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## Record year for bank annuity fee income in 2013

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By Editorial Staff      Thu, Apr 10, 2014

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*Wells Fargo, Morgan Stanley, Raymond James Financial, J.P. Morgan & Co. and Bank of America were the annuity fee leaders in the bank space in 2013, combining for \$2.23 billion of the year's \$3.43 billion total.*

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Income earned from the sale of annuities at bank holding companies (BHCs) reached a record \$3.43 billion in 2013, up 9% from \$3.15 billion in 2012, according to the Michael White Bank Annuity Fee Income Report.

Bank annuity fee income set record revenues in each of the four quarters of the year. Fourth-quarter 2013 BHC annuity commissions reached a record \$932.0 million, up 6.5% from \$875.0 million in the record third quarter. They increased 17.3% from \$794.8 million earned in fourth quarter 2012.

Overall annuity sales leaders in 2013:

- Wells Fargo & Co. (CA)
- Morgan Stanley (NY)
- Raymond James Financial (FL)
- JPMorgan Chase & Co. (NY)
- Bank of America Corp. (NC)

Results of the report from Michael White Associates (MWA) are based on data from all 6,812 domestic commercial banks, savings banks and savings associations (thrifts), and 1,062 large top-tier bank and thrift holding companies (BHCs) with consolidated assets over \$500 million operating on December 31, 2013. BHCs that are historically insurance or commercial companies were excluded.

Of 1,062 large BHCs, 423 or 39.8% participated in annuity sales activities during the year. Their \$3.43 billion in annuity commissions and fees constituted 35.6% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of \$9.65 billion. Of the 6,812 banks, 931 or 13.7% participated in annuity sales activities, earning \$800.1 million in annuity commissions or an amount equal to 23.3% of total BHC annuity fee income.

“There were signs of a definite improvement in BHC annuity earnings momentum,” said Michael White, president of MWA and author of the report, in a release. Of 423 large top-tier BHCs reporting annuity fee income in 2013, 216 or 51.1% (up from 179 or 41.8%)

earned a minimum of \$250,000 selling annuities.

### **Across the board income increases**

Of those 216, 127 BHCs (58.8%) achieved double-digit growth in annuity fee income. That was a 24-point rise from 2012, when 62 BHCs (34.6%) that earned at least \$250,000 in annuity income achieved double-digit growth in annuity fee income. The number of BHCs with both meaningful annuity income and double-digit growth doubled from 62 in 2012 to 127 in 2013, the report showed.

“We also examined nearly 100 large top-tier BHCs with at least \$1 million in annuity revenue in 2013,” White said, “and 69 of them or 75% attained increases in their revenue. That was twice the 35 BHCs with increased revenue in 2012. Those BHCs whose annuity revenues were up 10% or more outnumbered their 2012 peers by a factor of 2.5 times (54 BHCs in 2013 versus 22 in 2012).”

Two thirds (67%) of BHCs with over \$10 billion in assets earned annuity commissions of \$3.20 billion, representing 93.1% of the total annuity commissions reported. This was an increase of 7.7% from \$2.97 billion in annuity fee income in 2012.

Among this asset class of largest BHCs, annuity commissions made up 37.9% of their total insurance sales volume of \$8.44 billion, the highest proportion of annuity income to insurance sales revenue of any asset class.

### **BHCs with assets of \$1 billion to \$10 billion**

This group recorded an increase of 32.4% in annuity fee income in 2013, rising from \$156.4 million in 2012 to \$207.1 million, or 22.2% of their total insurance sales volume of \$932.4 million. The leaders included:

- Santander Bancorp (PR)
- Stifel Financial Corp. (MO)
- SWS Group, Inc. (TX)
- First Citizens Bancorporation, Inc. (SC)
- Old National Bancorp (IN)

BHCs with \$500 million to \$1 billion in assets generated \$31.7 million in annuity commissions in 2013, up 8.7% from \$29.2 million the year before. Only 29.9% of BHCs this size engaged in annuity sales activities. Among these BHCs, annuity commissions constituted the smallest proportion (11.5%) of total insurance sales volume of \$275.7

million.

### **BHCs with assets of \$500 million to \$1 billion**

The leaders were First Command Financial Services, Inc. (TX), Hopfed Bancorp, Inc. (KY), ION Financial MHC (CT), Northeast Bancorp (ME), and Goodenow Bancorporation (IA).

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 Sturgis Bank & Trust Company (MI), Essex Savings Bank (CT), FNB Bank, N.A. (PA), Firststar Bank, N.A. (OK), and Savers Co-operative Bank (MA). These small banks, representing small BHCs, registered an increase of 5.2% in annuity fee income, rising from \$36.4 million in 2012 to \$38.2 million in 2013.

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 8.2% in 2013, up from 6.0% in 2012. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 13.3% of noninterest income, down from 14.8% in 2012.

Among the top 50 BHC leaders in annuity penetration (i.e., annuity fee income per one million dollars of core or retail deposits), the median Annuity Penetration Ratio was \$977 per million dollars of retail deposits, up from \$863 per million in 2012. Among the top 50 small banks in annuity penetration, the median Annuity Penetration Ratio was \$1,428 per million dollars of core deposits in 2013, up from \$1,318 in 2012.

Among the top 50 BHC leaders in annuity income per employee, the median Annuity Productivity Ratio was \$3,363 per employee in 2013, up from \$2,813 per employee in 2012. Among the top 50 small banks in annuity productivity, the median Annuity Productivity Ratio was \$4,037 per BHC employee.