JANUARY
2014

VOLUME
XV

ISSUE
1

BankInsurance.com News

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.

Community Banks Benefit From 8.5% Growth in Investment Program Earnings

Bank-Owned Life Insurance Assets Reach $141.6 Billion

U.S. BANKS REPORT 3.9% DECLINE IN THIRD QUARTER NET INCOME

U.S. commercial banks and savings institutions ("banks") insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income in the third quarter fell 3.9% to $36 billion, down from $37.5 billion in third quarter 2012, the first year-over-year decline since second quarter 2009, according to the FDIC.

Litigation expenses, led by a $4 billion spike in those expenses at JPMorgan Chase, helped drive the earnings decrease as did continued declines in interest income, lower mortgage-based revenue, and a drop in gains on asset sales.

Noninterest income declined 7.4% to $4.7 billion, reflecting a 45.2% drop in mortgage loan sales and servicing revenue, and a 54.6% tumble in the fair value of financial instruments. At the same time, litigation costs drove noninterest expenses 1.9% higher, masking a 1.6% decline in premises and fixed asset expenses and basically steady (+0.1%) salary and benefit expenses.

Net interest income on an average 3.26% net interest margin (the lowest margin since fourth quarter 2006) slid 1.3% to $104.3 billion, reflecting a 3.3% decline in interest income to $117.7 billion, which was not covered by a 16.9% drop in interest expense to $13.4 million. On the plus side, loan loss provisions dropped 60.4% to $5.8 billion, the lowest level since third quarter 1999. Net charge offs fell 47.4% to $11.7 billion with net charge offs for 1-4 family residential loans, home equity lines and other 1-4 family residential loans each down 72.5%.

Overall performance measures declined compared to third quarter 2012. Average return on assets (ROA) fell to 0.99% from 1.06%, and return on equity (ROE) sank to 8.92% from 9.35%.

About an equal number of banks reported earnings growth as reported earnings decreases in the quarter, and the percentage of banks reporting losses declined to 8.6%, down from 10.7% in third quarter 2012. The number of banks on the "Problem List" fell to 515 down from 553 at the beginning of the quarter. Six banks failed, 43 were absorbed by mergers, and one bank became a new FDIC report.

Commenting on third quarter U.S. bank performance, FDIC Chairman Martin Gruenberg cited what he called "positive trends" and said, "Fewer institutions reported quarterly losses, lending grew at a modest pace, credit quality continued to improve, more banks come off the 'Problem List,' and fewer banks failed."

NORTHWEST SAVINGS BANK TO EXPAND WEALTH MANAGEMENT PROGRAM WITH EVANS CAPITAL ACQUISITION

Warren, PA-based, $7.92 billion-asset Northwest Savings Bank has agreed to acquire Erie, PA-based Evans Capital Management (ECM) and Employee Benefits Resources (EBR). ECM currently manages or administers over $240 million in assets for individuals, charitable organizations, small businesses, 401(k) plans, trust and estates. EBR operates as an employee benefits insurance agency.

ECM and its 10-member staff will continue to operate from the Erie location under the leadership of its three-person management team, when the deal closes on January 1, 2014, pending regulatory approval. At the same time, EBR's staff will continue to operate from Erie but as employees of Northwest Insurance Services.

Remarking on the deal that will make ECM a wholly-owned subsidiary of Northwest Savings Bank, ECM founder and manager Jeff Evans said, "We look forward to introducing new bank services to our valued clients and to helping to expand this bank's wealth management and financial planning activities throughout its footprint."

Northwest Savings will hold nearly $2 billion in assets under management when both transactions are completed. Northwest Savings Bank Executive Vice President Gregory LaRocca said, "We are extremely pleased to partner with ECM and its staff. This combination … will significantly enhance Northwest's wealth management activities in western Pennsylvania."

In 2012, Northwest Savings Bank earned $6.36 million in insurance brokerage income, which comprised 10.2% of its noninterest income and 1.9% of its net operating revenue. Among banks with assets between $1 billion and $10 billion, the company ranked 16th in insurance brokerage earnings, according to the *Michael White Bank Insurance Fee Income Report*.

At the same time, Northwest Savings Bank's $9.26 million in wealth management fee income comprised 14.9% of its noninterest income and 2.7% of its net operating revenue. The company ranked 47th in wealth management earnings among banks with assets between $1 billion and $10 billion, according to the *Michael White - IPI Bank Wealth Management Fee Income Report*.

HELLMAN & FRIEDMAN & JMI EQUITY TO ACQUIRE APPLIED SYSTEMS

Investment funds advised by San Francisco-based Hellman & Friedman LLC as well as JMI Equity have agreed to acquire University Park, IL-based insurance and agency management software provider Applied Systems, Inc.

Hellman & Friedman (H&F) Managing Director David Tunnell said, "Applied Systems combines the largest user base in the industry with Applied Epic, the fastest growing new agency, management system, to be the market leader in insurance technology for deployments both on premise and in the cloud."

Applied Systems provides its software services to over 12,000 agencies and brokerages and 350 insurers in the U.S.,

BANKINSURANCE.com NEWS

VOLUME XV, ISSUE 1, JANUARY 2014

Canada and the United Kingdom. Applied Systems CEO Reid French said, "H&F and JIM Equity share our commitment to revolutionize the global business of insurance by investing behind the company's unique product vision for the benefit of our customers."

When the $1.8 billion deal to acquire Applied Systems from Bain Capital closes in early 2014, pending regulatory approval, members of Applied Systems' senior management will continue to maintain "a significant ownership position" in the company.

POPULAR LIFE RE'S OUTLOOK UPGRADED

San Juan, Puerto Rico-based Popular Inc. subsidiary Popular Life Re has had its outlook upgraded to positive and its financial strength and issue of credit ratings affirmed at, respectively, B+ (Good) and "bbb-."

