

NORTHWESTERN Banker Newsletter

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Agents Ask FRB to Apply "Public Test"

The National Association of Insurance Agents, in a comprehensive statement filed with the Board of Governors of the Federal Reserve System, has urged the Board to rescind its December 28, 1971, proposal on "de novo" entry into the agency business by one-bank holding companies, and requested that such activities be subject to the "Public Test" procedures presently required for "acquisitions" of general insurance agencies.

At the same time, John F. Neville, general counsel for NAIA, said that the national association, representing some 150,000 independent insurance agents, has proposed a number of safeguards pertaining to insurance agency activity by one-bank holding companies.

Mr. Neville explained that the Bank Holding Company Act of 1956, as amended in 1970, require that two tests be satisfied before the Federal Reserve Board can authorize a bank holding company to engage in a particular non-banking activity.

1. The Board must determine that the non-banking activity is so closely related to banking as to be a proper incident to banking.

2. The Board must determine whether such non-bank activity by the holding company can reasonably be expected to produce benefits to the public that outweigh possible adverse effects.

"In applying the public benefits test," said Mr. Neville, "the Board must carefully consider and weigh eight specific factors: (1) greater convenience, (2) increased competition, (3) gains in efficiency, (4) undue concentration of

resources, (5) decreased competition, (6) unfair competition, (7) conflict of interest, and (8) unsound banking practices."

NAIA contends that de novo entry fails to meet the public benefits tests.

The NAIA statement, filed Feb. 1 with the Board of Governors of the FRS, was accompanied by testimony of Emmett J. Vaughan, economist and professor of Insurance at the University of Iowa, and Harrison F. Houghton, presently an economic consultant and formerly a senior economist with the National Commission on Consumer Finance.

The thrust of the testimony of Prof. Vaughan and Mr. Houghton, said Mr. Neville, "is that the FRS Board cannot as a general principle, and certainly on the record made to date, make a determination that de novo entry will meet the public benefits test of Sec. 4(c) (8) as a blanket matter covering all closely related industry.

The NAIA statement contends that bank holding company entry de novo into insurance agencies activities:

- (1) Will produce some limited conveniences by permitting one-stop shopping, but this is a marginal convenience because of the widespread availability of unaffiliated insurance agencies and is counterbalanced by the lack of independent insurance counseling that is available from the affiliated agency;
- (2) Will not increase competition because the insurance agency industry is now fiercely competitive and un-concentrated.
- (3) Will not result in gains in efficiency, and none are seriously claimed;
- (4) Will create an undue concentration of resources in any market where the bank holding company applicant now has (or nearly has) a significant portion of the relevant market;
- (5) Will decrease competition by introducing a competitor that is abnormally large when compared to the rest of the insurance agency industry and a competitor which can, by virtue of its structural characteristics, control insurance decisions;
- (6) Will permit unfair competition through coercion in the purchase of insurance, pirating of renewals and various marketing practices based on the issue of the bank holding company's power and credit;
- (7) Will create conflicts of interest by placing the affiliated insurance agency in the position of protecting the interests of the lender which controls it and in assuring the insured the best risk management which often involves trade-offs between the amount of coverage, the premium costs, and insuring expenses that would reduce premium costs;
- (8) Will create exposure for unsound banking practices by denying to the bank holding company independent advice on its risk exposure and the use of insurance to manage such risks.

The NAIA statement also noted that "the Board's obligation to make a careful

(Turn to back page, please)

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NATIONAL NEWS

The prime rate dropped last week to its lowest level since 1959 when the Provident Bank of Cincinnati, O., went from 4¾% to 4½%. Bankers Trust Company of New York was reportedly planning to go to the 4½% rate.

IOWA NEWS

CHARLES CITY: Stockholders of First Security Bank & Trust Company have elected William G. Herbrechtsmeyer to the board of directors and he was also advanced from assistant vice president to vice president at the directors meeting. In addition, J. R. Herbrechtsmeyer was promoted from assistant cashier to assistant vice president. It was reported that total assets increased by \$3,000,000 or 15½% over the previous year and deposits were over \$20,000,000 for a 16½% increase.

COUNCIL BLUFFS: The Council Bluffs Savings Bank has joined Banks of Iowa, Inc., the Cedar Rapids based holding company which owns all outstanding stock of The Merchants National Bank, Cedar Rapids, Union Bank & Trust, Ottumwa, and Valley Bank & Trust, Des Moines. Banks of Iowa issued 220,000 shares of its common stock for 100% of the outstanding shares of Council Bluffs Savings Bank. Over 1,800 stockholders now own 1,492,500 shares of Banks of Iowa. Ed H. Spelman, Jr., president of Council Bluffs Savings, and Oscar E. Johnson, director, were to be elected directors of Banks of Iowa at the February meeting.

