BankInsurance.com News

JANUARY 2012

VOLUME XIII

ISSUE 1

Michael White Associates is pleased to distribute BankInsurance.com News, a monthly publication that distills the most important news stories in the bank insurance and investment marketplace. Visit BankInsurance.com regularly for timely industry news and analysis, as well as up-to-date information about MWA consulting products and services. No other site offers as much information, knowledge and understanding of the bank insurance and investment market as www.BankInsurance.com.

Happy Customers In The New Year

DECEMBER 5 - 11, 2011

U.S. VARIABLE ANNUITY SALES UP 14% IN THIRD QUARTER

U.S. variable annuity sales grew 14% in the third quarter to $39.1 billion, up from $34.2 billion in third quarter 2010, according to Chicago, IL-based Morningstar. Qualified sales dominated the variable annuity market, accounting for $26.4 billion or 67.5% of total variable annuity sales, while non-qualified sales accounted for $12.2 billion or 31.2% of all variable annuity sales.

Variable annuity assets were placed primarily in fixed (22.6%) and allocation (22.6%) accounts, and less popularly in bonds (12.3%) and money market accounts (2.7%).

Morningstar Director of Insurance Solutions Frank O'Connor described the growth in variable annuity sales as "a very positive development, indicating rapidly growing interest in the use of variable annuity guaranteed income benefits as an important component of a portfolio designed to produce sustainable income throughout retirement."

IN THIS ISSUE:

- The Banks and Insurers That Lead In Customer Satisfaction
- The Financial Product Americans Say They are Ready To Buy
- The Annuity Category Enjoying Growing Sales.
- Plus, Earnings Reports, Regulatory Developments and more ...

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THIRD QUARTER U.S. FIXED ANNUITY SALES FALL 7%

U.S. fixed annuity sales in the third quarter declined 7% to $19 billion, down from $20.5 billion in third quarter 2010, according to Evanston, IL-based Beacon Research. While fixed income annuity sales rose 5% over third quarter 2010 sales to $2.2 illion and fixed indexed annuity sales ticked up 0.4% to $9 billion, fixed MVA sales dropped 33% to $1.3 billion, and fixed book value sales fell 13.5% to $6.46 billion.

Minneapolis, MN-based Allianz Life led all insurers in third quarter fixed annuity sales ($1.61 billion) followed by first place bank channel distributor Houston, TX-based Western National Life ($1.34 billion). Des Moines, Iowa-based American Equity ranked third ($1.27 billion); West Des Moines, IA-based Aviva USA ranked a closed fourth ($1.26 billion), and New York City-based New York Life ranked a distant fifth ($921 million).

Fixed indexed annuities remained the top-selling fixed annuity product, dominating 47.5% of third quarter sales. Book value annuities ranked second with a 34% market share. However, New York Life's Lifetime Income Annuity was the only non-indexed annuity among the top five specific annuity products sold.

Commenting on the strength of indexed annuity sales, Beacon CEO Jeremy Alexander said, "These products continue to do well – despite the quarter's low interest rate environment – because of strong demand for guaranteed lifetime retirement income." Looking ahead, however, Alexander said he expected overall fixed annuity sales to decline in the fourth quarter due to seasonality and "the difficult interest rate environment."

PROPERTY INSURANCE RATES RISE

Almost half (48%) of U.S. property insurance renewals completed to date in the fourth quarter incurred rate increases, according to New York City-based Marsh's Global Benchmarking Portal. Twenty-nine percent (29%) renewed with rate increases of 1% to 10%, and 9% renewed with rate increases above 11%. At the same time, 18% renewed with no rate change, and 34% received rate reductions. Among the latter group, 21% received reductions of 1% to 10%; 8% received reductions ranging from 11% to 20%, and 5% received rate reductions of 21% or more. Overall, property insurance renewal rates rose an average 1.7%.

Commenting on the findings, Marsh said, "The data points to a transitioning property insurance market," hit by $70 billion in catastrophic losses in the first three quarters. Those properties assessed with rate increases incurred recent losses, had poor loss histories, or had moderate to specific exposure to catastrophes, Marsh found.

For more on the Marsh Property Insurance report, click here.

FEDERAL JUDGE REJECTS SEC-CITIGROUP SETTLEMENT & ORDERS TRIAL

Manhattan Federal Court Judge Jed Rakoff has rejected the settlement agreed to between the Securities and Exchange Commission (SEC) and New York City-based Citigroup over mortgage-linked collateralized debt obligations (CDOs). According to the settlement, Citigroup agreed to disgorge $160 million in alleged ill-gotten gains and $30 million in interest tied to those gains and pay an additional $95 million fine for its role in selling a client $1 billion in CDOs and then betting against the transaction. Judge Rakoff said, "If the allegations of the complaint are true, this is a very good deal for Citigroup." He added, however, that from the limited information provided it was difficult to discern what the truth was. Rakoff wrote, the SEC "has a duty, inherent in its statutory mission, to see that the truth emerges; and if it fails to do so, this Court must not, in the name of deference or convenience, grant judicial enforcement to the agency's contrivances." Rakoff ordered that the matter be tried and set July 16, 2012 as the date for the trial to begin, *Reuters* reports.

FITCH UPGRADES TITLE INDUSTRY'S OUTLOOK TO STABLE

Fitch Ratings has changed its outlook on the U.S. title insurance industry to stable from negative. While Fitch said it expects top line pressure on the industry to continue in 2012 as the economy and housing market remain weak, it believes the title insurance industry has enhanced its "ability to withstand adverse conditions," by writing less business and increasing profitability. Looking ahead, Fitch said it "anticipates the industry will remain profitable in 2012 despite top-line pressures."

