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Michael White Associates is pleased to distribute BankInsurance.com News, a monthly publication that distills the most important news stories in the bank insurance and investment marketplace. Visit BankInsurance.com regularly for timely industry news and analysis, as well as up-to-date information about MWA consulting products and services. No other site offers as much information, knowledge and understanding of the bank insurance and investment market as www.BankInsurance.com.

OCTOBER 3 - 9, 2011

WELLS FARGO INSURANCE SERVICES ACQUIRES EMPLOYEE BENEFITS AGENCY

Chicago-based Wells Fargo Insurance Services (WFIS), the insurance brokerage unit of San Francisco-based, $1.26 trillion-asset Wells Fargo & Co., has acquired Reno, NV-based ISU Stetson-Beemer Insurance. The acquired commercial and personal insurance agency offers employee benefit products and consulting services as well as commercial and personal property, casualty and health insurance products. The agency's 24-member team will join WFIS's current Reno office, where Stetson Beemer President Richard Schield said the merged unit will "provide our clients with access to more re-sources, financial services and products." WFIS Sacrament/Central Valley Regional Managing Director Greg Van Ness said the acquisition "will strengthen our growing presence in Nevada."

Wells Fargo Insurance Services operates more than 200 offices in 37 states and in 2010 helped Wells Fargo & Co. generate $1.78 billion in insurance brokerage income, which comprised 4.4% of its noninterest fee income and 2.1% of its net operating revenue. The company ranked second in insurance brokerage earnings among all traditional BHCs, according to the *Michael White-Prudential Bank Insurance Fee Income Report.*

BB&T INSURANCE TO ENTER BALTIMORE AND DC AREAS WITH AGENCY ACQUISITION

Raleigh, NC-based BB&T Insurance Services, the insurance brokerage unit of Winston-Salem, NC-based, $157 billion-asset BB&T Corp., has agreed to acquire Columbia, MD-based Atlantic Risk Management (ARM). In addition to offering complete lines of commercial property, casualty and employee benefits, the to-be-acquired agency specializes in surety bonds for the construction industry and telecommunication insurance for independent cellular tower owners and paging companies. BB&T Insurance Services Chairman and CEO Wade Reece said, "This acquisition provides an attractive foothold for us in metro Baltimore and a broader representation in the Washington, DC area."

When the deal closes in October, pending regulatory approval, the agency and its 45 employees will continue to be led by ARM President Mary Ann Marbury and will operate from its current location as BB&T-Atlantic Risk Management. The agency is BB&T Insurance Services' second Maryland purchase. BB&T-Frederick Underwriters operates in Frederick, MD.

BB&T Insurance Services operates more than 100 agencies in North Carolina, Virginia, Georgia, South Carolina, Maryland, West Virginia, Tennessee, Florida, Kentucky, and California, and in 2010 helped BB&T Corp. generate $933.3 million in insurance brokerage income, which comprised 33.0% of its noninterest income and 11.5% of its net operating revenue. The company ranked fourth in insurance brokerage earnings among all U.S. bank holding companies, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

GROUP HEALTH INSURANCE PREMIUMS JUMPED 9% IN 2011

Group family health insurance premiums jumped on average 9% to $15,703 in 2011, a substantial increase over the 3% hike in 2010, according to a survey of over 2,0000 employers conducted by the Kaiser Family Foundation. Kaiser President and CEO Drew Altmon said, "The open question is whether that's a one-time spike or the start of a period of higher increases," post-healthcare legislation.

U.S. Office of Personnel Management Director John Berry said family group health insurance premiums offered to 8 million federal employees through the Federal Employees Health Benefits Program (FEHBP) climbed 7.3% in 2011, but projected that premiums in 2012 would grow just short of 4% (3.8%). Federal employees enrolled in the FEHBP pay 30% of their health insurance premiums, and the federal government, i.e., taxpayers, picks up the rest.

SOUND ACTUARIAL PRACTICES, NOT GOVERNMENT POLICIES, PRICE RISKS APPROPRIATELY

Government intervention in insurance markets should be kept to a minimum, according to Lloyds' report *Managing the Escalating Risks of Natural Catastrophes in the United States*. While the report focuses on the costs of economic losses tied to natural disasters, which in the first half of 2011 totaled $27 billion in the U.S., the principles stated apply to insurance in general.

Allowing a healthy private insurance market to price risk appropriately is fundamental, the study asserts. Lloyds' North American Director Sean McGovern noted, "Insurance is not sustainable if it is offered at rates below what is required by sound, risk-based actuarial practices. When insurance is not risk-based, the wrong price signals are sent, and there is little or no incentive to mitigate risk."

B-OF-A'S MERRILL CENSURED AND FINED IN MONEY LAUNDERING FIASCO

Charlotte, NC-based, $2.26 trillion-asset Bank of America subsidiary New York City-based Merrill Lynch has been censured and fined $400,000 by the Financial Industry Regulatory Authority (FINRA). FINRA found that Merrill failed to enforce anti-money laundering rules when it accepted third-party checks for deposit into a Merrill Lynch cash management brokerage account, when those checks did not name the brokerage account holder as the intended recipient. As a result, the cash management account holder was able to use his Merrill account to launder $9 million in funds misappropriated from his own customers at another brokerage house.

FINRA found that Merrill failed to follow its own deposit acceptance procedures and lacked adequate deposit monitoring procedures to detect the unlawful money laundering. Merrill neither admitted to nor denied the findings but consented to the sanctions and the entry of the findings.

RAYMOND JAMES FINED AND ORDERED TO REPAY OVERCHARGED CUSTOMERS

St. Petersburg, FL-based Raymond James & Associates (RJA) and Raymond James Financial Services (RJFS) have been fined, respectively, $225,000 and $200,000, and ordered to pay $1.69 million in restitution to more than 15,500 of their investors, whom FINRA found had been charged unfair and unreasonable commissions on over 27,000 securities transactions made between January 1, 2006, and October 31, 2010. Additionally, FINRA has required RJA and RJFS to revise their automated commission schedules to conform with the Fair Prices and Commissions Rule and recalculate and repay any additional overcharges their investors may have paid between November 1, 2010, and the date the companies put the revised Fair Prices in place.

RBC CAPITAL CENSURED, FINED AND ORDERED TO REIMBURSE SCHOOL DISTRICTS IN CDO DEAL

Toronto, Canada-based RBC Capital Markets has agreed to pay the Security and Exchange Commission (SEC), a $22 million penalty, $6.6 million disgorgement and $1.8 million in prejudgment interest to settle charges that it sold unsuitable investments to five Wisconsin school districts and inadequately disclosed to the districts the risks associated with those investments. Additionally, RBC Capital agreed to pay $30.4 million to reimburse the districts in varying and appropriate amounts through a Fair Fund.

The SEC found that RBC Capital sold to trusts created by the five school districts $200 million in credit-linked notes tied to the performance of synthetic collateralized debt obligations (CDOs). In order to purchase the notes, the districts contributed $37.5 million in district funds and borrowed the rest ($162.5 million) from the trusts. However, according to the SEC, "the school districts lacked sufficient knowledge and sophistication to appreciate the nature of such investments," and RBC Capital "failed to adequately explain the risks associated with the investments."

The SEC censured RBC Capital and directed the company to cease and desist from violating Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, which prohibit companies from engaging in fraud and deceit and obtaining money through untrue statements of material facts.

NEARLY HALF OF MIDDLE-INCOME AMERICANS HAVE NO LIFE INSURANCE

Almost half of Americans with household incomes between $50,000 and $250,000 have no life insurance, and those that have life insurance have only enough to cover 3.6 years of annual income, according to the *2011 Genworth LifeJacket (SM) Study, 7 Key Insights to Help Close the Coverage Gap*.

The impact of being inadequately insured falls on the dependents of primary wage earners. The policy amount received by almost all (94%) beneficiaries is not enough to enable them to maintain their standard of living, and almost half (43%) are forced to use their insurance to pay the insured's outstanding debts, the study found.

Not surprisingly, 40% of those who are covered by life insurance don't believe they have enough to meet their families' long-term needs. Over 60% say they would like to meet with their agent once a year to keep pace with their needs, but only 38% do so.

As a result, one-third of all Americans

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who are covered by life insurance purchased their policies more than 10 years ago.

