



ABIA Insurance News



Volume 11: January 12, 2012

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Mark Your Calendars

ABIA Executive Issues Forum May 14 – 15, 2012 JW Marriott Hotel Washington, DC

Join Us in Bringing Bank-Insurance Issues to Capitol Hill!

The first-ever ABIA Executive Issues Forum will offer bank-insurance CEOs, senior executives, General Counsels and their Government Relations counterparts the opportunity to speak with a united voice to lawmakers on Capitol Hill.

The purpose of the ABIA Executive Forum is to provide attendees a unique opportunity to leverage their collective thinking and experience on how to manage the unique regulatory and legislative challenges of operating insurance businesses within banks.

During the Forum, attendees will:

- receive a thorough briefing from ABIA and American Bankers Association staff experts;
- interact with US legislators and regulators to express ABIA's viewpoints to those in Washington; and
- participate in networking opportunities

By attending the Forum, you will learn more about the issues impacting the bank-insurance market, including:

- FIO implementation: what it means to banks and insurance companies;
- The Volcker Rule;
- CFPB authority over insurance; and
- NAIC and federal issues such as flood insurance, life settlements, certificate of insurance, and credit and debt protection products.

Mark your calendar and plan on attending this event!

Compliance and Regulation News

■ Compliance Corner: Changes to Florida Appointment Processes Become Effective Next Week

Florida is changing its original appointment and appointment renewal processes. The changes to the Florida Department of Financial Services, Division of Agent and Agency Services' (the Department) eAppoint system become effective January 18, 2012 at 5:00pm EST.

Appointment renewals may not be completed if the Department determines that any of a licensee/appointee's addresses (email, home, business, or mailing) on file with the Department are invalid. Renewal notices, which will be sent via email to appointing entities 90 days before the renewal date and on the first of the month of the renewal date, will notify recipients if any of an appointee's addresses need to be updated. Invoices for those renewals will be emailed on the first day of the month of the renewal date and become payable at that time.

A \$250 late fee will be imposed on late original appointments. Original appointments are considered late if the stated effective date of the appointment is more than 45 days before the date it is filed. In other words, the effective date of original appointments may be backdated up to 45 days without penalty. A \$25 late fee will be imposed on late renewal appointments. Both original and renewal appointments carry a \$60 appointment fee.

Do you have further questions about this compliance issue? Other compliance questions you would like to see addressed? Please send your comments or questions to Valerie Barton at vbarton@aba.com.

Articles in the Compliance Corner are provided for informational purposes only by ABIA's outside counsel McIntyre & Lemon, PLLC. They are not intended to be legal guidance. Readers should consult with legal counsel before implementing any requirements that are addressed.

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■ NFIP Extended Through May 31, 2012

On December 23, 2011, President Obama signed H.R. 2055, the FY12 omnibus appropriations bill, which included a provision extending the NFIP through May 31, 2012.

The ABIA supports a long-term extension of the NFIP, as included in H.R. 1309, The Flood Insurance Reform Act of 2011.

[Learn more about H.R. 1309](#)

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■ Wharton School Studies the Potential for Private Insurance Companies to Offer Flood Insurance

Late last month, the Wharton Risk Management and Decision Processes Center at the Wharton School of the University of Pennsylvania released a study analyzing the role of private insurance companies in offering residential flood insurance.

From the Wharton School of the University of Pennsylvania:

There is a growing consensus that the NFIP needs reforms. The Federal Emergency Management Agency (FEMA), which is responsible for the NFIP, has recently proposed several reform options, including privatization of flood insurance. Many believe, though, that private flood insurance will always be more costly than what the NFIP currently charges.

However, an innovative study by the Wharton Risk Center with state-of-the-art probabilistic catastrophe flood modeling conducted by CoreLogic®, suggests otherwise.

The Risk Center analyzed the likelihood of future catastrophic flooding – and the potential cost of providing private flood insurance—in a pilot study focusing on two flood-prone counties in Texas. The study found that prices charged by private insurers could

potentially be lower than current prices charged by the NFIP in some parts of those counties.

The analysis calculated the “actuarially fair” flood insurance premium, based on the probabilistic risk models, for more than 300,000 residences in Galveston and Travis Counties. The Wharton study then compared these rates to the rates currently charged by the NFIP.