SEC & FINRA ISSUE NOTICE ON BROKER-DEALER BRANCH INSPECTIONS

The U.S. Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) have issued a Risk Alert and Regulatory Notice 11-54 in order to provide guidance on effective policies and procedures for broker-dealer branch inspections. The Notice reminds firms of their supervisory requirements, notes common branch inspection and oversight deficiencies, and outlines practices that characterize effective branch office supervision.

To access Regulatory Notice 11-54, click here.

INSURANCE EARNINGS MORE THAN DOUBLE AT ARROW FINANCIAL

Glens Falls, NY-based, $1.95 billion-asset Arrow Financial Corporation Chairman, President and CEO Thomas Hoy announced that his company's operating results in the third quarter "included a substantial increase in our noninterest income, which consisted primarily of strong growth in insurance commissions, an increase in fee income from fiduciary activities and significant net gains on securities transactions." Insurance brokerage fee income more than doubled to $1.99 million, up from $808,000 in third quarter 2010, driven by this year's acquisitions of two new property-casualty agencies. At the same time, fiduciary income grew 17.4% to $1.55 million, up from $1.32 million. Insurance brokerage and fiduciary income comprised, respectively, 25.3% and 19.7% of noninterest earnings, which climbed 48.4% to $7.88 million, up from $5.31 million in third quarter 2010, when net gains on securities transactions were $1.19 million lower.

Net interest income on a 3.43% net interest margin slipped 2.1% to $14.48 million, down from $14.79 million in third quarter 2010, despite a $1.48 million cut in interest expense and a $200,000 drop in loan loss provisions to $175,000. Net income, impacted by decreased net interest income and increased noninterest expense, declined 3.8% to $5.37 million, down from $5.58 million in third quarter 2010. Hoy said, "We are pleased with these results during this challenging low interest rate environment."

In 2010, Arrow Financial earned $3.0 million in insurance brokerage income, which comprised 17.0% of its noninterest income and 3.8% of its net operating revenue. The company ranked 51st in insurance brokerage earnings among bank holding companies with assets between $1 billion and $10 billion, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

INSURANCE, COLI AND TRUST & INVESTMENT INCOME COMPRISE 46% OF GERMAN AMERICAN'S NONINTEREST EARNINGS

Jasper, IN-based, $1.87 billion-asset German American Bancorp reported third quarter insurance revenues generated by property and casualty agency German American Insurance slid 4.5% to $1.26 million, down from $1.32 million in third quarter 2010. In contrast, trust and investment product (TIP) fees generated by German American Financial Advisors & Trust Co. jumped 73.0% $602,000, up from $348,000, and company-owned life insurance (COLI) income grew 18.3% to $233,000, up from $197,000. Insurance brokerage, TIP fees and COLI income comprised, respectively, 27.6%, 13.2% and 5.1% of noninterest earnings, which rose 2.9% to $4.56 million, up from $4.43 million in third quarter 2010.

Overall, third quarter net income benefited from the first quarter 2011 acquisition of American Community Bancorp and its banking subsidiary, Bank of Evansville, and climbed 38% to a record $5.17 million, up from $3.59 million in third quarter 2010. Commenting on the results, German American Chairman and CEO Mark Schroeder said, "We feel extremely privileged to serve our growing client base throughout Southern Indiana and are extremely thankful for our clients' willingness to entrust all their banking, insurance and investment needs to our team of financial professionals."

In 2010, German American Bancorp earned $5.3 million in insurance brokerage income, which comprised 31.2% of its noninterest income and contributed 8.1% of its net operating revenue. The company ranked 31st in insurance brokerage earnings among bank holding companies with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

PEOPLES' "TOP DOWN" COMMITMENT DRIVES GROWTH IN INSURANCE AND TRUST & INVESTMENT REVENUES

Marietta, OH-based, $1.81 billion-asset Peoples Bancorp reported insurance brokerage fee income in the third quarter rose 4.5% to $2.32 million, up from $2.22 million in third quarter 2010, and trust and investment (TIM) income grew 13.0% to $1.39 million, up from $1.23 in third quarter 2010; while income from bank-owned life insurance (BOLI) dropped 29.9% to $96,000, down from $137,000. Insurance brokerage, TIM and BOLI income comprised, respectively, 27.7%, 16.6% and 1.1% of noninterest earnings, which increased 8.8% to $8.39 million, up from $7.71 million in third quarter 2010, helped additionally by increased mortgage and electronic banking income.

Net interest income on a 3.39% net interest margin climbed 70.8% to $12.40 million, up from $7.26 million in third quarter 2010, driven by a $7.14 million drop in loan loss provisions to $7.14 million and a $2.17 million cut in interest expense. Net income of $3.68 million compared to a net loss of $101,000 in third quarter 2010. Peoples Bancorp President and CEO Chuck Sulerzyski said the company "began devoting additional resources to growing revenue and improving our efficiency" in the third quarter. "Those efforts produced positive results … and new business in our insurance and wealth management areas," Sulerzyski said. Peoples Chief Financial Officer Edward Sloane added, "Our insurance sales producers were successful in obtaining new accounts" and "the addition of new sales associates resulted in double-digit trust and investment revenue growth."

In 2010, Peoples Bancorp earned $8.85 million in insurance brokerage income, which comprised 31.2% of its noninterest income and 10.0% of its net operating revenue. The company ranked 17th in insurance brokerage income among bank holding companies with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

ACQUISITION DRIVES 65.3% JUMP IN WEALTH MANAGEMENT EARNINGS AT BRYN MAWR BANK

Bryn Mawr, PA-based, $1.76 billion-asset Bryn Mawr Bank Corp., parent of Bryn Mawr Trust, reported the May acquisition of the Private Wealth Management Group (PWMG) of the Hershey Trust Company accounted for $2 million of the $2.4 million jump in wealth management fee income to $6.1 million in the third quarter, up 65.3% from $3.7 million in third quarter 2010. Wealth management fee income dominated 65.7% of noninterest earnings, driving that revenue up 31.6% to $9.28 million from $7.05 million in third quarter 2010.

