



Bank Insurance Fee Income Rose Substantially In First Half of 2002

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Bank insurance fee income increased substantially in the first half of 2002, while the growth in banks' investment fee income climbed only slightly.

This information is based on data compiled by my firm from all banks' year-to-date financial filings as of June 30, 2002.

Bank insurance fee income increased 26.9% in the first half of 2002 as banks reported \$1.79 billion in insurance fee income, up from \$1.41 billion in the first half of 2001.

Of 8,469 commercial and federally insured savings banks, 4,073, or 47.6%, participated in insurance activities in the first six months of 2002. Compared to the same period in 2001, there were 229 fewer banks in existence but 237 more that recorded insurance income by mid-year 2002.

Income by Asset Class. The largest banks — those with over \$10 billion in assets — had the highest participation rate (75.9%) in insurance and produced \$1.16 billion in insurance fee income. This was 37.4% more than the \$845.5 million they recorded in the first half of 2001.

These banks accounted for 64.9% of all bank insurance income earned YTD at June 30, a 540 basis-point increase over their YTD 2001 bank-market share.

Banks with assets between \$1 billion and \$10 billion generated insurance income of \$460.8 million, up 10.8% from \$415.9 million in the first half of 2001.

Banks with under \$1 billion in assets accounted for \$168.6 million in insurance income, up 12.4% over the nearly \$150 million they earned during the same period in 2001. Of these, banks with assets between \$500 million and \$1 billion saw their insurance fee income increase the most — 20.6%.

The smallest community banks — those with under \$100 million in assets — were the only asset class showing a decline (1.9%) in insurance income.

By Region. Banks in the eastern and central regions of the country dominated insurance income in the first half. The Northeast, Mid-Atlantic and Southeast regions collectively accounted for \$1.26 billion of insurance income, 70.3% of the industry's YTD total. Insurance income in the Northeast increased 28.2%, while it climbed 17.7% in the Mid-Atlantic and 38.4% in the

Southeast compared to the same period last year.

The Midwest region produced the most insurance income, with \$438.6 million, or a 24.5% bank market share. Midwestern banks increased their insurance income over the same period last year by 19.9%.

While the Southwest and West had the smallest amounts of insurance income in first-half 2002, those amounts increased, respectively, 45.9% and 70.1% over the same period in 2001.

Investment Fee Income. Halfway through 2002, some 2,221, or 26.2% of banks, reported \$4.75 billion in investment fee income, an increase of only 3% from the \$4.61 billion earned in the first half of 2001.

Banks with over \$10 billion in assets earned \$4.24 billion in investment fees, 3.9% more than the \$4.08 billion recorded in the same period of 2001. These banks accounted for 89.4% of all bank investment fee income earned YTD in 2002.

Three of five asset classes below \$10 billion experienced a decline in investment fee income.

Banks with assets between \$500 million and \$1 billion and those be-



tween \$300 million and \$500 million increased their investment fee income in the first six months of 2002 compared to the previous year. Together, these two classes earned \$164.1 million in investment fees, up 47% from \$111.6 million YTD in 2001.

Insurance vs. Investments. At mid-year 2002, banks' insurance fee income was \$1.79 billion, 37.7% of the \$4.75 billion they earned in investment fees.

Yet banks with under \$10 billion in assets earned \$126.1 million, or 25% more in insurance than investment fee income. In fact, four of five asset classes under \$10 billion produced more insurance than in-

vestment fee income. Only two bank-asset classes, those over \$10 billion and those with assets between \$300 million and \$500 million, had more investment fee income than insurance income. And the latter class produced the lowest amount of insurance income.

Four asset classes of banks produced more insurance than investment fee income in the first half of 2002. Banks with assets of \$1 billion to \$10 billion generated 63.7% more insurance income (\$460.8 million) than investment fee income (\$281.6 million). Banks with \$500 million to \$1 billion in assets earned \$43.3 million in insurance income, an amount 7% greater than

their \$40.5 million in investment fee income.

At the same time, banks with assets between \$100 million and \$300 million had 28% more insurance income (\$57.9 million) than investment fee income (\$45.3 million). The smallest banks, those under \$100 million in assets, earned \$37.1 million from insurance, three times more than their investment fee income of \$12.3 million.

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