For more on the Genworth study, which encourages agents to sit down with their clients and briefly review their life insurance needs annually, click here.

WOMEN IN FINANCIAL JEOPARDY

Slightly more than half (55%) of American women aged 50-70 know the likely amount of their retirement income/assets; 54% are concerned that they will outlive their retirement resources; 44% have calculated their essential expenses; and 16% of working women plan to delay their retirement by four years, according to a new study by the MetLife Mature Market Institute.

Families, especially women, must consider and make financial plans to deal with the reality that American women (1) live 8% longer than men, (2) are likely to experience retirement alone, (3) spend more on healthcare, (4) provide care for others and have less opportunity to earn income working outside the home, and (5) will face $124,000 in long-term care costs, nearly three times that of men ($44,000). *For more on The MetLife Study of Women, Retirement and the Extra-Long Life: Implications for Planning, click here*.

LEAPFROG INVESTS $15 MILLION IN INDIA'S SHRIRAM CREDIT

Double Bay, Australia-based LeapFrog Investments has agreed to invest Rs67 crore ($15 million) in Chennai, India-based Shriram Credit Company, the financial services distribution unit of Shriram Capital. LeapFrog Co. Founder and Partner Dr. Jim Roth said LeapFrog made the investment because "Shriram shares our philosophy of focusing on the [profitable] mass market, [and] … creating a positive social impact." He added that in India only a "tiny fraction" of the population is insured.

Shriram Capital Managing Director G. S. Sundararajin said, "The investment will augment our ability to deliver insurance at the lower end of the market," those with monthly incomes of Rs5,000-25,000 ($102-$509).

Shriram Credit, parent of Shriram Fortune (a financial products distributor), Shriram Insights (a brokerage house) and Shriram Wealth Advisors, plans to put the LeapFrog investment to work expanding its branch network in order to reach and benefit its target market within a year.

CHINA'S SUNSHINE INSURANCE GROUP AND CHINA MERCHANTS BANK EXPAND BANCASSURANCE PARTNERSHIP

Beijing, China-based Sunshine Insurance Group, parent of Sunshine Property and Casualty Insurance and Sunshine Life Insurance, and Shenzhen, China-based China Merchants Bank (CMB) have agreed to broaden their bancassurance partnership by jointly developing training programs, brands, electronic commerce, corporate governance, insurance agency delivery systems and cash management, asset management, investment and finance businesses.

In 2010, Sunshine Insurance Group generated over 1.63 billion yuan ($255 million) in premium through its bancassurance partnership with China Merchants Bank. In the first eight months of 2011, the partnership expanded its cooperation at 27 regional CMB branches, and in that time generated almost the same level of premium (1.62 billion yuan) achieved in all of 2010, *BestWire* reports.

OCTOBER 10 - 16, 2011

MICHAEL WHITE-ABIA REPORT BANK ANNUITY FEE INCOME HITS RECORD LEVEL FOR FIRST HALF AND SECOND QUARTER

Income earned from the sale of annuities at bank holding companies (BHCs) in the first half of 2011 hit a record $1.53 billion, up 25.0% over $1.22 billion earned in first half 2010. Second-quarter 2011 annuity commissions also reached record heights in rising to $781.4 million, up 21.9% from $640.9 million earned in second quarter 2010 and up 4.4% from $748.2 million in first quarter 2011, according to the *Michael White-ABIA Bank Annuity Fee Income Report*.

Compiled by Michael White Associates (MWA) and sponsored by American Bankers Insurance Association (ABIA), the report measures and benchmarks the banking industry's performance in generating annuity fee income. It is based on data from all 6,805 commercial and FDIC-supervised banks and 934 large top-tier bank holding companies operating on June 30, 2011.

Of the 934 BHCs, 383 or 41.0% participated in annuity sales activities during first half 2011. Their $1.53 billion in annuity commissions and fees constituted 12.0% of their total mutual fund and annuity income of $12.77 billion and 16.3% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of $9.39 billion. Of the 6,805 banks, 887 or 13.0% participated in first-half annuity sales activities. Those participating banks earned $401.1 million in annuity commissions or 26.2% of the banking industry's total annuity fee income; their annuity income production was up 6.9% from $375.0 million in first half 2010.

Three-fourths (74.7%) of BHCs with over $10 billion in assets earned first-half annuity commissions of $1.46 billion, constituting 95.2% of total annuity commissions reported by the banking industry. This revenue represented an increase of 26.6% from $1.15 billion in annuity fee income in first half 2010.

Among this asset class of largest BHCs in the first half, annuity commissions

TOP 10 BANK HOLDING COMPANIES IN ANNUITY FEE INCOME YEAR-TO-DATE JUNE 30, 2011 - NATIONALLY

RANK	ANNUITY INCOME YTD 2Q2011	ANNUITY INCOME YTD 2Q2010	% CHANGE 2Q 2010 - 2Q 2011	BANK HOLDING COMPANY		ASSETS	% OF NONINT. INCOME
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	$415,000	$347,000	19.60%	Wells Fargo & Company	CA	$1,259,622,000	2.15%
2	$214,000	$160,000	33.75%	Morgan Stanley	NY	$830,747,000	1.26%
3	$163,000	$121,000	34.71%	JPMorgan Chase & Co.	NY	$2,244,903,000	0.59%
4	$124,440	$79,113	57.29%	Bank of America Corp.	NC	$2,258,000,455	0.88%
5	$59,093	$52,360	12.86%	Regions Financial Corp.	AL	$130,907,840	4.28%
6	$40,380	$28,372	42.32%	SunTrust Banks, Inc.	GA	$172,236,691	2.43%
7	$38,814	N/A	N/A	RBC USA Holdco Corp.	NY	$84,857,923	3.28%
8	$38,318	$37,400	$2.45	PNC Financial Services Grp.	PA	$263,259,894	1.34%
9	$36,140	$24,045	50.30%	BBVA USA Bancshares, Inc.	TX	$62,686,049	9.06%
10	$34,000	$28,000	21.43%	U.S. Bancorp	MN	$320,874,000	0.82%

SOURCE: *Michael White-ABIA Bank Annuity Fee Income Report* made up 11.6% of their total mutual fund and annuity income of $12.56 billion and 16.3% of their total insurance sales volume of $8.94 billion.

Bank holding companies with assets between $1 billion and $10 billion recorded a decrease of 1.1% in annuity fee income, falling from $62.5 million in first half 2010 to $61.8 million in first half 2011 and accounting for 30.1% of their mutual fund and annuity income of $205.4 million.

Bank holding companies with $500 million to $1 billion in assets generated $12.3 million in annuity commissions in first half 2011, up 12.4% from $11.0 million in first half 2010. Only 31.8% of BHCs this size engaged in annuity sales activities, which was the lowest participation rate among all BHC asset classes. Among these BHCs, annuity commissions constituted the smallest proportion (15.3%) of total insurance sales volume of $80.4 million.

Wells Fargo & Company (CA), Morgan Stanley (NY), and JPMorgan Chase & Co. (NY) led all bank holding companies in annuity commission income in first half 2011. Among BHCs with assets between $1 billion and $10 billion, leaders included Stifel Financial Corp. (MO), National Penn Bancshares, Inc. (PA), and Old National Bancorp (IN).

Among BHCs with assets between $500 million and $1 billion, leaders were Northeast Bancorp (ME), First Citizens Bancshares, Inc. (TN), and Van Diest Investment Company (IA).

The smallest community banks, those with assets less than $500 million, were used as "proxies" for the smallest bank holding companies, which are not required to report annuity fee income. Leaders among bank proxies for small BHCs were Jacksonville Savings Bank (IL), Vantage Point Bank (PA), and Iowa State Bank (IA).

Among the top 50 BHCs nationally in annuity concentration (i.e., annuity fee income as a percent of noninterest income), the median Annuity Concentration Ratio was 7.6% in first half 2011. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 15.9% of noninterest income.

To find out more about the Michael White - ABIA Bank Annuity Fee Income Report, click here.

