
Bank Annuity Fee Income Improves in 2Q

By Editor Test *Wed, Oct 13, 2010*

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Income from annuity sales at bank holding companies (BHCs) reached \$640.9 million in the second quarter of 2010, up 10% from \$582.6 million in the first quarter, according to the *Michael White-ABIA (American Bankers Insurance Association) Bank Annuity Fee Income Report*.

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The report is based on data from all 7,077 commercial and FDIC-supervised banks and 930 large top-tier bank holding companies operating on June 30, 2010. Of those 930, 387 or 41.6% participated in annuity sales activities during first half 2010.

Their \$1.22 billion in annuity commissions and fees constituted 10.8% of their total mutual fund and annuity income of \$11.33 billion and 15.1% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of \$8.10 billion.

Of the 7,077 banks, 894 or 12.6% participated in first-half annuity sales activities. Those participating banks earned \$375.0 million in annuity commissions or 30.6% of the banking industry's total annuity fee income. However, bank annuity production was down 22.6% from \$484.3 million in first half 2009.

Nearly seventy-three percent (72.7%) of BHCs with over \$10 billion in assets earned first-half annuity commissions of \$1.15 billion, constituting 94.0% of total annuity commissions reported. This revenue represented a decrease of 8.4% from \$1.26 billion in annuity fee income in first half 2009.

Among this asset class of largest BHCs in the first half, annuity commissions made up 10.3% of their total mutual fund and annuity income of \$11.16 billion and 15.0% of their total insurance sales volume of \$7.65 billion.

BHCs with assets between \$1 billion and \$10 billion recorded an increase of 4.9% in annuity fee income, rising from \$59.6 million in first half 2009 to \$62.5 million in first half 2010 and accounting for 37.4% of their mutual fund and annuity income of \$167.1 million.

BHCs with \$500 million to \$1 billion in assets generated \$11.0 million in annuity commissions in first half 2010, down 8.2% from \$12.0 million in first half 2009. Only 32.3% 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 (12.9%) of total insurance sales volume of \$84.9 million.

Wells Fargo & Company (CA), Morgan Stanley (NY) and JPMorgan Chase & Co. (NY) led all bank holding companies in annuity commission income in first half 2010. 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), Ironhorse Financial Group, Inc. (OK), and First Citizens Bancshares, Inc. (TN).

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