Net interest income on a 3.90% net interest margin benefited from the July acquisition of Media, PA-based, $481 million-asset First Keystone Financial and grew 31.1% to $13.83 million, up from $10.55 million in third quarter 2010, helped by a $2.41 million drop in loan loss provisions to $1.83 million and a $673,000 cut in interest expense. Net income of $5.02 million contrasted with a $1.02 million net loss in third quarter 2010. Bryn Mawr Bank Corp. Chairman and CEO Ted Peters commented, "We are looking forward to continued growth and profitability in the coming quarters."

In 2010, Bryn Mawr Bank Corp. earned $12.47 million in wealth management income, which comprised 47.3% of its noninterest income and 15.8% of its net operating revenue. The company ranked 34th in wealth management income among bank holding companies with assets between $1 billion and $10 billion, according to the *Michael White Bank Wealth Management Fee Income Ratings Report*.

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RISING INSURANCE EARNINGS DOMINATE 73.3% OF VIST FINANCIAL'S NONINTEREST INCOME

Wyomissing, PA-based, $1.49 billion-asset VIST Financial reported insurance brokerage fee income in the third quarter rose 4.0% to $3.14 million, up from $3.02 million in third quarter 2010 and dominated 73.3% of noninterest earnings, which grew 17.7% to $4.12 million, up from $3.50 million in third quarter 2010. Bank-owned life insurance (BOLI) income also increased, rising 7.2% to $119,000, up from $111,000; however, securities brokerage fee income dropped 45.5% to $152,000, down from $279,000. BOLI and securities brokerage fee income comprised, respectively, 2.9% and 3.7% of noninterest earnings.

Net interest income on a 3.50% net interest margin climbed 43.9% to $9.54 million, up from $6.63 million in third quarter 2010, bolstered by a $1.57 million drop in loan loss provisions to $1.98 million and a $207,000 cut in interest expense. Net income of $992,000 contrasted with a net loss of $1.02 million in third quarter 2010. Looking ahead, VIST Financial President and CEO Robert Davis said, "Our financial results will continue to be influenced for the balance of the year with elevated asset quality costs and the potential of additional OTTI charges. Our near-term forecast contemplates a slow but steady improvement in our regional business climate."

In 2010, VIST Financial earned $11.9 million in insurance brokerage income, which comprised 66.3% of its noninterest income and 19.9% of its net operating revenue. The company ranked 14th in insurance brokerage income among bank holding companies with assets between $1 billion and $10 billion, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

DESPITE 12.6% DECLINE, INSURANCE MAKES UP 49% OF SUMMIT FINANCIAL'S NONINTEREST EARNINGS

Moorehead, WV-based, $1.46 billion-asset Summit Financial Group reported insurance brokerage fee income generated by Summit Insurance Services fell 12.6% in the third quarter to $1.07 million, down from $1.23 million in third quarter 2010, and comprised 48.9% of noninterest income, which declined 9.6% to $2.19 million, down from $2.42 million, with $1.52 million in securities gains not enough to balance out $1.64 million in write downs on foreclosed properties.

Net interest income on a 3.08% net interest margin jumped 57% to $7.92 million, up from $5.05 million in third quarter 2010, reflecting a $2.50 million drop in loan loss provisions to $2.00 million and a $2.28 million cut in interest expense, which made up for a $1.90 million decline in interest revenue to $17.65 million. Summit Financial President and CEO H. Charles Maddy, III said, "We continue to see significantly fewer problem loans. However, progress in regard to dispositions of foreclosed properties remains difficult to achieve as the return of our real estate markets to more normal levels is progressing slowly."

In 2010, Summit Financial earned $4.74 million in insurance brokerage income, which comprised 68.3% of its noninterest income and 10.1% of its net operating revenue. The company ranked 36th in insurance brokerage income among bank holding companies with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

INSURANCE REMAINS TOP CONTRIBUTOR TO SHORE'S NONINTEREST INCOME

Easton, MD-based, $1.16 billion-asset Shore Bancshares reported insurance brokerage fee income in the third quarter slid 8% to $2.31 million, down from $2.51 million in third quarter 2010, but remained by far the largest contributor to noninterest earnings, comprising 51.1% of that revenue, which slipped 2.6% to $4.52 million, down from $4.64 million. While trust and investment fee income rose 9% to $389,000, up from $357,000, that income comprised only 8.6% of noninterest earnings, which were also hit by a 17% decrease in deposit account fees.

Net interest income on a 3.77% net interest margin slipped 0.3% to $6.47 million, down from $6.49 million in third quarter 2010, as a 7% ($969,000) decline in interest revenue to $12.87 million was almost overcome by a $405,000 cut in interest expense and $543,000 decline in loan loss provisions to $3.65 million. After $1.32 million in impairment charges, net income of $94,000 contrasted with a third quarter 2010 net loss of $1.40 million. Shore Bancshares CEO W. Moorhead Vermilye said, "We are still experiencing elevated credit losses associated with the disposition of nonperforming loans.… It's a very slow process, however, since real estate values across our markets remain at historical lows."

