
Annuity income drops at five of top 10 bank holding companies

By Editor Test *Wed, Jan 26, 2011*

Wells Fargo, Morgan Stanley, JPMorgan Chase and Bank of America led bank holding companies in annuity commission income through Sept. 30, 2010, combining for almost 60% of the year's income.

Income earned from the sale of annuities at bank holding companies (BHCs) declined 7.6% to \$1.84 billion in the first three quarters of 2010, down from \$2 billion in the first three quarters of 2009, according to the [Michael White-ABIA Bank Annuity Fee Income Report](#).

Wells Fargo & Company (CA), Morgan Stanley (NY), JPMorgan Chase & Co. (NY) and Bank of America (NC) led all bank holding companies in annuity commission income in the first three quarters of 2010, accounting for just under 60% of the total for BHCs. Wells Fargo became a leader in bank annuity sales by acquiring Wachovia Bank in the financial crisis.

Morgan Stanley and BBVA USA Bancshares (TX) posted the greatest annuity commission growth, with 41% and 26% higher sales through the first three quarters of 2010 compared to the same period in 2009. JP Morgan Chase, Bank of America, PNC Financial, and SunTrust all posted double-digit declines, year-over-year.

Third-quarter annuity commissions fell 3.1%, to \$621.3 million from \$640.9 million in 2Q 2010 and 7.3% less than the \$669.8 million earned in 3Q 2009.

Compiled by Michael White Associates and sponsored by the American Bankers Insurance Association, the report measures and benchmarks the banking industry's annuity fee income. It is based on data from all 7,020 commercial and FDIC-supervised banks and 915 large top-tier bank holding companies operating on September 30, 2010.

Of the 915 BHCs, 386 or 42.2% sold annuities during the first three quarters of 2010. Their \$1.84 billion in annuity commissions and fees constituted 11% of their total mutual fund and annuity income of \$16.84 billion and 15.9% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of \$11.6 billion.

Of the 7,020 banks, 923 or only 13.2% sold annuities, earning \$560.9 million in annuity commissions or 30.4% of the banking industry's total annuity fee income. However, bank annuity production was down 20.5% from \$705.5 million in the first three quarters of 2009.

Seventy-four percent (74%) of BHCs with over \$10 billion in assets earned third quarter year-to-date annuity commissions of \$1.74 billion, constituting 94.1% of total annuity commissions reported. This was a decrease of 8.1% from \$1.89 billion in annuity fee income in the first three quarters of 2009.

Among this asset class of largest BHCs in the first three quarters, annuity commissions made up 10.5% of their total mutual fund and annuity income of \$16.59 billion and 15.9% of their total insurance sales

volume of \$10.92 billion.

BHCs with assets of \$1 billion to \$10 billion recorded a slim 0.2% increase in annuity fee income, rising to \$91.6 million in the first three quarters of 2010 from \$91.4 in the same period a year before and accounting for 36.7% of their mutual fund and annuity income of \$249.6 million.

BHCs with \$500 million to \$1 billion in assets generated \$16.9 million in annuity commissions in the first three quarters of 2010, up 1.0% from \$16.7 million in the first three quarters of 2009.

Only 33.5% of BHCs this size engaged in annuity sales activities, which was the lowest participation rate among all BHC asset classes. Their annuity commissions constituted just 13.3% of their total insurance sales volume of \$127.5 million.

Among BHCs with assets between \$1 billion and \$10 billion, leaders included Stifel Financial Corp. (MO), Hancock Holding Company (MS), and National Penn Bancshares, Inc. (PA).

Among BHCs with assets between \$500 million and \$1 billion, leaders were First American International Corp. (NY), CCB Financial Corporation (MO), and Ironhorse Financial Group, Inc. (OK).

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