FIRST FINANCIAL EXITS INSURANCE BUSINESS & RAISES CASH WITH AGENCY SALE

Charleston, SC-based, $3.2 billion-asset First Financial Holdings has sold Myrtle Beach, SC-based Kimbrell Insurance Group, its managing general insurance agency, to Farmington Hills, MI-based Burns & Wilcox. First Financial President and CEO R. Wayne Hall said the all-cash deal with a potential two-year earn-out based on revenue growth "is an additional step forward in our strategic transformation." The sale marks First Financial's exit from the insurance brokerage business. In July, First Financial sold First Southeast Insurance Services to Chicago-based HUB International for about $38 million in cash after the bank holding company reported a first-half net loss of $42.26 million.

Burns & Wilcox Chairman, President and CEO Alan Kaufman said the Kimbrell acquisition "strengthens our position in the South, providing our brokers and agents additional resources, insurance products and greater depth of service." Burns & Wilcox, an H.W. Kaufman Financial Group subsidiary, is a wholesale insurance brokerage and underwriting manager with 37 offices across the U.S. and one in London.

B-OF-A COMPLETES SALE OF BALBOA LIFE UNITS TO SECURIAN

St. Paul, MN-based Securian Financial Group has completed its acquisition of Charlotte, NC-based, $2.26 trillion-asset Bank of America units, Irvine, CA-based Balboa Life Insurance Company and New York City-based Balboa Life Insurance Company of New York. Securian Financial Executive Vice President Christopher Hilger said, "This acquisition increases the scale of our financial institution business and further demonstrates our commitment to the marketplace." Securian Financial provides insurance, debt protection, loan documents and marketing services to over 4,000 U.S. financial institutions. The acquired Balboa companies offer mortgage accidental death insurance, accidental death and dismemberment insurance and individual term life insurance. Securian plans to have Balboa's businesses integrated into its St. Paul-based operations by March 2012.

AETNA ACQUIRES GENWORTH'S MEDICARE BUSINESS & HEALTH PLAN ADMINISTRATOR PAYFLEX

Hartford, CT-based Aetna has completed its $276 million cash acquisition of Richmond, VA-based Genworth Financial units Brentwood, TN-based Continental Life Insurance Company and its subsidiary American Continental Insurance Company. The purchase includes all Genworth Financial's Medicare supplemental insurance and related blocks of in-force business and the reinsurance agreements needed to complete the transaction. Genworth expects to record a $35 million after-tax gain tied to the deal.

Aetna has additionally purchased Omaha, NE-based PayFlex Holdings, an account-based health plan administrator that currently services approximately one million accounts for about 3,300 employers.

VOLUNTARY GROUP LIFE & DISABILITY SALES MOSTLY UP

U.S. group life insurance earned premiums rose 4% in the first half of 2011 to $10.5 billion, up from $10.1 billion in the first half of 2010, while annualized sales premiums slipped 1% to $1.48 billion, according to South Portland, ME-based Gen Re. At the same time, 1% fewer employers offered voluntary group life programs in the first half compared to the year before, Gen Re's *2011 U.S. Group Disability and Group Life Mid-Year Market Survey* shows.

The number of employers offering group long-term disability (LTD) insurance remained level with the first half of 2010, as did earned premiums at $4.8 billion, but annualized sales premiums grew 4% to $769 million, up from $739.4 million in the first half of 2010.

Annual sales premiums for voluntary short-term disability (STD) insurance slipped to just over $369 million, but earned premiums rose 2% to over $1.7 billion, as 2% more employers offered STD programs through the workplace to their employees, Gen Re found.

Combined earned premiums for voluntary group life and disability insurance products rose 3% to $17.1 billion, up from $16.6 billion in first half 2010, while combined annualized sales premiums remained flat at $2.6 billion. Commenting on overall results, Gen Re Group and Specialty Senior Vice President Drew King said, "We are seeing some signs of a recovery in the first half of 2011, led by LTD sales."

For more on the Gen Re survey of insurance carriers, click here.

U.S. BANKS' INTERCHANGE REVENUE EXPECTED TO DROP BY $33 BILLION TO $39 BILLION

As of October 1, another source of fee income relied upon by banks has been slashed, thanks to regulations put in place by the Dodd-Frank Act. Interchange fees on debit card transactions are now capped at $0.21 plus 0.05% of each transaction, down from an average $0.44. As a result, the Federal Reserve estimates that interchange revenue will drop between $33 and $39 billion over the next two years, according to the *motleyfool.com*. Add this to Regulation E, and insurance brokerage fee income becomes an ever more attractive source of noninterest earnings for banks.

B-OF-A'S MERRILL LYNCH FINED $1 MILLION FOR FAILURE TO DETECT IN-HOUSE PONZI SCHEME

Charlotte, NC-based, $2.26 trillion-asset Bank of America unit New York City-based Merrill Lynch has been fined $1 million for supervisory failures that allowed one of its registered representatives to use a Merrill Lynch account to operate a Ponzi scheme. The Financial Industry Regulatory Authority (FINRA) found that between January 2006 and June 2010, Merrill Lynch relied on employees to manually input accounts not identified by Social Security numbers into Merrill's supervisory system. As a result, one employee opened an account as B & J Partnership and for 10 months kept that account out of the supervisory system and used it to operate a Ponzi scheme. FINRA additionally found that 40,000 other employee accounts briefly went unreported and unsupervised during that time. FINRA Chief of Enforcement Brad Bennet said, "Firms must ensure their supervisory systems are designed to properly monitor employee accounts for potential misconduct."

Merrill Lynch reimbursed all those who invested in what turned out to be the Ponzi scheme, but neither admitted nor denied FINRA's charges and consented to the entry of FINRA's findings.

NASAA RECOMMENDS BEST PRACTICES FOR INVESTMENT ADVISORS

The North American Securities Administration Association (NASAA) has published recommended best practices for investment advisors that manage under $100 million in assets. The best practices are based on the results of oversight exams conducted in the first half of 2011 by 45 state and provincial securities examiners that uncovered 3,543 deficiencies in 13 compliance areas.

Registration, books and records, unethical business practices, supervision and advertising ranked as the top five compliance areas with the greatest number deficiencies, but all other compliance areas showed deficiencies as well.

To facilitate compliance, NASAA developed a bullet-point checklist that reminds investment advisors to, among other actions, (1) review and revise Form ADV and disclosure brochure annually to reflect current and accurate information, (2) review and update all contracts, (3) prepare and maintain all required records, including financial records, and to complete eleven more bulleted tasks. *To access the entire list and NASAA's 2011 Coordinated IA Examination Report, click here*.

ZURICH FINANCIAL & BANCO SANTANDER COMPLETE FIRST STEP IN LATIN AMERICAN BANCASSURANCE DEAL

Zurich, Switzerland-based Zurich Financial Services has completed its acquisition of a 51% stake in Banco Santander's life, pension and general insurance operations in Brazil and Argentina. The acqusition marks the first step in Zurich's $1.67 billion agreement to acquire 51% stakes in Santander's insurance operations in Argentina, Brazil, Chile, Mexico and Uruguay and establish 25-year exclusive bancassurance distribution agreements with Banco Santander in each country. Zurich's acquisitions of stakes in Santander's insurance businesses in Chile, Mexico and Uruguay are expected to close before the end of 2011, pending regulatory approvals.

OCTOBER 17 - 23, 2011

MICHAEL WHITE-SECURITIES AMERICA REPORT: COMMUNITY BANK INVESTMENT PROGRAMS HAVE BEST 1ST HALF IN THREE YEARS

Community bank investment programs continued to perform well in first half 2011 with modest increases in securities brokerage fee income and double-digit growth in annuity commissions, according to the *Michael White - Securities America Report: Community Bank Investment Programs*.

