

BANKS

# Number of Bank Holding Company Insurance Underwriters Rose In 2002

By Michael D. White

Underwriting non-credit-related property-and-casualty, ordinary life and health lines of insurance is novel for, and largely untried by, banking organizations.

Previously, banks and bank holding companies were forbidden to engage in these insurance activities, with only a few exceptions. The most notable exception was a 1990 Delaware law that was subsequently ne-

gated in 1991 when Congress passed the Federal

Deposit Insurance Corporation Improvement Act (FDICIA) to establish additional funding for the FDIC



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affiliation statutes barring banking organizations from underwriting noncredit-related insurance.

and specific capital adequacy standards. FDICIA grandfathered the non-credit insurance underwriting operations that a handful of banks had established in Delaware in the interim.

The Gramm-Leach-Bliley Act, signed into law in November 1999, eliminated the separation of banking, insurance and securities and overturned state anti-

GLB permits a bank holding company to elect to become a "financial holding company" (FHC) if it meets certain criteria. By electing FHC status, a BHC can then engage in activities that are "financial" in nature, including providing insurance as principal (i.e., underwriter), agent or broker.

**Total Insurance Premium.** According to bank data compiled and analyzed in my *Bank Holding Company Insurance and Investment Fee Income Report 2002 year-end edition*, in 2002, 171 or 9.1% of 1,886 top-tier BHCs with minimum consolidated assets of \$100 million reported underwriting insurance premiums, up from 134 or 7.6% of 1,755 BHCs in 2001. The additional 37 BHCs reporting insurance premiums in 2002 represented an increase of 27.6% in the number of BHCs underwriting insurance.

Altogether, these 171 BHCs reported writing \$24.38 billion in premiums, down 24.6% from \$32.35 billion in 2001. This decline was largely due to Citi-

## TOP 10 BHCs IN TOTAL INSURANCE PREMIUMS – 2002 Nationally

(All Dollar Amounts in Thousands)

Rank	Total Ins. Premiums 2002	Total Ins. Premiums 2001	Percent Change 2001 - 2002	Bank Holding Company	Assets
1	\$19,085,896	\$17,211,753	10.89%	MetLife Inc. NY	\$277,381,340
2	\$3,479,000	\$13,477,000	-74.19%	Citigroup Inc. NY	\$957,244,000
3	\$561,868	\$367,199	53.01%	Countrywide Financial Corp. CA	\$52,037,329
4	\$399,000	\$387,000	3.10%	Wells Fargo & Company CA	\$346,085,000
5	\$220,000	\$20,000	1,000.00%	J.P. Morgan Chase & Co. NY	\$658,848,000
6	\$157,000	\$403,000	-61.04%	Bank One Corporation IL	\$260,027,000
7	\$133,000	\$153,000	-13.07%	Bank of America Corporation NC	\$615,580,000
8	\$40,200	\$40,000	0.50%	U.S. Bancorp MN	\$179,695,000
9	\$31,151	\$1,830	1,602.24%	National City Corporation OH	\$118,120,038
10	\$30,000	\$16,000	87.50%	Wachovia Corporation NC	\$332,879,000

Source: Michael White's *Bank Holding Company Insurance & Investment Fee Income Report - 2002 Year-End Edition*

## TOP 10 BHCs IN CREDIT INSURANCE PREMIUMS – 2002 Nationally

(All Dollar Amounts in Thousands)

Rank	Credit Insurance Premiums	Total Insurance Premiums	Credit Ins. Prem. as % of Total Premiums	Bank Holding Company	Assets
1	\$269,000	\$3,479,000	7.73%	Citigroup Inc. NY	\$957,244,000
2	\$232,000	\$399,000	58.15%	Wells Fargo & Company CA	\$346,085,000
3	\$220,000	\$220,000	100.00%	J.P. Morgan Chase & Co. NY	\$658,848,000
4	\$132,000	\$157,000	84.08%	Bank One Corporation IL	\$260,027,000
5	\$107,636	\$561,868	19.16%	Countrywide Financial Corp. CA	\$52,037,329
6	\$40,200	\$40,200	100.00%	U.S. Bancorp MN	\$179,695,000
7	\$19,357	\$31,151	62.14%	National City Corporation OH	\$118,120,038
8	\$14,000	\$14,000	100.00%	FleetBoston Financial Corp. MA	\$188,171,000
9	\$12,355	\$15,646	78.97%	Union Planters Corporation TN	\$34,022,294
10	\$10,663	\$10,728	99.39%	Lauritzen Corporation NE	\$1,073,188

Source: Michael White Associates

group's sale of its Travelers property-casualty unit and the migration of some big BHCs like Bank of America Corporation away from credit insurance into debt cancellation and debt suspension agreements.

