

## **Michael White-ABIA Report: Underwriting Decline Pulls BHC Insurance Revenue Under 2009 Record**

**By Michael D. White, President, Michael White Associates (MWA),  
In conjunction with the American Bankers Insurance Association (ABIA)  
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The nation's bank holding companies (BHCs) experienced a decrease of 5.7 percent in their total insurance revenue from \$15.08 billion in 2009 to \$14.21 billion in 2010, when MetLife, a traditional life insurance company, is excluded. Total insurance income includes both insurance brokerage and insurance underwriting fee income. During 2010, 595 of 911 bank holding companies (or 65.3 percent of all large top-tier BHCs reporting) earned insurance brokerage and/or underwriting revenue, compared to 609 of 916 BHCs in 2009.

Michael White Associates 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 large top-tier bank holding companies.<sup>1</sup>

### Total Insurance Income

During 2010, 595 bank holding companies (or 65.3 percent of all top-level large BHCs reporting) engaged in insurance sales and/or underwriting activities that produced insurance fee income. Total BHC insurance revenue increased 1.1 percent from \$47.24 billion in 2009 to \$47.74 billion in 2010. Excluding financial holding company MetLife, which is a traditional life insurance company, total BHC insurance income was \$14.21 billion in 2010, down 5.7 percent from \$15.08 billion in 2009.

Again, excluding MetLife, Citigroup, Inc. (NY), Wells Fargo & Company (CA), and Bank of America Corporation (NC) led all bank holding companies in total insurance income in 2010. Among large BHCs with assets between \$1 billion and \$10 billion, leaders were Eastern Bank Corporation (MA), Stifel Financial Corp. (MO), and Lauritzen Corporation (NE). Among large BHCs with assets less than \$1 billion, leaders were Armed Forces Benefit Association (VA), Two Rivers Financial Group, Inc. (IA), and 473 Broadway Holding Corporation (the high-holder of The Adirondack Trust Company in NY).

Total insurance income could have been even larger were it not for the fact that, starting in 2007, annuity commissions and fees not were completely removed from the total insurance income data field reported to the FDIC and Federal Reserve. Adding fee income from annuities would increase the total insurance-related income of banking organizations. Combining total BHC annuity commissions and fees with BHC total insurance income, total BHC production of insurance product-related fee income was \$50.32 billion in 2010 and \$49.86 billion in 2009. Like annuity commissions and fees, income from related non-insurance products like debt cancellation or debt suspension agreements is also excluded from the total insurance revenue figures.

During 2010, 593 bank holding companies (or 65.1 percent of all top-level large BHCs reporting) engaged in sales activities that produced insurance brokerage commissions and fees. Bank holding companies' insurance brokerage fee income increased 7.9 percent from \$12.36 billion in 2009 to \$13.33 billion in 2010. This result would have been even greater were it not for the loss in insurance brokerage income taken by Bank of American

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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 as being those top-tier BHCs with more than \$500 million in consolidated assets. This report covers only them.

Corporation's subsidiary bank, FIA Card Services. FIA Card Services went from positive insurance brokerage earnings of \$177.81 million in 2009 to a loss of \$435.52 million in 2010. Excluding financial holding company MetLife, Inc., a traditional life insurer, BHC insurance brokerage income was up 6.0 percent from \$6.66 billion in 2009 to \$7.05 billion in 2010. Citigroup, Inc. (NY), Wells Fargo & Company (CA), and BB&T Corporation (NC) led all bank holding companies in insurance brokerage fee income in 2010.