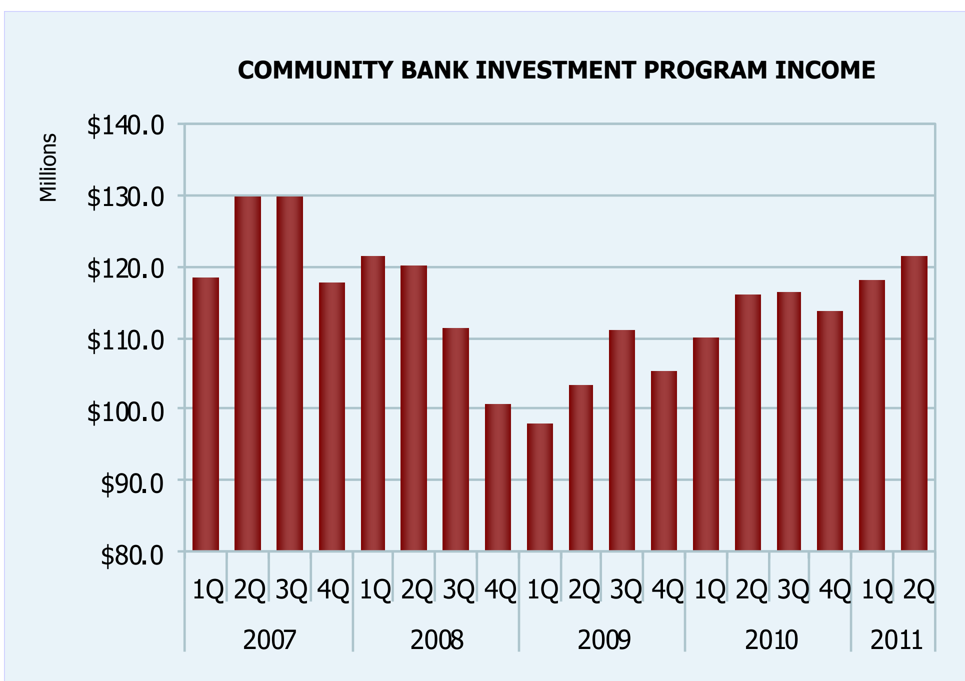
Sponsored by Securities America and issued by Michael White Associates, the report measures and benchmarks investment programs at community banks, i.e., banks with less than $4 billion in assets. The current quarterly report is based on data reported by all 6,805 commercial banks and FDIC-regulated savings banks operating on June 30, 2011. The annual report specially examines the 6,639 community banks among the 6,805, further segmenting them into five asset classes whose performance is also analyzed.

"This first-half 2011 report finds that community banks' investment program revenue have exceeded revenues generated in first half 2010," said Gregg H. Johnson, Senior Vice President at Securities America. "In fact, revenues of community bank investment programs continue to be the best since 2008. In addition, second quarter 2011 mean program income is 6.5% higher than second quarter 2010 and ranks as the second highest quarter on record in mean program income, behind only first quarter 2011."

Program Production

In first half 2011, 1,422 or 21.4% of community banks participated in investment program activities, producing $239.6 million in program income, up 5.9% from $226.3 million in first half 2010. Second quarter 2011 program income of $121.5 million increased 2.9% from $118.1 million in first quarter 2011 and 4.6% from $116.2 million in second quarter 2010, hitting its highest level since third quarter 2007.

These community banks achieved average investment program fee income of $168,525 in first half 2011, up 8.6% from $155,191 in first half 2010. Average first-half investment program fee income in 2011 constituted the high-water mark since these data became available in first quarter 2007 for measurement by MWA. The number of banks participating in investment program activities was down by 2.5% from 1,458 banks in first half 2010 to 1,422 banks in first half 2011.



SOURCE: *Michael White - Securities America Report: Community Bank Investment Programs*

COMMUNITY BANK SECURITIES BROKERAGE INCOME

COMMUNITY BANK ANNUITY COMMISSIONS

SOURCE: Michael White - Securities America Report: Community Bank Investment Programs

Program Penetration

The Penetration of an investment program is measured as the amount of program revenue generated per million dollars of core or retail deposits. These deposits substitute as a measure of retail customers and the breadth of the customer relationship, since the data for retail customers or retail households are hard to obtain on a reliable, national, and standardized basis.

"In first half 2011, community banks earned mean investment program income of $414 per million dollars of retail bank deposits," said Michael White, president of Michael White Associates and author of the report. "That Penetration Ratio was down more than 10% from the previous year, due to the large influx of retail deposits. In contrast, big banks with assets over $4 billion attained a higher mean Investment Program Penetration of $557 per million dollars of retail deposits; so, there is opportunity for community banks to enhance their programs."

Program Concentration

Program Concentration calculates the portion of total noninterest income attributable to a specific kind of noninterest fee income. This ratio enables us to know how concentrated or meaningful bank investment programs are among their banks' non-lending activities.

As a group, community banks achieved a higher mean Concentration of investment program income to noninterest income than larger banks in first half 2011. As a group, community banks attained an adjusted Concentration ratio of 7.0%, adjusted for banks whose Concentration Ratio exceeded 100% as a result of significant losses on their sale of investment securities and properties. Large banks, those with assets greater than $4 billion, had a lower mean Concentration ratio of 5.3% for the same period, reflecting the fact that, in their case, they tend to have more sources of noninterest income in larger volumes than just investment program income.

Program Productivity

Investment Program Productivity measures the amount of program fee income per bank employee. Program Productivity enables us to assess the relative generation of income among bank employees, which are frequently the important human assets in generating customer referrals and the attendant fee income earned from those customer relationships. In first half 2011, mean community bank Program Productivity was $1,236 per bank employee, up 6.6% from $1,160 in first half 2010, and the highest level of first-half productivity since MWA began analyzing these data in 2007. Community banks with assets between $1 billion and $4 billion generated the highest level of Program Productivity at $1,343 in program revenue per bank employee.

Program Density

Measured as the amount of program fee income per domestic banking office, Program Density evaluates the relative density of program income among banking locations, the critical physical assets in generating investment program income. Unadjusted mean density per domestic community bank office was

FIRST HALF 2011 INVESTMENT PROGRAM INCOME PERFORMANCE BENCHMARKS FOR COMMUNITY BANKS - NATIONALLY	
PERFORMANCE MEASURES	MEAN
PRODUCTION - Dollar Volume	$168,525
CONCENTRATION - % of Noninterest Income	7.04%
PENETRATION – $ per Million Dollars of Retail Deposits	$414
PRODUCTIVITY - $ per Bank Employee	$1,236
DENSITY - $ per Domestic Office	$26,841

SOURCE: *Michael White - Securities America Report: Community Bank Investment Programs*

$26,841 in first half 2011, up only slightly (1.5%) from $26,448 in first half 2010.

Revenue Mix – Securities Brokerage

In first half 2011, community banks earned securities brokerage fee income of $175.3 million, up 3.7% from $169.0 million in first half 2010. Second quarter 2011 brokerage revenues of $87.77 million were 0.3% or $271,000 more than the similar $87.50 million in first quarter 2011 and 1.5% more than $86.5 million in second quarter 2010.

Security brokerage revenues constituted 73.1% of total investment program income of $239.6 million in first half 2011, down from a cumulative mix of 74.7% in 2010. Second quarter 2011 securities revenue mix fell 2.1 points from second quarter 2010's 74.4% to 72.3%.

Of the 1,422 banks with assets under $4 billion that reported earning investment program income in first quarter 2011, 1,248 banks or 87.8% reported earning commissions and fees from securities brokerage, and 611 banks or 43.0% reported earning securities brokerage fee income only.

Revenue Mix – Annuities

Community banks earned annuity fee income of $64.4 million in first half 2011, up 12.5% from $57.2 million in first half 2010. Second quarter 2011 annuity revenues of $33.7 million were up 9.8% from $30.7 million in first quarter 2010 and up 13.4% from $29.7 million in second quarter 2010.

Annuity commissions constituted 26.9% of community bank investment program income of $239.6 million in first half 2011, up from first half 2010's annuity revenue mix of 25.3%. In second quarter 2011, annuity revenue mix was 27.7%, up from 25.6% in second quarter 2010. With 13.1% of first half 2010 program income and 16.9% of first half 2011 program income from annuities, the bigger banks with assets in excess of $4 billion had a considerably lower mix of annuity commissions in their programs.

Of the 1,422 community banks that reported earning investment program income in first half 2011, 744 banks or 52.3% reported earning annuity commissions, and 174 banks or 12.2% reported earning annuity income only. This latter finding of 174 banks reporting only annuity income may be indicative of banks that have only platform annuity or licensed bank employee (LBE) programs and not full-product or hybrid investment programs.

