

Report Shows 3% Of Banks Involved In Underwriting In First Quarter

By Michael D. White

Of 8,356 commercial banks and federally insured savings banks operating at the end of March, 251, or 3%, were engaged in insurance underwriting, according to my company's analysis of data released in June by the Federal Deposit Insurance Corporation.

This marks the first time total bank insurance underwriting income has been reported.

In the first quarter of 2003, banks' mean insurance underwriting income was \$583,869 and their median was \$12,000.

In the same period, 3,461 banks reported \$876.6 million in total income from all insurance activities, including insurance sales, underwriting or reinsurance.

Of total bank insurance income, \$146.6 million, or \$1 in every \$6 was from insurance underwriting or reinsurance. Other insurance commissions and fees constituted 83.3% of banks' total insurance fee income.

Thirteen percent, or 60 banks over \$1 billion in assets, accounted for \$138 million or 94.2% of banks' underwriting income through March 31, 2003. Their mean insurance underwriting income was \$2,299,800, and their median was \$440,000.

One hundred ninety-one banks with assets of less than \$1 billion, only 2.4% of all banks that size, produced insurance underwriting income of \$8.56 million, or 5.84% of total bank insurance underwriting income. Their mean insurance underwriting income was \$44,832, and their median was \$8,000. And, their mean ratio of insurance underwriting income to noninterest income was 6.6%, nearly 10 times that of the 0.7% recorded by banks over \$10 billion in assets. Their median ratio of insurance underwriting income to noninterest income was 2.8%.

Participation in insurance underwriting was highest among the largest banks (those with assets topping \$10 billion); 34.4% of them engaged in insurance underwriting activities that generated insurance income of \$106.2 million. These banks accounted for 72.5% of banks' underwriting income.

Their mean insurance underwriting income was \$3,425,548, and their median underwriting income was \$917,000. Their mean ratio of insurance underwriting income to noninterest income was 0.7%, and their median was 0.5%.

Twenty-nine banks between \$1 and \$10 billion had insurance underwriting income of \$31.8 million, or 21.7% of total underwriting income among banks. Their mean insurance underwriting income was \$1,096,414, and their median was \$69,000. Their mean ratio of insurance underwriting

income to noninterest income was 5.2%, and their median ratio was 0.8%.

Twenty-one banks between \$500 million and \$1 billion in assets had insurance underwriting income totaling just \$3.6 million, or

2.49% of the industry's total. Mean insurance underwriting income was \$173,714, and median was \$16,000. Their mean ratio of insurance underwriting

income to noninterest income was 8.6%, and their median was 0.8%.

Twenty-five banks between \$300 million and \$500 million in assets had \$1.1 million in insurance underwriting income, or 0.77% of the total. Mean insurance underwriting income was \$45,160; the median was \$20,000.

Their mean ratio of insurance underwriting income to noninterest income was 2.6%, and their median ratio was 2.1%.

Seventy-three banks between \$100 million and \$300 million in assets earned underwriting income of \$2.8 million, or 1.93% of the total. Mean insurance underwriting income was \$38,740; the median was \$7,000. Their mean ratio of underwriting income to noninterest income was 8.1%, and their median was 2%.

Seventy-two banks under \$100 million in assets produced underwriting income of \$958,000, or 0.65% of the total. Mean underwriting income was \$13,306; the median was \$6,000. Their mean ratio of insurance underwriting income to noninterest income was 9.8%, and the median ratio was 6%.

Banks in the Midwest accounted for \$52.8 million in insurance underwriting income, 36% of all banks' to-

Of total bank insurance fee income, \$1 of every \$6 was from insurance underwriting or reinsurance

tal in the first quarter of 2003.

Banks in the Southeast generated \$33.1 million, or 22.6% of the total. Ranking third among six regions was the Mid-Atlantic, which accounted for \$32 million, 21.8% of the total.

The Southwest and West had the smallest amounts of insurance underwriting income, respectively, \$1.2 million and \$2.7 million.

Two banks that are part of the Citigroup family led all banks in insurance underwriting income in

the first quarter of 2003. Together, they accounted for more than a fourth of all bank underwriting income.

Citibank NA, New York, earned \$22 million in underwriting income, producing 15% of banking's total.

Citibank Delaware earned \$18 million from underwriting, 12.3% of the total.

Bank of America, NA, North Carolina, ranked third, with \$14 million, or 9.6% of insurance underwriting income.

The five leading banks, which include Chase Man-

hattan Bank USA, NA (Delaware) and Wells Fargo Bank Minnesota, NA, account for more than half — \$77.5 million — of bank insurance underwriting income. (Five Wells Fargo banks collectively ranked second behind the Citigroup banks by producing \$21.8 million, or 14.9% of the industry total.)

The top six banks produced three-fifths of the industry's insurance underwriting income with \$87.6 million in earnings. The top 10 banks in underwriting accounted for \$110.9 million, or 75.7% of the total.

The top 10% of the 251 banks reporting insurance underwriting income in the first quarter of 2003 earned nearly 92% of the total underwriting income.

In other words, the leading 25 banks in insurance underwriting income produced \$134.6 million of the industry's total of \$146.6 million. That left 226 banks to share the remaining \$12 million of underwriting revenue.

Two banks that are part of Citigroup led all banks in insurance underwriting

Michael D. White, Ph.D., CLU, ChFC, is Chairman and CEO of Michael White Associates, LLC, headquartered in Radnor, PA, and at www.BankInsurance.com on the World Wide Web. You may email him at mwa@bankinsurance.com.

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