Based on those estimates, the report shows in the regions analyzed that there are certain areas where NFIP premiums, are, on average, “too high” (and other areas where premiums on average are “too low”).

“This presents opportunities for private insurers to provide coverage in some of those areas, to complement the NFIP,” said Erwann Michel-Kerjan, Risk Center managing director and study co-author. “There are several practical barriers that would need to be addressed for private insurers to sell such coverage, but if done, this could significantly increase the number of residents with proper coverage, thus reducing the need for government disaster relief.”

[Learn More about Wharton's Findings](#)

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■ **CFPB Request for Comment on Forced-Placed Insurance**

The CFPB released request for comment on the contents of Forced-Placed Insurance notices and disclosures.

[Read the Notice](#)

Comments are due Friday January 13, 2012.

The ABIA is sending a comment letter. We have been holding conference calls for the ABIA Insurance Working Group on Fridays at 11:00 am ET to work on this and other issues, the final call on the CFPB notice is tomorrow, Friday, January 13, 2012.

Please email [Renee Galbraith](#) or [Kevin McKechnie](#) to participate in this call.

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■ **CFPB Releases Regulation Z Final Rule: No Substantive Changes**

The CFPB has published an interim final rule that sets new Truth in Lending Act (TILA) regulations, or Regulation Z.

The TILA interim final rule is substantially unchanged from the existing rule, except that references to the Federal Reserve Board have been replaced with references to the CFPB. This change was necessary since the Dodd-Frank Act created the CFPB and requires it to revise Regulation Z.

According to a preamble of the interim final rule by the CFPB, “notably, this interim final rule does not impose any new substantive obligations on regulated entities.”

There is an opportunity to comment on this interim final rule, comments due February, 21, 2012, but since it does not include meaningful changes that will impact our members’ business, the ABIA will not comment.

The ABIA is commenting on the [CFPB’s proposed rule to streamline regulations](#) it recently inherited from other Federal agencies. The CFPB has requested that the public identify provisions of the inherited regulations that should be made the highest priority for updating, modifying, or eliminating because they are outdated, unduly burdensome, or unnecessary.

The CFPB is also seeking suggestions for practical measures to make complying with the regulations easier.

Comments are due March 5, 2012.

[Read the TILA Interim Final Rule](#)

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ABIA News Releases

■ ABIA- Michael White Report Bank Annuity Fee Income Climbed 22.6% through First Three Quarters Of 2011

Income earned from the sale of annuities at bank holding companies (BHCs) climbed 22.6 percent to a record \$2.26 billion in the first three quarters of 2011, up from \$1.84 billion in the first three quarters of 2010, according to the [Michael White-ABIA Bank Annuity Fee Income Report](#).

Third-quarter BHC annuity commissions slowed in comparison to those of the first two quarters. They were \$731.5 million, down 6.4 percent from a record-setting \$781.4 million in second quarter 2011, but still up 17.7 percent from \$621.3 million earned in third quarter 2010. Thus far in 2011, 41.8 percent of large top-tier BHCs engaged in the sale of annuities.

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 commissions and fees. Results are based on data from all 6,740 commercial and FDIC-supervised savings banks and 927 large top-tier bank holding companies operating on September 30, 2011.

Of the 927 BHCs, 387 or 41.8 percent participated in annuity sales activities during the first three quarters of 2011. Their \$2.26 billion in annuity commissions and fees constituted 12.0 percent of their total mutual fund and annuity income of \$18.91 billion and 16.0 percent of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of \$14.2 billion. Of the 6,740 banks, 901 or 13.4 percent participated in annuity sales activities, earning \$588.9 million in annuity commissions or 26.0 percent of the banking industry's total annuity fee income. Bank annuity production was up 5.0 percent from \$560.9 million in the first three quarters of 2010.