The presence of insurance underwriting 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. Insurance underwriting and reinsurance income decreased 1.3 percent to \$34.41 billion in 2010 from \$34.88 billion in 2009. Sixty-eight BHCs (or 7.5 percent of all large high-holders) reported earning some insurance underwriting fee income, compared to 69 a year earlier. There has been a large decline from 179 BHCs engaged in insurance underwriting in 2001, in part, due to the conversion by some BHCs of their credit insurance underwriting operations to debt cancellation and debt suspension contracts. Excluding financial holding company MetLife, Inc., traditionally a life insurance company, BHC insurance underwriting income was down 15.0 percent from \$8.42 billion in 2009 to \$7.16 billion in 2010. The leaders were Bank of America Corporation (NC), Ally Financial Inc. (the former GMAC Inc. from MI), and Citigroup, Inc. (NY). While a large portion of the decline (\$1.16 billion) in insurance underwriting income appears due to Citigroup's spin-off of Georgia-based life insurer Primerica, 46 of the 68 BHCs registered declines in their insurance underwriting income.

#### Total Insurance Performance

MWA's analysis in this brief report ranks the top 50 bank holding companies on the basis of the absolute dollar amount of total insurance income and on the basis of total insurance revenue as a percentage of the institution's total noninterest income. MWA calls this ratio the Total Insurance Concentration Ratio. It denotes the degree to which noninterest income is concentrated in total insurance fee income.

Excluding MetLife, 594 large bank holding companies earned \$14.21 billion in total insurance income in 2010. Mean total insurance income as a percent of noninterest income was an adjusted 7.4 percent for all BHCs selling insurance in 2010, down from 6.8 percent in 2009.

Excluding MetLife, the top 50 bank holding companies in total insurance income in 2010 earned \$13.72 billion, or 96.5 percent of that \$14.21 billion earned by all the reporting holding companies except MetLife. Insurance revenue among these top 50 companies in total insurance income averaged 4.33 percent of the total noninterest income reported by the 50 institutions, virtually the same as the 4.35 percent in 2009. The mean ratio of total insurance revenue to noninterest income among the top 50 in total insurance income was 17.2 percent, an increase from 16.4 percent in 2009. The leaders in total insurance income appear in Table 1 on page 5.

Joining the top 50 in total insurance revenue in 2010 were RBC USA Holdco Corporation (NY), First Niagara Financial Group (NY), Two Rivers Financial Group (IA), Doral Financial Corporation (PR), and Valley National Bancorp (NJ). RBC USA Holdco became the new top-tier U.S. bank holding company in the Royal Bank of Canada (RBC) organization in 2010, replacing RBC's previous U.S. high-holder, as the bank reorganized the ownership-structure of its U.S.-based holdings, including insurance. First Niagara was formerly a thrift and consequently did not report insurance income as a line item in its call reports to the Office of Thrift Supervision (OTS). Two Rivers Financial was previously a small bank holding company and, thus, exempt from reporting line item fee income like insurance.

Among the top 50 nationally and those BHCs reporting in 2009 as well as 2010, RBC USA Holdco (NY) increased its predecessor's rank in total insurance income the most, having jumped from 243<sup>rd</sup> place at the end of 2009 to 11<sup>th</sup> by year-end 2010. As noted above, we believe this rise in total insurance income is due to a

reorganization of RBC entities that were not previously part of a U.S. BHC. Doral Financial (PR) jumped 10 rungs of the ladder from 53<sup>rd</sup> to 43<sup>rd</sup> place, Stifel Financial ascended 6 spots from 34<sup>th</sup> to 28<sup>th</sup> ranking, and Valley National Bancorp (NJ) climbed 5 rungs from 54<sup>th</sup> to 49<sup>th</sup> place in the rankings. Most of the top 50 declined in the rankings, if only because of the sudden appearance of RBC USA Holdco in the top 50 list.

#### Insurance Concentration Ratio: Total Insurance Income as a Percent of Noninterest Income

The top 50 bank holding companies (excluding MetLife, Inc. and two BHCs with Concentration Ratios equal to or greater than 280%) that reported the highest concentration or percentage of total insurance revenue to total noninterest income appear in Table 2 on page 6.

The leading 50 companies in the Concentration Ratio of total insurance income to noninterest income averaged 38.7 percent in that benchmark at December 31, 2010, up from 34.0 percent in 2009. Among this same top 50, the adjusted mean ratio of insurance revenue to noninterest income was 42.5 percent in 2010, while the standard deviation was 15.6 percent. The 2010 adjusted mean ratio was up from an adjusted 42.1 percent in 2009.<sup>2</sup> The median was 38.4 percent in 2010, down from 38.6 percent in 2009.

