

Bank holding companies earn \$1.58bn from annuities in first half of 2012

By Editor Test Wed, Oct 24, 2012

Despite an overall increase in the banks' annuity revenues in the first half of 2012, twice as many bank holding companies saw lower annuity commissions and fees this year than in the first half of 2011. The director of the American Bankers Insurance Association called that "troubling."

Rank	YTD Annuity Income		% Change	Bank holding company	St.	Assets	% of Noninterest income
	2Q 2012	2Q 2011	2011 - 12				
(Dollar amounts in millions)							
1	\$383.0	\$415.0	-7.71	Wells Fargo & Co.	CA	\$1,336,100.0	1.85
2	313.0	214.0	46.26	Morgan Stanley	NY	748,517.0	2.25
3	141.9	N/A	N/A	Raymond James	FL	20,874.3	7.95
4	124.0	163.0	-23.93	JPMorgan Chase	NY	2,288,620.0	0.52
5	103.8	124.0	-16.62	Bank of America Corp.	NC	2,155,914.7	0.46
6	48.2	40.4	19.30	SunTrust Banks	GA	178,307.3	2.72
7	29.0	34.0	-14.71	US Bancorp	MN	353,136.0	0.63
8	26.1	36.1	-27.79	BBVA USA Bancshares	TX	66,013.0	6.24
9	24.8	25.0	-0.90	BB&T Corp	NC	178,527.4	1.43
10	23.0	38.3	-39.93	PNC Financial Services	PA	299,712.0	0.94

Source: Michael White-ABIA Bank Annuity Fee Income Report, October 22, 2012.

Bank holding companies earned \$1.58 billion from the sale of annuities in the first half of 2012, up 3.4% over the \$1.53 billion earned in the first half of 2011, according to the just-released *Michael White-ABIA Bank Annuity Fee Income Report*.

But annuity income would have fallen if not for earnings reported by thrift holding companies (THCs) and by new bank holding company Raymond James Financial, Inc.

Thrifts and savings and loan holding companies began reporting insurance fee income for the first time in first quarter 2012. Several bank holding companies that are historically and traditionally insurance companies have been excluded from the report.

Second-quarter 2012 annuity commissions rose 2.4%, to \$799.9 million, from \$781.4 million earned in second quarter 2011 and rose 2.3% from \$781.7 million in first quarter 2012.

Compiled by Michael White Associates (MWA) and sponsored by the American Bankers Insurance Association (ABIA), the report measures and benchmarks the banking industry's annuity fee income. It is based on data from all 7,246 commercial banks, savings banks and savings associations (thrifts), and 1,070 large top-tier bank and savings and loan holding companies (collectively, BHCs) operating on June 30, 2012.

Of the 1,070 BHCs, 426 or 39.8% participated in annuity sales activities during first half 2012.

Their \$1.58 billion in annuity commissions and fees constituted 14% of their total mutual fund and annuity income of \$11.33 billion and 28.9% of total BHC insurance sales volume (i.e., the sum of annuity and insurance

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brokerage income) of \$5.47 billion. Of the 7,246 banks, 942 or 13% participated in first-half annuity sales activities. Those participating banks earned \$367.4 million in annuity commissions or 23.2% of the banking industry's total annuity fee income; their annuity income production was down 8.4% from \$401.1 million in first half 2011.

Kevin McKechnie, executive director of the ABIA, said, "Of 426 large top-tier BHCs reporting annuity fee income in first half 2012, 185 or 43.4% were on track to earn at least \$250,000 this year. Of those 185, 65 BHCs (35.1%) achieved double-digit growth in annuity fee income for the quarter. That's more than a 30-point decline from first half 2011, when 121 institutions or 65.4% of 185 BHCs that were on track to earn at least \$250,000 in annuity fee income achieved double-digit growth. Along with a doubling of BHCs that experienced decreases in annuity commissions and fees, these findings of less growth and more declines are troublesome, despite the overall increase in the banking industry's annuity revenues year-to-date."

Two-thirds (67.1%) of BHCs with over \$10 billion in assets earned first-half annuity commissions of \$1.49 billion, constituting 94.1% of total annuity commissions reported by the banking industry. This revenue represented an increase of 2.3% from \$1.46 billion in annuity fee income in first half 2011. Among this asset class of largest BHCs in the first half, annuity commissions made up 14.9% of their total mutual fund and annuity income of \$9.99 billion and 30.3% of their total insurance sales volume of \$4.92 billion.

BHCs with assets between \$1 billion and \$10 billion recorded an increase of 24.3% in annuity fee income, rising from \$61.8 million in first half 2011 to \$76.8 million in first half 2012 and accounting for 18.3% of their total insurance sales income of \$418.9 million. BHCs with \$500 million to \$1 billion in assets generated \$16.2 million in annuity commissions in first half 2012, up 31.7% from \$12.3 million in first half 2011. Only 29.9% 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 (12.1%) of total insurance sales volume of \$134.0 million.

Wells Fargo & Company (CA), Morgan Stanley (NY), and Raymond James Financial, Inc. (FL), a new addition to BHC ranks in 2012, led all bank holding companies in annuity commission income in first half 2012. Among BHCs with assets between \$1 billion and \$10 billion, leaders included Stifel Financial Corp. (MO), National Penn Bancshares, Inc. (PA), and Old National Bancorp (IN). Among

Among BHCs with assets between \$500 million and \$1 billion, leaders were First Command Financial Services, Inc. (TX), Liberty Shares, Inc. (GA), and Nutmeg Financial MHC (CT). The smallest community banks, those with assets less than \$500 million, 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 Essex Savings Bank (NJ), The First National Bank of Elk River (MN), and Sturgis Bank & Trust Company (MI).

Among the top 50 BHCs nationally in annuity concentration (i.e., annuity fee income as a percent of noninterest income), the median Annuity Concentration Ratio was 4.7% in first half 2012. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 15.1% of noninterest income.