A.M. Best, which issued the ratings, said its decision to change Popular Life Re's outlook from stable to positive was based on improvement in parent Popular's balance sheet as well as Popular Life Re's premium growth, stable statutory net income and ability to increase capitalization. A.M. Best said, "Popular Life Re is an important subsidiary, as it represents an extension of Popular Inc.'s well-established insurance agency business."

UBS REORGANIZES "RISKIER" TRADING BUSINESSES IN MOVE TOWARD WEALTH MANAGEMENT

Zurich, Switzerland-based UBS is merging its currency, interest rate and credit trading businesses into one unit. Former Global Foreign Exchange and Precious Metals Co-CEO George Athanasopoulos and Rates and Credit Trading CEO Chris Murphy will jointly head the new unit, which intends to move away from "riskier trading activities" and focus on wealth management, the New York Times reports.

DECEMBER 9 - 15, 2013

OLD NATIONAL ACQUIRES WELLS FARGO INSURANCE'S EVANSVILLE ACCOUNTS

Evansville, IN-based, $9.7 billion-asset Old National Bancorp unit Old National Insurance (ONI) has acquired the insurance accounts serviced by the Evansville branch office of Wells Fargo Insurance (WFI). As part of the deal for the primarily commercial property and casualty accounts, former WFI Evansville branch sales executives Rollie Lehnus and Mike Retter and one of their account representatives will join ONI's Evansville commercial insurance team.

ONI President and CEO Tom Flynn said, "We look forward to continuing to deliver the same exceptional service that Evansville area WFI clients have come to expect." Old National Bancorp President and CEO Bob Jones added, "Meeting the insurance needs of our clients in Evansville and beyond is an integral part of Old National's mission to be a full-service financial institution."

In 2012, Old National Bancorp earned $36.6 million in insurance brokerage income, which comprised 20.7% of its noninterest income and 7.5% of its net operating revenue. Among BHCs with assets between $1 billion and $10 billion, the company ranked 3rd in insurance brokerage earnings, according to the *Michael White Bank Insurance Fee Income Report*.

COMMUNITY BANK SYSTEMS TO ACQUIRE EBS-RMSCO'S DEFINED BENEFIT PRACTICE

Syracuse, NY-based, $7.3 billion-asset Community Bank System (CBS) subsidiary Benefit Plans Administration Services (BPAS) has agreed to acquire Albany, NY -based EBS-RMSCO's defined benefit and post-retirement actuarial and consulting services practice. That practice currently services 150 organizations.

When the deal closes, members of the acquired actuarial and consulting services team will join BPAS unit Harbridge Consulting Group and operate from a new office to be opened in Rochester, New York. BPAS expects to provide custodial services for $13.5 billion in assets, administer over 3,600 plans with over 350,000 participants and generate over $41 million in revenue after the transaction is completed.

CBS President and CEO Mark Tryniski said, "Our employee benefits administration business continues to grow through organic and acquisition strategies, expanding its national footprint, diversifying its service offerings and providing meaningful returns."

In 2012, CBS earned $54.7 million in insurance brokerage income, which comprised 55.1% of its noninterest income and 16.6% of its net operating revenue. Among banks with assets between $1 billion and $10 billion, the company ranked 18th in insurance brokerage earnings, according to the *MWA Fee Income Ratings Report*.

U.S TITLE INSURANCE PREMIUMS CLIMB 14% IN THIRD QUARTER

U.S. aggregate title insurance premium grew 14% in the third quarter to $3.4 billion, up from $3 billion in third quarter 2012, according to the American Land Title Association (ALTA).

Premium increased in 45 states and the District of Columbia, with 9 states recording increases of 25% or more. South Dakota recorded the greatest premium surge (+54.7%), followed by Delaware (+37.8%), Minnesota (+31.2%), West Virginia (+30.3%), Florida (+29.9%), Montana (+29.9%), Illinois (+25.9%), Texas (+25.1%) and Utah (+25.1%).

Texas with $477.9 million in premiums replaced California (where premium fell 6.2% to $413.3 million) as the top state in title insurance premium. Florida (+29.9% to $314.2 million) ranked third, followed by New York (+20.5% to $257.7 million) and Pennsylvania (+16.7% to $151.7 million).

Fidelity Family remained the number one U.S. title insurance provider with a 32.2% market share, followed by First American Family (26.6%), Old Republic Family (15.2%), Stewart Family (12.8%) and regional underwriters (13.1%).

Commenting on the findings in ALTA's Third Quarter Market Share Analysis, ALTA CEO Michelle Korsmo said, "The strength and stability of the title insurance industry continues to improve as the housing economy recovery remains at a steady pace."

U.S. COMPOSITE COMMERCIAL P&C RATES UP 4% IN NOVEMBER

U.S. composite commercial property insurance rates increased 4% in November compared to November 2012, maintaining the 4% growth recorded in October compared to October 2012, according to Dallas, TX-based MarketScout.

Commercial auto insurance rates registered the greatest increase (+5%) by industry class, followed by commercial property, business owner policies (BOP), general liability and workers compensation (+4%); business interruption, umbrella/excess, professional liability and fiduciary (+3%); inland marine, employment practices liability insurance (EPLI), and directors and officers liability (+2%); and crime and surety (+1%) rates.

By account size, rates for small accounts up to $25,000, medium accounts of $25,001 to $250,000, and large accounts of $250,001 to $1 million increased 4%, while rates for jumbo accounts over $1 million rose 3%.

Rates by industry class increased the greatest for the manufacturing, contracting and service industries (+5%), followed by the habitational, transportation and energy industries (+4%), while rates for public entities rose 3%, MarketScout found based on pricing surveys conducted by the National Alliance for Insurance Education and Research.