In 2010, Shore Bancshares earned $10.1 million in insurance brokerage income, which comprised 58.2% of its non-interest income and 16.8% of its net operating revenue. The company ranked 16th in insurance brokerage earnings among bank holding companies with assets between $1 billion and $10 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

DECEMBER 12 - 18, 2011

BOOK VALUE ANNUITIES DRIVE 3% RISE IN U.S. BANK FIXED ANNUITY SALES

U.S. bank fixed annuity sales in the third quarter rose 3% to $4.1 billion, up from $3.98 billion in third quarter 2010, but dropped 19% from $5.06 billion in second quarter 2011, according to Evanston, IL-based Beacon Research. One-third of bank channel annuity carriers reported increased sales compared to third quarter 2010, led by number one bank annuity provider Western National, which generated $1.28 billion in total bank annuity sales in the quarter, according to the Beacon data released by the American Bankers Insurance Association.

Fixed rate book value annuities remained the preferred bank annuity product, with Symetra's Custom 7 ranking first among all annuity products sold. Lincoln Financial Group's New Directions fixed index annuity ranked second, followed by Western National's Proprietary Bank Product A (fixed book), Genworth's Secure Living Advantage Pro (fixed book) and Western National's Flex 7 (fixed book).

The average interest guarantee period (IGP) for bank-sold fixed rate book annuities declined to 3.2 years, down from 3.6 years in the second quarter, and the average IGP for fixed market value adjusted annuities slid to 7.6 years, down from 7.8 years in the second quarter.

Commenting on the rise in third quarter bank fixed annuity sales compared to a year ago, Beacon Research President and CEO Jeremy Alexander said, "Fixed annuity rates were lower than in the same quarter a year ago, but they had a slightly larger advantage over treasuries and CDs [certificates of deposit]."

U.S. APPLICATIONS FOR LIFE INSURANCE STABLE IN NOVEMBER

U.S. applications for individually underwritten life insurance in November were comparable to those in November 2010, according to the MIB Life Index. Applications among individuals aged 60 and older grew 8.8%, while applications among individuals aged 45-59 slipped 0.4% and among those aged 0-44 dipped 2%. The overall "no-change status signals a positive tone for the industry," Braintree, MA-based MIB Group said.

COMPOSITE COMMERCIAL P&C RATES REVERSE 7-YEAR DECLINE

Commercial property and casualty insurance rates reversed their almost seven-year decline in November, according to Dallas-based MarketScout. Commercial property, workers' compensation and business owner policy renewal rates increased 2% over November 2010; employment practices liability insurance, commercial auto, general liability and business interruption rates rose 1%; and inland marine, umbrella excess, personal liability, directors and officers liability, fiduciary, crime and surety rates remained flat.

All industry classes renewed at higher or flat rates, with the manufacturing, contracting, habitational, transportation and energy industries up 1%, while rates for the service and public entity industries remained flat.

Only jumbo accounts received renewal rate decreases (-1%), while small account renewal rates increased 2%; medium accounts rose 1%, and large account renewal rates remained flat. MarketScout CEO Richard Kerr said the data indicates that "the soft market is over." Kerr noted, "November 2011 is the first composite rate increase since the soft market began in February 2005."

OUTLOOK FOR U.S. INSURANCE BROKERAGE BUSINESS REMAINS STABLE

The outlook for U.S. insurance brokerage industry remains "stable" according to New York City-based Fitch Ratings. Fitch said, "Improved pricing will help commission-based revenues over the next 12 months,… [but] broker revenue growth will be modest due to a flat rate environment in the broader property/casualty marketplace."

SEC CRACKS DOWN ON RESUME-ENHANCING ADVISORS

The U.S. Securities and Exchange Commission (SEC) Division of Enforcement has created an Asset Management Specialized Unit to uncover and discipline investment advisors who lie about their credentials, conceal their association with past failed business ventures, or inflate their assets under management.

The Asset Management Unit uses data and risk-based analytics to identify signs of fraud, including poor-performing mutual funds with high fees and subadvisors. Then, the unit reviews the registration documents of what it determines to be "high-risk investment advisors" and deals with those who have been dishonest. SEC Division of Enforcement Director Robert Khuzami said these advisors "might well be the same persons who outright steal your money when the markets turn against them."

For more on the actions of the SEC's Division of Enforcement, click here to read Khuzami's recent speech to the Consumer Federation of America (CFA).

WACHOVIA SETTLES MUNICIPAL BOND BID-RIGGING CHARGES

The Securities and Exchange Commission (SEC) has charged Wachovia Bank N.A. (now merged into Wells Fargo) with fraudulently engaging in bid rigging in at least 58 municipal bond reinvestment transactions in 25 states and Puerto Rico from 1997 to 2005. SEC Division of Enforcement Director Robert Khuzami said, "Wachovia won bids by playing an elaborate game of 'you scratch my back and I'll scratch yours,' rather than engaging in legitimate competition to win municipalities and businesses."

To settle the charges, Wachovia agreed to pay a $25 million penalty and disgorge just over $13 million plus about $7.28 in interest to the SEC, to be returned to the affected municipalities or conduit borrowers. Wachovia also agreed to pay $102 million to be distributed among the U.S. Justice Department, the Comptroller of the Currency, the Internal Revenue Service and 26 state attorneys general.

Over the past year, three other U.S. financial institutions settled similar charges with the SEC and other federal and state authorities: J.P. Morgan Securities ($228 million), UBS Financial Services ($160 million) and Bank of America Securities ($137 million).

AMERICANS READY TO BUY INCOME PROTECTION PRODUCTS

Nearly all adult Americans say their ability to earn an income is their most important asset, and 63% say they have thought about protecting that income. Financial advisors, on the other hand, believe only 35% of these consumers have considered an income protection plan. Not surprisingly, 35% of financial advisors believe consumers would agree with the statement "a disability could happen to anyone at anytime."

In reality, 83% of American adults agree with the statement, according to surveys conducted by the Portland, ME-based Council for Disability Awareness

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(CDA). CDA President Barry Lundquist said, "Consumers are more ready to have a conversation about protecting their income from serious disability than advisors assume…. Armed with this knowledge, advisors are in a strong position to help America's wage earners take action to protect their financial futures."

