; and, for many banks, it remains a compelling strategy for generating impressive returns.” Also, Mr. Seda pointed out that “sellers of Main Street brokers continue to be attracted to bank holding companies for the natural cross selling it presents while letting the owner retain operational autonomy.”

In 2012, Wells Fargo & Company (CA) topped the leader board with insurance brokerage earnings of \$1.56 billion. BB&T Corporation (NC), which owns more agencies than any other financial holding company, ranked second nationally with \$1.25 billion; and Citigroup Inc. (NY), whose insurance income dropped by \$970 million, ranked third with \$1.17 billion in insurance brokerage revenue.

Bank holding companies over \$10 billion in assets continued to have the highest participation (79.8%) in insurance brokerage activities. These BHCs produced \$5.29 billion in insurance fee income in 2012, down 24.0% from the \$6.96 billion they produced in 2011. These large bank holding companies accounted for 85.4% of all BHC insurance brokerage fee income earned in 2012 and, as noted, a few represented a decline of over \$2 billion in brokerage revenues.

Among BHCs with assets between \$1 billion and \$10 billion, leaders in insurance brokerage income in 2012 included Eastern Bank Corporation (MA), Stifel Financial Corp. (MO), Old National Bancorp (IN), Trustmark Corporation (MS), and Johnson Financial Group, Inc. (WI). Participating in insurance brokerage at a rate of 64.1%, BHCs of this size registered a 13.1% increase in insurance brokerage income to \$686.1 million in 2012, up from \$606.6 million in 2011.

Among BHCs with assets between \$500 million and \$1 billion, leaders were First Command Financial Services (TX), Two Rivers Financial Group, Inc. (IA), Oneida Financial Corp. (NY), Texas Independent Bancshares, Inc. (TX), and Evans Bancorp, Inc. (NY). As a group, BHCs of this size experienced a 65.9% increase year-over-year in their insurance brokerage income, most of it due to new reporting by the thrift First Command Financial Services. Excluding First Command, BHCs of this size still had a respectable 8.1% increase in insurance brokerage income.

The smallest community banks, with assets less than \$500 million, were used as “proxies” for the smallest BHCs, which are not required to report insurance brokerage income. Leaders among bank proxies for small BHCs were Soy Capital Bank and Trust Company (IL), Benchmark Bank (TX), Hoosac Bank (MA), First State Bank (IA), and Deutsche Bank Trust Company Delaware (DE). These small banks, representing small BHCs, registered a 4.0% increase in insurance brokerage income, rising from \$165.7 million in 2011 to \$172.3 million in 2012.

Among the top 50 BHCs nationally in insurance brokerage concentration (i.e., insurance brokerage income as a percent of noninterest income), the mean Insurance Brokerage Concentration Ratio was 42.0%. Among the top 50 small banks in insurance brokerage concentration that are serving as proxies for small BHCs, the mean Insurance Brokerage Concentration Ratio was 70.3% of noninterest income.

Among the top 50 BHC leaders in insurance brokerage productivity (i.e., insurance brokerage income per BHC employee), the mean Insurance Brokerage Productivity Ratio was \$20,479 per BHC employee. Among the top 50 small banks in insurance brokerage productivity, the mean Insurance Brokerage Productivity Ratio was \$32,605 per bank employee.

###

Dowling Hales consistently ranks among the top insurance advisors, having advised on over 136 completed transactions representing over \$2.3 billion in aggregate value since 2008. Dowling & Hales, LLC, together with its broker-dealer affiliate, Hales Securities, LLC (member FINRA/ SIPC), offers a broad scope of advisory services, including merger and acquisition advisory, private placements of equity and debt capital, valuations, and due diligence review services to the insurance industry with specific expertise in the distribution sector. For more information, please visit <http://www.dowlinghales.com/>.

Michael White Associates (MWA) is a bank insurance consulting firm headquartered in Radnor, PA, and at www.BankInsurance.com. The annual *Michael White Bank Insurance Fee Income Report*[™] and *Michael White-IPI Bank Wealth Management Report*[™] provide, respectively, comprehensive analyses of bank insurance brokerage and bank wealth management income. 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 reports can be ordered by calling (610) 254-0440, or by visiting www.BankInsurance.com.

For additional information contact:

Michael D. White, Ph.D., CLU, ChFC
Michael White Associates, LLC
Phone: (610) 254-0440
Email: MWA@BankInsurance.com

Michael Yardley
Dowling Hales
Phone: (312) 275-1903
Email: myardley@dowlinghales.com