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BankInsurance.com News

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WHAT Customers Say About Life Insurers, Credit Unions and Small Banks

WHERE Long Term Care Riders Are Gaining Traction

WHICH Growing and Falling Income & Expense Categories Are Driving Earnings at Banks

GS CAPITAL PARTNERS TO SELL OWNERSHIP IN USI INSURANCE SERVICES TO ONEX

New York City-based GS Capital Partners VI Fund, LP, a private corporate equity investing fund within the Goldman Sachs Merchant Banking Division, has agreed to sell its ownership in Briarcliff Manor, NY-based USI Insurance Services (USI) to Toronto, Canada-based private equity firm Onex Corporation. GS Capital Partners Managing Director Sumit Rajpal said, "Since our take-private in 2007, USI has successfully integrated operations and developed a common operating platform with industry-leading margins, differentiated acquisition capabilities and a strong platform for organic growth."

Onex Managing Director Robert Le Blanc said, "USI has established a strong national insurance brokerage with a very impressive management team led by Mike Sicard." Sicard said, "We look forward to our next phase of growth in partnership with Onex."

The $2.3 billion deal is expected to close by the end of 2012, pending regulatory approval. At that time, Onex and USI employees will own 100% of the company, which ranks as one of the nation's ten largest insurance agencies, offering property and casualty insurance, employee benefits and retirement consulting from 100 offices across the U.S.

SIX U.S. CREDIT UNIONS SIGN ON WITH SWBC INSURANCE PARTNERS

Six U.S. credit unions have recently agreed to partner with San Antonio-based SWBC Insurance Partners to offer their members homeowners and auto insurance online and through call centers. Two of the credit unions – Basking Ridge, NJ-based Affinity Federal Credit Union and Redwood City, CA-based Provident Credit Union – have existing $1 million books of insurance business, but La Crosse, WI-based Altra Credit Union, Montgomery, AL-based Max Credit Union, and San Antonio, TX-based United SA Federal Credit Union will offer insurance to their members for the first time through SWBC. SWBC Insurance Partners Vice President Frank Castellano said, “We look forward to a long, profitable partnership with each of them.”

SEC CHAIRMAN SCHAPIRO TO RESIGN ONE MONTH AFTER WHISTLE BLOWER SUIT

U.S. Securities and Exchange Commission (SEC) Chairman Mary Schapiro announced she will resign her position on December 14, 2012. Schapiro, who was named chairman by President Obama in January 2009, said, “Over the past four years we have brought a record number of enforcement actions, engaged in one of the busiest rulemaking periods, and gained greater authority from Congress to better fulfill our mission.” She added, “I’ve been so amazed by how hard the men and women of the agency work. So often they stay late or come in on weekends to polish a legal brief, review a corporate filing, write new rules or reconstruct trading events.”

Schapiro’s resignation follows a November 15, 2012, federal court filing by former SEC Assistant Inspector General David Weber, naming the SEC and Chairman Schapiro as defendants. The suit alleges the SEC fired Weber without cause, engaged in cover-ups and defamed him for reporting to SEC Commissioners and Congressional staff members SEC employee misconduct that allegedly compromised the integrity of SEC investigations and stock market computer security.

Weber is seeking reinstatement, back pay and over $40 million in compensatory and punitive damages for the alleged violations of the Privacy Act, the Whistle-blower Protection Act and other constitutional protections.

VERIZON COMMUNICATIONS’ ANNUITY-BASED PENSION OBLIGATION TRANSFER CHALLENGED IN COURT

Certain participants in Verizon Communications’ (Verizon) management pension plan have filed suit in U.S. District Court for the Northern District of Texas alleging Verizon’s transfer of $7.5 billion in benefit obligations to Prudential Insurance Company of America through a group annuity purchase violates the Employee Retirement Income Security Act (ERISA). According to the suit, “ERISA simply does not permit a transfer of Verizon’s obligations … to an insurance company, and the consequential canceling of Verizon’s obligation to pay the Pension Benefit Guaranty Corp. (PBGC) required annual premium payments on account of such participants.” The transfer, the suit alleges, “effectively eliminate(s) all of the transferred retirees’ ERISA protections for their pensions, including the uniform safety net presently provided by the PBGC.”

Verizon General Counsel Randal Milch described the suit as without merit and said, “Verizon’s actions regarding its pension protect the interest of an our retired management employees. Prudential is providing an irrevocable commitment to make all future annuity payments, and this promise will be supported by the extra protection of assets being placed in a separate account at Prudential dedicated to Verizon retirees.” Milch added, “The monthly pension benefits of the retirees receiving an annuity from Prudential will remain unchanged,” *businessinsurance.com* reports.

PRIVATE BUSINESS WINS TEMPORARY STAY OF HEALTHCARE MANDATES

The Eighth U.S. Circuit Court of Appeals has ordered a temporary injunction against enforcing the U.S. Health and Human Services’ mandate requiring employers to provide health insurance coverage for sterilization, abortion-inducing drugs and contraceptives. Frank O’Brien, owner of St. Louis, MO-based O’Brien Industrial Holdings, had filed suit in March against the Department of Health and Human Services charging the mandate to provide these services in healthcare plans he provides his employees violates his constitutionally protected religious beliefs. In October, a federal district judge granted the Obama administration’s motion to dismiss the suit, saying the mandate was not a burden on O’Brien’s religious freedom since he only indirectly paid for the mandated coverages. On October 4, O’Brien filed an appeal.

