

Record annuity sales at bank holding companies

By Editor Test Thu, Oct 20, 2011

Three-fourths (74.7%) of bank holding companies with over \$10 billion in assets earned first-half annuity commissions of \$1.46 billion, constituting 95.2% of total annuity commissions reported by the banking industry.

TOP 10 BANK HOLDING COMPANIES IN ANNUITY FEE INCOME YEAR-TO-DATE JUNE 30, 2011 Nationally							
RANK	YTD ANNUITY INCOME 2Q 2011 - 2Q 2011	PERCENT CHANGE 2010 - 2011	BANK HOLDING COMPANY	ST	ASSETS	% OF NONINTEREST INCOME	
(ALL DOLLAR AMOUNTS IN THOUSANDS)							
1	\$415,000	\$347,000	19.60%	WELLS FARGO & COMPANY	CA	\$1,259,622,000	2.15%
2	\$214,000	\$160,000	33.75%	MORGAN STANLEY	NY	\$830,747,000	1.26%
3	\$163,000	\$121,000	34.71%	JPMORGAN CHASE & CO.	NY	\$2,244,903,000	0.59%
4	\$124,440	\$79,113	57.29%	BANK OF AMERICA CORP.	NC	\$2,258,000,455	0.88%
5	\$59,093	\$52,360	12.86%	REGIONS FINANCIAL CORP.	AL	\$130,907,840	4.28%
6	\$40,380	\$28,372	42.32%	SUNTRUST BANKS, INC.	GA	\$172,236,691	2.43%
7	\$38,814	N/A	N/A	RBC USA HOLDCO CORPORATION	NY	\$84,857,923	3.28%
8	\$38,318	\$37,400	2.45%	PNC FINANCIAL SERVICES GROUP	PA	\$263,259,894	1.34%
9	\$36,140	\$24,045	50.30%	BBVA USA BANKSARES, INC.	TX	\$62,686,049	9.06%
10	\$34,000	\$28,000	21.43%	U.S. BANCORP	MN	\$320,874,000	0.82%

Source: Michael White-ABIA Bank Annuity Fee Income Report

Income earned from the sale of annuities at bank holding companies (BHCs) in the first half of 2011 hit a record \$1.53 billion, up 25% over \$1.22 billion earned in the first half 2010, according to the *Michael White-ABIA Bank Annuity Fee Income Report*.

Second-quarter 2011 annuity commissions also reached record heights in rising to \$781.4 million, up 21.9% from \$640.9 million earned in second quarter 2010 and up 4.4% percent from \$748.2 million in first quarter 2011, the report showed.

The report, compiled by Michael White Associates and sponsored by American Bankers Insurance Association, is based on data from all 6,805 commercial and FDIC-supervised banks and 934 large top-tier bank holding companies operating on June 30, 2011.

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First half results

Of the 934 bank holding companies, 383 or 41% sold annuities during the first half of 2011. Their \$1.53 billion in annuity commissions and fees constituted 12% of their total mutual fund and annuity income of \$12.77 billion and 16.3% of total bank holding company insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of \$9.39 billion.

Of the 6,805 banks, 887 or 13% participated in first-half annuity sales activities. Those participating banks

earned \$401.1 million in annuity commissions or 26.2% of the banking industry's total annuity fee income; their annuity income production was up 6.9% from \$375.0 million in first half 2010.

Three-fourths (74.7%) of bank holding companies with over \$10 billion in assets earned first-half annuity commissions of \$1.46 billion, constituting 95.2% of total annuity commissions reported by the banking industry.

This revenue represented an increase of 26.6% from \$1.15 billion in annuity fee income in first half 2010. For the largest bank holding companies in the first half, annuity commissions made up 11.6% of their total mutual fund and annuity income of \$12.56 billion and 16.3% of their total insurance sales volume of \$8.94 billion.

At bank holding companies with assets between \$1 billion and \$10 billion, annuity fee income fell 1.1%, from \$62.5 million in first half 2010 to \$61.8 million in first half 2011 and accounting for 30.1% of their mutual fund and annuity income of \$205.4 million. Bank holding companies with \$500 million to \$1 billion in assets generated \$12.3 million in annuity commissions in first half 2011, up 12.4% from \$11 million in first half 2010.

Only 31.8% of bank holding companies 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 (15.3%) of total insurance sales volume of \$80.4 million.

Annuity sales leaders

Wells Fargo & Company, Morgan Stanley, and JPMorgan Chase & Co. led all bank holding companies in annuity commission income in first half 2011. Stifel Financial Corp., National Penn Bancshares, Inc., and Old National Bancorp were the leaders among bank holding companies with \$1 billion to \$10 billion in assets.

Among BHCs with assets between \$500 million and \$1 billion, leaders were Northeast Bancorp, First Citizens Bancshares, Inc., and Van Diest Investment Company.

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 Jacksonville Savings Bank (IL), Vantage Point Bank (PA), and Iowa State Bank (IA).

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 7.6% in first half 2011. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 15.9% of noninterest income.