

Truist Financial: What Should It Do With Insurance?

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In early November 2023, Truist Financial had two sizable businesses with different economics. Its bank held \$400.0 billion in deposits and reported a preliminary Common Equity Tier 1 (CET1) ratio of 9.9%. Its insurance operation generated fee-oriented revenue and gave Truist a presence in commercial insurance brokerage. Seven months earlier, Truist had sold a minority interest in Truist Insurance Holdings (TIH) to a Stone Point Capital-led investor group while retaining control.

The transaction brought in cash and gave Truist a partner with insurance-industry expertise. It also added preferred capital and investor rights to the ownership structure. Now the strategic question was whether Truist should continue to own and develop TIH, prepare for further monetization, or retain control while setting explicit evidence and review points.

This is a decision exercise using public information available through November 1, 2023. It does not assert that Truist's board was considering a sale or had opened a process.

The choice

Truist could make one of three broad choices:

1. **Retain and invest.** Keep control of TIH as a source of fee income, customer access, and potential cross-franchise relationships.
2. **Prepare further monetization.** Explore a sale, public offering, or other transaction and redeploy proceeds to the bank or other corporate priorities.
3. **Stage the decision.** Keep control for now, while establishing measurable hurdles for TIH's standalone returns, client contribution, capital use, and governance costs.

Each path involves uncertain value. Selling could make value and capital available, while reducing future earnings and strategic options. Retaining could preserve growth and client-platform opportunities, while leaving Truist exposed to complexity, execution costs, and capital-allocation tradeoffs. A staged path preserves flexibility, but it also carries the cost of continuing the current structure and may affect future transaction rights.

What the 2023 transaction did

On April 3, Truist completed the sale of a 20% TIH common-equity interest to an investor group led by Stone Point for \$1.95 billion. Truist retained an 80% majority interest. The transaction presentation described the insurance-brokerage business at an aggregate \$14.75 billion, comprising \$9.75 billion of common-equity value and \$5 billion of preferred equity issued by TIH to Truist. The stated business scope excluded Premium Finance. The \$14.75 billion figure is not an all-cash purchase price, nor a valuation of every business in Truist's Insurance Holdings segment.

The preferred units carry an 8.25% fixed dividend. Applying that rate to \$5 billion gives \$412.5 million per year before timing, tax, or redemption adjustments. This is a simple contractual-rate calculation, not an operating expense of TIH's brokerage business or a direct measure of Truist's net interest expense.

The investor also received warrants structured as a profits interest, covering 3.75% on a fully diluted basis. Truist retained four of five board seats. Stone Point received one seat and minority consent rights. Truist reserved the right to initiate a subsequent transaction. After 6.5 years, Stone Point could request that a sale or IPO be explored. If there were no liquidity event within eight years, the investor would receive enhanced board representation and transaction-process rights. A Truist-led sale or IPO would trigger investor return protections. These terms give Truist continued control while shaping the economics and governance of a future liquidity event.

Truist's 10-Q said the investor's 20% common interest plus the profits-interest allocation represented about 23% of TIH pretax net income. The 23% figure is an income-allocation measure, not the investor's equity ownership percentage.

Bank capital and the insurance business

At September 30, 2023, Truist reported total assets of \$542.7 billion, deposits of \$400.0 billion, CET1 capital of \$42.275 billion, and risk-weighted assets of \$428.682 billion. Its preliminary CET1 ratio was 9.9%. The Federal Reserve's announced Truist CET1 requirement effective October 1 was 7.4%, made up of a 4.5% minimum and a 2.9% stress capital buffer, with no global systemically important bank surcharge. The reported ratio was 2.5 percentage points above that requirement. This comparison alone does not establish how much capital Truist could distribute or redeploy. The Basel III endgame changes announced as a proposal in July 2023 were not binding requirements at the information cutoff.

The April TIH transaction was described by Truist as adding about 30 basis points to risk-based capital ratios. That reported benefit shows that partial monetization affected capital measures; it does not establish the effect of selling a different share or the capital available after transaction costs and lost earnings.

Truist reported consolidated insurance income of \$793 million in the third quarter of 2023, compared with \$725 million a year earlier. For the first nine months, the amounts were \$2.541 billion and \$2.277 billion. These are consolidated GAAP income-statement line items. They do not isolate TIH common earnings attributable to Truist, and they should not be multiplied by 80% to estimate those earnings.