For more on the CDA's 2011 Disability Divide: Advisor Study, *click here*.

SMALL BANKS AND CREDIT UNIONS LEAD IN CUSTOMER SATISFACTION

U.S. bank customers are most satisfied doing business with credit unions (89%) and with small banks with less than 300 branches (88%) than they are with large banks with over 300 to 4,000 branches (80%). Overall, their average satisfaction level with banks rose 5% to 82%, up from 77% in 2010, according to Denver-based Prime Performance's *2011 Bank and Credit Union Satisfaction Study*.

Bank of America received the lowest satisfaction rating among the bank customers surveyed (73%), followed by Wells Fargo (75%) and JPMorganChase (79%). Wells Fargo, however, ranked as the big bank most likely to greet its customers by name and thank them, while customers at Chase are least likely to be greeted by name, and at Bank of America they are least likely to be thanked. Overall, greeting customers by name fell by 5% from 2010 levels and thanking customers declined by 3%, according to the August and September survey of 8,000 customers at banks, credit unions and megabanks – Bank of America, JPMorganChase and Wells Fargo & Co.

BAJAJ ALLIANCE LIFE PARTNERS WITH BERKSHIRE INDIA

Mumbai, India-based Bajaj Allianz Life Insurance, a joint venture between Bajaj Finserv and Allianz SE, has agreed to partner with Berkshire India, a Berkshire Hathaway unit, to sell its life insurance products through Berkshire India's Internet channel. Berkshire India currently offers Bajaj Alliance General Insurance's motor and travel insurance products thorough its web portal.

In the fiscal year ended March 31, 2011, Bajaj Alliance General reported 24.8 billion rupees ($473.4 million) in gross written premiums, down 5.3% from 26.2 billion rupees ($500.1 million) in fiscal year 2010. From April 1 through October, however, gross written premiums grew 13.4% to 18.8 billion rupees ($358.8 million), up from 16.6 billion rupees ($316.5 million) during the same period in 2010. Bajaj Alliance Life reported total life insurance premiums grew 7.5% to 114 million rupees ($2.18 million) in fiscal 2011, up from 106 million rupees ($2.02 million) in fiscal 2010.

ASIA EMBRACES BANCASSURANCE

Bancassurance is growing quickly in Asia, where customers like accessible one-stop financial services shopping, banks like the additional income stream, and insurers and brokers like the access to lenders' customer bases, according to ING Insurance Asia Pacific Regional Head Sujoy Ghosh. Malaysia, Taiwan and China have adopted bancassurance more quickly than India and Singapore, where brokers and agents have traditionally been captive insurance agents, according to India-based consultancy Celent. Life insurance sales dominate 50% to 80% of the bancassurance market in Taiwan and Malaysia, while in India, Japan and Thailand bank life insurance sales comprise only 10% of the bancassurance sales, Celent said.

According to ING's Ghosh, "The general pie for insurance is growing rapidly [in Asia], so there's enough room for growth of all distribution channels." Ghosh favors bancassurance. Not surprisingly, his company has bancassurance joint ventures with Bank of Beijing (China), Kookmin Bank (South Korea), TMB Bank (Thailand), ING Commercial Bank (Malaysia) and ING Vysya Bank (India) and is a preferred partner with China Construction Bank (Hong Kong). Ghosh warns, however, that bancassurance partnerships work only when "true commitment" fits the right model. The right model, Ghosh believes, "is one where the insurer adapts to the model of the bank and its practices instead of trying to impose something [on the bank]. One size does not fit all," *Asia/Pacific Best Week* reports.

EVANS BANCORP REPORTS INSURANCE EARNINGS COMPRISE 56.6% OF NONINTEREST REVENUE

Hamburg, NY-based, $733 million-asset Evans Bancorp reported "successful commercial line commission growth" drove third quarter insurance brokerage fee income up 4.2% to $1.8 million from $1.78 million in third quarter 2010, despite what Evans described as "the soft insurance market and macro-economic conditions." Insurance earnings dominated noninterest income, comprising 56.6% of that revenue, which rose 1.9% to $3.18 million, up from $3.12 million in third quarter 2010, enough to comprise 33% of total revenue.

Net interest income on a 3.97% net interest margin grew 21.8% to $6.36 million, up from $5.22 million in third quarter 2010, reflecting an $853,000 drop in loan loss provisions to $159,000, a $104,000 cut in interest expense and a $177,000 increase in interest revenue. Net income jumped 51% to $1.93 million, up from $1.28 million in third quarter 2010. Evans Bancorp President and CEO David Nasca said, "Evans continues to see exceptional results across the board as we capture increasing market share in Western New York."

In 2010, Evans Bancorp earned $7.0 million in insurance brokerage income, which comprised 55.4% of its noninterest income and 18.8% of its net operating revenue. The company ranked 4th in insurance brokerage earnings among bank holding companies with assets between $500 million and $1 billion, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

INSURANCE & BENEFIT CONSULTING FEES DOMINATE 75% OF ONEIDA'S NONINTEREST INCOME

Oneida, NY-based, $678 million-asset Oneida Financial Corp. reported commissions and fees generated by insurance and financial services subsidiaries Bailey & Haskell Associates and Benefit Consulting Group grew 10.6% to $4.26 million, up from $3.85 million in third quarter 2010, and dominated 75.1% of noninterest income, which increased 8.6% to $5.67 million, up from $5.22 million in third quarter 2010.