The Eighth Circuit agreed to hear an appeal and on November 28 ordered the temporary injunction against implementing the health insurance mandate at O’Brien’s private business, pending a court hearing on the appeal, *onenewsnow.com* reports.

U.S. EMPLOYERS TURN TO CONSUMER-DIRECTED HEALTH PLANS TO STEM RISING COSTS

U.S. employers are moving their employees into consumer-directed health plans (CDHPs) and health management programs (HMPs) in order to reduce the rising costs of health insurance. As a result, the increased annual cost per employee in 2012 rose 4.1% to $10,558, down from the average 6.1% increase in 2011, according to the Mercer National Survey of Employer-Sponsored Health Plans. Without the changes, however, health insurance costs would have grown 7.4%, the survey found.

Currently, 22% of U.S. employers offer CDHPs; that percentage rises to 36% among employers with 500 employees or more and jumps to 59% among employers with 20,000 or more employees. Those employees offering a CDHP with a health savings account, benefit from a 20% reduction in cost ($7,883 per employee) compared to the cost of preferred provider organization (PPO) coverage ($10,007 per employee). Not surprisingly, 18% of large employers intend to offer CDHPs with health savings accounts (HSAs) as their only health insurance plan within the next five years.

For more on the Mercer survey of private employers conducted in summer 2012, click here. Mercer is a wholly-owned subsidiary of New York City-based Marsh & McLennan Cos.

EMPLOYEES LOOK TO WORKPLACE FOR BENEFITS

Sixty percent of employers view the workplace as their primary source for financial and health insurance products. Additionally, 90% believe voluntary benefits add value to their benefits package; 64% credit their employers for the research they do in selecting voluntary benefits; and 33% would like their employers to offer more voluntary benefits, according to the *2012 Guardian Workplace Benefits Study*.

Medical, dental and vision insurance are the primary benefits provided at the workplace, but, among employees who would like more voluntary benefits, 62% would like the opportunity to purchase critical illness insurance, and 50% would like disability insurance available for purchase at the workplace.

Commenting on the survey results, Guardian Group Marketing Vice President Elena Wu said, "Employees have increased their reliance on the workplace for personal insurance. Our research indicates that employers that offer a wider range of voluntary benefits options at the workplace have improved the attitudes of many workers and their view their employers."

ARBITRATION CLAUSES IN EMPLOYMENT CONTRACTS ARE ENFORCEABLE, U.S. SUPREME COURT RULES

The U.S. Supreme Court has reaffirmed the primacy of the Federal Arbitration Act and ruled that arbitration clauses in employment contracts are enforceable. The decision in *Nitro-Lift Technologies v. Eddie Lee Howard* vacated an Oklahoma

Supreme Court (OSC) decision in a case that grew out of a noncompete contract dispute.

Former Nitro-Lift Technology employees Eddie Howard and Shane Schneider had entered into a confidentiality and noncompetition agreement with their employer that said: “Any dispute, difference or unresolved question between Nitro-Lift and the Employee shall be settled by arbitration by a single arbitrator mutually agreeable to the Disputing Parties in an arbitration proceeding conducted in Houston, Texas in accordance with the rules existing at the date hereof of the American Arbitration Association.”

When the employees left Nitro-Lift and began working for a competitor, Nitro-Lift served them with a demand for arbitration. Howard and Schneider then filed suit in District Court asking the court to declare the noncompete agreements null and void and to enjoin their enforcement. The District Court dismissed the complaint, finding that the arbitration clauses within their contracts were valid, requiring an arbitrator, not the court, to settle the parties’ disagreement.

Through appeal, the suit made its way to the Oklahoma Supreme Court. That court was not persuaded by Nitro-Lift’s argument that the federal Arbitration Act applies in both state and federal courts. Instead, the OSC held that “the existence of an arbitration agreement in an employment contract does not prohibit judicial review of the underlying agreement.” The OSC then ruled that the noncompetition agreements in the employee contracts under consideration were “void and unenforceable as against Oklahoma’s public policy” and state law.

The U.S. Supreme Court agreed to hear the case, writing, “It is a matter of great importance that state supreme courts adhere to a correct interpretation” of the Federal Arbitration Act (FAA), including its national policy favoring arbitration. The FAA makes clear, the Court said, that a “written provision in … a contract evidencing a transaction involving commerce to settle by arbitration a controversy thereafter arising out of such contract or transactions … shall be valid, irrevocable and enforceable, save upon such grounds as exist at law or in equity for the revocation of any contract.” Additionally, the Court said, “attacks on the validity of the contract … are to be resolved by the arbitrator, … not by a federal or state court.”

The U.S. Supreme Court ruled that "the Oklahoma Supreme Court must abide by the FAA, which is 'the supreme Law of the Land,'" displacing any conflicting state rule. The Court vacated the Oklahoma Supreme Court decision and remanded the case "for proceedings not inconsistent with this opinion," that the disagreements regarding validity of the contracts and enforcement of the noncompete agreements are to be settled by an arbitrator per the contracts and the FAA.

U.S. EMPLOYEES & EMPLOYERS RANK WORKPLACE BENEFITS

U.S. employees rank paid time off as the top benefit they would like their employers to provide. Contributions to their defined contribution plans (DCs) and decreased health insurance premiums rank second and third, respectively. The benefits these employees say they are most willing to pay for at the workplace include, in order of preference, disability insurance, life insurance and auto insurance, according to a Mercer survey.

U.S. employers, on the other hand, say they are most willing to pay for, respectively, disability insurance, life insurance and auto insurance. However, paid time off, contributions to DCs and paying more to decrease employees' health insurance premiums are not included in their list of 13 willing contributions.