Commenting on the survey results, MarketScout CEO Richard Kerr said, "The market is still on an upward trajectory, but rate increases are slowing."

FHFA, FANNIE & FREDDIE SET NEW MORTGAGE INSURANCE POLICY STANDARDS

Fannie Mae and Freddie Mac, under the guidance of the U.S. Federal Housing Finance Agency (FHFA), have established new mortgage insurance master policy standards. The standards require master policies to (1) support loss mitigation strategies designed to help troubled homeowners, (2) establish specific time frames for processing claims, and (3) promote information sharing among mortgage insurers, servicers, Fannie Mae and Freddie Mac.

Mortgage insurers must file compliant master policies with state regulators by year-end 2013. FHFA, Fannie Mae and Freddie Mac expect those policies that specify the terms of business interaction between seller servicers and mortgage insurers to be reviewed, approved and put into effect sometime in 2014.

Freddie Mac Chief Enterprise Risk Officer Paige Wisdom said, "Mortgage insurance plays critical role in making homeownership possible for families who cannot make 20% down payments when they buy a home." FHFA Acting Director Ed DeMarco said, "The new standards

BankInsurance.com News

update and clarify the responsibilities of insurers, originators and servicers, and they enhance the insurance protection provided to Fannie Mae and Freddie Mac, which ultimately benefits tax payers."

SUMITOMO LIFE TO ACQUIRE 40% STAKE IN BANK NEGARA INDONESIA'S LIFE INSURANCE UNIT

Osaka, Japan-based Sumitomo Life Insurance Co. has agreed to acquire a 40% stake in Jakarta, Indonesia-based Bank Negara Indonesia (BNI) unit PT BNI Life Insurance (BNI Life). Sumitomo said, "We have been focusing on operations in Asia, where we expect high economic growth." BNI said, "BNI and BNI Life view the partnership with Sumitomo Life as helping to secure operational and business expertise and best practices so as to build long-term sustainable growth and profitability for BNI Life."

BNI Life and Sumitomo Life plan to focus on expanding BNI Life's bancassurance operations, offering BNI Life products through BNI's branches throughout Indonesia. Bancassurance currently accounts for about 50% of BNI Life's total premiums. The insurer expects those premiums to surge 50% in 2013.

Sumitomo Life said, "Indonesia is currently the world's fourth most populous country with more than 245 million people. However, currently Indonesia's life insurance penetration rate is only 1.2% as of 2012. Therefore, Indonesia is a highly promising market where we can expect strong growth in insurance premiums."

BNI President Gatot Mudiantoro Suwondo added, "Together BNI and Sumitomo Life will further grow BNI Life to capture greater market share in an attractive market that presents tremendous upside with its low insurance penetration, favorable demographics and strong economic growth outlook."

The Indonesia Rupiah 4.2 trillion ($349,441) new stock issue deal is subject to regulatory approval.

RESERVE BANK OF INDIA PUBLISHES PROPOSED GUIDELINES TO ALLOW BANK INSURANCE BROKERAGE

The Reserve Bank of India has published at its website proposed guidelines that would allow banks to offer insurance brokerage services. The Reserve Bank is asking that comments on the Draft Guidelines on Entry of Banks into Insurance Business – Insurance Brokering Business be sent via email to the Chief General Manager, Department of Banking Operations and Development, Reserve Bank of India by December 31, 2013.

To access the proposed guidelines, click here.

THIRD QUARTER FIXED ANNUITY SALES CLIMB OVER 30%

U.S. fixed annuity sales totaled $22.46 billion in the third quarter, climbing 35.2% over third quarter 2012 sales of $16.61 billion and 31% over second quarter 2013 sales of $17.14 billion, according to the Beacon Research Fixed Annuity Premium Study.

Indexed annuities dominated fixed annuity sales in the quarter, growing 15.1% over third quarter 2012 sales and 10.3% over second quarter 2012 sales to a record $10.05 billion. Fixed rate non-market value annuities (non-MVA) ranked second, surging 60.6% over third quarter 2013 sales and 71.1% over second quarter 2012 sales to $7.12 billion.

Income annuity sales trailed indexed and fixed rate non-MVA sales, but achieved a third quarter record, growing 10.1% over third quarter 2012 sales and climbing 18.6% over second quarter 2013 sales to $2.82 billion. A tripling of deferred income annuity sales compared to a year ago drove the income annuity sales increase, and accounted for 22% of income annuity premiums, compared to 11% a year ago. In contrast, immediate income annuities declined to comprise 78% of income annuity sales.

Fixed rate market value annuities recorded the greatest sales growth among fixed annuity products, spiking 131.5% over third quarter 2012 sales and 88.1% over second quarter 2013 sales to $2.47 billion, helping total MVA sales year-to-date match year-end 2012 sales.

New York Life remained the top overall fixed annuity provider in the third quarter with $2.29 billion in sales. Security Benefit ranked second with $1.80 billion, followed by Allianz Life ($1.31 billion), Western National ($1.21 billion) and Great American ($1.14 billion).

Allianz ranked as the top indexed annuity provider. New York Life ranked first in income and fixed rate MVA annuity sales, and Western National ranked first in fixed rate non-MVA sales. Additionally, Western National with its fixed rate non-MVA Proprietary Bank Annuity, ranked first in bank annuity sales.

BankInsurance.com News

VOLUME XV, ISSUE 1, JANUARY 2014

New York Life's NYL Secure Term MVA Fixed Annuity ranked as the number one annuity sold in the third quarter. Security Benefit Life's Total Value Indexed Annuity ranked second, followed by New York Life's NYL Lifetime Income Annuity, Massachusetts Mutual's Stable Voyage (fixed rate non-MVA) and Western National's Proprietary Bank Annuity (fixed rate non-MVA).