Net interest income on a 3.54% net interest margin climbed 25.4% to $4.99 million, up from $3.98 million in third quarter 2010, driven by a $447,000 cut in interest expense and a $600,000 drop in loan loss provisions to $50,000, which made up for a $36,000 decline in interest revenue. Net income after increased expenses grew 17.3% to $956,000, up from $815,000 in third quarter 2010. Oneida Financial President and CEO

Michael Kallet said, "Oneida Financial continues to succeed in Central New York and beyond despite record low interest rates and a highly competitive banking and insurance marketplace."

In 2010, Oneida Savings Bank earned $10.5 million in insurance brokerage income, which comprised 46.4% of its noninterest income and 25.8% of its net operating revenue. The company ranked 1st in insurance brokerage income among banks with assets between $500 million and $1 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

INVESTMENT BROKERAGE FEES UP 14%, TRUST FEES DOWN 15% AT STURGIS BANCORP

Sturgis, MI-based, $340 million-asset Sturgis Bancorp reported investment brokerage commission income in the third quarter grew to $308,000, up 14.1% from third quarter 2010, while trust fee income dropped 14.8% to $69,000, down from $81,000, and bank-owned life insurance (BOLI) income slid 5.3% to $71,000, down from $75,000. Investment brokerage fee income, trust fees and BOLI income comprised, respectively, 19.6%, 4.4% and 4.5% of noninterest earnings, which climbed to $1.57 million, up 33.1% from third quarter 2010, driven by investment brokerage commissions and a $536,000 gain on the sale of securities.

Net interest income on a 3.33% net interest margin more than quadrupled to $2.66 million, up from $664,000 in third quarter 2010, reflecting a $1.98 million drop in loan loss provisions to a $156,000 credit, a $460,000 cut in interest expense, which more than made up for a $457,000 decline in interest revenue. Net income of $792,000 contrasted with a third quarter 2010 net loss of $631,000. Sturgis Bancorp President and CEO Eric Eishen said, "As we complete 2011, we hope to see earnings return to more normal levels, although the low rate environment makes that challenging."

In 2010, Sturgis Bank & Trust Company earned $1.22 million in investment program income, which comprised 28.1% of its noninterest income and 8.3% of its net operating revenue. The company ranked 2nd in investment program income among banks with assets between $300 million and $500 million, according to the *Michael White Bank Wealth Management Fee Income Ratings Report*.

INSURANCE & SECURITIES BROKERAGE FEES GROW AT SOUTHWEST GEORGIA FINANCIAL

Moultrie, GA-based, $294 million Southwest Georgia Financial reported insurance brokerage fee income in the third quarter grew 15.2% to $273,000, up from $237,000 in third quarter 2010, and securities brokerage fee income climbed 25.9% to $73,000, up from $58,000, but trust fee income fell 19.7% to $53,000, down from $66,000. Insurance brokerage, securities brokerage and trust fee income comprised, respectively, 22.9%, 6.1% and 4.5% of noninterest earnings, which increased 9.2% to $1.19 million, up from $1.09 million in third quarter 2010, despite a decline in deposit account fee income.

Net interest income on a 4.13% net interest margin slid 4.3% to $2.22 million, down from $2.32 million in third quarter 2010, impacted by a $330,000 increase in loan loss provisions to $480,000, which undercut a $58,000 increase in interest revenue and a $177,000 cut in interest expense. Net income dropped 58.6% to $99,000, down from $239,000 in third quarter 2010, hit by increased loan loss provisions tied to one accrual loan, Southwest Georgia President and CEO DeWitt Drew said.

In 2010, Southwest Georgia Bank earned $1.13 million in insurance brokerage income, which comprised 25.2% of its noninterest earnings and 7.7% of its net operating revenue. The company ranked 11th in insurance brokerage income among banks with assets between $100 million and $300 million, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

DECEMBER 19 - 25, 2011

CULLEN/FROST BANKERS' INSURANCE UNIT TO ACQUIRE HR CONSULTING FIRM

Frost Insurance, the insurance brokerage unit of San Antonio, TX-based, $19.5 billion-asset Cullen/Frost Bankers, has agreed to acquire Houston, TX-based Stone Partners. The human resource consulting firm offers actuarial services, benefit and managed payroll administration, human resource management and retirement services to employers and plan participants worldwide from its offices in Houston, Dallas and Austin.

BankInsurance.com News

Cullen/Frost Bankers Chairman and CEO Dick Evans described the acquisition as "strategic" and said, "Stone Partners … will allow us to add value to existing business relationships and expand new business opportunities." Frost Insurance President Bruce Burdett added, "Stone Partners gives us the ability to provide a full complement of HR [human resource] consulting and advisory services under the Frost Brand."

Stone Partners will retain its offices and 25 employees and operate as a division of Frost Insurance, when the deal closes on January 1, 2012.

In 2010, Cullen/Frost Bankers earned $34.2 million in insurance brokerage income, which comprised 12.6% of its noninterest earnings and 4.1% of its net operating revenue. The company ranked 22nd in insurance brokerage income among bank holding companies with assets greater than $1 billion, according to the *Michael White - Prudential Bank Insurance Fee Income Report*.

WELLS FARGO TO EXPAND ASSET MANAGEMENT GROUP WITH EVERKEY ACQUISITION

San Francisco, CA- based, $1.3 trillion-asset Wells Fargo & Co. has agreed to acquire New Providence, Bahamas-based EverKey Global Partners, a boutique investment firm that currently manages $215 million in global equity assets for institutional clients.

EverKey, which is headed by former Templeton Global Advisors Chief Investment Officer Jeff Everett, will operate within Wells Fargo Asset Management Group, which includes Wells Capital Management, European Credit Management and Global Capital Management. EverKey will retain its 11-person staff and its offices in New York City and the Bahamas when the deal closes on January 1, 2012. Wells Fargo Asset Management Group currently manages about $449 billion in assets.