It is interesting to note the differences among employee-desired benefits by nation. In countries with socialized medicine, such as the United Kingdom, Canada, Spain, France and Italy, private health insurance, improved health/dental coverage, and dental and vision coverage rank among the top three desired employee benefits. Employees in these same countries are equally willing to pay for these coverages as voluntary benefits and add critical illness, retiree medical, supplemental medical, and dependent supplemental medical insurance to their list of desired voluntary purchases, Mercer found in its *Making Smart Benefit Choices* survey. For more on the Making Smart Benefit Choices survey, click here.

LONG TERM CARE RIDERS ON INSURANCE & ANNUITY PRODUCTS GAIN TRACTION

Long-term care riders on life insurance or annuity policies are gaining market share, as long-term care insurance (LTC) premiums rise and insurers abandon the market due to high costs and weak, if any, profits, according to a recent Conning study. The increasingly popular combination products offer consumers "greater certainty of receiving a long-term care or life insurance benefit," Conning Research Director Stephen Christiansen said. *For more on Long-Term Care Insurance: Pressures Rise on Traditional Products While Combos Thrive, click here*.

UOB ASSET MANAGEMENT TO ACQUIRE ING'S INVESTMENT MANAGEMENT BUSINESS IN THAILAND

Singapore-based, S$25 billion (US$20.48 billion)-asset UOB Asset Management Ltd. (UOBAM), a United Overseas Bank unit, has agreed to acquire ING's €2.9 billion (US$3.77 billion)-asset investment management business in Thailand for €10 million (US$12.98 billion) in cash.

The acquired business will become a part of UOBAM's investment management operations in Thailand, when the deal closes in first half 2013, pending regulatory approval.

DECEMBER 10 - 16, 2012

GROWING NONINTEREST INCOME & FALLING LOAN LOSS PROVISIONS DRIVE EARNINGS INCREASE AT U.S. BANKS

U.S. commercial banks and savings institutions (banks) insured by the Federal Deposit Insurance Corporation (FDIC) reported aggregate net income of $37.6 billion in the third quarter, up 6.6% from $35.2 billion in third quarter 2011, according to the FDIC. Increased noninterest income and decreased provisions for loan losses drove the improved earnings, as noninterest income grew 7% to $63.7 billion, up from $59.5 billion in third quarter 2011, and loan loss provisions dropped 20.6% to $14.8 billion, down from $18.6 billion. In contrast, net interest income ticked up 0.7% to $106.0 billion, from $105.2 billion, as a decline in the average net interest margin to 3.43%, down from 3.56%, diminished the impact of a 4.6% increase in interest earning assets.

More than half (57.5%) of U.S. banks reported increased third quarter earnings compared to third quarter 2011, and the percentage reporting net losses fell to 10.5%, down from 14.6%, helping drive a rise in return on assets (ROA) to 1.06% from 1.03% a year ago.

Twelve banks failed in the third quarter, and 694 were assessed as "problem" banks. Year-to-date (as of December 4, 2012), 50 U.S. banks have failed, down from 90, during the same period in 2011, the FDIC reported.

Commenting on U.S. bank performance in the third quarter, FDIC Chairman Martin Gruenberg said, "This was a quarter of gradual but steady recovery for FDIC insured institutions." He added, "More than 55% of all banks reported loan growth."

To access the FDIC's Third Quarter Banking Profile, *click here*.

U.S. FIXED ANNUITY SALES FALL AS NON-MVA & MVA SALES TUMBLE

U.S. fixed annuity sales fell 12.8% in the third quarter to $16.57 billion, down from $19 billion in third quarter 2011, driven by a 33.1% tumble in non-market value annuity (non-MVA) sales to $4.43 billion, down from $6.63 billion, and a 29.8% drop in market value annuity (MVA) sales to $1.03 billion, down from $1.46 billion in third quarter 2011, according to Beacon Research's *Fixed Annuity Premium Study*.

In contrast to these performances, fixed income annuity sales increased 6.7% to a quarterly record of $2.36 billion, up from $2.23 billion, driven by deferred income annuity sales. Additionally, sales of indexed annuities continued their upward trend, rising 0.5% to $8.74 billion, up from $8.69 billion, to dominate 53% of total third quarter fixed annuity sales.

Nationwide ranked as the number one fixed annuity provider to U.S. banks and led in overall sales of fixed rate non-MVA annuities. Allianz Life maintained its first place position in total fixed annuity sales through all distribution channels ($1.31 billion), followed by Aviva USA ($1.064 billion), New York Life ($1.061 billion), Security Benefit Life ($1.03 billion) and American Equity ($982 million).

New York Life's Lifetime Income Annuity ranked as the top fixed annuity sold in the quarter, followed by American Equity's Bonus Gold indexed annuity, Aviva USA's Balanced Allocation Annuity 12 (indexed), Allianz Life's MasterDex X (indexed) and Lincoln National's Alliance fixed rate non-MVA annuity, Beacon's survey found.

Commenting on third quarter fixed annuity performance Beacon Research CEO Jeremy Alexander said, "Indexed and income annuity market shares grew because their value propositions were attractive relative to the conservative alternatives in third quarter's low interest rate, uncertain economy." He added, "Many carriers focused on the profitability of their fixed rate annuity lines at the expense of sales."

U.S. VARIABLE ANNUITY SALES DECLINE

U.S. variable annuity sales declined in the third quarter to $36.3 billion, down 7.2% from $39.1 billion in third quarter 2011, and down 4.9% from $38.2 billion in second quarter 2012, according to Chicago, IL-based Morningstar. Qualified sales dominated $24.5 billion (67.5%) of the third quarter variable annuity market, while non-qualified sales of $11.8 billion comprised 32.5%.