Commenting on third quarter fixed annuity performance, Beacon Research CEO Jeremy Alexander said, "Sales of indexed annuities surpassed $10 billion for the first time, and nearly two-thirds of carriers experienced an increase in MVA annuity sales during the quarter." He added, "At the pace seen in the past two quarters, we expect total fixed annuity sales for 2013 to exceed last year's numbers for the first year-over-year increase since 2008." Fixed annuity sales, Evanston, IL-based Beacon Research noted, have been propelled by increases in credit spreads and long-term Treasury rates.

SUNTRUST TO SELL RIDGEWORTH CAPITAL TO RIDGEWORTH EMPLOYEES & LIGHTYEAR CAPITAL-LED INVESTORS

Atlanta, GA-based, $171.8 billion-asset SunTrust Banks, Inc. has agreed to sell its RidgeWorth Capital Management unit to RidgeWorth employees and an investor group led by Lightyear Capital LLC. RidgeWorth manages $50.6 billion in assets and contributed about $25 million to SunTrust's net income in the first three quarters of 2013.

SunTrust Wholesale Banking Executive Mark Chancy said, "We look forward to continuing our relationship with RidgeWorth as an independent asset management business." He added, "Lightyear Capital will help RidgeWorth build on its success in growing third-party assets."

The $245 million deal with a $20 billion retention-based rider is expected to close in second quarter 2014. Before and after the deal is completed, SunTrust will continue to offer "a wide variety of asset management solutions to help its institutional and investment clients with their investment needs," the company said. As of September 30, 2013, SunTrust held $189.4 billion assets under advisement.

In 2012, SunTrust earned $340.97 million in investment advisory, banking and underwriting income, which comprised 9.9% of its noninterest income and 4.0% of its net operating revenue. Among

BANKINSURANCE.com NEWS

VOLUME XV, ISSUE 1, JANUARY 2014

banks with assets over $10 billion, the company ranked 13th in insurance brokerage earnings, according to the [Michael White - IPI Bank Wealth Management Report]().

CFPB ORDERS GE CAPITAL BANK'S CARECREDIT UNIT TO SET ASIDE $34.1 MILLION TO REIMBURSE CUSTOMERS

The U.S. Consumer Financial Protection Bureau (CFPB) has ordered Draper, UT-based, $34.8 billion-asset GE Capital Retail Bank and its CareCredit subsidiary to create a $34.1 million reimbursement fund to indemnify up to 1.2 million customers who were allegedly victims of deceptive CareCredit credit card enrollment tactics. The CFPB also ordered CareCredit to (1) enhance application and billing statement disclosures, (2) warn customers in advance when an interest rate promotional period is about to end, (3) contact new customers within 72 hours of enrollment to explain how CareCredit works, and (4) adequately train those who offer the CareCredit card to consumers.

The CFPB found that CareCredit, which offers personal lines of credit for dental, cosmetic, vision and veterinary healthcare, was sold by more than 175,000 medical providers and their office staff to clients needing help paying their bills. These providers, due to CareCredit's disclosure, oversight and training failures, did not adequately explain to customers that the zero percent interest rate on the CareCredit card extended for a limited period of time. Nor did they adequately disclose that if the balance on the credit card was not paid in full before the promotional 0% rate expired, customers would be charged a 26.99% annual interest rate on monthly unpaid balances accrued during the expired promotional period. Additionally, customers were often not given written CareCredit agreements explaining that the CareCredit card is a deferred-interest product with the aforementioned features.

Commenting on the CFPB action regarding CareCredit and GE Capital Retail Bank, CFPB Director Richard Cordray said, "Deferred-interest products can be risky for consumers in the best of circumstances, and today's action ensures that CareCredit will no longer profit from consumer confusion." He added, "The Bureau will not tolerate financial companies that take advantage of patients and their loved ones."

FIO REPORT CALLS FOR HYBRID STATE & FEDERAL INSURANCE OVERSIGHT

The U.S. Federal Insurance Office (FIO) has released its Dodd-Frank mandated report outlining "how to modernize and improve the system of insurance regulation in the United States." FIO Director Michael McRaith described the report as reflecting "the dynamic nature of the regulatory system for insurers." He added, "[It] provides an explicit path for state and federal regulatory entities to calibrate involvement moving forward."

The FIO sought input from consumer advocates, market participants and state officials and regulators throughout 2012 and 2013 in order to compile the report that determined that "goals of uniformity, efficiency and consumer protection make federal involvement necessary to improve insurance regulation." The report concludes, "Insurance regulation in the United States is best viewed in terms of a hybrid model where state and federal oversight play complementary roles."