FORT DODGE: The Iowa Lakes Chapter of BAI is sponsoring a statewide "Loss Prevention Clinic" here on March 10 at

the Starlight Restaurant with registration beginning at 8:00 a.m. The meeting will conclude with an evening dinner and speaker. Clinic speakers will be William Duma, v.p., 1st Nat'l., St. Paul, Minn.; Donald J. Brush, aud., Iowa-Des Moines Nat'l., Des Moines, and Rigoberto Areces, internat'l. banking div., Merchants Nat'l., Cedar Rapids. There will be three sessions: Assets, liabilities and capital, and income, expense, misc. Banquet speaker will be Harold Karandjiff, admin. dir. of the BAI, Park Ridge, Ill. The luncheon speaker will be William F. Wagner, Des Moines architect. The ladies program will feature a shopping tour and noon luncheon.

KIMBALLTON: Max Towne, president of Landmands National Bank, has sold controlling interest in the bank to Bruce Lauritzen and his father, John R. Lauritzen. New directors are Bruce Lauritzen, Leonard C. Steen, Edward Hansen, Vernon Petersen and Annabel Fredricksen. Bruce Lauritzen has been named president and Leonard Steen has been advanced from vice president to executive vice president and retains his title as cashier. Other personnel remain the same. John Lauritzen is chairman of the executive committee of First National Bank of Omaha, and Bruce Lauritzen is second vice president of that bank.

MALVERN: Louis J. Knop, 66, who served the Malvern Trust & Savings Bank for 41 years until his retirement due to health reasons in 1968, died recently, after a prolonged illness.

NEBRASKA NEWS

LISCO: H. B. Olson has moved up from president to chairman at Lisco State Bank and Thomas H. Olson has advanced

from executive vice president to succeed him as president. Wm. K. Vogler, cashier, was also elected vice president.

OMAHA: Thomas C. Cooper has been promoted to operations officer at The Omaha National Bank, according to Frank O. Starr, president and chief operating officer. Mr. Cooper joined the bank in 1969. Mr. Starr also announced the appointment of Donald R. Hall and Edward C. Krause to assistant loan officers.

WAHOO: E. J. Carlson has been elected president of the First National Bank to succeed Kenneth A. Tool, who has retired. Jerald H. Volin, cashier, was also elected a vice president and director. Robert D. Pease was advanced from assistant cashier to assistant vice president. Vice President William Placek also has retired.

MINNESOTA NEWS

BURNSVILLE: The FDIC has approved coverage for First Burnsville State Bank, a newly-chartered bank. Total capital accounts are \$600,000. John A. Gargaro is president. Serving with him as directors are Clyde E. Pemble, Dale J. Happe, Edward M. Pierce, F. Jerre Smith, Roger L. Anderson, M.D., William H. Kelly, Jr., Arthur Gillen and Charles Linnerooth.

MINNEAPOLIS: A major realignment of top officers of Dain, Kalman & Quail (DKQ), Inc., has taken place following the decision by Wheelock Whitney, chief executive officer, to take early retirement. Robert W. Fischer, 53, was named chief executive officer. Succeeding Mr. Fischer as president is Richard D. McFarland, 42. Thomas R. Felt, 48, will become chairman of the board. Mr. Felt succeeds James G. Peterson, 51, who will now be chairman of the executive committee and continue as part of the top management team. John L. Walton, 51, an executive vice president, was named chairman of the finance committee and chief operations officer.



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MONTEVIDEO: Gary D. Sonstegard has been promoted to assistant vice president, according to O. B. Rekow, executive vice president.

ILLINOIS NEWS

GALESBURG: Ralph Anderson has been elected chairman of the Community Bank to replace Robert Boyden. Robert Stoerzbach was elected chairman of the executive committee and M. J. Rose was elected a new board member.

GLEN ELLYN: Jack L. Hagen has been named vice chairman of the Bank of Glen Ellyn. He is president of Midland Paper Co. and has been a director of the bank since 1966.

SOUTH DAKOTA NEWS

PIERRE: The executive board of the South Dakota Legislative Research Council has selected five men to serve on the State Investment Council. The sixth member of the board is the state treasurer. Those appointed and their terms of office are: C. P. "Buck" Moore, pres., 1st Nat'l., Aberdeen, 5 years; J. L. Lillibridge, pres. & exec. off., Burke State Bank, 4 years; William A. Rigsbee, pres., Midland Life Ins. Co., Watertown, 5 years; Floyd Snyder, exec. v.p., Federal S&L, Watertown, 4 years, and Dr. Robert L. Johnson, prof. of finance, U. of S.D., Vermillion, 3 years.