TIH's reported segment results require care. In the third quarter, the segment recorded \$801 million of noninterest income, \$701 million of noninterest expense, \$20 million pretax income, a \$3 million tax provision, and \$17 million of net income. Its net interest expense was \$80 million: \$81 million of net intersegment expense plus \$1 million direct net interest income. In the

second quarter, segment net interest expense was \$84 million: \$85 million intersegment expense plus \$1 million direct income. The segment's Q2 tax provision was recorded elsewhere after the LLC recapitalization.

Compared with the third quarter of 2022, TIH segment net income declined by \$68 million, from \$85 million to \$17 million. Truist attributed a \$91 million decrease in net interest income primarily to interest accruing on the preferred units. Noninterest income increased by \$70 million with organic growth and acquisitions; noninterest expense increased by \$73 million with acquisitions, hiring and investment, incentives, and fees. The reported segment net-income decline therefore does not on its own show that the underlying brokerage operation weakened. The changed financing and tax structure also complicates comparisons.

Exhibit 1. Selected Truist financial and capital measures

Measure	3Q23 / Sep. 30, 2023	Comparison	Source / interpretation
Consolidated insurance income	\$793m in 3Q23	\$725m in 3Q22	GAAP line item; not TIH common earnings
Consolidated insurance income, nine months	\$2.541bn in 9M23	\$2.277bn in 9M22	GAAP line item; increase may reflect volume, mix, acquisitions, pricing, or seasonality
TIH segment noninterest income	\$801m in 3Q23	\$731m in 3Q22	Segment measure; 3Q23 includes acquisition and organic-growth effects
TIH segment noninterest expense	\$701m in 3Q23	\$628m in 3Q22	Segment measure; 3Q23 includes acquisitions, hiring/investment, incentives, and fees
TIH segment net income	\$17m in 3Q23	\$85m in 3Q22	Financing and tax allocation differ; not a clean operating comparison
Truist preliminary CET1 ratio	9.9% at Sep. 30	7.4% requirement from Oct. 1	2.5 percentage points above announced requirement; not a distributable-capital calculation

The strategic case for ownership

Management described the minority sale as supporting long-term success and growth while preserving strategic flexibility and future upside through majority ownership. Continued ownership could preserve a broad client relationship spanning commercial banking and brokerage. Broker fees are not directly earned on bank loans or deposits, which could create a different revenue stream. A broader platform might help referrals, customer retention, and access to new clients.

Those are hypotheses to test. Public materials reviewed for this case do not quantify the number of clients using both franchises, referral conversion, incremental wallet share, retention lift, pricing, or shared service costs. Consolidated insurance-income growth does not show whether cross-franchise benefits caused it. Truist also does not disclose a through-cycle series

that would establish how TIH and bank earnings move together through interest-rate, credit, and economic conditions.

The strategic case for monetization

A further transaction could simplify Truist's portfolio, clarify the bank's earnings and capital needs, and release capital for other uses. It could also transfer future TIH growth and control to a specialist. The prior transaction gives a reference point, but not a clean price for the remaining interest: it involved a minority stake, preferred units, warrants, specific protections and rights, and business scope excluding Premium Finance.

A sale might reduce future fee earnings and client-platform options. Transaction proceeds would not convert dollar-for-dollar into CET1 capital, and any comparison with bank reinvestment would need to account for taxes, fees, capital treatment, recurring earnings sold, governance rights, and the expected return on redeployed capital. Public information does not provide all the inputs for this comparison.

What research can contribute

Research on financial conglomerates offers competing mechanisms, not a Truist valuation. Laeven and Levine (2007) report a valuation discount for diversified financial institutions in international bank data from 1998-2002; their observational design is consistent with agency costs outweighing scope benefits but does not identify a specific cause. Van Lelyveld and Knot (2009), studying European bank-insurance groups from 1990-2005, find no universal discount or premium and report heterogeneity by size, familiarity with the business model, and risk. Berger, Humphrey, and Pulley (1996) find no significant revenue-scope economies between deposits and loans in their U.S. bank sample from 1978-1990. That study does not examine insurance brokerage. The evidence cautions against assuming either a guaranteed diversification premium or a universal conglomerate discount; none of these estimates establishes the value of Truist's TIH ownership.

