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## **Michael White-ABIA Report Total BHC Insurance Revenues Steady in First Half of 2009**

**By Michael D. White, President, Michael White Associates (MWA),  
In conjunction with the American Bankers Insurance Association (ABIA)  
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Total insurance revenue at the nation's bank holding companies (BHCs) remained steady at \$23.6 billion in the first half of 2009 compared to \$23.7 billion during the same period in 2008. During the first six months of 2009, 581 top-tier large bank holding companies<sup>1</sup> (or 62.3 percent of all top-level BHCs reporting) earned some type of insurance-related revenue, compared to 568 in the first half of 2008.

Michael White Associates (MWA) performed the analysis in conjunction with the American Bankers Insurance Association (ABIA) to measure the growth of the insurance business in banking organizations and to provide some benchmarks that gauge bank insurance performance. The analysis is based on data reported to the Federal Reserve Board by 932 large top-tier large bank holding companies operating on June 30, 2009.

Total insurance revenue can be broken down as insurance brokerage fee income and insurance underwriting fee income.

### Insurance Brokerage Fee Income

Bank holding companies' insurance brokerage fee income declined 6.0 percent from \$6.44 billion in the first half of 2008 to \$6.05 billion in the first half of 2009. During the first six months of this year, 579 bank holding companies (or 62.1 percent of all BHCs reporting) engaged in sales activities that produced insurance commissions and fees.<sup>2</sup> Excluding financial holding company MetLife, Inc. (NY), a traditional insurance company that did not engage in significant banking activities, insurance brokerage fee income was \$3.40 billion in the first half of 2009, down 1.6 percent from \$3.45 billion in the same period in 2008.

This slowing in insurance brokerage income was due to several factors, including the currently long-lasting soft market in commercial property-casualty insurance and sporadic decreases in contingent commissions. Also, a steep 45.6 percent, \$423 million decline in Citigroup's (NY) insurance brokerage income and an 11.1 percent, \$331.6 million drop in MetLife's insurance brokerage income were largely responsible for the declines in industry brokerage revenues, both with and without MetLife's numbers. The entry of large financial companies onto the role of new BHCs offset a portion of the declines at Citigroup and MetLife. But, were it not for these declines,

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<sup>1</sup> With few exceptions, only those bank holding companies defined by the Federal Reserve as "large" BHCs report detailed revenue line items like insurance brokerage and insurance underwriting income. The "large" BHCs were redefined in 2006, with few exceptions, as being those top-tier BHCs with more than \$500 million in consolidated assets. This report examines only those BHCs with more than \$500 million in consolidated assets, not the few occasional exceptions.

<sup>2</sup> These figures for insurance revenues do not include income earned from the sale or servicing of annuities. Adding the income from annuities would increase (by \$1.33 billion in first half 2009) the total insurance product revenue for banking organizations. Income from related non-insurance products like debt cancellation or debt suspension agreements is also excluded from the insurance revenue figures.

the industry would have shown increases in insurance brokerage income and total insurance income even without the new BHCs added to the count.

BHCs with assets greater than \$1 billion experienced a 6.2 percent decrease in insurance brokerage fee income in the first six months of 2009, dropping from \$6.37 billion in the first half of 2008 to \$5.98 billion in 2009. BHCs with less than \$1 billion in assets registered an increase of 10.5 percent in their insurance brokerage fee income from \$69.0 million in the year-ago period to \$76.2 million in the first half of 2009.

Again excluding MetLife, a traditional life insurer that did not engage in significant banking activities, Wells Fargo & Company (CA), CitiGroup (NY), and BB&T Corporation (NC) led all bank holding companies in insurance brokerage fee income in the first six months of 2009. Among BHCs with less than \$1 billion in assets, leaders in insurance brokerage income were 473 Broadway Holding Corporation (NY), Texas Independent Bancshares, Inc. (TX), and First Manitowoc Bancorp, Inc. (WI).

### Insurance Underwriting Income

Insurance underwriting and reinsurance income increased 1.3 percent from \$17.3 billion at June 30, 2008, to \$17.5 billion in the first half of 2009.<sup>3</sup> Fifty-six (56) BHCs (or 6.0 percent of all reporting top-level BHCs) earned some insurance underwriting income, compared to 52 a year earlier. MetLife experienced a 17.0 percent or nearly \$2.6 billion decline in insurance underwriting income.

