

Bank Insurance Revenues Rose 7.2% In 2008

by National-Underwriter

Total insurance revenue for the nation's bank holding companies (BHCs), excluding MetLife, increased 7.2 percent last year, rising from \$10.15 billion in 2007 to \$10.88 billion, according to a study.

The report, which was released yesterday by Radnor, Pa.-based Michael White Associates with the American Bankers headquartered in Washington, noted that MetLife "does not engage in significant banking activities."

Citigroup Inc., New York; Wells Fargo & Company, San Francisco; and Bank of America Corporation, Charlotte, N.C., led all bank holding companies with significant banking activities in total insurance fee income in 2008, said the report.

The companies said the findings are based on data reported to the Federal Reserve Board by large top-tier bank holding companies. The analysis measures the banking industry's insurance business and provides some benchmarks that gauge bank insurance performance.

Michael D. White, president of Michael White Associates, said: "Among the top 50 in insurance revenue, the mean ratio of the concentration of total insurance revenue to noninterest income was 18.6 percent in 2008. Among the top 50 in this Concentration Ratio, the mean was 49.9 percent."

Mr. White added that for bank holding companies, "insurance activities clearly continue to make meaningful contributions to banking noninterest income and net operating revenues."

During 2008, 586 bank holding companies, or 66.6 percent of all large top-level BHCs reporting, earned some type of insurance-related revenue.

While BHC insurance brokerage fee income decreased from a record high in 2007, the 31.8 percent increase in BHC insurance underwriting income (excluding MetLife) at \$4.65 billion "drove the industry's overall increase in total insurance income in 2008," the companies said in a statement.

According to the data, total insurance income slowed in 2007 and declined in 2008.

The report said this was due to a variety of factors, mentioning the continuing, long-lasting soft market in property-casualty insurance; sporadic but seemingly more numerous instances of decreases in contingent commissions; and a few bank-charter conversions to thrifts that do not report insurance brokerage income.

Also cited was the recent exclusion of all annuity commissions from the insurance brokerage data field, the conversion of some large BHC credit insurance underwriting operations to offerings of related noninsurance products like debt cancellation or debt suspension agreements, and some sales of insurance operations by a few big BHCs.

Valerie Barton, ABIA executive director, said, "Despite all this, BHCs managed to hold their own in the overall generation of total insurance income. Overall, the bank insurance industry remains healthy, and the prospects for a resumption of long-term growth in bank insurance revenues remain positive."

The analysis in the report includes a ranking of the top 50 bank holding companies on the basis of the absolute dollar amount of total insurance revenue (earnings from sales and underwriting) and on the basis of total insurance revenue as a percentage of the institution's total noninterest income.

Other findings include:

• Joining the top 50 in total insurance revenue in 2008 were National Penn Bancshares Inc., CoBiz Financial Inc., The ANB Corporation, Shore Bancshares Inc., Doral Grp Ltd., 473 Broadway Holding Corporation, Comerica Incorporated and Peoples Bancorp Inc.

• Among the top 50 nationally, Doral Grp Ltd. increased its rank in total insurance income the most, having jumped from 92nd place at the end of 2007 to 43rd by year-end 2008. National Penn Bancshares Inc. and 473 Broadway Holding Corporation each jumped 40 rungs of the ladder, respectively, from 74th to 34th and 84th to 44th place in the rankings.

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var dt = new Date();
var my_time=dt.getFullYear();
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