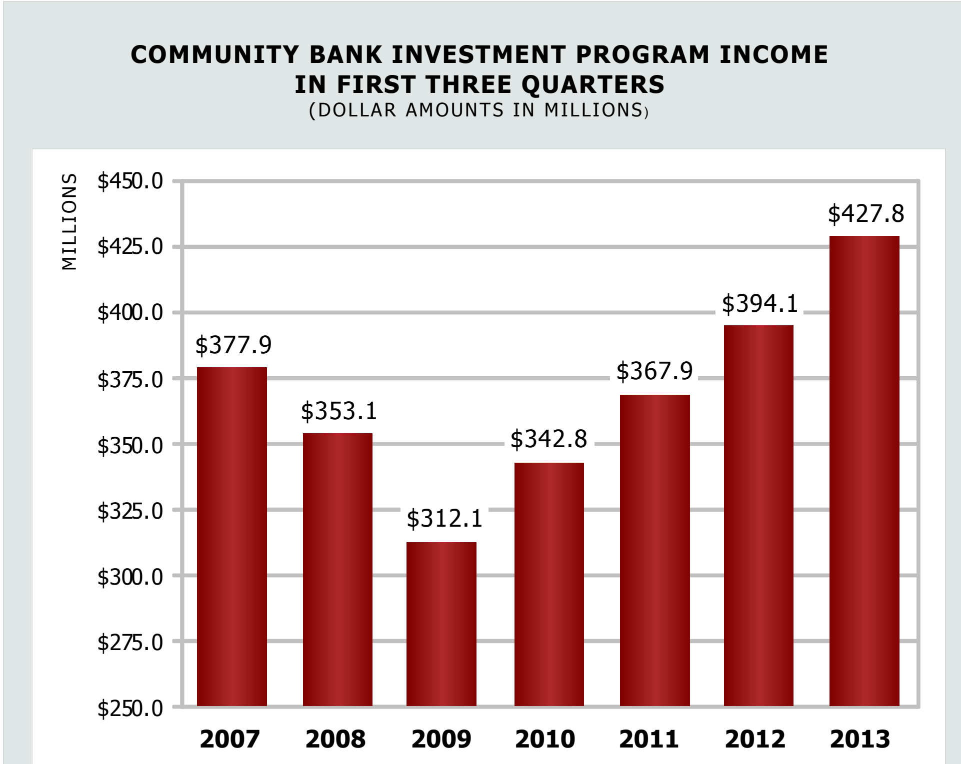
The National Association of Insurance Commissioners (NAIC), like Congress, received the FIO report on December 12. The NAIC said its members were still reading the report, but noted in a statement that the "FIO is not a regulatory agency and its authorities do not displace state insurance regulation." The NAIC added, "The NAIC's deliberate, thoughtful and transparent process has served policyholders well for the past 140 years. In this regard, reports such as this one as well as other comments provided by consumers, industry and governmental organizations are always welcome and useful tools for assisting regulators in identifying areas that require improvement."

The FIO's report on "modernizing" the U.S. insurance industry, is available here.

U.S. COMMUNITY BANKS BENEFIT FROM 8.5% GROWTH IN INVESTMENT PROGRAM EARNINGS

U.S. community banks (i.e., banks with under $4 billion in assets) reported investment program fee income in the first three quarters of 2013 grew 8.5% to $427.8 million, up from $394.1 million in the first three quarters of 2012, according to the *Michael White - Securities America Report: Community Bank Investment Programs*. A 10.2% climb in securities brokerage earnings to $320.3 million drove the growth, while annuity fee income rose 3.8% to $107.5 million.

Over one-fifth (21.4%) of community banks reported investment program earnings in the first three quarters, generating an average $299,173 in investment program income per bank, an average $42,683 in investment program income per domestic office, and an average $2,072 per bank employee. Additionally, investment program income averaged $659 per million dollars of retail bank deposits and comprised an average 7.5% of each community bank's noninterest income, the report found.



SOURCE: Michael White - Securities America Report: Community Bank Investment Programs

The vast majority (87.1%) of community banks with investment programs reported securities brokerage earnings, and 42% reported only securities brokerage income. Not surprisingly, securities brokerage earnings comprised 74.9% (or $320.3 million) of all investment program income in the first three quarters.

In contrast, 58% of community banks with investment program income reported annuity earnings, and 12.9% reported annuity income alone. With this level of participation and the slower relative growth in annuity earnings (+3.8%) compared to security brokerage income (+10.2%), annuity earnings comprised 25.1% (or $107.5 million) of total investment program income in the first three quarters, down from 26.3% during the same period in 2012.

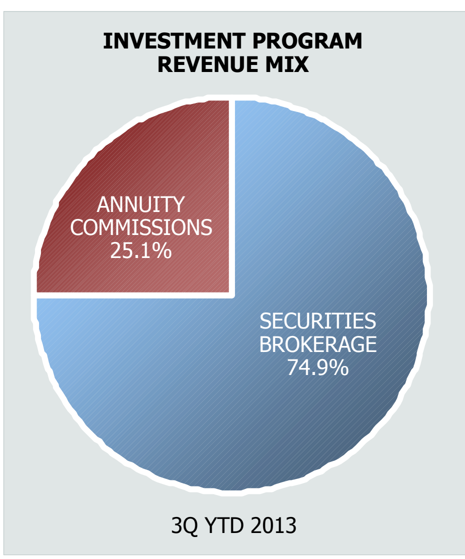
Center State Bank of Florida ranked first in investment program earnings among community banks in the first three quarters, despite recording a 37.8% drop in that revenue compared to a year ago to $17.94 million. Illinois-based North Shore Community Bank and Trust Company ranked second (+31.4% to $16.96 million), followed at a distance by Texas-based TIB The Independent Bankers-

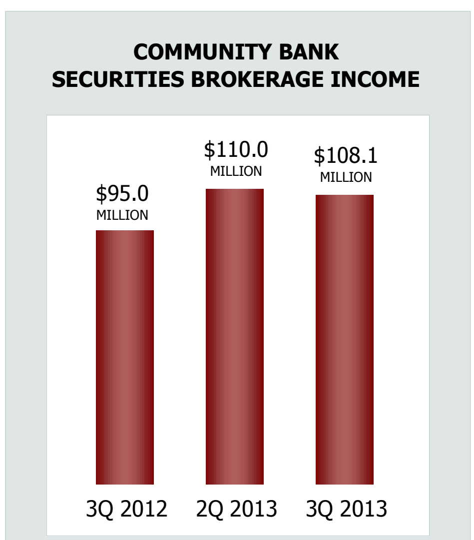
Bank (-38.3% to $6.17 million), Wisconsin-based Johnson Bank (+21.9% to $5.05 million), and Minnesota-based United Bankers Bank (-19,2% to $4.15 million).