Leaders – Investment Program

In first half 2011, leaders in investment program fee income among big banks with assets under $4 billion were CenterState Bank of Florida (FL) with $10.80 million, down 22.4% from $13.92 million in first half 2010; North Shore Community Bank & Trust Company (IL) with $8.16 million in 2011, up 10.8% from $7.36 million; TIB The Independent Bankersbank (TX) with $6.20 million, up 12.8% from $5.50 million; Espirito Santo Bank (FL) with $3.75 million, up 8.4% from $3.46 million; and BAC Florida Bank (FL) with $3.49 million, down 7.1% from $3.75 million in first half 2010. (Not all income in some investment programs is derived from activities conducted for retail customers. For instance, CenterState Bank of Florida and bankers' banks sell securities, particularly bonds, for other community banks. When bank lending is tight and there are higher deposits and fewer loans, the increased liquidity of banks' balance sheets also increases community banks' demand for bonds.)

Leaders – Annuities

In first half 2011, leaders in annuity fee income among banks under $4 billion in assets were Lake City Bank (IN) with $1,065,000, up 47.9% from $720,000; Sun National Bank (NJ) with $989,000, up 32.0% from $749,000 in first half 2010; Centier Bank (IN) with $816,000, up 13.5% from $719,000; Marquette Bank (IL) with $809,000, up 4.4% from $775,000; and United Bank (WV) with $796,000 in 2011, up 57.0% from $507,000 in first half 2010.

TOWNEBANK ADDS RALEIGH-BASED AGENCY TO ITS NORTH CAROLINA OPERATIONS

Hampton Roads, VA-based, $4.02 billion-asset TowneBank, through Town Insurance Agency, has acquired Raleigh, NC-based Stanton Taylor Agency. TowneBank Chairman and CEO Robert Aston said, "The quality and professionalism of the Stanton Taylor staff will allow us to expand the services available to our bank and insurance clients." TowneBank operates bank branches in the Raleigh, NC area, including Moyock, Grandy, Camden, Southern Shores, Corolla and Kill Devil Hills, NC in addition to its bank branch system in Virginia.

In 2010, Towne Insurance helped TowneBank generate $24.3 million in insurance brokerage income, which comprised 27.5% of its noninterest income and 11.5% of its net operating revenue. The company ranked third in insurance brokerage earnings among banks with assets between $1 billion and $10 billion, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

NEW HAMPSHIRE THRIFT BANCSHARES ENTERS THE INSURANCE MARKET WITH ACQUISITION

Newport, NH-based, $1 billion-asset New Hampshire Thrift Bancshares (NHTB), parent of Lake Sunapee Bank, has agreed to acquire Newport-based full-service commercial and personal agency McCrillis & Eldredge Insurance, Inc. NHTB President Stephen Theroux described the acquisition as consistent with the thrift holding company's "goal of providing comprehensive financial solutions to our customers." Theroux said, "With the addition of insurance, we can offer a full range of products from loans and deposits to investments and insurance."

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McCrillis & Eldridge will continue to operate under its current name from its offices in Newport and New London, NH after the deal closes in thirty days, pending regulatory approval. McCrillis & Eldredge Vice President David McCrillis said, "We look forward to our new partnership with Lake Sunapee Bank." Lake Sunapee Bank operates 28 offices throughout west-central New Hampshire and central Vermont, and in the second quarter reported its noninterest income declined 9.3% to $1.68 million, down from $1.85 million in second quarter 2010.

METLIFE PUTS METLIFE BANK'S FORWARD MORTGAGE BUSINESS ON THE BLOCK

New York City-based MetLife is exploring the sale of the forward mortgage business of its banking unit, Convent Station, NJ-based, $16.49 billion-asset MetLife Bank. Earlier this year MetLife put MetLife Bank's depository business up for sale as the first step in the company efforts to deregister as a bank holding company and exit that regulatory environment. MetLife said it wants "to operate within the same regulatory environment as other insurance companies" as it continues to focus on its global insurance and employee benefits businesses.

U.S. APPLICATIONS FOR INDIVIDUALLY UNDERWRITTEN LIFE INSURANCE DOWN IN SEPTEMBER

U.S. applications for individually underwritten life insurance in September slid 3.4% compared to September 2010, the largest month-over-month decline this year, according to the MIB Life Index. While applications among individuals aged 60 and older continued their upward trend, growing 6.9% over September 2010, applications among individuals aged 45-59 slipped 1.7%, and applications among individuals aged 0-44 fell 7.1% driving overall results lower.

Year-to-date individual life insurance applications are on track to be down 1% for the year compared to 2010, a performance Braintree, MA-based MIB Group President Lee Oliphant described as "relatively good in light of a moribund economy."

U.S. PROPERTY-CASUALTY INSURERS' NET INCOME TUMBLES 71.4% IN FIRST HALF

U.S. property and casualty insurers' net income tumbled 71.4% in the first half to $4.8 billion, down from $16.8 billion in first half 2010, as net losses and loss adjustment expenses tied to catastrophes spiked 199% to $23.9 billion, up from $8 billion, driving net underwriting losses up 373% to $24.1 billion from $5.1 billion in first half 2010, according to the Property Casualty Insurers Association of America (PCI).

On the plus side, net written premiums rose 2.6% to $218.8 billion, up from $213.3 billion in first half 2010, and net earned premiums increased 2.2% to $212.5 billion, up from $208 billion. At the same time, net investment gains rose 9.2% to $28.4 billion, up from $26 billion.

Policyholder surplus ($559.1 billion), on the other hand, achieved the lowest annualized rate of return (1.7%) in the first half since the Insurance Services Office (ISO) began keeping quarterly records in 1986. Since that time, the first-half annualized rate of return on policyholder surplus has averaged 9.4%, according to the PCI.

Commenting on the viability of U.S. property and casualty insurers, PCI President and CEO David Sampson noted that the $559.1 billion in policyholder surplus equals "more than 150 times all direct insured losses to U.S. property from Hurricane Irene." Sampson concluded that enterprise risk management and effective state solvency regulation have kept property and casualty insurers "strong, well-capitalized and capable of paying claims."

STATE FARM MAINTAINS UNDERWRITING STANDARDS IN CT DESPITE PRESSURE FROM BLUMENTHAL

U.S. Senator Richard Blumenthal (D-CT) in both an open letter to State Farm Insurance CEO Edward B. Rust, Jr. and a press conference called on State Farm last week to waive hurricane deductibles for their Connecticut policyholders whose homes were damaged by what became Tropical Storm Irene.

Blumenthal wrote, "Your company has decided – despite requests from me, insureds and the Connecticut insurance commissioner – to keep the hurricane deductible in place even though the storm was downgraded to a tropical storm before reaching Connecticut." Blumenthal acknowledged that "the insurance policies State Farm wrote for Connecticut residents permit the company to charge a full hurricane deductible," but he urged State Farm "to reconsider this narrow interpretation" since "this is a significant sum of money for those who are trying to rebuild" but "negligible" to State Farm.

State Farm responded that its decision not to waive the deductibles "is grounded in fairness to all policyholders," especially those who "pay higher premiums to have lower deductibles in the event disaster strikes." To waive the deductibles would introduce uncertainty into insurance claims, State Farm spokesman Phil Supple said. For example, "If one ignores the criteria in a certain case, what do you say to policyholders who have followed the rules and paid deductibles during past disasters?" Supple said.

State Farm said it received 1,559 Irene-related claims in Connecticut. Among those, 674 had no hurricane deductible; the deductible for 341 others had not been triggered, and, among the 365 of the remaining 544 claims that had been inspected, hurricane deductibles apply in 255. Additionally, State Farm said, no Connecticut insurance regulator questioned the applicability of hurricane deductibles in State Farm policies, *Best-News* reports.

CEO SUPPORT ESSENTIAL TO BEST-IN-CLASS BANK INSURANCE OPERATIONS

Best-in-class bank insurance operations begin with a "top down cross-selling commitment from the executive suite," according to the *MarshBerry-ABIA Bank Insurance Viability Index*. With CEO support, bank and insurance agency management must then (1) make cross-selling goals part of annual performance reviews; (2) devise customer-relationship management (CRM) programs to track referral and selling activities; (3) conduct bank and insurance relationship management meetings where activity pipelines are reviewed, relationships are built, cross-selling success stories are celebrated, and education about the different lines of business occurs; (4) develop cross-selling referral and sales incentives; and (5) make sure business development officers bridge relationship gaps between banking and insurance operations. With these conditions in place, referrals and cross-selling blossom, and sales results are best-in-class – nearly double those of average bank insurance operations in financial services, employee benefits and personal and commercial insurance sales, the *MarshBerry-ABIA* index shows.