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

RANK	YTD ANNUITY INCOME		PERCENT CHANGE 2010 - 2011	BANK HOLDING COMPANY	ST	ASSETS	% OF NONINTEREST INCOME
	3Q 2011	3Q 2010					
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	\$617,000	\$517,000	19.34%	WELLS FARGO & COMPANY	CA	\$1,304,832,000	2.22%
2	\$318,000	\$237,000	34.18%	MORGAN STANLEY	NY	\$794,939,000	2.19%
3	\$245,000	\$185,000	32.43%	JPMORGAN CHASE & CO.	NY	\$2,287,462,000	1.03%
4	\$180,910	\$126,718	42.77%	BANK OF AMERICA CORP.	NC	\$2,215,005,733	0.51%
5	\$86,523	\$78,286	10.52%	REGIONS FINANCIAL CORP.	AL	\$129,761,507	3.98%
6	\$72,213	\$46,151	56.47%	SUNTRUST BANKS, INC.	GA	\$172,583,676	2.72%
7	\$58,781	\$-----	-----%	RBC USA HOLDCO CORP.	NY	\$95,815,143	3.41%
8	\$55,947	\$60,173	-7.02%	PNC FINANCIAL SERVICES GROUP	PA	\$269,555,466	1.40%
9	\$54,810	\$36,847	48.75%	BBVA USA BANCSHARES, INC.	TX	\$64,484,460	8.99%
10	\$49,000	\$42,000	16.67%	U.S. BANCORP	MN	\$330,141,000	0.83%
Source: <i>Michael White-ABIA Bank Annuity Fee Income Report</i>							

Seventy-five percent (75.3 percent) of BHCs with over \$10 billion in assets earned third quarter year-to-date annuity commissions of \$2.15 billion, constituting 95.0 percent of total annuity commissions reported. This was

an increase of 23.7 percent from \$1.74 billion in annuity fee income in the first three quarters of 2010. Among this asset class of largest BHCs in the first three quarters, annuity commissions made up 11.5 percent of their total mutual fund and annuity income of \$18.60 billion and 15.9 percent of their total insurance sales volume of \$13.51 billion. Wells Fargo & Company (CA), Morgan Stanley (NY), JPMorgan Chase & Co. (NY), Bank of America Corporation (NC), and Regions Financial Corp. (AL) led all bank holding companies in annuity commission income in the first three quarters of 2011.

BHCs with assets between \$1 billion and \$10 billion recorded an increase of 3.8 percent in annuity fee income, rising from \$91.6 million in the first three quarters of 2010 to \$95.0 million in the first three quarters of 2011 and accounting for 30.5 percent of their mutual fund and annuity income of \$311.2 million. Among BHCs with assets between \$1 billion and \$10 billion, leaders included Stifel Financial Corp. (MO), National Penn Bancshares, Inc. (PA), Old National Bancorp (IN), Wesbanco, Inc. (WV), and Bremer Financial Corporation (MN).

BHCs with \$500 million to \$1 billion in assets generated \$17.9 million in annuity commissions in the first three quarters of 2011, up 5.6 percent from \$16.9 million in the first three quarters of 2010. Only 33.0 percent 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 (15.1 percent) of total insurance sales volume of \$118.0 million. Among BHCs with assets between \$500 million and \$1 billion, leaders were Northeast Bancorp (ME), River Valley Bancorporation, Inc. (WI), Citizens Bancshares, Inc. (OH), Van Diest Investment Company (IA), and Nodaway Valley Bancshares, Inc. (MO).

The smallest community banks, those with assets less than \$500 million, were used as "proxies" for the smallest BHCs, which are not required to report annuity fee income. Leaders among bank proxies for small BHCs were Jacksonville Savings Bank (IL), Essex Savings Bank (CT), Vantage Point Bank (PA), FNB Bank, N.A. (PA), and The Hardin County Bank (TN). These small banks, representing small BHCs, also registered an increase of 15.6 percent in annuity fee income, rising from \$24.4 million in year-to-date (YTD) 2010 to \$28.2 million in YTD 2011.

Among the top 50 BHCs nationally in annuity concentration (i.e., annuity fee income as a percent of noninterest income), the median year-to-date Annuity Concentration Ratio was 7.3 percent in third quarter 2011. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 15.3 percent of noninterest income.

Among the top 50 BHC leaders in annuity penetration (i.e., annuity fee income per one million dollars of core or retail deposits), the median Annuity Penetration Ratio was \$5,411 per million dollars of retail deposits (or an annualized Penetration Ratio of \$7,213). Among the top 50 small banks in annuity penetration, the median Annuity Penetration Ratio was \$7,859 per million dollars of core deposits (or an annualized Penetration Ratio of \$10,476).

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Best Practices Panels (BPP)

■ Sign up online for 2012 ABIA Best Practice Panels!