Excluding financial holding company MetLife, a traditional life underwriter that did not engage in significant banking activities, BHC insurance underwriting income was up 140.6 percent or \$2.8 billion, up from \$2.0 billion in the first half of 2008 to \$4.8 billion in the first half of 2009. Nearly 60 percent of the increase in underwriting income was due to the appearance of new bank holding company GMAC Inc. (MI), which produced nearly \$1.7 billion. Bank of America Corporation (NC) accounted for 32.4 percent or \$912 million of the new underwriting income as a result of its acquisition of Countrywide Financial, which owned Balboa Insurance Group. Among BHCs with less than \$1 billion in assets, leaders in insurance underwriting income were new bank holding companies Armed Forces Benefit Association (VA) and Marlin Business Services Corp. (NJ), and old bank holding company First Volunteer Corporation (TN). Over the long haul, the industry has experienced a continued decline in the number of holding companies engaged in insurance underwriting from 128 in first half 2003 to 96 in the same period in 2005 to 56 in the first six months of this year.

### Total Insurance Income

Total BHC insurance revenue remained steady with a slight decrease of 0.5 percent to \$23.6 billion in the first half of 2009 from \$23.7 billion during the same period in 2008. Excluding financial holding company and insurer MetLife, which did not engage in significant banking activities, total insurance income was \$8.27 billion in the first half of 2009, up 51.6 percent from \$5.45 billion in the same period in 2008.

Again, all the factors that retarded growth in either insurance brokerage or insurance underwriting fee income are carried forward in their effects to total insurance income: a soft commercial property-casualty market, sporadically reduced contingent commissions, and the declines in insurance brokerage and underwriting income at MetLife and Citigroup.

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<sup>3</sup> This form of fee income indicates that the holding company is engaged in insurance underwriting or reinsurance activities in which an insurance affiliate of the holding company carries some or all of the insurance risk, as opposed to simply acting as an agent for the sale of insurance underwritten by an unaffiliated insurance company.

This analysis by MWA ranks the top 50 bank holding companies on the basis of the absolute dollar amount of total insurance income (the sum of insurance brokerage and insurance underwriting fee income) and on the basis of total insurance revenue as a percentage of the institution's total noninterest income. MWA calls this ratio Insurance Program Concentration. It denotes the degree to which noninterest income is concentrated in a particular noninterest fee income, in this case, insurance fee income.

Mean total insurance income as a percent of noninterest income was 6.6 percent for all bank holding companies engaged in insurance activities during the first six months in 2009, up from 5.3 percent a year ago. Excluding MetLife, which did not engage in significant banking activities, the top 50 bank holding companies in total insurance income in the first six months of 2009 earned \$7.99 billion, or 96.6 percent of the \$8.27 billion earned by all the reporting holding companies except MetLife. Insurance revenue among all the top 50 companies averaged 4.37 percent of the total noninterest income reported by the 50 institutions, down from 6.39 percent in the first half of 2008. The mean Concentration Ratio of insurance revenue to noninterest income among the top 50 was 13.6 percent, a decrease from 14.6 percent for the first six months of 2008. Last but not least, the median Concentration Ratio of insurance revenue to noninterest income among the top 50 in insurance revenues was 17.6 percent for the first six months of 2009. The leaders in total insurance income appear in Table 1 on page 5.

Excluding MetLife, a traditional life insurance company that did not engage in significant banking activities, GMAC Inc. (MI), Citigroup (NY), Bank of America Corporation, Wells Fargo & Company (CA), and BB&T Corporation (NC) led all bank holding companies in total insurance income in the first six months of 2009. Among BHCs with less than \$1 billion in assets, leaders in total insurance income were Armed Forces Benefit Association (VA), 473 Broadway Holding Corporation (NY), Texas Independent Bancshares, Inc. (TX), and First Maniwoc Bancorp, Inc. (WI).

Joining the top 50 in total insurance revenue during the first half of 2009 were eight BHCs: GMAC Inc. (MI), Goldman Sachs Group, Inc. (NY), American Express Company (NY), Discover Financial Services (IL), Armed Forces Benefit Association (VA), Morgan Stanley (NY), CIT Group Inc. (NY), and NBT Bancorp Inc. (NY). Except for NBT Bancorp, the other new entrants into the top 50 were all newly chartered bank holding companies.