FINRA ORDERS SOCIETE GENERALE TO PAY UP IN WARRANTS DISPUTE

A Financial Institutions Regulatory Authority (FINRA) ruled last week that Paris, France-based Societe Generale must honor its original agreement to pay Aurum Aggressive Trading the entire amount owed on warrants Aurum purchased in 2003 and 2004 and that expired in November 2008. Additionally, FINRA ordered Societe Generale to pay Aurum 9% interest on the money owed but not paid. Since Societe Generale had paid Aurum over $91 million of the over $125 million owed on the warrants, Societe must now pay Aurum altogether just over $61 million. FINRA additionally assessed Societe Generale $40,650 in fees for resolving the dispute.

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MICHAEL WHITE / MEYER-CHATFIELD REPORT 2Q BOLI ASSETS UP AND TRENDING TOWARD HYBRID ACCOUNTS

Separate account life insurance (SALI) assets constituted the majority ($62.94 billion or 51.4%) of total bank-owned life insurance (BOLI) assets in the first half of 2011, according to the *Michael White / Meyer-Chatfield BOLI Holdings Report*. Among the biggest banks, those over $10 billion in assets, SALI assets of $58.23 billion constituted even more of their BOLI assets of $98.61 billion, reaching nearly $3 of every $5 (59.1%) of total BOLI assets.

BOLI is used to recover costs of employee benefits and offset the liabilities of retirement benefits, helping banks to keep up with the rising benefit costs. Information about separate account life insurance (SALI) assets, general account life insurance (GALI) assets and hybrid account life insurance (HALI) assets held by commercial banks and FDIC-supervised savings banks became available for the first time at the end of first half 2011. Savings associations, i.e., thrifts, consolidate these types of BOLI assets when reporting.

Compiled by Michael White Associates, LLC (MWA) and sponsored by Meyer-Chatfield, the *Michael White / Meyer-Chatfield BOLI Holdings Report* measures and benchmarks the cash surrender values of life insurance and ratios of CSV to capital possessed by banks and bank holding companies (BHCs). The data here were reported by 6,805 commercial banks and FDIC-supervised savings banks operating on June 30, 2011. Among the study's most significant findings in the first half are these:

- Of 6,850 commercial and FDIC-supervised savings banks, 3,405 or 50.0% reported holding BOLI assets of $122.56 billion in first half 2011, an increase of 4.9% from $116.83 billion in first half 2010.
- Of special note were changes from first to second quarter in the use of different types of BOLI assets. The number of banks using hybrid accounts increased 7.2% from 713 in first quarter to 764 banks in second quarter. Banks employing separate account or SALI assets decreased by 26 (4.5%).
- Separate account CSV assets totaled $62.94 billion among banks, representing 51.4% of all BOLI assets. At the same time, only 556 or 16.3% of all banks reporting BOLI held separate account assets. Thus, the fewest number of banks

TABLE 1. TOTAL BOLI ASSETS (IN BILLIONS) HELD BY BANKS IN FIRST HALF 2011

BANKS BY ASSET SIZE	GENERAL ACCOUNT LIFE INSURANCE ASSETS (GALI)	SEPARATE ACCOUNT LIFE INSURANCE ASSETS (SALI)	HYBRID ACCOUNT LIFE INSURANCE ASSETS (HALI)	TOTAL
Over $10 billion	$33.60	$58.23	$6.78	$98.61
$1 billion - $10 billion	$7.43	$3.72	$1.29	$12.44
$500 million - $1 billion	$3.22	$0.47	$0.58	$4.27
$300 million - $500 million	$2.15	$0.19	$0.35	$2.69
$100 million - $300 million	$3.03	$0.28	$0.43	$3.73
Under $100 million	$0.71	$0.05	$0.05	$0.81
All	**$50.13**	**$62.94**	**$9.49**	**$122.56**

SOURCE: *Michael White / Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*

TABLE 2. NUMBER OF BANKS REPORTING BOLI ASSETS IN FIRST HALF 2011

BANKS BY ASSET SIZE	GENERAL ACCOUNT LIFE INSURANCE ASSETS (GALI)	SEPARATE ACCOUNT LIFE INSURANCE ASSETS (SALI)	HYBRID ACCOUNT LIFE INSURANCE ASSETS (HALI)	TOTAL
Over $10 billion	59	47	28	62 *(of 88)*
$1 billion - $10 billion	343	146	123	365 *(of 482)*
$500 million - $1 billion	410	84	149	438 *(of 610)*
$300 million - $500 million	432	59	130	451 *(of 725)*
$100 million - $300 million	1,210	151	268	1,318 *(of 2,589)*
Under $100 million	720	69	66	775 *(of 2,356)*
All	**3,174**	**556**	**764**	**3,409** *(of 6,850)*

SOURCE: *Michael White / Meyer-Chatfield Bank-Owned Life Insurance (BOLI) Holdings Report*

with BOLI held SALI assets, which were the largest portion of BOLI assets. Separate account life insurance assets are the cash surrender values (CSVs) associated with separate account insurance policies whose CSVs are supported by assets segregated from the general assets of the insurance carrier. Under such arrangements, the policyholders neither own the underlying separate account created by the insurance carrier on its behalf, nor control investment decisions in the underlying account; but they do assume all investment and price risk so that investment income and investment gains and losses generally accrue directly to the policyholders and are not accounted for in the general account of the insurer.

- The largest banks, i.e., those with assets greater than $10 billion, reported the most in BOLI assets, as 62 of 88 large banks or 70.5% reported having $98.61 billion in BOLI assets or 80.5% of the industry's total of $122.56 billion. These large banks held $58.23 billion or 92.5% of the $62.94 billion in SALI assets held by all banks in first half 2011. The SALI assets held by these large banks alone constituted 47.5% of the industry's total BOLI assets of $122.56 billion.

- In other words, the largest banks dominated the ownership of both total BOLI assets and separate account life insurance assets in first half 2011. Yet, the least commonly held BOLI policies were SALI policies, as the fewest banks (556) with BOLI assets in first half held SALI assets.

- Ninety-three percent (93.2%) or 3,174 of the 3,405 institutions reporting BOLI assets had $50.13 billion in general account life insurance assets, representing 40.9% of total BOLI assets at the end of first half.

Thus, the most commonly held policies were GALI policies. In GALI policies, the general assets of the insurance company issuing the policies support their CSV. This reporting category also includes the portion of the carrying value of separate account policies that represents general account claims on theinsurance company, such as realizable deferred acquisition costs and mortality reserves.

- Seven hundred thirteen (764) or 22.4% of the 3,405 institutions reporting BOLI

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assets held $9.49 billion in hybrid account life insurance assets, representing 7.7% of total BOLI assets and making HALI the smallest reporting category of BOLI assets. Hybrid account insurance policies combine features of both general and separate account insurance products. Similar to general account life insurance policies, the general assets of the insurance company issuing hybrid account policies support the policies' cash surrender values. However, like separate account policies, the assets of hybrid accounts are protected from claims on the insurer. Additionally, the banks holding hybrid account life insurance policies are able to select the investment strategies in which the insurance premiums are invested.

- Separate account life insurance assets were heavily concentrated (92.5%) among the largest banks. But, GALI and HALI types of BOLI assets were much less concentrated among the big banks. Smaller banks held 33.0% of general account life insurance assets and 28.5% of hybrid account life insurance assets in first half 2011.

- Most banks are subsidiaries of bank holding companies and account for most BOLI assets. But approximately 20.2% of banks are stand-alone, i.e., not part of BHCs. Of those banks, 442 or 32.1% recorded $3.23 billion in first half BOLI holdings. Of that amount, $2.51 billion or 77.6% resided in general account life insurance (GALI) policies, and only 13.9% of stand-alone banks' BOLI assets were in separate account life insurance (SALI) policies.

- Of 1,349 national banks, 656 or 48.6% held two-thirds ($81.83 billion) of total BOLI assets; those 656 banks represented 9.6% of all banks operating at the end of first half 2011. Only 116 of those national banks reported separate account life insurance assets, but they possessed $52.48 billion or 83.4% of the industry's total SALI assets of $62.94 billion, making national banks of all banking charters the leading owner of SALI. Indeed, SALI assets represented 64.1% of national bank's total BOLI assets of $81.83 billion.

