

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 72-24
February 9, 1972

NOTICE OF HEARING REGARDING INSURANCE UNDERWRITING

To All Member Banks and Others Concerned
in the Eleventh Federal Reserve District:

The Board of Governors of the Federal Reserve System has scheduled a hearing for March 24, 1972 on five applications from bank holding companies seeking to engage in the underwriting of credit life insurance and credit accident and health insurance.

Insurance underwriting activities have not been determined by the Board to be closely related to banking under Section 4(c)(8) of the Bank Holding Company Act. In August, 1971, the Board announced that it would not adopt at that time a general regulatory provision regarding underwriting activities. The five applications were filed subsequent to that decision.

The hearing will be held in the Federal Reserve Building in Washington, D. C. Persons, in addition to the applicants, who are interested in participating in the hearing by presenting material orally, should contact the Regulations Department of this Bank for pertinent information. Otherwise, comments on this matter should be submitted to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C. 20551, to be received not later than April 10, 1972.

Enclosed is a copy of the Board's hearing order.

Yours very truly,

P. E. Coldwell,

President

Enclosure

FEDERAL RESERVE SYSTEM

[12 CFR Part 225]

[Reg. Y]

Bank Holding Companies

Notice of Hearing Regarding Proposed Acquisition
of Voting Shares of Companies Engaging in
Underwriting Credit Life Insurance and
Credit Accident and Health Insurance;
and of Possible Rule Making

The Board of Governors has received the following five applications filed pursuant to section 4(c)(8) of the Bank Holding Company Act (12 U.S.C. 1843(c)(8)) and § 225.4 of the Board's Regulation Y (12 CFR 225.4) for prior approval to acquire shares of companies engaged in the underwriting, as reinsurer, of credit life insurance and credit accident and health insurance also referred to as disability insurance.

a. Hamilton Bancshares, Inc., Chattanooga, Tennessee, has applied to acquire voting shares of Bankshares Life Insurance Company, Phoenix, Arizona. Bankshares Life Insurance Company engages in the underwriting, as reinsurer, of credit life and disability insurance in connection with loans made by the credit-extending subsidiaries of Hamilton Bancshares, Inc.

b. First at Orlando Corporation, Orlando, Florida, has applied to acquire voting shares of First at Orlando Life Insurance Company, Phoenix, Arizona. First at Orlando Life Insurance Company proposes to engage in the underwriting, as reinsurer, of credit life and disability insurance in connection with loans made by the credit-extending subsidiaries of First at Orlando Corporation.

c. Northwest Bancorporation, Minneapolis, Minnesota, has applied to acquire voting shares of Banco Credit Life Insurance Company, Phoenix, Arizona. Banco Credit Life Insurance Company proposes to engage in the underwriting, as reinsurer, of credit life and accident and health insurance in connection with loans made by the credit extending affiliates of Northwest Bancorporation.

d. Equimark Corporation, Pittsburgh, Pennsylvania, has applied to acquire voting shares of Atlantic-Phoenix Life Insurance Company, Phoenix, Arizona. Atlantic-Phoenix Life Insurance Company engages in the underwriting, as reinsurer, of credit life and accident and health insurance issued in connection with loans made by Atlantic Management Corporation, a wholly-owned finance company of Equimark Corporation.

e. Fourth Financial Corporation, Wichita, Kansas, has applied to retain voting shares of Fourth Financial Insurance Company, Phoenix, Arizona. Fourth Financial Insurance Company engages in the underwriting, as reinsurer, of credit life and disability insurance in connection with credit extensions by Fourth Financial Corporation's subsidiary bank.

The Board has not heretofore adopted general regulatory provisions regarding any insurance underwriting activities as closely related to banking. In addition to the issue whether the above insurance underwriting activities are closely related to banking, the applications suggest the need to explore further the public benefits aspects of such acquisitions.

Among the specific questions in this area is the extent to which permitting holding companies to engage in underwriting credit life and accident and health insurance might reduce the cost of such insurance to customers. As an example, the question arises whether there are tax savings or savings inherent in or attributable to increased efficiency in the reinsurance form of operation involved here and whether

any part of such savings may be passed on to customers. Further questions are whether credit life and accident and health insurance may be required by the holding company (regardless of from whom such insurance is purchased) and, the extent to which holding companies desiring to engage in the underwriting of such insurance might be required to manage their own subsidiaries, as distinguished from such management service being provided by a nonaffiliated insurance underwriter in return for a portion of the total premiums on insurance written.

The Board has decided to explore these questions at a hearing to be conducted by designated staff members of the Board at the Board building at 20th Street and Constitution Avenue on March 24, 1972, beginning at 10 a.m.

Interested persons are invited to participate, either by presenting material orally at the hearing or through submission of written comments on the matter to be received by the Board's Secretary on or before April 10, 1972. Such material will be made available for inspection and copying upon request, except as provided in § 261.6(a) of the Board's rules regarding availability of information.

In January, 1971, the Board's initial publication of proposed activities under section 4(c)(8) included "acting as insurer for the holding company and its subsidiaries with respect to insurance sold by the holding company or any of its subsidiaries as agent or broker." After a hearing on this activity and insurance agency activities, the

Board in August, 1971, announced that it had deferred adoption at that time of general regulatory provisions regarding insurance underwriting activities as closely related to banking. It is anticipated that the March 24, 1972, hearing will not only assist the Board in its determination of the pending applications, but will facilitate possible rulemaking by the Board with respect to these activities.

Persons, in addition to the Applicants, who are interested in participating in the hearing by presenting material orally, should inform the Secretary of the Board in writing not later than March 9, 1972.

By order of the Board of Governors, January 21, 1972.

(Signed) Tynan Smith

Tynan Smith
Secretary of the Board

(SEAL)