In 2010, Wells Fargo & Co. earned $3.44 billion in investment banking, advisory and underwriting income, which comprised 8.6% of its noninterest income and 4.0% of its net operating revenue. The company ranked 7th in investment banking, advisory and underwriting income among all bank holding companies, according to the *Michael White Bank Investment Bank, Advisory and Underwriting Fee Income Ratings Report*.

WELLS FARGO INSURANCE REORGANIZES

San Francisco, CA- based, $1.3 trillion-asset Wells Fargo & Co. has reorganized its insurance operations into seven new units: Centralized Insurance Business, National Practice and Specialty Group, Distributed Insurance Brokerage Group, Insurance Strategy Group, Insurance Operations Group, Rural Community Insurance Services and Flatiron Capital. All units report to Wells Fargo & Co. Executive Vice President and Wells Fargo Insurance (WFI) CEO Laura Schupback.

Neal Aton heads the Centralized Insurance Business (CIB), which is responsible for consumer and small business insurance products and their distribution. CIB works closely with Wells Fargo's Community Banking, Consumer Lending, Wealth Management and Business Banking groups.

Ann Doss heads the National Practice and Specialty Group, which oversees Wells Fargo's property and casualty, employee benefits and life insurance units, as well as the company's international broker network and third-party administrator retail operations. Additionally, the Specialty Group provides insurance programs to various industries, including the real estate, health care, aviation and hospitality sectors.

Kevin Kenny heads the Distributed Insurance Brokerage Group, which works with Wells Fargo's Wholesale Banking and Private Banking units to identify cross-sell opportunities for WFI's 160 offices in the East and West Regions that provide insurance consulting, sales and service to business banking, middle market, large corporate and high net worth customers.

Scott Isaacson heads the Insurance Strategy Group, which is responsible for developing WFI's overall strategy, managing insurance carrier, insurance industry and customer relationships and strengthening internal operations throughout WFI.

H. David Wood heads the Insurance Operations Group, which is responsible for strengthening technology, back office functions, and project management, as well as streamlining operations and improving customer service. The unit is also responsible for mergers and acquisitions, including identifying, evaluating, acquiring and integrating strategic acquisitions. Mike Day will continue to head Rural Community Insurance Services, and Bob Pinkerton will continue to manage Flatiron Capital.

Wells Fargo Insurance Services operates more than 200 offices in 37 states and in 2010 helped Wells Fargo & Co. generate $1.78 billion in insurance brokerage income, which comprised 4.4% of its noninterest fee income and 2.1% of its net operating revenue. The company ranked 2nd in insurance brokerage earnings among all traditional BHCs, according to the *Michael White-Prudential Bank Insurance Fee Income Report.*

FINRA SLAPS $2 MILLION FINE AT WELLS FARGO INVESTMENTS FOR UNSUITABLE SALES & CHARGES

The Financial Industry Regulatory Authority (FINRA) has fined Wells Fargo Investments $2 million for unsuitable sales of reverse convertible securities and for failing to provide sales charge discounts on Unit Investment Trusts to eligible customers between January 2006 and July 2008.

FINRA found that former Wells Fargo registered representative Alfred Chi Chen sold unsuitable reverse convertibles to 21 customers with limited investment experience and low risk tolerance, 15 of whom were over 80 years old. Additionally, Chen made unauthorized trades on customers' accounts, including those of the deceased.

FINRA Chief of Enforcement Brad Bennett said, "Wells Fargo failed to review reverse convertible transactions to ensure they were suitable and also did not provide sales charge discounts to eligible customers purchasing unit investment trusts, both serious failings that harmed customers."

Wells Fargo Investments neither admitted nor denied the charges but agreed to the $2 million settlement, which requires the company to pay restitution to eligible customers who did not receive UIT sales-charge discounts and to customers sold unsuitable reverse convertible securities.

CITIGROUP OFFERS FINAL SHARES IN PRIMERICA

On December 13, New York City-based, $1.94 trillion-asset Citigroup began its public offering of the approximately 8 million remaining shares it has held in Duluth, Georgia-based Primerica.

COMMERCIAL INSURANCE RATE INCREASES FALL SHORT OF LOSS COSTS

The aggregate 2% increase in third quarter commercial insurance rates over third quarter 2010 is not enough to keep up with reported claim costs inflation levels, according to New York City-based Towers Watson. The company's most recent Commercial Lines Insurance Pricing Survey (CLIPS) reveals that loss costs increased 4% over 2010 costs. Towers Watson U.S. Property and Casualty Practice Managing Director Bruce Fell said, "While rates are hardening, loss costs also continue to rise. Our view is that until rate increases exceed loss cost inflation, we will not be in a market where insurance company results can improve and we start to enter a real hard market."

U.S. BANKS INVEST IN FUND TO MEET COMMUNITY REINVESTMENT ACT REQUIREMENT

More than 300 U.S. banks have purchased shares in the Community Reinvestment Act (CRA) Qualified Investment Fund CRA Shares (CRA Fund) in order to receive CRA investment credit on their CRA exam, according to Fort Lauderdale, FL-based Community Capital Management, the fund's creator. The CRA Fund invests primarily in the government-related sectors of the bond market that support community development, such as taxable municipal bonds and agency-backed securities. The pooled investments enable banks to make credit and capital available to low and moderate-income communities as mandated by the CRA, while sharing the associated risks. Currently, the CRA Fund holds over $1 billion in assets.

SEC APPEALS FEDERAL DISTRICT COURT DENIAL OF CITIGROUP SETTLEMENT

The U.S. Securities and Exchange Commission (SEC) has appealed to the U.S. Court of Appeals for the Second Circuit the lower federal district court's decision to deny the $285 million settlement reached between the SEC and New York City-based, $1.94 trillion-asset Citigroup. SEC Director of Division Enforcement Robert Khuzami said, "We believe the district court committed legal error by announcing a new and unprecedented standard that inadvertently harms investors by depriving them of substantial, certain and immediate benefits." The "unprecedented standard" requires "an admission of facts – or a trial" before approval of a consent judgment, Khuzami said.