- According to federal banking regulators, it is generally not prudent for a bank to hold BOLI assets with an aggregate cash surrender value (CSV) that exceeds 25 percent of the sum of the institution's total capital. (Depending on the bank's charter, total capital is defined either as Tier 1 capital or the sum of Tier 1 capital and the allowance for loan and lease losses). Nationally, mean bank BOLI assets as a percent of the sum of Tier 1 capital and the loss allowances increased very slightly from 14.55% in first half 2010 to 14.75% in first half 2011.

To learn more about the *Michael White / Meyer-Chatfield BOLI Holdings Report*, click here.

WELLS FARGO INSURANCE SERVICES TO SELL TPA TO HEALTHSMART

Wells Fargo Insurance Services USA, the Chicago-based insurance brokerage unit of San Francisco-based, $1.26 trillion-asset Wells Fargo & Co., has agreed to sell Charleston, WV-based Wells Fargo Third Party Administrators to Irving, TX-based HealthSmart Holdings. Wells Fargo Insurance Services (WFIS) President and CEO Neal Aton said WFIS will offer HealthSmart's medical third party administrator (TPA) products and services to its customers, after the deal closes by the end of the year, pending approvals. Aton said, "By working with HealthSmart, we are able to offer our customers additional access to the medical TPA products and services they need."

HealthSmart has agreed to assume the leases for Wells Fargo TPA's offices in Charleston, WV; Juneau, AK; Fayetteville, NC; and Newman, GA and has agreed to retain the TPA's 600 benefits and administrative services employees. "The combination of Wells Fargo TPA and HealthSmart creates the second-largest non-carrier-owned TPA in the country," HealthSmart Chairman Daniel Crowley said. HealthSmart President Jim Pennington added, "The ongoing relationship with Wells Fargo Insurance Services creates a strategic vehicle for additional growth."

HIGHEST PERCENTAGE EVER OF U.S. ADULTS DESCRIBE THEIR FINANCIAL SITUATION AS "POOR"

Nearly one-quarter (22%) of U.S. adults rate their personal financial situation as "poor," the highest percentage recorded since Gallup began asking the question in 2001. Additionally, almost half (48%) describe their personal finances as getting worse, while a new low (29%) believe their financial situation is improving, according to a Gallup survey conducted in the first week of October.

Lack of money/low wages ranks as the number one financial problem U.S. adults say they face (14%), followed by too much debt (13%), the high cost of living (13%), healthcare costs (12%) and unemployment (10%). *For more on the Gallup survey, click here*.

RETIREMENT CONFIDENCE DROPS SIGNIFICANTLY

Less than one-quarter (23%) of U.S. working adults aged 18-66 believe they will be able to meet basic living expenses in retirement, according to a Sun Life Financial survey, conducted in September. Only 9% have confidence in the future of Social Security and even fewer (8%) are confident about Medicare benefits.

Compared to September 2010, confidence in employee benefits has dropped 31.7%; confidence in the economy has fallen 25%; confidence in government benefits has dropped 21.6%; and confidence in personal finances and personal health has fallen, respectively, 13.9% and 13.2%, according to Sun Life's survey. Overall, the Unretirement Index dropped over 18% from 44 in September 2010 to 36 in September 2011, "the most significant drop in retirement confidence we've seen in the four years we've compiled the Sun Life Unretirement Index," Sun Life Financial U.S. President Wes Thompson said.

U.S. WORKING ADULTS UNPREPARED FOR "GUARANTEED STREAM OF RETIREMENT INCOME"

The vast majority of U.S. pre-retirement working adults (86%) rank "having a guaranteed stream of income" as the number one factor needed for a secure retirement, but 47% acknowledge they have yet to take steps to assure that guaranteed stream of income, according to an Allianz Life survey conducted in August and September. In fact, 40% of those surveyed said they own no retirement investment products of any kind; 26% have no idea what to acquire in order to have a secure retirement; 18% have no pension guarantees, and only 8% own annuities.

Commenting on the results of his company's survey, Allianz Life President and CEO Gary Bhojwani said, "Americans want more guarantees in retirement but simply don't know what to do to create financial certainty. More education is clearly needed about annuities and how they can help protect a portion of savings and provide steady, predictable income throughout a person's retirement."

U.S. ADULT INTERNET USERS, INCLUDING SENIORS, PREFER ONLINE BANKING

Online banking is the preferred banking method (62%) among U.S. adults who completed an online survey conducted in August by Ipsos Public Affairs for the American Bankers Association (ABA). Among this group, 57% of bank customers aged 55 and older said they prefer online banking, compared to 20% within this age-group who indicated a preference for online banking when they were questioned in a telephone survey in 2010.

Among online survey respondents, 20% prefer branch banking; 8% prefer using ATMs; 6% prefer using the mail; 3% prefer to bank by phone; and 1% prefer to bank by mobile device. Commenting on the suvey results, ABA Senior Counsel Nessa Freddis said, "Retail banking has changed for good…. Customers of all age groups prefer the speed and convenience of conducting their banking on the Internet to visiting their local bank or ATM." Freddis did not address the fact that the survey was conducted only among Internet users.

FEDERAL INSURANCE OFFICE REQUESTS COMMENTS ON IMPROVING REGULATION

The Federal Insurance Office (FIO) is requesting comments on "How to Improve the System of Insurance Regulation in the United States." Specifically, the FIO is requesting comments on (1) systemic risk regulation, (2) capital standards, (3) consumer protection, including state regulation and access to affordable products for underserved communities, (4) national uniformity of state regulation and licensing, (5) consolidated regulation of insurance companies and their affiliates, (6) coordinated international insurance regulation, (7) costs and benefits of federal regulation of all insurance lines except health, (8) federal regulation of certain insurance lines and state regulation of others, (9) eliminating or minimizing regulatory arbitrage through federal regulation, (10) impact of international regulations on federal regulation, (11) potential for consumer protection under federal regulation, and (12) federal resolution authority over insurance companies and its impact on (a) state guaranty funds, (b) policyholder claims versus unsecured creditor claims, (c) life insurers having special separate accounts for assets and liabilities, and (d) international competitiveness.

To read the FIO's notice printed in the October 27, 2011 issue of the Federal Register, click here.

STATE SECURITIES REGULATORS' ENFORCEMENT ACTIONS JUMP 51%

State securities regulators conducted more than 7,000 investigations in 2010 and took nearly 3,500 enforcement actions, 1,133 of which were criminal, including 900 involving unregistered securities and 800 involving unregistered firms or individuals, according to the North American Securities Administrators Association (NASAA). As a result of these actions, which were up 51% over those reported in 2009, states levied over $170 million in fines or penalties; withdrew, denied, revoked or suspended 3,242 securities licenses; ordered more than $14 billion to be paid in investor restitution and sentenced violators to a combined 1,100 years in jail.

To access the NASAAA 2010 Enforcement Report, click here.

UNPREPARED FOR RETIREMENT, BOOMERS SWELL SENIOR POPULATION

The number of Americans aged 55-59 has grown 46% over the last decade, while the number of those aged 60-64 has jumped 56%, according to the Insured Retirement Institute (IRI). Among the latter group, 51% do not believe they will have enough money to live comfortably in retirement, and 42% have not determined how much money they need to save for retirement. Of the 45% who have consulted a financial advisor, two-thirds have asked about annuities, the IRI found in *Retirement Planning and the Elder Market: Advisor Strategies to Understand and Work with Senior Citizens. For more on the report, click here*.

FINANCIAL PLANNERS MAKE SOCIAL SECURITY PLANNING A CORE SERVICE

U.S. married couples aged 60-66 expect to receive claim advice from their Social Security representative (77%), according to a survey conducted on behalf of Omaha, NE-based Certified Financial Planner Joe Elasser. The problem is that Social Security representatives are explicitly prohibited from dispensing advice. Not surprisingly, financial planners are adding Social Security planning as a core service designed to help their clients analyze their Social Security options and make appropriate decisions. Elsasser noted in an article in *lifehealthpro.com*: "With battered portfolios and fears of outliving their money, clients are hungry for advice on how to maximize their Social Security."