Despite the decline in third quarter variable annuity sales, variable annuity assets reached a record $1.62 trillion in the quarter, Morningstar found.

U.S. TITLE INSURANCE PREMIUMS CLIMB 28% IN THIRD QUARTER

U.S. title insurance premiums climbed 28% in the third quarter to $3 billion, up from $2.4 billion in third quarter 2011, bolstering a year-to-date increase of 17.2% to $8.09 billion, up from $6.9 billion during the first nine months of 2011, according to the American Land Title Association (ALTA). As a result, title insurers reported $114 million in aggregate net operating income compared to an operating loss of $16 million in third quarter 2011.

California remained the top generator of title insurance premiums ($440.7 million), followed by Texas ($382.1 million), Florida ($241.9 million), New York ($213.8 million) and Pennsylvania ($130 million).

Five states reported 45% or greater jumps in title insurance premiums in the third quarter compared to third quarter 2011, led by North Dakota (+94.2%), Louisiana (+52.9%), North Carolina (+51.4%), Idaho (+51%) and Nebraska (+45.3%).

Family Fidelity underwrote the greatest percentage of title insurance written in the quarter (33.7%), followed by First American Family (26.1%), Old Republic Family (13.7%), Stewart Family (13.6%) and all regional underwriters combined (13%), ALTA found.

U.S. COMPOSITE PROPERTY-CASUALTY RATES UP 5%

U.S. composite commercial property and casualty insurance rates were up 5% in November compared to November 2011, according to Dallas, TX-based MarketScout. Increases by industry class drove the overall rise, as manufacturing and transportation industry rates grew 6%, followed by contracting, service, habitational, and energy (+5%), while rates for public entities increased 4%.

Rates by coverage class, in contrast, grew no higher than 5%, but that increase applied to five classes: commercial property, general liability, umbrella/excess, commercial auto, and workers compensation. Rates by another 4 coverage classes rose 4%: BOP (business owner policies), professional liability, directors and officers liability, and EPLI (employment practices liability insurance). Additionally, business interruption and inland marine rates rose 3%; fiduciary and crime rates rose 2%, and surety rates ticked up 1%.

Rates for all account sizes increased, with small accounts (up to $25,000), medium ($25,001 to $250,000) and large ($250,001 to $1 million) accounts up 5%, while jumbo accounts over $1 million rose only 2%, MarketScout found based on pricing surveys conducted by the National Alliance for Insurance Education and Research.

Commenting on November's commercial insurance renewal rates, MarketScout CEO Richard Kerr said, "The manufacturing rate increase was surprising. … As for transportation, the trucking segment is what is really driving the rate increase. The losses suffered by the trucking market have been considerable over the last several years. We expect further rate increases for trucking exposure."

AIG ACQUIRES WOODBURY FINANCIAL FROM THE HARTFORD

New York City-based American International Group (AIG) has completed its acquisition of Oakdale, MN-based Woodbury Financial Services from The Hartford. The independent broker-dealer brings 1,400 advisors, $25 billion in assets under management, and 200 home office employees to AIG's Life and Retirement Advisor Group. That group currently includes Atlanta, GA-based FSC Securities Corporation, New York City-based Royal Alliance Associates and Phoenix, AZ-based SagePoint Financial. With the addition of Woodbury, AIG's Life and Retirement Advisor Group includes $125 billion in assets under management, 6,000 independent financial advisors and 800 home office employees.

Commenting on the Woodbury addition to the Advisor Group, AIG Life and Retirement CEO Jay Wintrob said, "Woodbury Financial is an important acquisition for us and affirms our long-term commitment to the broker-dealer space and to the independent financial advisor community."

DISTRICT JUDGE REFUSES TO ENJOIN VERIZON-PRUDENTIAL PENSION DEAL

U.S. District Court (Dallas) Judge Sidney Fitzwater denied a plea for a preliminary injunction to block Verizon Communications' purchase of a $7.5 billion Prudential group annuity contract designed to cover certain Verizon pension liabilities. Judge Fitzwater said the plaintiffs did not establish the likelihood they would prevail in court, since among other factors, plaintiffs did not establish that the transaction would reduce their benefits. In fact, he noted, the annuity contract provides identical benefits to those promised in the retirement plan. Plaintiffs plan to appeal, *businessinsurance.com* reports.

NAPFA LIMITS MEMBERSHIP TO CFP'S

The National Association of Personal Financial Advisors (NAPFA) announced that effective January 1, 2013, only financial planners that have earned a Certified Financial Planner (CFP) designation will be eligible to become NAPFA Registered Financial Advisors. NAPFA Chairman Lauren Locker, herself a CFP said, "NAPFA's decision to support the broader recognition of a single, defining designation for the financial planning community just makes sense. Less confusion means more consumer confidence, and the CFP designation hits the mark as a strong, baseline standard."

Certified Financial Planner Board CEO Kevin Keller applauded NAPFA's decision saying, "NAPFA's endorsement of the CFP certification as the standard for financial planning will provide consumers with a clear, strong and unified message."

Bryn Mawr, PA-based The American College spokesman Keith Hickerson questioned the merit of the decision saying, "We feel a move by any group to restrict legitimate professional education is a disservice to consumers and to the profession." Hickerson said, "Designations such as ChFC [Chartered Financial Consultant], CFA [Certified Financial Analyst], CPA [Certified Public Accountant], and others are highly valuable and represent considerable expertise that can benefit clients."