As a result of the entry of the new bank holding companies, all previously top-ranked BHCs declined in the rankings. NBT Bancorp Inc. (NY) increased its rank in total insurance income, having jumped from 129<sup>th</sup> place at mid-2008 to 40<sup>th</sup> at June 30, 2009.

#### Insurance Income as a Percent of Noninterest Income

The top 50 bank holding companies (excluding MetLife) that reported the highest percentage of total insurance revenue to total noninterest income appear in Table 2 on page 6.

The leading 50 companies in the ratio of total insurance income to noninterest income averaged 30.9 percent in that benchmark at June 30, 2009, down from 42.0 percent the prior year. Among this same top 50, the mean ratio of insurance revenue to noninterest income was 45.9 percent in the first six months of 2009, while the standard deviation was 17.7 percent. The mean ratio was up from 40.9 percent in the first half of 2008. The median was 38.9 percent in the first half of 2009, up from 35.4 percent in the first half of 2008.

To recap for overall benchmarking purposes, the following figures may prove useful:

- For all bank holding companies reporting insurance income, mean total insurance income as a percent of noninterest income was 6.6 percent.

- The top 50 BHCs in insurance revenue attained a mean ratio of total insurance revenue to noninterest income of 13.6 percent.
- For the top 50 BHCs in insurance as a percent of noninterest income, the mean ratio of total insurance revenue to noninterest income was 45.9 percent.

The percentage of noninterest income from insurance might be lower than these averages, even with a robust and profitable insurance program, if the institution enjoys a high level of earnings from other noninterest or non-credit sources.

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Michael White Associates (MWA) is a bank insurance consulting firm headquartered in Radnor, PA, and at [www.BankInsurance.com](http://www.BankInsurance.com). The *Michael White-ABIA Bank Annuity Fee Income Report* and *Michael White-Prudential Bank Insurance Fee Income Report*<sup>™</sup> provide, respectively, more comprehensive analyses of bank annuity and insurance brokerage and underwriting fee income. The ABIA sponsors the former report, and Prudential Financial the latter. Additionally, the *MWA Fee Income Ratings Reports*<sup>™</sup> compare, rank and rate a particular financial institution's insurance or other noninterest fee income program nationally, regionally, statewide and in its asset-peer group. Copies of MWA's reports can be obtained from MWA by calling (610) 254-0440, or by visiting [www.BankInsurance.com](http://www.BankInsurance.com).

The American Bankers Insurance Association (ABIA) is the separately chartered insurance affiliate of the American Bankers Association (ABA) and is the only Washington, D.C.-based full service association for bank insurance interests. The ABIA's mission is to develop policy and provide advocacy for banks in insurance and to support bank insurance operations through research, education, compliance-assistance and peer group networking opportunities. ABIA Membership consists of banks, and their affiliated agencies, insurance companies, marketing, and administrative services suppliers, non-bank lending organizations and other firms involved in the bank affiliated insurance industry. Additional information on the ABIA can be found on the Internet at [www.theabia.com](http://www.theabia.com).