Questions for decision makers

1. What value could Truist capture by retaining TIH, and what evidence supports each proposed source of value?
2. How should the \$14.75 billion transaction description be interpreted? What does it say-and not say-about the value of the entire insurance segment or the remaining ownership interest?
3. What explains the change in TIH segment net income? Which measures provide the clearest view of operating performance, and what remains obscured by financing and tax allocation?
4. How should Truist weigh its 9.9% preliminary CET1 ratio against the 7.4% requirement? What additional information is necessary before calling capital excess or distributable?
5. Which of the three paths should Truist choose? State the assumptions that drive your answer and identify evidence or milestones that would cause you to change it.
6. What data should Truist require from TIH and the bank to assess cross-franchise value, standalone returns, and the costs of ownership?

Exhibits

Exhibit 2. Stylized transaction terms and control

Item	Publicly disclosed term
Stake sold / consideration	20% common-equity interest; \$1.95bn cash consideration at closing
Transaction presentation value	\$14.75bn aggregate value for brokerage scope excluding Premium Finance: \$9.75bn common value plus \$5bn preferred equity issued to Truist
Preferred units	\$5bn; 8.25% fixed dividend
Warrants	Profits-interest structure; 3.75% fully diluted coverage
Board control	Truist 4 of 5 seats; investor 1 seat plus minority consent rights
Later transaction rights	Truist may initiate; investor may request exploration after 6.5 years; enhanced board and process rights if no liquidity event within 8 years
Sale / IPO protections	Investor return protections apply in a Truist-led sale or IPO; full legal terms govern
Income allocation	Investor's common interest plus profits interest represented about 23% of TIH pretax net income

Exhibit 3. TIH third-quarter segment bridge (USD millions)

	3Q23	2Q23	3Q22
Net interest income / (expense)	(80)	(84)	11
Noninterest income	801	944	731
Noninterest expense	(701)	(705)	(628)
Pretax income	20	155	114
Tax provision	(3)	-	(29)
Segment net income	17	155	85

For 3Q23, \$(81)m intersegment expense plus \$1m direct interest income equals \$(80)m segment net interest expense. For 2Q23, \$(85)m plus \$1m equals \$(84)m. Q2 tax was recorded elsewhere after the LLC recapitalization. The 3Q22 comparison precedes the transaction-linked preferred accrual and uses a different segment financing structure.

Source notes

- Truist, 3Q 2023 earnings release, filed October 19, 2023, including “3Q23 Key Financial Data,” performance highlights, and capital ratios. [SEC exhibit](#).
- Truist, 3Q 2023 Quarterly Performance Summary, especially noninterest income (p. 2), balance sheet (p. 3), segment results (pp. 9-10), capital information (p. 11), and footnotes. [SEC exhibit](#).
- Truist, 3Q 2023 Form 10-Q, filed October 31, 2023: Note 2, p. 12; Note 14 VIE discussion, PDF p. 31; Note 18, pp. 44-45; MD&A Insurance Holdings, pp. 55-57; Capital, pp. 71-72. [SEC filing index](#); [company-hosted PDF](#).
- Truist, minority investment transaction presentation, February 23, 2023, “Executive summary,” p. 4 and “Summary of key terms,” p. 8. [SEC exhibit](#).
- Truist, completion of sale of minority TIH stake, April 3, 2023. [Company release](#).
- Federal Reserve, Large Bank Capital Requirements, July 2023, pp. 2-3, Table 1. [PDF](#).
- Federal Reserve, July 27, 2023 capital-rule proposal announcement. [Release](#).
- Luc Laeven and Ross Levine, “Is There a Diversification Discount in Financial Conglomerates?” *Journal of Financial Economics* 85(2), 2007, pp. 331-367. [DOI](#).
- Iman van Lelyveld and Klaas Knot, “Do Financial Conglomerates Create or Destroy Value? Evidence for the EU,” *Journal of Banking & Finance* 33(12), 2009, pp. 2312-2321. [DOI](#).
- Allen N. Berger, David B. Humphrey, and Lawrence B. Pulley, “Do Consumers Pay for One-Stop Banking? Evidence from an Alternative Revenue Function,” *Journal of Banking & Finance* 20(9), 1996, pp. 1601-1621. [DOI](#).

The 10-Q Note 14 examples of variable-interest entities concern client TRS-financing entities; they do not establish that TIH itself is a VIE. Academic evidence on financial conglomerates identifies competing scope, diversification, agency, and focus mechanisms. The cited studies do not estimate Truist-specific synergies or an appropriate sale price. Khan et al. (2020) is inconclusive for this case because the research record found unresolved sample and results-text conflicts; no directional finding is used.