CFP BOARD OF STANDARDS SCRAPS CHANGES IN CONTINUING EDUCATION REQUIREMENTS

The Certified Financial Planner Board of Standards has scrapped plans to increase continuing education requirements to 40 hours, increase continuing education ethics requirements to 4 hours, expand professional activities that qualify for continuing education, and grant continuing education credit for pro bono activities and practice management courses.

The CFP Board said of the record 1,100 comments it received in response to its proposed changes in continuing education (CE) requirements, 85% protested increasing required hours from 30 to 40. In response, the Board resolved to "study and develop recommendations on the appropriate level of CE to maintain CFP professionals' competency for the benefit to the public."

The originally proposed changes, the Board said, had been "based on a careful review process that considered research on best practices for CE among comparable designations and licenses." The Board did not enumerate which designations and licenses it considered "comparable" to the CFP, an assertion the National Association of Personal Financial Advisors would appear to dismiss.

HSBC SELLS STAKE IN PING AN INSURANCE

HSBC Insurance Holdings (HSBC Insurance) and The Hong Kong and Shanghai Banking Corporation (HSBC Asia Pacific), both wholly-owned subsidiaries of London-based HSBC Holdings plc (HSBC), have agreed to sell their entire 15.57% stake in Ping An Insurance Company of China (Ping An Insurance) to Bangkok, Thailand-based Charoen Pokphand Group subsidiaries All Gain Trading, Bloom Fortune Group, Business Fortune Holdings and Easy Boom Developments.

The aggregate purchase price of HK $72.74 billion (US $9.39 billion) is to be paid in two tranches. Tranch 1 includes 256,694,218 shares (20.8% of total shares sold) and was purchased on December 7, 2012 for HK$59.00 (US $7.62) per share. Tranche 2 includes 976,121,395 shares (79.2% of total shares sold) and will be purchased nine days after China Insurance Regulatory Commission approval (if received) or on January 7, 2013, whichever day is later. Tranche 2, also valued at HK$59 (US$7.62) per share, will be paid for in cash and under a facility with China Development Bank Hong Kong Branch.

Commenting on the divestment of Ping An Insurance shares, HSBC Group CEO Stuart Gulliver said, "China remains a key market for the Group, and we will strengthen our focus on growing our own operations and building on our long-term strategic banking partnership with the Bank of Communications."

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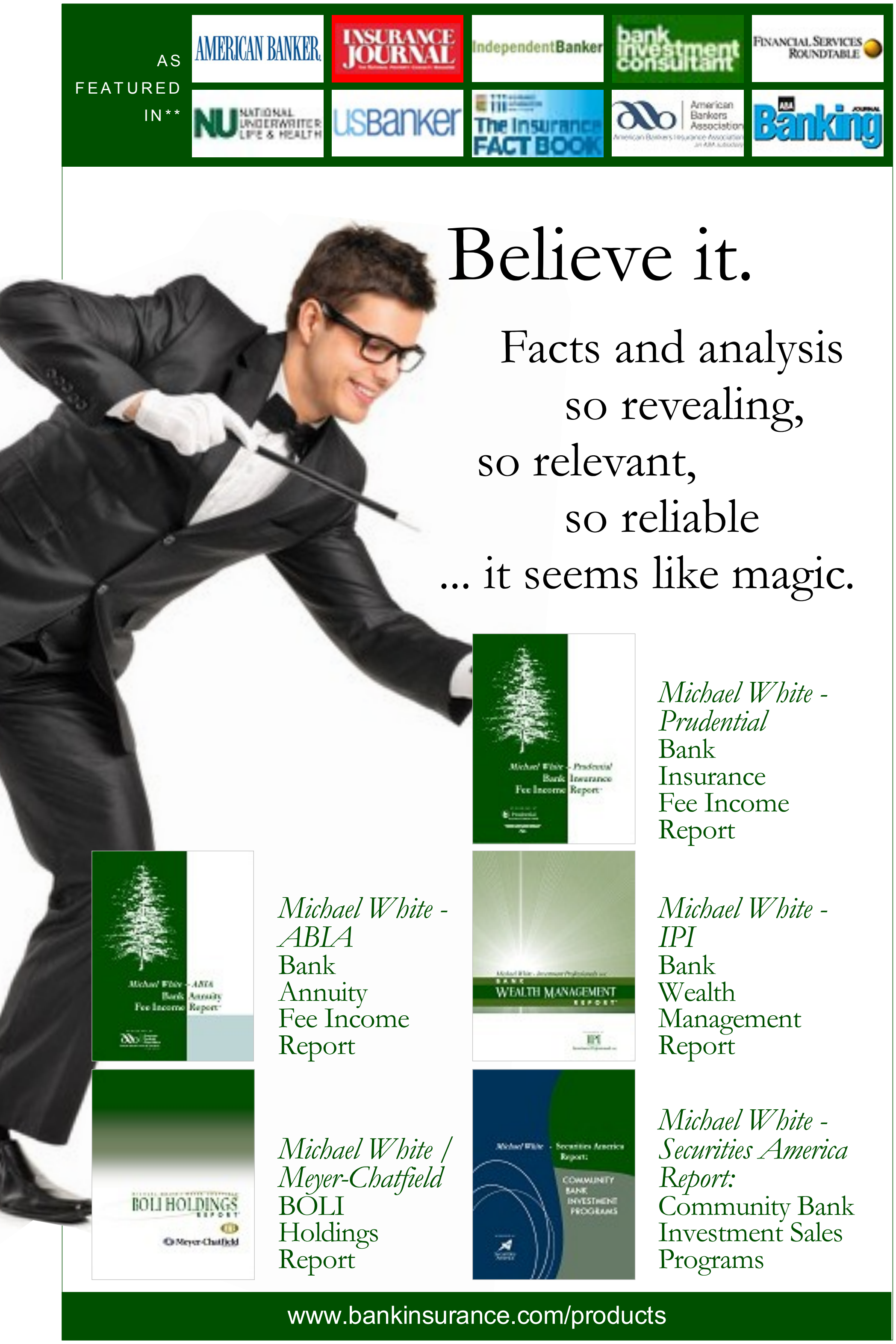
GE CAPITAL GETS CONDITIONAL REGULATORY APPROVAL TO ACQUIRE METLIFE BANK DEPOSITS