RAPID CITY: Directors of United National Bank have made these promotions: Clyde J. Rasmussen to vice president; Mrs. JoAnn Ferguson to assistant cashier; Charles Wendling to instalment loan officer, and Carl Mattison to auditor.

SIOUX FALLS: Tom Reardon, chairman of the Western Bank, has announced his candidacy for the Republican nomina-

tion to the United States Senate from South Dakota to replace the ailing Senator Karl Mundt.

VERMILLION: Charles L. Christopher has been elected vice president and manager of United National Bank and the University branch of Vermillion. Thomas Long has been elected vice president and manager of the Brandon branch and the Valley Springs branch. John Stanage has been elected vice president and manager of the Viborg branch.

COLORADO NEWS

DENVER: George Alff, regional vice president for Full Service Banks, died suddenly on Jan. 21. Mr. Alff started his banking career in 1927 with the predecessor banks of United Bank of Denver, N. A., and retired as a vice president of United Bank in 1970. He was well-known throughout several states through his many years as an officer in the correspondent banking group.

DENVER: United Bank of Denver directors have announced these promotions: To vice president — William P. Lober, comptroller; Donald L. Neil, manager personal banking center; Mark Frohlich, with United Mortgage Co. subsidiary, and Robert Merrick, cashier. Named operations officers were Robert M. Williams, Lee Smith and Richard J. Peterson. Marvin DeSelm was named data processing officer.

FORT COLLINS: Ben Gregg, Jr., is resigning as vice president and director of the First National Bank in Loveland to accept the presidency of University National Bank here. He succeeds Donald Farnham, who resigned to devote his time to other business interests.

NORTH DAKOTA NEWS

FARGO: Four officers have been promoted and one newly elected at the Merchants National Bank & Trust Co.: Lyndon D. Hovland, v.p. and cash.; Arthur L. Cooper, a.v.p., commercial loans; Richard J. Forest, t.o.; Wayne Blanchard, a.c., and Gerald L. Regstad, is the new loan officer.

FARGO: The First National Bank & Trust Co. recently announced the following promotions: Jean Bennett, v.p. and cash.; George W. Schwartz, v.p. and ag. rep.; Marjorie Klug, a.c.; Dennis Morris, a.c. and ag. rep.; and James W. Tobin, a.t.o.

FARGO: James S. Mattson was advanced from assistant vice president to vice president at Fargo National Bank. He is in charge of installment loans.

RUGBY: Ron Brandvold has accepted a position with the Merchants Bank and will join the bank March 1 when his resignation as vice president of The Grafton National Bank at Grafton becomes effective.

WYOMING NEWS

CHEYENNE: Applications have been filed with the Federal Reserve Board by Wyoming Bancorporation for prior approval to acquire (1) 11,966 or more of the voting shares of 1st Nat'l. of Lander; (2) 595 or more of voting shares of 1st Nat'l. of Rawlins, and (3) 840 or more of the voting shares of Stockmans Nat'l. of Lusk.

LARAMIE: Directors of First National Bank have advanced David F. Wallen to vice president and senior loan officer, and Peter J. Merten to vice president.

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AGENTS ASK FRB...

(Continued from front page)

review of all factors is doubly important because it is clear that the problems of bank holding entry are structural and beyond the reach of conventional anti-trust remedies."

The safeguards proposed by the National Association of Insurance Agents and contained in the statement filed with the Board of Governors of the FRS are:

1. No insurance can be solicited until the borrower receives a loan commitment in writing.
2. All loan forms and all insurance solicitation materials must contain the following notice in capital and lower case letters of not less than 12 point bold face type on one side of a separate statement which identifies the transaction to which it relates:

Notice to the Borrower required by Federal Law:
Insurance related to any transaction may be purchased from an insurance agent of the borrower's choice.
3. The lender may require the borrower to provide a certificate of insurance, or the lender may require the borrower to present an insurance policy for inspection but it may not copy or retain that policy.
4. The data contained on the policy of insurance will not be used by the bank holding company or any of its subsidiaries in making an insurance premium quotation or otherwise soliciting insurance, or for any other purpose, except the extension of credit.

5. The lender's requirement or notice that insurance must be kept in force will not be coupled with, or referred to, in any solicitation for insurance, and any such solicitation for insurance shall not refer to the lender's aforesaid requirement or notice.
6. No notice by the lender that insurance must be kept in force shall state, or imply, that insurance must be placed with an affiliated agency, and no forms to accomplish a change of agent shall be sent by the lender, or sent by its insurance agency affiliate, unless requested by the borrower in writing.
7. Where the borrower has filed with the lender a written notice identifying for the lender the borrower's insurance agent/broker of record, the lender shall furnish to the agent/broker a copy of each communication from the lender to the borrower concerning insurance written by that agent/broker until the borrower changes its agent/broker, as provided above in this regulation.

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