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 7.4 percent.
- The top 50 BHCs in insurance revenue attained a mean ratio of total insurance to noninterest income of 17.2 percent.
- For the top 50 BHCs in insurance as a percent of noninterest income, the mean Concentration Ratio of total insurance revenue to noninterest income was 42.5 percent.

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

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<sup>2</sup> The average, mean and median ratios were affected by our decision to adjust the top 50 companies by removing BHCs with Concentration Ratios exceeding 100 percent. How can it happen that Concentration Ratio can exceed 100 percent? It happens when a BHC produces positive insurance revenues, but has other significant, even volatile, losses in noninterest income that reduce the net noninterest income to an amount less than the insurance revenues, thereby increasing the ratio of total insurance to noninterest income. Those losses are typically not from noninterest fee income activities, but rather losses on sales of loans and leases, other real estate owned, or other assets. In this case, noninterest income is still positive, but as a denominator, it is now less than the numerator.

In situations like this, adjusting the mean ratio, when possible, is one way of eliminating outlying data points and establishing more reasonable readings. As a fixed point in the middle of a given population's data points, median ratios also help restore statistical balance for the observer. Another useful method by which to arrive at a more typical performance of particular BHCs is to examine the Participation Ratio of total insurance income to noninterest fee income, which excludes noninterest (non-fee) gains and losses from the sale of bank loans, leases, real estate or assets. The Participation Ratio derives from all ongoing noninterest fee income activities that generate recurring fee income as opposed to occasional gains or losses.

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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 subsidiary 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 at [www.theabia.com](http://www.theabia.com).