Norwalk, CT-based, $584.5 billion-asset GE Capital has received Comptroller of the Currency conditional approval to acquire $6.5 billion in bank deposits from Convent Station, NJ-based, $8.6 billion-asset MetLife Bank, N.A. When the deal closes, pending conditions, MetLife Bank deposit customers will become customers of GE Capital Retail Bank, a GE Capital unit. Additionally, MetLife, parent of MetLife Bank, will work with the Federal Deposit Insurance Corporation and the Federal Reserve to deregister as a bank holding company.

PRUDENTIAL ASSUMES VERIZON PENSION PLAN OBLIGATIONS WITH GROUP ANNUITY SALE

Newark, NJ-based Prudential Insurance Company of America, a Prudential Financial unit, has completed its sale of a single premium annuity contract to the Verizon Management Pension Plan. The



annuity is designed to assume $7.5 billion in the plan's pension obligations for 41,000 Verizon Communications' management retirees beginning January 1, 2013. Prudential Retirement President Christine Marcks said, "We welcome the Verizon retirees who will now receive annuity payments from Prudential." She added, "We look forward to providing guaranteed lifetime income."

U.S. INDIVIDUALLY UNDERWRITTEN LIFE INSURANCE APPLICATIONS SLIP IN NOVEMBER

U.S. applications for individually underwritten life insurance declined among all age groups in November compared to November 2011, averaging an overall slide of 0.8%, according to the MIB Life Index. Applications among individuals aged 0-44 and 45-59 were down, respectively, 0.2% and 2.2%. Most striking, however, was the 0.2% sip in applications among individuals aged 60 and older, the first dip in applications among that age group in over two years. Braintree, MA-based MIB Group attributed that decrease and the slide among overall applications to Hurricane Sandy and "hesitancy in estate planning given the uncertainty in U.S. tax policy."

Year-to-date, applications for individually underwritten life insurance are up 1.6%, with applications among individuals aged 0-44 and 45-59 up, respectively, 1.1% and 0.6% and applications among those aged 60 and older up 5%, MIB Group found.

THIRD QUARTER INDIVIDUAL LIFE PREMIUMS RISE 3%

U.S. aggregate individual life insurance premiums rose 3% in the third quarter, driven by 5% and 4% growth in, respectively, whole life and universal life premium, while term life premium slipped 1%, according to *LIMRA's Third Quarter 2012 Life Insurance Sales Survey*.

LIMRA Senior Analyst Ashley Burham attributed the growth in whole and universal life premium to those products' abilities to protect principal and grow in value in a time of "prolonged market volatility." Indexed universal life sales, in fact, exhibited the greatest growth among all products sold, jumping 39% in the third quarter to comprise a record 28% of all universal life premium. In contrast, guaranteed universal life sales dropped 10%, and variable universal life sales fell 4%, Windsor, CT-based LIMRA found.

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U.S. INDEXED ANNUITY SALES NEAR RECORD HIGH IN THIRD QUARTER

U.S. indexed annuity sales in third quarter 2012 reached $8.7 billion, up 0.24% from third quarter 2011 and up 0.04% from second quarter 2012, and just 0.05% lower than the record reached in third quarter 2010, *AnnuitySpecs.com's Indexed Sales & Market Report*.

Security Benefit Life's Total Value annuity ranked as the top indexed product sold in the quarter, but Golden Valley, MN-based Allianz retained its position as the number one indexed annuity provider with a 14% market share. West Des Moines, IA-based Aviva ranked second, followed, respectively, by Topeka, KS-based Security Benefit Life, Des Moines, IA-based American Equity and Cincinnati, OH-based Great American, Pleasant Hill, IA-based Moore Market Intelligence found.

U.S. CUSTOMER SATISFACTION WITH BANKS IMPROVES & HITS RECORD HIGH FOR LIFE INSURERS

U.S. customer satisfaction with banks rose 2.7% in the past year to an American Customer Satisfaction Index (ACSI) score of 77, driven by a 79 ACSI score among small banks, according to surveys conducted by the University of Michigan's Ross School of Business. Big banks trailed, despite a 6% spike in ACSI among JPMorgan Chase customers to 74, as ACIS slid 3% to 71 at Wells Fargo, fell 4% to 70 at Citigroup and declined 3% to 66 at Bank of America, that bank's lowest score in over a decade.

Customer satisfaction with all insurers except health insurers topped banks. Health insurers scored an overall ACSI of 72, buoyed by a 7% climb at Blue Cross/ Blue Shield to 73, while ACSI declined 5% at CIGNA (71), Humana (71) and WellPoint (70), slipped 3% at UnitedHealth (70) and remained flat at Aetna (67).