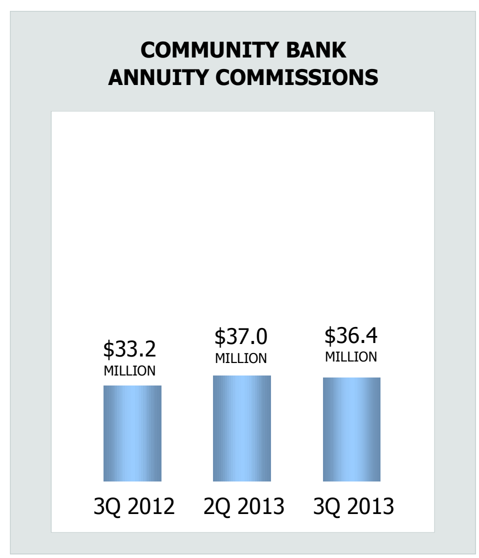
While three out of the five leaders in overall investment program earnings reported drops in that revenue, four out of the five leaders in annuity earnings reported increases in that revenue. Texas-based First Victoria National Bank ranked as the top annuity earner with a 46.7% jump in that income to $2.03 million. Florida-based Center State Bank of Florida ranked second (+17.8% to $1.92 million), followed by Wisconsin-based Bank Mutual (+3.0% to $1.61 million), Wisconsin-based AnchorBank, fsb (+3.3% to $1.59 million), and Lake City Bank (-1.0% to $1.35 million).

Commenting on community bank investment program performance during the first three quarters, Securities America Financial Institutions / Mergers & Acquisitions First Vice President Michael Anderson said, "Total revenues of community bank investment programs rose to their highest point over three quarters since 2007, when we were first able to measure them." He added, "Of community banks on track to earn revenues of at least $150,000 in 2013, about 4 in 5 (80.1%) have grown their investment program income through the third quarter, and almost 2 in 3 (65.5%) have been growing it at a rate of 10% or better so far."

To find out more about community bank investment program performance during the first three quarters, click here.







SOURCE: Michael White - Securities America Report: Community Bank Investment Programs

BANCORPSOUTH EXPANDS HOUSTON PRESENCE WITH AGENCY ACQUISITION

Tupelo, MS-based, $12.9 billion-asset BancorpSouth Inc. unit BancorpSouth Insurance Services has agreed to acquire Houston, TX-based GEM Insurance Agencies (GEM). BancorpSouth CEO Dan Rollins said. "The GEM acquisition gives us an opportunity to enhance our presence significantly and expand our platform in a high growth market."

GEM generates annual revenues of approximately $9 million specializing in commercial property and casualty insurance coverage for the manufacturing, service and oil/gas industries as well as healthcare and not-for-profit organizations. BancorpSouth Insurance Services President Markham McKnight said, "GEM's core property/casualty business complements our current specialties while giving us the opportunity to significantly increase our health insurance and voluntary employee benefit offerings."

BancorpSouth's existing Houston office will relocate to GEM's Houston headquarters, after the deal closes by the end of this year. GEM President Ed Schreiber will head the BancorpSouth Insurance Services' Houston operation, which is expected to generate $11 million in annual revenue next year.

BancorpSouth's Insurance Services' 500 associates operate from 29 offices in Alabama, Arkansas, Florida, Illinois, Louisiana, Mississippi, Missouri, Tennessee and Texas. In 2012, BancorpSouth Inc. earned $90.6 million in insurance brokerage income, which comprised 36.9% of its noninterest income and 13.6% of its net operating revenue. Among banks with assets over $10 billion, the company ranked 8th in insurance brokerage earnings, according to the *Michael White Bank Insurance Report*.

CITIBANK & AIA GROUP ENTER EXCLUSIVE 15-YEAR BANCASSURANCE PARTNERSHIP IN ASIA

New York City-based, $1.34 trillion-asset Citibank N.A. and Hong Kong-based AIA Group Limited have entered into an exclusive 15-year bancassurance partnership, covering their markets in Hong Kong, Singapore, Thailand, China, Indonesia, Philippines, Vietnam, Malaysia, Australia, India and Korea. The deal includes all retail distribution channels and all retail and group life and health insurance products, excluding credit insurance.

Citi Asia Pacific CEO Stephen Bird said, "As Asia's leading retail bank, our [13 million] customers have come to rely on us to deliver world class products and services. By partnering with one of the world's leading insurance companies, we will be able to offer our customers access to high quality, tailored life insurance products and services."

AIA Group President and CEO Mark Tucker said, "This highly attractive distribution agreement further consolidates AIA's leading position in Asia's fast growing life insurance markets and significantly enhances our bancassurance platform." He added, "The long-term nature of the agreement … demonstrates AIA and Citibank's commitment to the future growth and development of the Asia-Pacific region."

The bancassurance partnership will be implemented in each local region during the course of 2014.

AMERICAN BANKERS MUTUAL TO DISTRIBUTE $1.1 MILLION AMONG MEMBER BANKS

Bermuda-based American Bankers Mutual Insurance, Ltd. announced it will distribute $1.1 million among American Bankers Association member community banks that purchased directors and officers, bond and/or other property-casualty-related insurance through ABA Insurance Services. ABA President and CEO Frank Keating said, "The distribution is an added feature that our members in the program appreciate, along with the peace of mind they can have in their A+ rated professional liability coverage."

American Bankers Mutual Insurance has distributed an aggregate $79 million in mutual earnings over the 24 years the reinsurer has been in operation.