LOSS OF BALBOA EARNINGS HITS B-OF-A UNIT'S BOTTOM LINE

Charlotte, NC-based, $2.26 trillion-asset Bank of America Corp. reported lower insurance income tied to the second quarter sale of Balboa Insurance was a prime contributor to the year-over-year decline in revenue in its Consumer Real Estate Services (CRES) operations. Third quarter revenue in that unit fell 21.9% to $2.82 billion, down from $3.61 billion in third quarter 2010 and, with noninterest expense up 31.8% to $3.85 billion from $2.92 billion and provisions for credit losses at $918 million, CRES reported a net loss of $1.14 billion, which contrasted with a $392 million net loss in third quarter 2010.

INSURANCE, TRUST & INVESTMENT FEES UP AT WELLS FARGO; MORTGAGE BANKING DROPS 27%

San Francisco, CA-based, $1.26 trillion-asset Wells Fargo & Co. reported insurance earnings in the third quarter rose 7% to $423 million, up from $397 million in third quarter 2010, and trust and investment (TI) fees increased 9% to $2.79 billion, up from $2.56 billion. Insurance and TI fees comprised, respectively, 4.7% and 30.7% of noninterest income, which fell 7% to $9.09 billion, down from $9.78 billion in third quarter 2010, impacted by a 27% drop in mortgage banking income and a 3% dip in service charges on deposit accounts.

Net interest income on a 3.84% net interest margin grew 14% to $8.73 billion, up from $7.65 billion in third quarter 2010, driven by a 19% decrease in interest expense to $1.64 billion and a 47% drop in provisions for credit losses to $1.81 billion. Net income after preferred dividends climbed 22% to $3.84 billion, up from $3.15 billion in third quarter 2010. Wells Fargo Chief Financial Officer Tim Sloan said, "Wells Fargo's diversified model was again able to produce solid results for our shareholders."

In 2010, Wells Fargo & Co. earned $1.78 billion in insurance brokerage income, which comprised 4.4% of its noninterest income and 2.1% of its net operating revenue. Excluding traditional life insurer MetLife, the company ranked second in insurance brokerage earnings among all bank holding companies, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

INSURANCE EARNINGS COMPRISE 35% OF BB&T'S NONINTEREST INCOME DESPITE 4.4% SLIDE

Winston-Salem, NC-based BB&T Corp. reported insurance earnings in the third quarter slid 4.4% to $241 million, down from $252 million in third quarter 2010, despite the third quarter acquisitions of San Jose, CA-based Liberty Benefit Insurance Services and Columbia, MD-based Atlantic Risk Management. Investment banking and brokerage (IBB) fees and commissions also declined, sliding 4.7% to $81 million, down from $85 million. In contrast, trust and investment (TI) advisory revenues rose 7.5% to $43 million, up from $40 million, and income from bank-owned life insurance (BOLI) grew 10% to $33 million, up from $30 million. Insurance, IBB, TI and BOLI income comprised, respectively, 34.9%, 11.7%, 6.2% and 4.8% of noninterest income, which dropped 38% to $690 million down from $1.11 billion in third quarter 2010, impacted additionally by a 4% decline in service charges on deposits, a 33% drop in mortgage banking income, a $104 million net loss on FDIC loss-share income and $39 million in net securities losses.

Net interest income on a 4.09% net interest margin more than doubled to $1.17 billion, up from $544 million in third quarter 2010, driven by a $114 million million cut in interest expense to $334 million and a $520 million drop in loan loss provisions to $250 million. Net income available to shareholders jumped over 74% to $366 million up from $210 million in third quarter 2010, marking "our strongest earnings quarter in three years," BB&T Corp. Chairman and CEO Kelly King.

In 2010, BB&T Corp. earned $933.3 million in insurance brokerage income, which comprised 33.0% of its noninterest income and 11.5% of its net operating revenue. Excluding traditional life insurer MetLife, the company ranked third in insurance brokerage earnings among all bank holding companies, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

SALE OF LONG-TERM ASSET MANAGEMENT BUSINESS IMPACTS U.S. BANCORP'S TRUST & INVESTMENT MANAGEMENT FEES

Minneapolis, MN-based, $320.9 billion U.S. Bancorp reported trust and investment management (TIM) fees in the third quarter fell 9.7% to $241 million, down from $267 million in third quarter 2010, impacted by money market investment fee waivers and the fourth quarter 2010 sale of the company's long-term asset management business to Nuveen Investments. In contrast, investment product fees and commissions climbed 27% to $31 million, up from $27 million in third quarter 2010. TIM fees and investment product fees comprised, respectively, 11.1% and 1.4% of noninterest income, which ticked up 1.2% to $2.17 billion from $2.11 billion.

Net interest income on a 3.65% net interest margin grew 43.4% to $2.05 billion, up from $1.43 billion in third quarter 2010, helped by a $376 million drop in loan loss provisions to $519 million and a $19 million cut in interest expense. Net income applicable to shareholders climbed 42.4% to a record $1.24 billion, up from $871 million in third quarter 2010. U.S. Bancorp Chairman, President and CEO Richard Davis said, "Our company was able to achieve record earnings in what many would describe as a difficult and uncertain economic environment." Davis added, "We are providing our commercial, institutional and consumer customers with the financial products, services and trusted banking partnership they need to succeed."

In 2010, U.S. Bancorp earned $38.0 million in insurance brokerage income, which comprised 0.5% of its noninterest income. Excluding traditional life insurer MetLife, the company ranked 22nd in insurance brokerage earnings among all bank holding companies, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

KEYCORP REPORTS DECLINES IN INSURANCE, TRUST & INVESTMENT SERVICES EARNINGS

Cleveland, OH-based, $89.3 billion-asset KeyCorp reported insurance earnings in the third quarter fell 7.1% to $13 million, down from $14 million in third quarter 2010, and income from corporate-owned life insurance dropped 20.5% to $31 million, down from $39 million in third quarter 2010, when the product paid out a $12 million dividend. Trust and Investment services (TIS) income also declined, decreasing 2.7% to $107 million down from $110 million in third quarter 2010. Insurance, COLI and TIS income comprised, respectively, 2.7%, 6.4% and 22.2% of noninterest earnings, which slid 0.6% to $483 million, down from $486 million.

Net interest income on a 3.09% net interest margin decreased 1.3% to $539 million, down from $546 million in third quarter 2010, as a $48 million cut in interest expense and an $84 million drop in credit loss provisions to $10 million, were not enough to make up for a $139 million decline in interest income to $705 million. Net income, however, grew 19.1% to $212 million, up from $178 million in third quarter 2010, helped by a $3 million decrease in noninterest expense. KeyCorp Chairman and CEO Beth Mooney said, "Our clients continue to benefit from our ability to work together across business lines."

In 2010, KeyCorp earned $3.3 million in insurance brokerage income, which comprised 0.2% of its noninterest income. Excluding traditional life insurer MetLife, the company ranked 102nd in insurance brokerage earnings among all bank holding companies, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

WILMINGTON TRUST ACQUISITION DRIVES M&T'S TRUST EARNINGS 273% HIGHER

Buffalo, NY-based, $77.9 billion-asset M&T Bank Corp. reported the May 2011 acquisition of Wilmington, DE-based Wilmington Trust Corp. drove third quarter trust income up 273% to $113.65 million from $30.49 million in third quarter 2010 and impacted brokerage services income, which grew 15% to $13.91 million, up from $12.13 million. Trust income and brokerage services income comprised, respectively, 31.0% and 3.8% of M&T's noninterest earnings, which climbed 27% to $366.38 million, up from $289.89 million, despite a 38% drop in mortgage banking revenues and a 31% fall in trading and foreign exchange gains.

Net interest income on a 3.68% net interest margin grew 17% to $558.72 million, up from $476.89 million in third quarter 2010, helped by a $35 million drop in loan loss provisions to $58 million and a $12.40 million cut in interest expense. After a $181.89 million increase in noninterest expense to $662.02 million, largely tied to the Wilmington Trust acquisition, net income slid 5% to $183.11 million, down from $192.02 million in third quarter 2010. M&T Chief Financial Officer Rene F. Jones said, "Now that conversions are behind us, we are well positioned to turn our attention to achieving the economic benefits from combining the organizations."

In 2010, M&T earned $11.3 million and $87.9 million, respectively, in securities brokerage and fiduciary income, which comprised 1.6% and 12.6% of its noninterest income. The company ranked 32nd in securities brokerage earnings and 18th in fiduciary income among all bank holding companies, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

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