In contrast, the ACSI score for life insurers rose 1.3% to an all-time high of 81, again bolstered by scores among small insurers. New York Life topped ACSI performance at large insurers with a steady score of 80, replacing Northwestern Mutual, where ACSI dropped 2% to 79. Prudential's score remained flat at 79, and MetLife increased its ACSI 1% to 78, but continued at the bottom of the life insurance industry in customer satisfaction.

Customer satisfaction with property and casualty insurers edged out banks by one point, despite a 6% drop in that score to 78. State Farm and Progressive achieved the highest ACSI among this group, with State Farm down 1% and Progressive up 3% to 81, Allstate (+1%), Farmers (flat) and GEICO (-2%) followed with ACSIs of 79, while Nationwide and Travelers suffered 7% drops in their scores to trail at 77, according to the Ross School of Business' American Customer Satisfaction Index.

Credit unions bested all financial institutions in their composite ACSI score (82), edging out life insurers by 1 point. The score for life insurers, however, improved to a record high, while the ACSI for credit unions dropped 5.7%. Commenting on this performance, ACSI founder Claes Fornell said, "The large influx of new customers for credit unions, many of whom left banks because of rising fees, poses new challenges for customer service. The question becomes, 'How to best serve a fast-growing consumer franchise?' The more customers you have, the more difficult it gets."

FINRA ISSUES NOTICE TO CLARIFY RULE 2111

The Financial Industry Regulatory Authority (FINRA) has issued Regulatory Notice 12-25 in order to provide additional guidance on FINRA Rule 2111 (broker-dealer customer-related suitability requirements), which was implemented July 9, 2012. FINRA notes: "The answers to questions 6, 7 and 10 have been superceded by the answers provided in Regulatory Notice 12-55."

To access what FINRA describes as "additional guidance on the rule" click here.

HONG KONG'S AIA GROUP ACQUIRES 92.3% STAKE IN SRI LANKA INSURER ANI

Hong Kong-based AIA Group has acquired a 92.3% stake in Colombo, Sri Lanka-based AVIVA NDB Insurance (ANI). The $109 million cash for stock deal includes the purchase of the entire 87.27% stake in ANI held by AVIVA NDB Holdings Lanka [Private] and the 5% stake held by NDB Capital Holdings. The remaining 7.7% of ANI shares are publicly held.

ANI Managing Director Shah Rouf said, "We are now part of AIA, one of the strongest and largest insurance companies in the world. Our company is already number two in the market in Sri Lanka, and we look forward to building on this position and increasing our customer service base as part of AIA.

ANI was formed as a joint venture between Norwich, England-based Aviva Holdings and Sri Lanka-based National Development Bank (NDB). ANI will be renamed and re-branded as AIA in early 2013 and continue in a newly forged, exclusive 20-year bancassurance partnership with NDB.

DECEMBER 24 - 30, 2012

REGIONS TO ACQUIRE MEMPHIS-BASED BENEFITS AGENCY

Birmingham, AL-based, $122 billion-asset Regions Financial Corp.' subsidiary Regions Insurance Group has agreed to acquire Memphis, TN-based employee benefits agency Argyle Benefits Consultants. Regions Insurance Group President and CEO Curren Coco said, "Argyle is a great example of our long-term commitment to the Tennessee market and its importance to continued expansion in the Southeast." Regions Insurance of Tennessee CEO Mark Forrester added, "The principals at Argyle Benefits are some of Memphis' most well-known and respected employee benefits professionals."

Argyle's team of three partners and four associates will join Regions Insurance's Memphis office, where they will continue to offer group employee benefits, focusing on benefit program assessment, plan design, program implementation and management. The deal, which is expected to close on January 1, 2013, marks Regions' second insurance group expansion in the past two months. In November, Regions Insurance opened its first office in Atlanta, adding ten associates with expertise in transportation, contracting, manufacturing and employee benefits.

At mid-year 2012, Regions Financial earned $54.7 million in insurance brokerage fee income, which comprised 5.3% of its noninterest income and 2.0% of its net operating revenue. The company ranked 8th in insurance brokerage earnings among all BHCs, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

WELLS FARGO TO ACQUIRE STAKE IN THE ROCK CREEK GROUP

San Francisco, CA-based, $1.4 trillion-asset Wells Fargo & Co. unit Wells Fargo Asset Management has agreed to acquire a 35% stake in Washington, DC-based hedge fund firm The Rock Creek Group (Rock Creek). Wells Fargo Asset Management CEO Michael Niedermeyer said, "Our clients have expressed their desire for increased alternative investment solutions, and this partnership allows us to meet those needs."

Rock Creek and its 50-member team will remain independent and continue to operate from the group's current location as one of the boutique investment managers within Wells Fargo Asset Management's Affiliated Managers Division. That division currently includes ECM Asset Management, Galliard Capital Management and Golden Capital Management.

Rock Creek President and CEO Afsaneh Beschloss said, "We believe this strategic partnership with Wells Fargo Asset Management will further enhance our ability to offer industry leading solutions and services to our clients, while maintaining our corporate culture and institutional investment process." Rock Creek manages $7 billion in institutional assets in customized hedge funds and emerging market portfolios.

At mid-year 2012, Wells Fargo & Co.'s $2.03 billion in investment banking, advisory and underwriting income comprised 9.8% of its noninterest income and 35.4% of its wealth management revenue. The company ranked 6th in investment banking, advisory and underwriting earnings among all bank holding companies, according to the *Michael White - IPI Bank Wealth Management Fee Income Report*.

