

# Bank Insurance Fee Income Up But Investment Business Ebbs

By Michael D. White

Bank insurance fee income rose substantially in the first three quarters of 2002 while bank investment fee income fell.

Of 8,432 commercial and federally insured savings banks, 4,198 were in insurance as of September 30. Bank insurance fee income was up 22.9% in those nine months, to \$2.66 billion, from the \$2.17 billion earned in the corresponding months of 2001.

## Insurance Fee Income by Bank Asset-Class

Participation in insurance was highest, 77% of the category, among the largest banks (those with assets topping \$10 billion), and their income from insurance fees was \$1.95 billion – up 49.8% from \$1.30 billion recorded in the first nine months of 2001. These large banks accounted for 73.2% of banks' insurance income, a 1,300 basis-point increase over their YTD 2001 bank-market share.

Banks with assets of \$1 billion to \$10 billion generated insurance fee income of \$453.6 million, down 29.1% from \$639.8 million through September 30, 2001.

Meanwhile, those with assets of less than \$1 billion had \$261.6 million of insurance income, up 15.6% from the year-earlier period's \$226.4 million. Of these, banks with assets of \$500 million to \$1 billion had the largest increase in insurance fee income, 49.1%. At the smallest community banks,

those with assets of less than \$100 million, income from insurance fees fell 9.7% (it was one of two asset classes to experience a decline).

## Bank Insurance by Region

Banks in the eastern and central regions of the country dominated insurance income in the first nine months of 2002. The Midatlantic, Southeast, and Midwest accounted for \$1.87 billion, 70% of the industry total – up 10.1%, 43.3%, and 12.2% respectively from the like period of 2001.

For the first time, the Northeast produced the most insurance income, \$653 million – up 26.7% for a 24.5% bank-market share.

The Southwest and West had the smallest amounts, but both were higher: the Southwest 34.1% and West 44.9%.

## Investment Fee Income

Through the first three quarters of 2002, 27.2% of banks generated investment fee income, and together they earned \$6.84 billion. That was down 6.7% from the \$7.34 billion earned YTD in 2001.

Banks with more than \$10 billion of assets had \$6.13 billion in investment fee income, 5.9% less than the \$6.52 billion recorded in the first nine months of 2001. These large banks accounted for 89.6% of all bank investment fee income.

Three of five asset classes below \$10 billion had considerable de-

clines in their investment fee income. But banks in the \$500 million-to-\$1 billion and \$300 million-to-\$500 million asset ranges had \$214.6 million in investment fee income – up 40.4% from \$140.4 million in the first three quarters of 2001.

As of September 30, banks' total insurance fee income – \$2.66 billion – was just 38.9% of the industry's investment fee income. Yet banks with assets below \$10 billion had more income from insurance fees than investment fees. Only two asset classes – more than \$10 billion and \$300 million-\$500 million – had more investment income than insurance fee income; and it was the \$300 million-\$500 million group that had the lowest insurance income.

Four asset classes produced more insurance fee income than investment fee income in the first three quarters of 2002.

Banks with \$1 billion to \$10 billion of assets generated \$453.6 million in insurance fee income, 16.7% more than investment fee income.

Those with assets of \$500 million to \$1 billion had insurance income of \$71.9 million, 9.4% more than their investment fee income.

Those with \$100 million to \$300 million of assets had \$89.8 million of insurance income, 33.7% more than investment fee income.

Those with assets below \$100 million, the smallest banks, had insurance income of \$54.3 million, 3.5 times their income from investment fees.

---

Michael D. White, Ph.D., CLU, ChFC, is President of Michael White Associates, LLC, (MWA) headquartered in Radnor, PA, and at [www.BankInsurance.com](http://www.BankInsurance.com). MWA publishes *Michael White's Bank Insurance & Investment Fee Income Report™ (Bank-FIR™)*.

---

Copyright 2003 Michael D. White.  
A version of this article first appeared in *American Banker* on January 3, 2003.  
No portion of this article may be reproduced or distributed without prior permission.