JPMORGAN CHASE PAYS OUT ANOTHER $22.1 MILLION TO SETTLE PENDING LENDER-PLACED INSURANCE SUIT

New York City-based, $1.99 trillion-asset JPMorgan Chase Bank NA has agreed to pay $22.1 million to settle a proposed class action lawsuit alleging the bank required its mortgage customers to purchase flood insurance policies that exceeded minimal government standards and were, therefore, excessive and unnecessarily expensive.

In addition to the monetary payout, JPMorgan Chase agreed that (1) for the next three years it will not require mortgage customers to carry flood insurance that exceeds federal minimum requirements; (2) for the next 6 years it will not

TOTAL BOLI ASSETS HELD BY BANKS			
BANKS BY ASSET SIZE	**3Q 2013**	**3Q 2012**	**PERCENT CHANGE**
Over $10 billion	$110.00 billion	$107.20 billion	2.6%
$1 billion - $10 billion	$16.58 billion	$15.09 billion	9.9%
$500 million - $1 billion	$5.59 billion	$5.27 billion	6.1%
$300 million - $500 million	$3.68 billion	$3.38 billion	8.8%
$100 million - $300 million	$4.85 billion	$4.52 billion	7.4%
Under $100 million	$932.80 million	$892.50 million	4.5%
All	**$141.64 billion**	**$136.35 billion**	**3.9%**

SOURCE: Equias Alliance / Michael White BOLI Holdings Report

receive commissions for lender-placed insurance; (3) for the next six years it will attempt to renew any borrower's lapsed flood insurance policy from that borrower's chosen company; and (4) it will not try to recoup unpaid balances or judgments on the mortgage customers' flood insurance premiums incurred between January 1, 2007 and July 2012, *Law360.com* reports.

U.S. BOLI ASSETS GROW TO $141.6 BILLION

U.S. bank-owned life insurance (BOLI) assets rose 3.9% in the first nine months of 2013 to $141.6 billion, up from $136.3 billion during the same period of 2012, according to the *Equias Alliance / Michael White BOLI Holdings Report*.

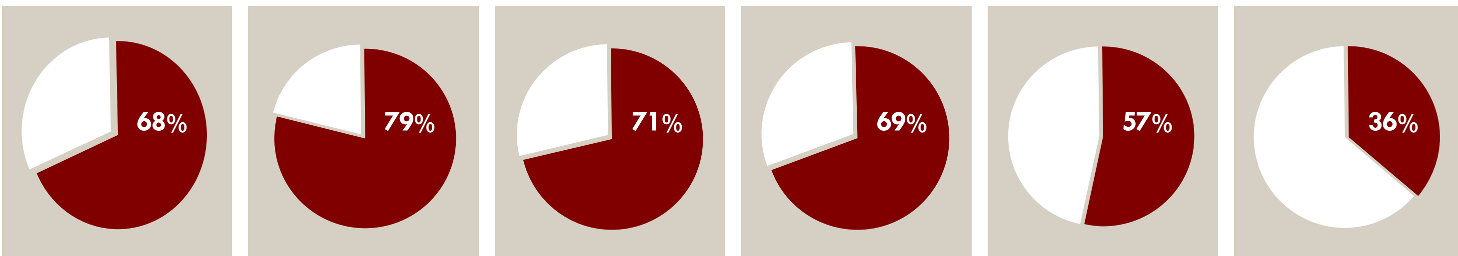
More than half (55.4%) of all banks and savings associations reported BOLI holdings, with savings banks recording the highest percentage of institutions holding BOLI (73.5%), followed by state-chartered member commercial banks (65.4%), national banks (53.4%), state-charted nonmember banks (52.9%) and savings associations (49.7%).

Among these chartered groupings, state-chartered member commercial banks recorded the greatest growth in BOLI assets (+14.1% to $20.51 billion). State-chartered nonmember banks (+9% to $21.59 billion) and savings banks (+9% to $4.90 billion) tied for second, while national banks (+1.7% to $90.16 billion) ranked a distant third. Only savings associations recorded a drop in BOLI assets (-17.9% to $4.47 billion), impacted by the exit of ING Bank, which merged into Capital One, N.A.

Asset size also correlated with BOLI holdings. Banks and savings associations (banks) with $1 billion to $10 billion in assets recorded the greatest growth in BOLI assets (+9.9% to $16.58 billion) and the greatest increase in the number of banks holding BOLI (+4.7%). Banks with over $10 billion in assets recorded the lowest level of growth in BOLI assets (+2.6% to $110 billion), while banks with under $100 million in assets and banks with $500 million to $1 billion in assets were the only asset classes to record declines in the number of banks reporting BOLI, respectively, -1.4% and -1.0%.

Separate account life insurance (SALI) held the largest percentage (49.5% or $70.04 billion) of BOLI assets. General account life insurance (GALI) holdings ranked second (40.4% or $57.23 billion), and hybrid account life insurance (HALI) holdings ranked a distant third (10.1% or $14.36 billion). Banks with over $10 billion in assets, which accounted for 77.7% of all BOLI holdings, impacted this distri-

PERCENTAGE OF INSTITUTIONS WITH BOLI HOLDINGS IN THIRD QUARTER 2013 - BY ASSET SIZE



OVER $10 BILLION	$1 BILLION - $10 BILLION	$500 MILLION - $1 BILLION	$300 MILLION - $500 MILLION	$100 MILLION - $300 MILLION	UNDER $100 MILLION

SOURCE: Equias Alliance / Michael White BOLI Holdings Report

bution. Those banks placed 59.4% ($65.29 billion) of their BOLI assets in SALI accounts, 32.1% ($35.26 billion) in GALI accounts and 8.6% ($9.44 billion) in HALI accounts. No other asset class placed the greatest percentage of their BOLI assets in SALI accounts. In fact, all other asset classes held their BOLI assets primarily in GALI accounts, and, with the exception of banks with $1 billion to $10 billion in assets, placed those assets next in HALI, then SALI accounts.

