
Bank annuity sales dip 2.5% in first three-quarters of 2015

By Editorial Staff *Thu, Jan 21, 2016*

Over two-thirds (68.4%) of BHCs with over \$10 billion in assets earned third quarter year-to-date annuity commissions of \$2.49 billion, constituting 94.8% of total annuity commissions reported.

Income earned from the sale of annuities at bank holding companies (BHCs) amounted to \$2.62 billion in the first three quarters of 2015, down 2.5% from the \$2.69 billion in the first three quarters of 2014, according to Michael White Associates (MWA), Radnor, Pa.

Wells Fargo & Company (CA), Morgan Stanley (NY), Raymond James Financial, Inc. (FL), JPMorgan Chase & Co. (NY), and Bank of America Corporation (NC) led all bank holding companies in annuity commission income.

Third-quarter BHC annuity commissions were the sixth-best quarterly annuity commissions in history at \$888.5 million. They were down 0.8% from \$893.0 million in second quarter 2015, however, and down 0.3% from \$888.5 million earned in third quarter 2014.

Of the 583 bank holding companies surveyed:

- 49.1% (286) participated in annuity sales activities during the first three quarters of 2015.
- Their \$2.62 billion in annuity commissions and fees constituted 17.6% of their total mutual fund and annuity income of \$14.84 billion.
- The \$2.62 billion represented 39% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of \$6.71 billion.

Of the 6,270 banks, 876 or 14.0% participated in annuity sales activities, earning \$594.8 million in annuity commissions or 22.7% of the banking industry's total annuity fee income. Bank annuity production was down 2.5% from \$644.4 million in the first three quarters of 2014.

| TOP 10 BANK HOLDING COMPANIES IN ANNUITY FEE INCOME | | | | | | | |
|---|--------------------|-----------|-------------------------------|--------------------------|----|-----------------|-------------------------|
| YEAR-TO-DATE SEPTEMBER 30, 2015 | | | | | | | |
| Nationally | | | | | | | |
| RANK | YTD ANNUITY INCOME | | PERCENT CHANGE 2014 - 2015 | BANK HOLDING COMPANY | ST | ASSETS | % OF NONINTEREST INCOME |
| | 3Q 2015 | 3Q 2014 | | | | | |
| (ALL DOLLAR AMOUNTS IN THOUSANDS) | | | | | | | |
| 1 | \$711,000 | \$665,000 | 6.92% | WELLS FARGO & COMPANY | CA | \$1,751,201,000 | 2.37% |
| 2 | \$501,000 | \$522,000 | -4.02% | MORGAN STANLEY | NY | \$831,766,000 | 2.09% |
| 3 | \$261,057 | \$256,982 | 1.59% | RAYMOND JAMES FINANCIAL | FL | \$26,242,416 | 7.27% |
| 4 | \$153,000 | \$167,000 | -8.38% | JPMORGAN CHASE & CO. | NY | \$2,408,851,000 | 0.40% |
| 5 | \$107,000 | \$122,000 | -12.30% | BANK OF AMERICA CORP. | NC | \$2,148,193,000 | 0.32% |
| 6 | \$83,143 | \$88,976 | 16.56% | SUNTRUST BANKS, INC. | GA | \$187,255,650 | 3.15% |
| 7 | \$53,000 | \$64,000 | -17.19% | CITIGROUP INC. | NY | \$1,808,338,000 | 0.22% |
| 8 | \$50,431 | \$43,849 | 15.01% | BB&T CORPORATION | NC | \$208,802,415 | 1.69% |
| 9 | \$50,000 | \$56,000 | -10.71% | U.S. BANCORP | MN | \$415,943,000 | 0.74% |
| 10 | \$40,766 | \$30,388 | 34.15% | PNC FINANCIAL SVCS GROUP | PA | \$362,137,164 | 0.79% |
| 11 | \$39,310 | \$36,132 | 8.80% | KEYCORP | OH | \$94,337,639 | 2.84% |
| 12 | \$39,065 | \$43,540 | -10.28% | BBVA COMPASS BANCSHARE | TX | \$89,360,000 | 5.84% |

Source: Michael White Bank Annuity Fee Income Study

“Of 286 large top-tier BHCs reporting annuity fee income in the first nine months of 2015, 180 or 62.9% were on track to earn at least \$250,000 this year,” said Michael White, president of MWA and author of the study, in a release. Of those 180, 81 BHCs or 45.0% achieved double-digit growth in annuity fee income.

“That’s a 7.2-point decrease from the same period of 2014, when 93 institutions or 52.2% of 178 BHCs on track to earn at least \$250,000 in annuity fee income achieved double-digit growth. This decreased double-digit growth in annuity revenues among large BHCs demonstrates the continued weakening of the bank annuity sector.”

Over two-thirds (68.4%) of BHCs with over \$10 billion in assets earned third quarter year-to-date annuity commissions of \$2.49 billion, constituting 94.8% of total annuity commissions reported. This was a decrease of 2.5% from \$2.53 billion in annuity fee income in the first three quarters of 2014.

Among this asset class of largest BHCs in the first three quarters, annuity commissions made up 17.4% of their total mutual fund and annuity income of \$14.35 billion and 41.2% of their total insurance sales revenue of \$6.04 billion.

Banks with \$1 billion to \$10 billion

Banks in the next tier didn’t fare as well. With 45.2% participating in annuity sales, BHCs with assets between \$1 billion and \$10 billion recorded a decrease of 18.4% in annuity fee income. Sales fell to \$128.9 million in the first three quarters of 2015 from \$158.0 million in the first three quarters of 2014 and accounted for 19.3% of their total insurance sales income of \$667.0 million.

Among BHCs with assets between \$1 billion and \$10 billion, leaders included:

- Santander Bancorp (PR)
- Stifel Financial Corp. (MO)
- Wesbanco, Inc. (WV)
- National Penn Bancshares, Inc. (PA)
- First Commonwealth Financial Corporation (PA)

The smallest community banks, those with assets less than \$1 billion, were used as “proxies” for the smallest BHCs, which are not required to report annuity fee income.

Leaders among bank proxies for small BHCs were:

- The Oneida Savings Bank (NY)
- Sturgis Bank & Trust Company (MI)
- The Security National Bank of Sioux City, Iowa (IA)
- Bank of Springfield (IL)
- Bank Midwest (IA)

These banks with assets with less than \$1 billion generated \$50.9 million in annuity commissions in the first three quarters of 2015, down 6.7% from \$54.5 million in the first three quarters of 2014. Only 10.6% of banks this size engaged in annuity sales activities, which was the lowest participation rate among all asset classes.

Among these banks, annuity commissions constituted the smallest proportion (18.7%) of total insurance sales volume of \$271.4 million.

Among the top 50 BHCs nationally in annuity concentration (i.e., annuity fee income as a percent of noninterest income), the median year-to-date Annuity Concentration Ratio was 5.60% at the end of third quarter 2015.

Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 16.04% of noninterest income.

The findings are based on data from all 6,270 commercial banks, savings banks and savings associations (thrifts), and 583 large top-tier bank and savings and loan holding companies (collectively, BHCs) with consolidated assets greater than \$1 billion operating on September 30, 2015. Several BHCs that are historically insurance or commercial companies have been excluded from the study.