

Wells Fargo led all banks in annuity fee income in 2Q17

By Editorial Staff Mon, Oct 2, 2017

Among large bank holding companies, only Citigroup and KeyCorp posted significant increases in annuity commission revenue in the second quarter of 2017, according to the Michael White Associates quarterly bank annuity sales report.

Income earned from the sale of annuities at bank holding companies hit \$1.59 billion in first half of 2017, up 4.4% from \$1.52 billion in the first half of 2016, according to the Michael White Bank Annuity Fee Income Report.

Second-quarter 2017 annuity commissions rose to \$797.3 million, up 4.7% from \$761.4 million earned in the second quarter of 2016, but up only 1.1% from \$788.5 million in first quarter 2017.

Wells Fargo & Company (CA), Morgan Stanley (NY), and UBS Americas Holding (NY) led all bank holding companies in first half 2017, with \$380 million, \$302 million and \$174.7 million in annuity commission income, respectively.

Among BHCs with assets between \$1 billion and \$10 billion, leaders included First Command Financial Services (TX), Wesbanco, Inc. (WV), and First Commonwealth Financial Corporation (PA).

The MWA report benchmarks the banking industry's annuity fee income each quarter. It uses data from all 5,787 commercial banks, savings banks and savings associations (thrifts), and 612 top-tier bank (and S&L) holding companies (collectively, BHCs) with over \$1 billion in consolidated assets as of June 30, 2017. Insurance companies have been excluded.

Of the 612 BHCs, 286 or 46.7% participated in annuity sales activities during first half 2017. Their \$1.59 billion in annuity commissions and fees constituted 17.5% of their total mutual fund and annuity income of \$7.29 billion and 35.4% of total BHC insurance sales volume (i.e., the sum of annuity and insurance brokerage income) of \$4.48 billion.

Of the 5,787 banks, 792 or 13.7% participated in first-half annuity sales activities. Those participating banks earned \$379.8 million in annuity commissions or 23.9% of the banking industry's total annuity fee income; their annuity income production was down 10.5% from \$424.3 million in first half 2016.

Of 286 large top-tier BHCs reporting annuity fee income in first half 2017, 182 or 63.6% are on track to earn at least \$250,000 this year," said Michael White, president of MWA, in a release. "Of those 182, only 54 BHCs or 29.7% achieved double-digit growth or greater in annuity fee income for the quarter.

"That's a decrease of nearly 13 percentage points from first half 2016, when 77 institutions or 42.5% of 181 BHCs were on track to earn at least \$250,000 in annuity fee income and achieved double-digit growth or greater. Over one-half of the 182 BHCs saw declines in their annuity revenue, with nearly 40% of those experiencing double-digit declines."

Nearly seven in ten (69.6%) of BHCs with over \$10 billion in assets earned first-half annuity commissions of \$1.53 billion, constituting 96.6% of total annuity commissions reported by BHCs. That was an increase of 5.6% from \$1.45 billion in annuity fee income in first half 2016.

Among this asset class of largest BHCs in the first half, annuity commissions made up 17.2% of their total mutual fund and annuity income of \$8.93 billion and 37.6% of their total insurance sales volume of \$4.08 billion.

BHCs with assets between \$1 billion and \$10 billion recorded a 20.7% decline in annuity fee income, falling to \$52.8 million in first half 2017 from \$66.6 million in first half 2016. Those fees accounted for 13.2% of their total insurance sales income of \$422.5 million.

Small community banks 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 First Federal Bank of Louisiana (LA), The Security National Bank of Sioux City, Iowa (IA), The Citizens National Bank of Bluffton (OH), Bank Midwest (IA), and Savers Co-operative Bank (MA).

These banks with less than \$1 billion in assets generated \$25.8 million in annuity commissions in first half 2017, down 15.5% from \$30.6 million in first half 2016. Only 10.0% of banks this size engaged in annuity sales activities, which was the lowest participation rate among all asset classes. Among these proxy banks, annuity commissions constituted 17.9% of total insurance sales volume of \$144.6 million.

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 4.9% in first half of 2017. Among the top 50 small banks in annuity concentration that are serving as proxies for small BHCs, the median Annuity Concentration Ratio was 13.0% of noninterest income.