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TABLE 1: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME YTD DECEMBER 31, 2010 NATIONALLY (In thousands of dollars)					
Rank 2010	Rank 2009	Total Insurance Income (\$000s)	Bank Holding Company Name	City	State
1	1	\$2,683,000	CITIGROUP INC.	NEW YORK	NY
2	3	\$2,126,000	WELLS FARGO & COMPANY	SAN FRANCISCO	CA
3	2	\$2,065,843	BANK OF AMERICA CORPORATION	CHARLOTTE	NC
4	4	\$1,975,000	ALLY FINANCIAL INC.	DETROIT	MI
5	5	\$1,042,662	BB&T CORPORATION	WINSTON-SALEM	NC
6	8	\$499,000	JPMORGAN CHASE & CO.	NEW YORK	NY
7	6	\$487,000	GOLDMAN SACHS GROUP, INC., THE	NEW YORK	NY
8	7	\$452,190	AMERICAN EXPRESS COMPANY	NEW YORK	NY
9	9	\$311,254	HSBC NORTH AMERICA HOLDINGS INC.	NEW YORK	NY
10	10	\$298,000	MORGAN STANLEY	NEW YORK	NY
11	243	\$178,558	RBC USA HOLDCO CORPORATION	NEW YORK	NY
12	11	\$139,131	DISCOVER FINANCIAL SERVICES	RIVERWOODS	IL
13	13	\$119,732	ARMED FORCES BENEFIT ASSOCIATION	ALEXANDRIA	VA
14	12	\$114,929	PNC FINANCIAL SERVICES GROUP	PITTSBURGH	PA
15	14	\$110,337	REGIONS FINANCIAL CORPORATION	BIRMINGHAM	AL
16	15	\$82,604	BANCORPSOUTH, INC.	TUPELO	MS
17	16	\$76,032	HUNTINGTON BANCSHARES INC.	COLUMBUS	OH
18	18	\$63,000	U.S. BANCORP	MINNEAPOLIS	MN
19	17	\$61,802	SUNTRUST BANKS, INC.	ATLANTA	GA
20	19	\$55,427	EASTERN BANK CORPORATION	BOSTON	MA
21	20	\$53,700	FIFTH THIRD BANCORP	CINCINNATI	OH
22	N/A	\$50,392	FIRST NIAGARA FINANCIAL GROUP, INC.	BUFFALO	NY
23	21	\$50,253	TD BANK US HOLDING COMPANY	PORTLAND	ME
24	23	\$44,000	POPULAR, INC.	SAN JUAN	PR
25	24	\$43,829	ASSOCIATED BANC-CORP	GREEN BAY	WI
26	22	\$41,551	BBVA USA BANCSHARES, INC.	HOUSTON	TX
27	25	\$39,611	M&T BANK CORPORATION	BUFFALO	NY
28	34	\$38,501	STIFEL FINANCIAL CORP.	SAINT LOUIS	MO
29	28	\$37,972	LAURITZEN CORPORATION	OMAHA	NE
30	27	\$36,463	OLD NATIONAL BANCORP	EVANSVILLE	IN
31	31	\$34,175	CULLEN/FROST BANKERS, INC.	SAN ANTONIO	TX
32	29	\$32,896	BANCWEST CORPORATION	HONOLULU	HI
33	32	\$27,691	TRUSTMARK CORPORATION	JACKSON	MS
34	33	\$21,751	JOHNSON FINANCIAL GROUP, INC.	RACINE	WI
35	30	\$20,254	FIRST HORIZON NATIONAL CORPORATION	MEMPHIS	TN
36	35	\$15,932	FIRST NATIONAL OF NEBRASKA, INC.	OMAHA	NE
37	36	\$15,772	F.N.B. CORPORATION	HERMITAGE	PA
38	N/A	\$15,484	TWO RIVERS FINANCIAL GROUP, INC.	BURLINGTON	IA
39	40	\$14,886	BREMER FINANCIAL CORPORATION	SAINT PAUL	MN
40	37	\$14,870	NATIONAL PENN BANCSHARES, INC.	BOYERTOWN	PA
41	42	\$14,500	NBT BANCORP INC.	NORWICH	NY
42	41	\$14,461	HANCOCK HOLDING COMPANY	GULFPORT	MS
43	53	\$13,306	DORAL FINANCIAL CORPORATION	SAN JUAN	PR
44	47	\$12,996	COBIZ FINANCIAL, INC.	DENVER	CO
45	45	\$12,738	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY
46	39	\$12,690	CIT GROUP INC.	LIVINGSTON	NJ
47	43	\$12,535	SUSQUEHANNA BANCSHARES, INC.	LITITZ	PA
48	46	\$11,915	VIST FINANCIAL CORP.	WYOMISSING	PA
49	54	\$11,334	VALLEY NATIONAL BANCORP	WAYNE	NJ
50	49	\$10,113	SHORE BANCSHARES, INC.	EASTON	MD

