

BANK INSURANCE MARKET RESEARCH GROUP

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BANKS THAT SOLD INSURANCE WERE AGAIN MORE PROFITABLE IN 2008

Mamaroneck, NY—May 12, 2009: Banks that sell insurance make more money than banks that don't. That was borne out again in 2008—even amidst the Great Recession.

This conclusion follows examination of 2008 bank data by the Bank Insurance Market Research Group (www.singerpubs.com).

Examining FDIC call report data, the Mamaroneck, New York-based research group found that banks with some insurance activity had 69 percent higher (median) net income in 2008. In 2007, net income was 44 percent higher.

This trend toward higher (median) net income persisted in all asset-size groups with the exception of the largest banks where there was no difference. Among 470 banks with \$1 billion to \$10 billion in assets, for instance, those with some insurance activity in 2008—about half the total—scored 23 percent higher in (median) net income (see table below). The trend was more pronounced in smaller banks.

Net Income By Bank Asset Size in 2008: What does insurance add?							
<i>Commercial banks and savings banks only; dollars in millions</i>							
<i>Asset Size</i>	<i>Median Net Income</i>	<i>Number of banks</i>	<i>Median Net Income with Insurance</i>	<i>Number of banks</i>	<i>Change in net with insurance</i>	<i>Noninterest inc./ Bank Revenues</i>	<i>Noninterest/revs. with insurance</i>
More than \$10 billion	\$93.37	89	\$93.37	65	0%	32%	32%
\$1 billion-\$10 billion	\$8.73	470	\$10.70	267	23%	20%	22%
\$500 million - \$1 billion	\$3.88	632	\$4.78	331	23%	18%	20%
\$250mm-\$500mm	\$2.06	1,128	\$2.75	539	33%	16%	18%
< \$250 million	\$0.47	5,243	\$0.83	2,136	76%	13%	15%
All	\$0.69	7,563	\$1.16	3,338	69%	14%	17%

Source: Bank Insurance Market Research Group (www.singerpubs.com)

“Overall median net income was off 36 percent in 2008 compared with 2007. Nonetheless, the data suggests that pursuing a diversification strategy—of which insurance brokerage is often a key part—may have again paid off for banks in 2008,” said Andrew Singer, Managing Director of the Bank Insurance Market Research Group, “particularly at a time when banks’ traditional income sources are under

pressure. An insurance agency business can help smooth out earnings and act as a hedge against interest-rate volatility.”

Overall, the median net income at 7,563 operating banks and savings banks was \$686,000 in 2008, down from \$1,071,000 in 2007. The median at 3,338 banks and savings banks that reported some insurance activity—less than half (44%) of the total number of banks—was \$1,160,000.

The largest discrepancy again was in the smallest banks. Median net income at 5,243 banks with assets less than \$250 million was \$469,000 in 2008. (That is, the middle ranking bank in this asset-size group reported \$469,000 in profits.) Among the 2,136 with some insurance activity, however, the median was \$825,000—76 percent higher.

The median ratio of noninterest income to total bank revenues among all 7,563 banks was 14 percent. At banks with some insurance activity, this closely watched ratio was 17 percent. Both ratios were unchanged from 2007.

The Bank Insurance Market Research Group (www.singerpubs.com) provides market research and investment sales data to the bank and insurance industries. Data is based on in-depth surveys of depository and insurance entities augmented by analysis of government data. It also publishes the upcoming [Who’s Who in Bank Wealth Management](#), which profiles the top 60 U.S. bank companies in wealth management, as well as [Singer’s Annuity & Funds Report](#) and [Who’s Who in Bank Insurance](#).

NOTE: Credentialed members of the press may obtain additional information from Andrew Singer at 914-381-7475.