The top five insurance underwriters among BHCs were MetLife, Inc. (NY) with \$19.09 billion in total insurance premiums, up 10.9% from \$17.21 billion; Citigroup, Inc. (NY) with \$3.48 billion, down 74.2% from \$13.48 billion; Countrywide Credit Industries, Inc. (CA) with \$561.9 million, up 53% from \$367.2 million; Wells Fargo Company (CA) with \$399 million, up 3.1% from \$387 million; and J.P. Morgan Chase & Co. (NY) with \$220 million, up from \$20 million reported in 2001.

Including Bank One Corporation (IL) and Bank of America Corporation (NC), the top seven companies accounted for 98.6% of all BHC underwritten premiums. MetLife is a leading traditional insurance underwriter specializing in ordinary and group life insurance products. In 2002, Citigroup sold the p-c insurance operations of Travelers, but kept its life operations. Countrywide, which obtained its FHC status in 2002, owns a large multiline

**TOP 10 BHCs IN NONCREDIT INSURANCE PREMIUMS – 2002 Nationally**  
(All Dollar Amounts in Thousands)

Rank	Noncredit Insurance Premiums	Total Insurance Premiums	Noncredit Ins. Prem. as % of Total Prem.	Bank Holding Company	Assets
1	\$19,085,896	\$19,085,896	100.00%	MetLife Inc. NY	\$277,381,340
2	\$3,210,000	\$3,479,000	92.27%	Citigroup Inc. NY	\$957,244,000
3	\$454,232	\$561,868	80.84%	Countrywide Financial Corp. CA	\$52,037,329
4	\$167,000	\$399,000	41.85%	Wells Fargo & Company CA	\$346,085,000
5	\$133,000	\$133,000	100.00%	Bank of America Corporation NC	\$615,580,000
6	\$30,000	\$30,000	100.00%	Wachovia Corporation NC	\$332,879,000
7	\$25,000	\$157,000	15.92%	Bank One Corporation IL	\$260,027,000
8	\$18,824	\$18,824	100.00%	SunTrust Banks, Inc. GA	\$116,230,242
9	\$16,684	\$16,684	100.00%	People's Mutual Holdings CT	\$12,296,515
10	\$13,776	\$13,776	100.00%	Trustmark Corporation MS	\$7,114,749

Source: Michael White Associates

insurance operation, Balboa Insurance Group.

With \$22.23 billion in total premium writings, MetLife and Citigroup accounted for 92.6% of the \$24.38 billion in insurance premiums underwritten by the 171 BHCs. Including Countrywide's Balboa in the select leaders' group, these three holding companies represent 94.9% of all insurance premiums underwritten by bank or financial holding companies.

In 2002, 13 other BHCs wrote between \$10 million and \$40 million of premiums, two more than in 2001. Excluding the top seven BHC underwriters that accounted for 98.6% of BHC-underwritten premiums, the remaining 164 BHCs underwrote \$342.7 million in premiums. Their mean premiums per BHC were \$2.09 million, down 24.3% from

the non-leader board's \$2.76 million in 2001. Sixty-nine of the 171 BHCs each wrote less than \$100,000 in premiums in 2002, 27 more than in 2001.

**Credit Insurance Premium.** Of the 171 BHCs underwriting insurance in 2002, 143 reported credit insurance premiums of \$1.144 billion. Fifty BHCs over \$1 billion in consolidated assets produced \$1.135 billion or 99.2% of the BHC credit insurance premiums.

The leaders in credit insurance underwriting were Citigroup Inc. (NY) with \$269 million, Wells Fargo & Company (CA) with \$232 million, J.P. Morgan Chase & Co. (NY) with \$220 million, Bank One Corporation (IL) with \$132 million, and Countrywide Financial Corporation (CA) with \$107.6 million.

**Noncredit Insurance Premium.** In terms of other, noncredit insurance premiums, 76 BHCs reported noncredit p-c and/or life and health insurance premiums of \$23.2 billion. Of these 76 BHCs, 45 participated in p-c underwriting and 72 engaged in life and health insurance underwriting. The 45 p-c underwriters earned \$492.7 million in net income from underwriting.

The 72 life and health insurance underwriters earned \$3.5 billion in net income from life and health insurance underwriting. Roughly, MetLife earned half that net income; MetLife and Citigroup earned 78.6% of that net income; and MetLife, Citigroup and Wells Fargo earned 96.4% of it.

In 2002, nine holding companies, less than half of one percent, reported separate account assets totaling \$81.85 billion. This amount was 9.1% less than the \$90 billion reported by 11 holding companies in 2001. Two financial holding companies accounted for \$81.81 billion or more than 99.9% of total BHC separate account assets in 2002. MetLife managed \$59.7 billion or 72.9% of total BHC separate account assets, and Citigroup managed another \$22.1 billion or 27%.

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