Ranking excludes MetLife

Source: Michael White Associates and American Bankers Insurance Association

<b>Table 2: TOP BANK HOLDING COMPANIES IN TOTAL INSURANCE INCOME AS A PERCENT OF NONINTEREST INCOME YTD DECEMBER 31, 2010 NATIONALLY</b>				
<b>RANK</b>	<b>% of Noninterest Income</b>	<b>Bank Holding Company Name</b>	<b>City</b>	<b>State</b>
1	92.28%	ARMED FORCES BENEFIT ASSOCIATION	ALEXANDRIA	VA
2	76.75%	LEGACYTEXAS GROUP, INC.	PLANO	TX
3	73.18%	TWO RIVERS FINANCIAL GROUP, INC.	BURLINGTON	IA
4	70.19%	CHOICE FINANCIAL HOLDINGS, INC.	GRAFTON	ND
5	68.35%	SUMMIT FINANCIAL GROUP, INC.	MOOREFIELD	WV
6	62.27%	VIST FINANCIAL CORP.	WYOMISSING	PA
7	61.95%	473 BROADWAY HOLDING CORPORATION	SARATOGA SPRINGS	NY
8	60.80%	BEACON BANCORP	TAUNTON	MA
9	58.24%	SHORE BANCSHARES, INC.	EASTON	MD
10	55.38%	EVANS BANCORP, INC.	ANGOLA	NY
11	54.94%	FIRST BANK CORP	FORT SMITH	AR
12	53.91%	TEXAS INDEPENDENT BANCSHARES, INC.	TEXAS CITY	TX
13	48.90%	COBIZ FINANCIAL, INC.	DENVER	CO
14	48.76%	PINNACLE FINANCIAL PARTNERS, INC.	NASHVILLE	TN
15	46.83%	FSB MUTUAL HOLDINGS, INC.	PERKASIE	PA
16	46.70%	INDUSTRY BANCSHARES, INC.	INDUSTRY	TX
17	45.78%	VAN DIEST INVESTMENT COMPANY	ANKENY	IA
18	45.02%	ORIENTAL FINANCIAL GROUP INC.	SAN JUAN	PR
19	44.82%	SOUTH DAKOTA BANCSHARES, INC.	PIERRE	SD
20	43.35%	MOUNTAINONE FINANCIAL PARTNERS, MHC	NORTH ADAMS	MA
21	42.17%	EASTERN BANK CORPORATION	BOSTON	MA
22	41.01%	ACNB CORPORATION	GETTYSBURG	PA
23	40.70%	ENCORE BANCSHARES, INC.	HOUSTON	TX
24	39.50%	OCEANPOINT FINANCIAL PARTNERS, MHC	NEWPORT	RI
25	39.22%	FARMERS STATE CORPORATION	MANKATO	MN
26	37.50%	AMERICAN BANCOR, LTD.	DICKINSON	ND
27	37.31%	HIGH POINT BANK CORPORATION	HIGH POINT	NC
28	36.98%	PLATTE VALLEY FINANCIAL SERVICE COMPANIES, INC.	SCOTTSBLUFF	NE
29	36.92%	BB&T CORPORATION	WINSTON-SALEM	NC
30	34.68%	GORHAM BANCORP, MHC	GORHAM	ME
31	34.04%	BANCORPSOUTH, INC.	TUPELO	MS
32	34.00%	HOMETOWN COMMUNITY BANCORP, INC.	MORTON	IL
33	32.62%	GOODENOW BANCORPORATION	OKOBOJI	IA
34	32.42%	COMMUNITY FIRST BANCSHARES, INC.	UNION CITY	TN
35	31.56%	GERMAN AMERICAN BANCORP, INC.	JASPER	IN
36	31.36%	LAURITZEN CORPORATION	OMAHA	NE
37	31.18%	PEOPLES BANCORP INC.	MARIETTA	OH
38	30.65%	AMERICAN BANK HOLDING CORPORATION	CORPUS CHRISTI	TX
39	30.24%	HANMI FINANCIAL CORPORATION	LOS ANGELES	CA
40	28.29%	FIRST NIAGARA FINANCIAL GROUP, INC.	BUFFALO	NY
41	28.16%	FIRST VOLUNTEER CORPORATION	CHATTANOOGA	TN
42	27.71%	FIRST SOUTHERN BANCORP, INC.	STANFORD	KY
43	27.68%	TOMPKINS FINANCIAL CORPORATION	ITHACA	NY
44	26.81%	FIRST STATE BANCSHARES, INC.	FARMINGTON	MO
45	26.81%	DACOTAH BANKS, INC.	ABERDEEN	SD
46	26.38%	COLOEAST BANKSHARES, INC.	LAMAR	CO
47	26.03%	FIRST YORK BAN CORP.	YORK	NE
48	25.47%	NEW MEXICO BANQUEST CORPORATION	SANTA FE	NM
49	25.46%	NARRAGANSETT FINANCIAL CORP	FALL RIVER	MA
50	25.39%	SUNFLOWER FINANCIAL, INC.	SALINA	KS

Ranking excludes MetLife, Inc. and two bank holding companies with ratios in excess of 100%  
Source: Michael White Associates and American Bankers Insurance Association