You can now sign up from your desk to participate in any or all of the nine ABIA Best Practice Panels by following this link: https://www.aba.com/perseus/surveys/abia_bpp.htm

Alternatively, you can sign up by going to the ABIA website and clicking on the online registration link on the [Best Practice Panel page](#).

It is easy and convenient, so register today!

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■ 2012 Best Practices Panel Schedule

Agency Integration and Marketing Panel

Chair: Valerie Jordan, Jordan and Jordan Associates

The teleconference calls will be every other month on the 1st Monday of the month (except for February) at 4:00 p.m. Eastern according to the following schedule:

February 28 - Marketing Compliance for 2012, Joint call with Direct Marketing and Compliance

April 2

June 4

No call in August

September 24-26 (Phoenix, AZ) - Annual Conference Presentation

October 1

Annuities Panel

Chairs: Jim Rensel, Sales Quality Research

The teleconference calls will be every other month on the 3rd Tuesday of the month (except for April) at 3:30 p.m. Eastern according to the following schedule:

February 21 – Where are We on Annuities for 2012?

April 24

June 19

No call in August

September 24 -26 (Phoenix, AZ) - Annual Conference Presentation

October 16

Community Bankers Panel

Chair: Brian Duffy, RSI Insurance

The teleconference calls will be held quarterly on the 2nd Thursday of the month (except for February) at 2:00 p.m. Eastern according to the following schedule:

February 16 – Producer Compensation Planning for 2012

April 12

June 14

September 24-26 (Phoenix, AZ) - Annual Conference Presentation

October 11

Compliance Panel

Chairs: Doug Harrison, BB&T Insurance

The teleconference calls will be held quarterly on a Tuesday or Thursday of the middle-of-the-quarter-month at 2:00 p.m. Eastern according to the following schedule:

February 28 – Marketing Compliance for 2012, Joint call with Direct Marketing

May 8

July 12

September 24-26 (Phoenix, AZ) - Annual Conference Presentation

November 1

Credit Insurance and Debt Cancellation Panel

Co-Chairs: Phil Von Mann, US Bank and Ellen Myers, Xybernet, Inc.

The teleconference calls will be held quarterly on the 4th Thursday of the month (except April and May) at 4:00 p.m. Eastern according to the following schedule:

February 23 – Credit Insurance and Debt Cancellation for 2012, where are we Going?

April 19

May 31

September 24-26 (Phoenix, AZ) - Annual Conference Presentation

October 25

Direct Marketing Panel

Co-Chairs: Sara Webb, BB&T Insurance and Robert Dudacek, Wells Fargo Insurance

The teleconference calls will be held every other month on the 4th Tuesday of the month at 3:00 p.m. Eastern according to the following schedule:

February 28 – Marketing Compliance for 2012, Joint call with Compliance
April 24
June 26
September 24-26 (Phoenix, AZ) - Annual Conference Presentation
October 30

Life Coverages Panel

Chair: Chris Funk, Great West Life & Annuity

The teleconference calls will be held quarterly on the 3rd Thursday of the month (except for February) at 3:00 p.m. Eastern according to the following schedule:

February 23 - Life Insurance: What do your Customers want? What are you doing?
April 19
July 19
September 24-26 (Phoenix, AZ) - Annual Conference Presentation
October 18

P& C Panel

Co-Chairs: Chris Boone, BancorpSouth Insurance and R. Michael Hedden, Bankers Insurance LLC

The teleconference calls will be held every other month on the 2nd Thursday of the month at 1:00 p.m. Eastern according to the following schedule:

February 9 – System Solutions to Streamline Operations and Marketing
May 10
July 12
No call in August
September 24-26 (Phoenix, AZ) - Annual Conference Presentation
October 11

Reinsurance/Risk Management Panel

Co-Chairs: Brian Casey, Lock Lord Bissell & Liddell

The teleconference calls will be held quarterly on the 2nd Wednesday of the month at 11:30 a.m. Eastern according to the following schedule:

February 8 – Social Media Compliance
April 11
June 13
September 24-26 (Phoenix, AZ) - Annual Conference Presentation
October 10

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Member News

■ **Securian Financial Group Names New President**

Securian Financial Group, Inc. announced the appointment of Executive Vice President Christopher M. Hilger president, effective January 1, 2012. According to Chairman and CEO Robert L. Senkler, Hilger succeeds Randy

F. Wallake, vice chairman and president, who is retiring June 30, 2012. Hilger will be the sixteenth president in Securian's 131-year history.