ONEIDA TO ACQUIRE SCHENECTADY AGENCY

Oneida, NY-based, $676.6 million-asset Oneida Financial through The Oneida Savings Bank insurance unit, Bailey & Haskell Associates (BHL), has agreed to acquire Schenectady, NY-based McMahon, Fenaroli and White, which does business as Schenectady Insuring Agency (SIA). BHL CEO John Haskell said, "The expansion of our insurance operations into New York's Capital District will enable BHL to better serve our customers, complement our current market areas and continue the growth of our insurance brokerage presence throughout New York."

When the deal closes on December 31, 2012, pending approvals, SIA will merge into BHL and continue to operate from its Schenectady location "introducing new relationships to Oneida Financial Corp.'s team of banking, insurance and financial services professionals," Haskell said.

At mid-year 2012, Oneida Financial earned $6.2 million in insurance brokerage fee income, which comprised 45.1% of its noninterest income and 26.4% of its net operating revenue. The company ranked 3rd in insurance brokerage earnings among BHCs with assets between $500 million and $1 billion, according to the *Michael White-Prudential Bank Insurance Fee Income Report*.

ATHENE PLANS TO LEAD IN FIXED ANNUITIES WITH AVIVA USA ACQUISITION

Pembroke, Bermuda-based Athene Holding Ltd. has agreed to acquire West Des Moines, IA-based Aviva Life and Annuity Company and Melville, NY-based Aviva Life and Annuity Company of New York from London, England-based Aviva plc for $1.55 billion. Athene CEO James R. Belardi said, "The purchase of Aviva's U.S. annuity business will add significant scale to our retail sales and reinsurance operations and provides Athene with best-in-class operational capabilities. With this acquisition, Athene is a leader in the fixed annuity space."

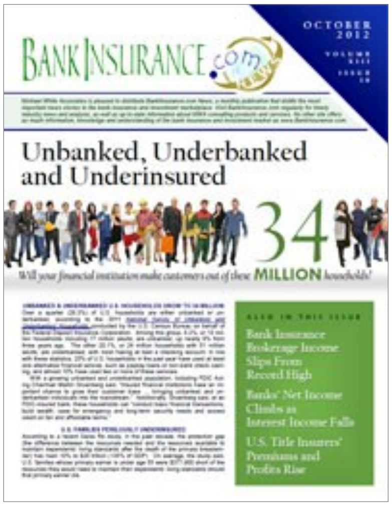
The acquired Aviva companies (Aviva USA) will merge with Wilmington, DE-based Athene Annuity and Life Insurance Company and be renamed Athene USA. The merged company will be headquartered in West Des Moines, IA, where it expects to have over $3.5 billion in statutory capital and focus "on becoming the leading U.S. fixed annuity company," when the deal closes in 2013, pending regulatory approval.

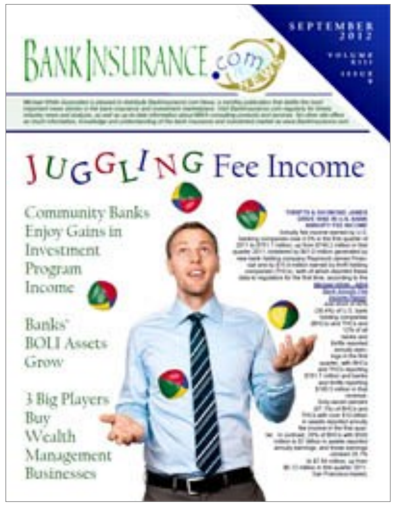
AEGON & BANCO SANTANDER AGREE TO 25-YEAR BANCASSURANCE DEALS

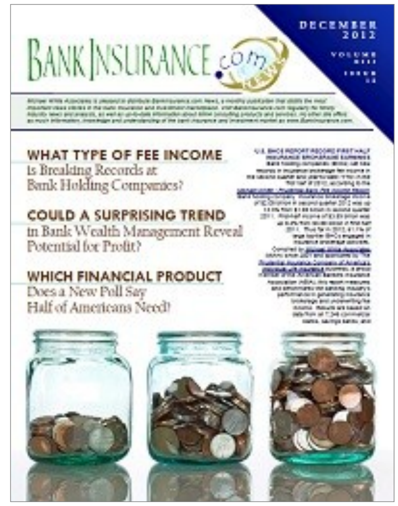
The Hague, Netherlands-based Aegon and Santander, Spain-based Banco Santander have agreed to enter into a 25-year bancassurance partnership and form a 51:49 joint venture general insurer and 51:49 joint venture life insurer to be majority owned by Aegon. Aegon Spain Holding will provide back office support for the de novo companies, which will offer all insurance products, excluding savings, health and auto insurance, to potentially 12 million Banco Santander customers through the bank's 4,600 branches throughout Spain.

Banco Santander Asset Management and Insurance CEO Javier Marin said, "This agreement will allow us to offer customers a wider range of insurance products co-managed by one of the world's leading insurers." Aegon CEO Alex Wynaendts said, "Aegon has a firm commitment to Spain and a clear track record of providing quality products and services through the bank channel. With Santander we look forward to reaching and servicing an even greater number of potential customers seeking long-term financial security in these uncertain times."

Aegon will pay Banco Santander €220 million ($290.1 million) to close the deal in first half 2013, pending regulatory approval.







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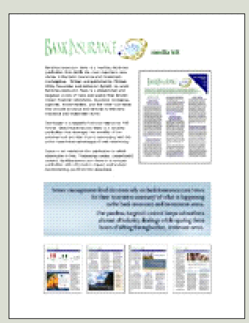

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