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TABLE 1: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME YTD JUNE 30, 2009 NATIONALLY (In thousands of dollars)					
Rank 1st Half 2009	Rank 1st Half 2008	Total Insurance Income (\$000s)	Bank Holding Company Name	City	State
1	N/A	\$1,734,000	GMAC INC.	DETROIT	MI
2	1	\$1,500,000	CITIGROUP INC.	NEW YORK	NY
3	4	\$1,350,322	BANK OF AMERICA CORPORATION	CHARLOTTE	NC
4	2	\$1,176,000	WELLS FARGO & COMPANY	SAN FRANCISCO	CA
5	3	\$534,055	BB&T CORPORATION	WINSTON-SALEM	NC
6	N/A	\$204,000	GOLDMAN SACHS GROUP, INC., THE	NEW YORK	NY
7	6	\$202,000	JPMORGAN CHASE & CO.	NEW YORK	NY
8	5	\$199,693	HSBC NORTH AMERICA HOLDINGS INC.	METTAWA	IL
9	N/A	\$198,309	AMERICAN EXPRESS COMPANY	NEW YORK	NY
10	38	\$68,935	PNC FINANCIAL SERVICES GROUP, INC., THE	PITTSBURGH	PA
11	N/A	\$63,022	DISCOVER FINANCIAL SERVICES	RIVERWOODS	IL
12	9	\$58,823	REGIONS FINANCIAL CORPORATION	BIRMINGHAM	AL
13	N/A	\$57,867	ARMED FORCES BENEFIT ASSOCIATION	ALEXANDRIA	VA
14	N/A	\$45,000	MORGAN STANLEY	NEW YORK	NY
15	10	\$43,430	BANCORPSOUTH, INC.	TUPELO	MS
16	12	\$39,575	HUNTINGTON BANCSHARES INCORPORATED	COLUMBUS	OH
17	16	\$34,745	EASTERN BANK CORPORATION	BOSTON	MA
18	11	\$32,631	SUNTRUST BANKS, INC.	ATLANTA	GA
19	18	\$30,097	FIFTH THIRD BANCORP	CINCINNATI	OH
20	13	\$30,000	U.S. BANCORP	MINNEAPOLIS	MN
21	15	\$29,111	TD BANKNORTH INC.	PORTLAND	ME
22	14	\$26,740	BBVA USA BANCSHARES, INC.	HOUSTON	TX
23	19	\$22,131	ASSOCIATED BANC-CORP	GREEN BAY	WI
24	17	\$22,000	POPULAR, INC.	SAN JUAN	PR
25	21	\$20,318	OLD NATIONAL BANCORP	EVANSVILLE	IN
26	22	\$19,542	BARCLAYS GROUP US INC.	WILMINGTON	DE
27	23	\$19,170	LAURITZEN CORPORATION	OMAHA	NE
28	20	\$19,057	FIRST HORIZON NATIONAL CORPORATION	MEMPHIS	TN
29	26	\$18,179	M&T BANK CORPORATION	BUFFALO	NY
30	24	\$17,887	CULLEN/FROST BANKERS, INC.	SAN ANTONIO	TX
31	25	\$17,600	BANCWEST CORPORATION	HONOLULU	HI
32	27	\$14,795	TRUSTMARK CORPORATION	JACKSON	MS
33	28	\$12,361	JOHNSON FINANCIAL GROUP, INC.	RACINE	WI
34	29	\$10,144	CENTRAL COMMUNITY CORPORATION	TEMPLE	TX
35	31	\$10,078	FIRST NATIONAL OF NEBRASKA, INC.	OMAHA	NE
36	34	\$8,918	F.N.B. CORPORATION	HERMITAGE	PA
37	30	\$8,840	BANK OF HAWAII CORPORATION	HONOLULU	HI
38	N/A	\$8,137	CIT GROUP INC.	NEW YORK	NY
39	36	\$8,068	NATIONAL PENN BANCSHARES, INC.	BOYERTOWN	PA
40	129	\$7,684	NBT BANCORP INC.	NORWICH	NY
41	32	\$7,500	HANCOCK HOLDING COMPANY	GULFPORT	MS
42	39	\$7,070	SUSQUEHANNA BANCSHARES, INC.	LITITZ	PA
43	35	\$6,993	R&G FINANCIAL CORPORATION	SAN JUAN	PR
44	33	\$6,407	STIFEL FINANCIAL CORP.	SAINT LOUIS	MO
45	42	\$6,239	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY
46	40	\$6,228	SHORE BANCSHARES, INC.	EASTON	MD
47	37	\$6,176	COBIZ FINANCIAL INC.	DENVER	CO
48	41	\$6,045	BREMER FINANCIAL CORPORATION	SAINT PAUL	MN
49	44	\$5,994	VIST FINANCIAL CORP.	WYOMISSING	PA
50	49	\$5,684	COMERICA INCORPORATED	DALLAS	TX