Khuzami noted that the SEC enumerated its findings – or facts – regarding Citigroup's violations in the 21-page complaint it submitted to the district court. Furthermore, Khuzami said, the SEC bases its decisions on securities laws. In Citigroup's case, "the applicable statute does not entitle the SEC to recover the amount lost by investors," but allows a recovery of "ill-gotten gains" and "a monetary penalty only up to the amount of a defendant's gain." The SEC settlement met the maximum penalty and recovery permissible, Khuzami, said. "The law does not permit the Commission to seek penalties based upon a defendant's wealth." However, "injured investors [can] pursue claims for additional relief," Khuzami added.

SUN LIFE TO EXIT U.S. VARIABLE ANNUITY & INDIVIDUAL LIFE BUSINESSES

Toronto, Canada-based Sun Life Financial will stop selling variable annuities and individual life insurance products in the U.S. beginning December 30, 2011. U.S. regulatory requirements and ongoing shifts in capital markets have generated volatility and undermined the profitability of these products, Sun Life said. However, the insurer will continue to service the policyholders it accepts before it exits the businesses, and it will focus on profitability, capital efficiency and risk management in servicing those in-force businesses.

Sun Life plans to grow its less capital-intensive businesses in the U.S., including its group insurance, voluntary benefits and investment management businesses. Sun Life President and CEO Dean A. Connor said, the repositioning will "accelerate growth, improve return on shareholder's equity and reduce volatility."

S&P PLACES 15 EUROPEAN INSURERS ON CREDIT WATCH

Standard & Poors Ratings (S&P) has placed the following European insurers on Credit Wealth with negative implications: Allianz Group (including Euler Hermes), Aviva Group, Axa Group, Caisse Centrale de Reassurance, CNP Group, Generali Group, Irish Public Bodies Mutual Insuarnce, Mapfre Group, Millennium bcp-Ageas Group, Nacional de Reaserguros S.A., Pozavarovalnica Sava d.d., RSA Insurance Ireland, Societa Cattolica de Assicurazione, Triglav Group, and Unipol Group.

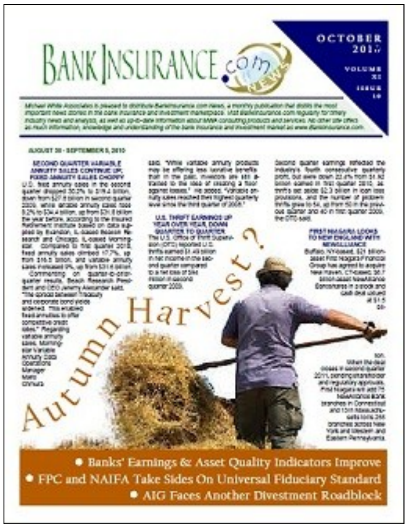
S&P expressed its concern for the future of the Euro zone "due to the debt and credit problems of several countries – notably Greece, Portugal, Ireland, Spain and more recently, Italy." S&P described the European Union's economic growth prospects as "increasingly bleak" and marked by "potentially heightened credit risk." Based on these observations, S&P said, "The bias of our insurance ratings in the Euro zone and Europe as a whole, remains negative."

P&C INSURERS RATE HIGHEST IN CUSTOMER SATISFACTION

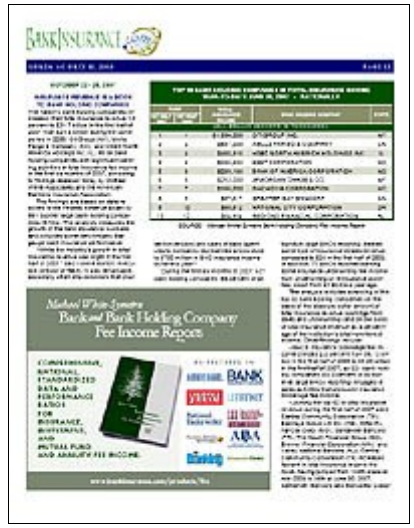
Property and casualty (P&C) insurers achieved the highest level of customer satisfaction (83%) among all insurers in 2011, driven by a 4% increase in satisfaction among customers of small P&C insurers to 83%, up from 79% in 2010, according to the American Customer Satisfaction Index (ACSI) compiled by the University of Michigan's Ross School of Business. Among large P&C insurers, State Farm received the highest score (82%), followed by Geico (81%), Progressive (79%), Farmers Group (79%) and Allstate (78%).

Life insurers ranked second among all insurers with a score stable with last year's 80%. Again, small life insurers scored the highest level of customer satisfaction (82%), followed by large insurers Northwestern Mutual (81%), New York Life (80%), Prudential (79%) and MetLife (77%).

Health insurers, dogged by increased premiums tied to last year's health insurance legislation, scored the lowest level of satisfaction among all financial institutions (72%). Customers of small insurers were most satisfied (75%), followed by large insurers Wellpoint (74%) and United Health (72%). On the other hand, Blue Cross and Blue Shield's satisfaction level slumped 3% to 68%, and Aetna's score slipped 1% to 67%, the lowest level of satisfaction among all health insurers, according to the ACSI.


OCTOBER 2010
Autumn Harvest?
• Banks' Earnings & Asset Quality Indicators Improve
• FPC and NAIFA Take Sides On Universal Fiduciary Standard
• AIG Faces Another Divestment Roadblock


Can you insure your bank's horizon?
We can.
QBS INSURANCE COMPANY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