

BANKS

# Bank Insurance Fee Income Off Slightly Through Third Quarter 2003

By Michael D. White

Bank insurance fee income fell slightly through the third quarter of 2003 compared to the same period in 2002, due to a decrease in insurance fee income among big banks with over \$10 billion in assets.

The data, compiled from all banks' year-to-date filings as of Sept. 30, 2003, are analyzed in my Bank Insurance and Investment Fee Income Report.

**Bank Insurance Fee Income.** Bank insurance fee income decreased 1.1% in the first 9 months of 2003, as banks reported \$2.64 billion in insurance fee income, down from \$2.66 billion earned in the first 3 quarters of 2002.

Of 8,301 commercial and federally insured savings banks, 3,991 or 48.1% participated in insurance activities in the first 9 months of 2003. Compared to the same period in 2002, there were 131 fewer banks in existence and 207 fewer that recorded insurance income by the end of September 2003.

**Insurance Fee Income by Bank Asset Class.** The largest banks--those over \$10 billion in assets--had the highest participation rate (74.7%) in insurance and produced \$1.87 billion or 71.1% of all bank insurance fee income earned in the first 9 months of 2003. But, their production was 3.9% less than the \$1.95 billion recorded in the first 3 quarters of 2002, which ac-

counted for the overall decline in the banking industry's insurance fee income. Big banks lost more than 200 basis points from their 9-month 2002 share.

All other bank asset classes registered higher insurance fee income and achieved a collective 6.5% increase over the previous year's first 9 months. Banks under \$10 billion in assets earned \$762 million or 28.9% of all bank insurance income.

Banks with assets between \$1 billion and \$10 billion generated insurance fee income



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of \$465.8 million, up 2.7% from \$453.6 million in the first 9 months of 2003.

**Bank Insurance by Region.** Banks in the Eastern and Central regions of the country dominated insurance income in the first 3 quarters of 2003. The Northeast (\$813.1 million), Mid-Atlantic (\$535.2 million) and Southeast (\$675.6 million) regions collectively accounted for \$2.02 billion of insurance income, an increase of 13.2% over

the \$261.6 million earned YTD in 2002. Of these, banks with assets between \$500 million and \$1 billion saw their insurance fee income increase the most, 28.9% compared to the same period in 2002.

Each of the 3 smallest classes of community banks, those between \$300 million and \$500 million in assets, those between \$100 million and \$300 million in assets, and those under \$100 million in assets, also experienced increases (17.9%, 3%, and 5.4%, respectively) in insurance income in the first 9 months of 2003.

of \$465.8 million, up 2.7% from \$453.6 million in the first 9 months of 2002.

Banks under \$1 billion in assets accounted for \$296.2 million in insurance income, an increase of 13.2% over

the \$261.6 million earned YTD in 2002. Of these, banks with assets between \$500 million and \$1 billion saw their insurance fee income increase the most, 28.9% compared to the same period in 2002.

## Third Quarter 2003

### Insurance Fee Income

Bank Participation by Asset-Size

BANKS BY ASSET SIZE	REPORTING INSURANCE		INSURANCE FEE INCOME	PERCENT OF TOTAL INS. FEE INCOME	INSURANCE FEE INCOME	
	NUMBER	PERCENT			MEAN	MEDIAN
OVER \$1B	307	64.8%	\$2.34 billion	88.8%	\$7,621,603	\$413,000
UNDER \$1B	3,684	47.1%	\$296.2 million	11.2%	\$80,391	\$13,000
OVER \$10B	68	74.7%	\$1.87 billion	71.1%	\$27,559,382	\$6,818,000
\$1B-\$10B	239	62.4%	\$465.8 million	17.7%	\$1,948,929	\$215,000
\$500M-\$1B	266	58.0%	\$92.7 million	3.5%	\$348,391	\$62,000
\$300M-\$500M	360	53.3%	\$53.7 million	2.0%	\$149,189	\$33,500
\$100M-\$300M	1,315	50.8%	\$92.5 million	3.5%	\$70,356	\$16,000
UNDER \$100M	1,743	42.5%	\$57.3 million	2.2%	\$32,853	\$8,000
ALL	3,991	48.1%	\$2.64 billion	100.0%	\$660,484	\$15,000

Source: Michael White Associates (MWA)

changed, respectively, 24.5%, -7.9% and 4.5% YTD compared to the same 9-month period in 2002.

Insurance income dropped 32.5% in the Midwest region from \$639.1 million to \$431.7 million. The Midwest region once led all other regions, but its bank-market share of insurance revenue has declined from 24.5% to 16.4%.

While the Southwest and West regions had the smallest amounts of insurance income through 3 quarters of 2003, those amounts increased, respectively, 17% and 32.4% over those earned in the first 9 months of 2002.

**Bank Investment Fee Income.** Through Sept. 30, 2003, about one-fourth of banks (2,289 or 27.6% of them) reported \$7.21 billion in investment fee income, constituting a modest increase of 5.4% over \$6.84 billion

earned in 3 quarters of 2002.

Banks with over \$10 billion in assets earned \$6.53 billion in investment fee income, 6.4% more than the \$6.13 billion recorded in the first 9 months of 2002. These large banks accounted for 90.5% of all bank investment fee income earned in the first 9 months of 2003.

Three of 5 asset classes below \$10 billion experienced a decline in their investment fee income. Banks with assets between \$500 million and \$1 billion and those between \$100 million and \$300 million increased their investment fee income in the first 9 months of 2003 compared to the same period in 2002. Together, these 2 bank classes earned \$239.8 million in investment fee income, an increase of 80.5% from \$132.9 million for the first 9 months of 2002.

### **Insurance vs. Investment**

**Fee Income.** At the end of 3 quarters in 2003, bank insurance fee income was \$2.64 billion, an amount nearly two-fifths (36.5%) that of the banking industry's \$7.21 billion in investment fee income. Yet, banks under \$10 billion in assets earned more in insurance (\$762 million) than investment (\$687.5 million) fee income, with 4 of 5 asset classes under \$10 billion producing more insurance than investment fee income. Only 2 bank-asset classes, that over \$10 billion and that with assets between \$100 million and \$300 million, had more investment fee income than insurance income at YTD 2003.

Four asset classes of banks produced more insurance than investment fee income in the first 3 quarters of 2003. Banks with assets of \$1 billion to \$10 billion generated 21.4%

more insurance income (\$465.8 million) than investment fee income (\$383.7 million). Banks with \$500 million to \$1 billion in assets earned \$92.7 million in insurance income at Sept. 30, 2003, an amount 13.6% greater than their \$81.5 million in investment fee income.

In the first 9 months of 2003, banks with assets between \$300 million and \$500 million had 9% more insurance income (\$53.7 million) than investment fee income (\$49.3 million). As of Sept. 30, 2003, the smallest banks, those under \$100 million in assets, earned \$57.3 million in insurance income, nearly 4 times more than their investment fee income of \$14.7 million.

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