As president, Hilger, 47, will report to Senkler with accountability for all of Securian's insurance businesses and its Information Services technology division. Hilger also serves as CEO of Allied Solutions, LLC a Securian subsidiary headquartered in Indianapolis, IN, that distributes insurance products and services to financial institutions.

"Chris grew up in the insurance industry and has a proven record of success as an entrepreneur and business leader who has played a key role in the development of Securian's current growth strategies," Senkler said. "Preparing internal candidates for greater responsibility is a cornerstone of our culture. With Randy approaching retirement age, he and I have been working together for the past few years to make this a successful leadership transition."

A 25-year veteran of the insurance industry, Hilger joined Securian in 2004 when the company purchased Allied Solutions, one of the leading distributors in the financial institution market. In 2007, he was named senior vice president of Securian's Financial Institution Group and in 2010 was promoted to executive vice president with the added accountability for the company's Group Insurance business. In the St. Paul community, Hilger serves on the board of Minnesota Philanthropy Partners.

Wallake 63, also an insurance industry veteran, joined Securian in 1987 as vice president of pension sales and subsequently assumed responsibility for the company's retirement business. In 2001, he was promoted to executive vice president, adding responsibility for the company's individual insurance business and, two years later, its broker-dealer and trust operations. As president and vice chairman, he directed all of the company's insurance businesses. Active in the industry, Wallake currently serves on the American Council of Life Insurers Executive Roundtable and the boards of L.L. Global, Inc. and the American College. In the Twin Cities, he is a past chairman and a member of the board of North Central Blood Services, a unit of the American Red Cross.

"During his career with Securian, Randy led the development and execution of key strategies that drove significant growth in all of our businesses while maintaining our financial strength and excellent industry reputation," Senkler said.

[Learn More](#)

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■ **Securian Financial Acquirers Two Insurers**

Securian Financial Group has completed its purchase of American Modern Life Insurance Company and its subsidiary, the Southern Pioneer Life Insurance Company from American Modern Insurance Group. These new insurance companies increase Securian's credit protection business by 25%. By June 30, the two acquired businesses will be integrated into Securian's credit protection operations; and in the meantime, American Modern will provide transition services.

[Learn More](#)

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■ **Markel Purchases THOMCO**

Markel Corporation announced that it has completed the previously announced acquisition of Thompson Insurance Enterprises, LLC, a privately held Program Administrator underwriting multi-line, industry-focused insurance programs. Headquartered in Kennesaw, Georgia, THOMCO manages over 20 national programs including Medical Transportation, Senior Living, Childcare Centers, Fitness Clubs, Pest Control Operators, Tanning Salons and Inflatable Rental Operators, among others.

THOMCO will continue to operate as a separate business unit with Greg Thompson and Bob Heaphey, THOMCO's current Chairman and President, respectively, leading the operation. The operating unit will be a part of Markel Specialty.

Mike Crowley, Markel's President and Co-Chief Operating Officer, said: "We welcome THOMCO's employees, agents and business partners to the Markel team. We look forward to building our businesses together."

Greg Thompson added: "In addition to Markel's substantial resources, we have been pleased to discover that Markel's culture and values echo our own. We are convinced that this acquisition will benefit both our customers and our staff."

Davis Fulkerson, Managing Partner of Century Capital Partners, a Boston-based private equity fund and minority investor in THOMCO, commented: "We are thrilled that THOMCO and Markel, two organizations with stellar reputations and complementary cultures, have been able to consummate this transaction."

[Learn More](#)

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Resources

For Information on **Government Relations** Contact Kevin McKechnie at kmckechn@aba.com

For Information on **Insurance News** Contact Renee Galbraith at rgalbrai@aba.com

For Information on **Conference Questions** Contact Valerie Barton at vbarton@aba.com

For Information on **Dues and Publications** Contact Valerie Barton at vbarton@aba.com

For Information on **ABIA Best Practices Panel** Contact Mike Polychrones at mpolychr@aba.com

For more information on **ABA Careers** visit the Job Resume Bank at

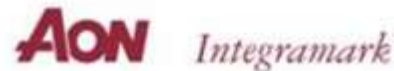
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