BOLI Holdings were well within the 25% ratio of aggregate cash surrender value to bank capital considered prudent by federal regulators. In fact, that ratio averaged 15.76% of the sum of Tier 1 capital and loss allowances and 15.80% of total capital, the Equias Alliance / Michael White BOLI Holdings Report found.

For more on the third quarter year-to-date findings of the Equias Alliance / Michael White BOLI Holdings Report, click here.

IPI NAMED ONE OF THE BEST COMPANIES TO WORK FOR

San Antonio, TX-based *Investment Professionals, Inc.* (IPI) has been named one of the 100 Best Companies to Work for in Texas. The award, sponsored by Texas Monthly, Texas Association of Business, Texas SHRM, and Best Companies Group, is based on workplace policies, philosophies, practices and demographics (25%) and employee experience (75%). *IPI President and CEO Jay McAnelly* said, "It is such an honor to be awarded this ranking." He added, "At IPI we know that our employees are our competitive strength and our most important asset."

IPI provides on-site bank investment programs to approximately 145 U.S. financial institutions. The company is a registered broker-dealer, registered investment advisor, a member of FINRA and SIPC, and sponsors the *Michael White – IPI Bank Wealth Management Report*.

AMERICAN EXPRESS TO PAY $9.6 MILLION IN PENALTIES & $59.5 MILLION IN RESTITUTION FOR CREDIT CARD ADD-ON ABUSES

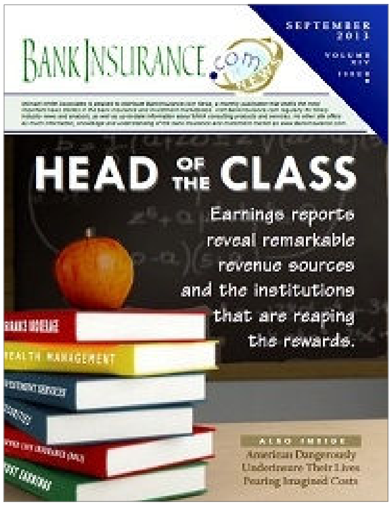
Salt Lake City, UT-based, $33.2 billion-asset American Express Centurion Bank has agreed to pay $6.6 million in civil penalties and $40.9 million in restitution to settle Federal Deposit Insurance Corporation (FDIC) and Consumer Financial Protection Bureau (CFPB) charges that it engaged in unfair and deceptive practices in marketing "add-on products" to its credit card customers. Additionally, American Express affiliates agreed to pay $3 million in civil penalties and $18.6 million in restitution to their affected credit card customers for the same unfair and deceptive practices to settle charges leveled by the Office of the Comptroller of the Currency (OCC) and the CFPB.

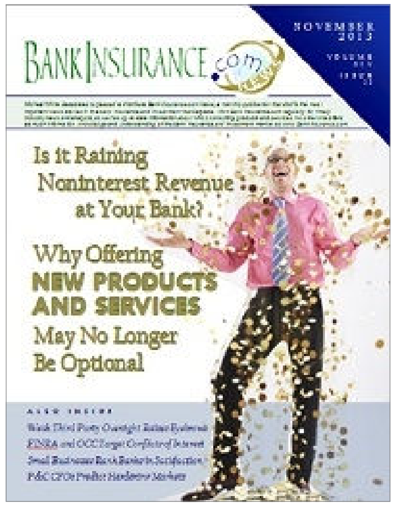
The regulators found that the American Express companies in question misrepresented the benefits and costs of the "account Protector" add-on product, including leading customers to believe their minimum monthly payment would be cancelled should a "protected" event occur. In fact, the benefit payment covered up to 2.5% or $500 of the customer's outstanding balance.

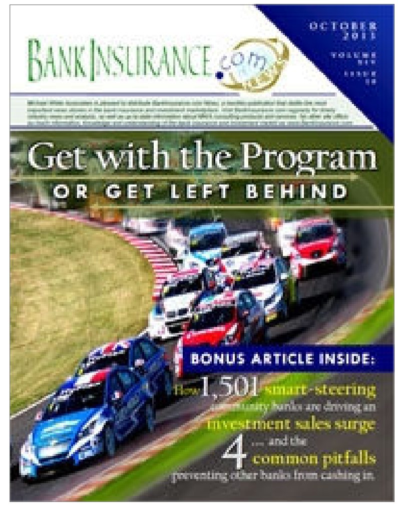
Regulators additionally found that telemarketers misrepresented the terms and conditions of the "Lost Wallet" product to Spanish-speaking customers in Puerto Rico. In this case, American Express provided only English language scripts to the telemarketers, leaving them make their own Spanish translations. Then, American Express compounded the problem by providing only English language follow-up written materials to the enrolled customers.

Lastly, regulators found that the American Express companies failed to make clear to the customers of their identity theft product that they needed to complete two steps in order to fully utilize the product's credit and public record monitoring benefits. Because of these telemarketing and enrollment failures, only 15% of identity theft customers completed the second step. However, they were "unfairly billed for benefits they did not receive."

American Express Centurion Bank and the American Express affiliates agreed to take affirmative steps to ensure that their marketing and billing of credit card add-on products comply with applicable laws.







Are You Receiving Your Complimentary Subscription?

BankInsurance.com News. distills the most important news stories that directly impact businesses in the bank insurance and investment world.

If you are not already receiving

BankInsurance.com News

register now to receive your complimentary subscription today.

www.bankinsurance.com/editorial/news/bank-insurance-com-news

Interested in Advertising?

BankInsurance.com News is an excellent and affordable way to reach senior management-level decision makers in the bank insurance and investment arena.

CLICK TO VIEW MEDIA KIT