Ranking excludes MetLife

Source: Michael White Associates and American Bankers Insurance Association

Total BHC Insurance Revenues Steady in First Half of 2009

American Bankers Insurance Association / Michael White Associates

<b>Table 2: TOP BANK HOLDING COMPANIES IN INSURANCE PROGRAM CONCENTRATION</b>				
<b>TOTAL INSURANCE INCOME AS A PERCENT OF NONINTEREST INCOME</b>				
<b>YTD JUNE 30, 2009</b>				
<b>NATIONALLY</b>				
<b>RANK</b>	<b>% of Noninterest Income</b>	<b>Bank Holding Company Name</b>	<b>City</b>	<b>State</b>
1	95.78%	ARMED FORCES BENEFIT ASSOCIATION	ALEXANDRIA	VA
2	92.41%	LAURITZEN CORPORATION	OMAHA	NE
3	87.47%	ALLIANCE BANKSHARES CORPORATION	CHANTILLY	VA
4	79.91%	MARLIN BUSINESS SERVICES CORP.	MOUNT LAUREL	NJ
5	69.19%	BEACON BANCORP	TAUNTON	MA
6	68.97%	CHOICE FINANCIAL HOLDINGS, INC.	GRAFTON	ND
7	67.09%	473 BROADWAY HOLDING CORPORATION	SARATOGA SPRINGS	NY
8	61.74%	FIRST MANITOWOC BANCORP, INC.	MANITOWOC	WI
9	60.00%	FIRST NATIONAL BANCSHARES, INC.	EAST LANSING	MI
10	58.76%	VIST FINANCIAL CORP.	WYOMISSING	PA
11	58.62%	CENTRAL COMMUNITY CORPORATION	TEMPLE	TX
12	58.49%	SHORE BANCSHARES, INC.	EASTON	MD
13	56.13%	TEXAS INDEPENDENT BANCSHARES, INC.	TEXAS CITY	TX
14	55.59%	INDUSTRY BANCSHARES, INC.	INDUSTRY	TX
15	54.72%	SUMMIT FINANCIAL GROUP, INC.	MOOREFIELD	WV
16	51.76%	EASTERN BANK CORPORATION	BOSTON	MA
17	51.22%	MOUNTAINONE FINANCIAL PARTNERS, MHC	NORTH ADAMS	MA
18	49.89%	NORTHEAST BANCORP	LEWISTON	ME
19	48.96%	COBIZ FINANCIAL INC.	DENVER	CO
20	47.50%	HIGH POINT BANK CORPORATION	HIGH POINT	NC
21	47.26%	ACNB CORPORATION	GETTYSBURG	PA
22	43.32%	OCEANPOINT FINANCIAL PARTNERS, MHC	NEWPORT	RI
23	42.09%	SMITHTOWN BANCORP, INC.	HAUPPAUGE	NY
24	41.74%	GOODENOW BANCORPORATION	OKOBOJI	IA
25	39.37%	PLATTE VALLEY FINANCIAL SERVICE COMPANIES, INC.	SCOTTSBLUFF	NE
26	38.35%	VAN DIEST INVESTMENT COMPANY	ANKENY	IA
27	38.19%	MINNWEST CORPORATION	MINNETONKA	MN
28	36.78%	GORHAM BANCORP, MHC	GORHAM	ME
29	35.67%	ENTERPRISE FINANCIAL SERVICES CORP	CLAYTON	MO
30	35.58%	AMERICAN BANCOR, LTD.	DICKINSON	ND
31	34.76%	AMERICAN BANK HOLDING CORPORATION	CORPUS CHRISTI	TX
32	34.67%	LEGACYTEXAS GROUP, INC.	PLANO	TX
33	34.46%	FIRST BANK CORP	FORT SMITH	AR
34	34.28%	GERMAN AMERICAN BANCORP, INC.	JASPER	IN
35	32.97%	FARMERS STATE CORPORATION	MANKATO	MN
36	32.36%	COMMUNITY FIRST BANCSHARES, INC.	UNION CITY	TN
37	32.10%	WATFORD CITY BANCSHARES, INC.	WATFORD CITY	ND
38	31.59%	FIRST STATE BANCSHARES, INC.	FARMINGTON	MO
39	31.36%	PEOPLES BANCORP INC.	MARIETTA	OH
40	31.34%	SOUTH DAKOTA BANCSHARES, INC.	PIERRE	SD
41	30.87%	FIRST YORK BAN CORP.	YORK	NE
42	30.84%	R&G FINANCIAL CORPORATION	SAN JUAN	PR
43	30.80%	BANCORPSOUTH, INC.	TUPELO	MS
44	30.34%	SUNFLOWER FINANCIAL, INC.	SALINA	KS
45	29.60%	GMAC INC.	DETROIT	MI
46	29.57%	BB&T CORPORATION	WINSTON-SALEM	NC
47	28.95%	ANB CORPORATION, THE	TERRELL	TX
48	28.29%	UNIVEST CORPORATION OF PENNSYLVANIA	SOUDERTON	PA
49	27.80%	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY
50	27.10%	DACOTAH BANKS, INC.	ABERDEEN	SD

Ranking excludes MetLife, Inc.

Source: Michael White Associates and American Bankers Insurance Association