

FEDERAL RESERVE BANK OF DALLAS

DALLAS, TEXAS 75222

Circular No. 72-289
December 19, 1972

AMENDMENT TO REGULATION Y

To All Banks, Bank Holding Companies and Others
Concerned in the Eleventh Federal Reserve District:

The Board of Governors of the Federal Reserve System announced on December 11, 1972 that underwriting credit life insurance and credit accident and health insurance which is directly related to extensions of credit by a bank holding company system is a permissible activity for a bank holding company.

The Board's decision followed consideration of the record of a March 24, 1972 hearing on the subject of credit insurance underwriting and comments received with respect to the hearing, together with the Board's prior experience in the field of bank holding company insurance activities.

The new ruling amended the Board's Regulation Y to add this activity to the list of businesses closely related to banking or managing or controlling banks in which a bank holding company may engage, subject to approval of individual applications.

In announcing its decision, the Board set up the following tests it will apply in considering applications under its new ruling:

"To assure that engaging in the underwriting of credit life and credit accident and health insurance can reasonably be expected to be in the public interest, the Board will only approve applications in which an applicant demonstrates that approval will benefit the consumer or result in other public benefits. Normally such a showing would be made by a projected reduction in rates or increase in policy benefits due to bank holding company performance of this service."

The Board also said:

"The operation of such a program assures a bank or bank-related firm of repayment of a credit extension in the event of death or disability while at the same time providing the borrower with financial security in the event of a death or

disability. Further, the legislative history of the Bank Holding Company Act indicates that Congress felt that the operation of a credit life and credit accident and health insurance program is closely related to banking."

A copy of the Board's amendment of its Regulation Y is attached.

Yours very truly,

P. E. Coldwell,

President

Attachment

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

BANK HOLDING COMPANIES

AMENDMENT TO REGULATION Y †

Effective December 11, 1972, section 225.4(a)-(10) is amended to read as follows.

SECTION 225.4—NONBANKING
ACTIVITIES

(a) **Activities closely related to banking or managing or controlling banks.** * * * The following activities have been determined by the Board to be so closely related to banking or managing or

controlling banks as to be a proper incident thereto:

* * * * *

(10) acting as underwriter for credit life insurance and credit accident and health insurance which is directly related to extensions of credit by the bank holding company system.³

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³ To assure that engaging in the underwriting of credit life and credit accident and health insurance can reasonably be expected to be in the public interest, the Board will only approve applications in which an applicant demonstrates that approval will benefit the

consumer or result in other public benefits. Normally such a showing would be made by a projected reduction in rates or increase in policy benefits due to bank holding company performance of this service.

† For this Regulation to be complete as amended effective December 11, 1972, retain:

- 1) Printed Regulation pamphlet as amended effective December 1, 1971.
- 2) Amendment — Section 225.4(a)(5), Nonbanking Activities, effective June 6, 1971.
- 3) This slip sheet.