

# NORTHWESTERN Banker Newsletter

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November 4, 1974

## Insurance Agents Seek to Limit Banks

The nation's insurance agents are making another effort to limit insurance activities of lending institutions and holding companies. Their latest appeal, directed to the National Association of Insurance Commissioners (NAIC) would prevent banks from handling all insurance except credit life, health and accident. The Association of Registered Bank Holding Companies says the insurance agents are trying to stifle competition.

Both the National Association of Insurance Agents and the National Association of Mutual Insurance Agents submitted a legislative proposal to the NAIC's subcommittee on insurance holding companies at a recent hearing in St. Louis. Section one of the model bill would provide that: "No lending institution, or holding company, subsidiary or affiliate of the foregoing or any director, officer or employee thereof may directly or indirectly be licensed to sell insurance or act as a broker for insurance in this state, except that a lending institution may be licensed to sell credit life, health and accident insurance in accordance with regulations promul-

gated by the insurance commissioner."

Spokesmen for the NAIA and NAMIA state that corrective legislation is needed not only to protect the agent from "unfair competitive advantages" but also to "protect the right of the customer to choose the insurance

agency or company of his choice." They maintain that financial institutions have gone beyond attempting to secure insurance at the time of the loan transaction and that many banks are using information developed from the loan application to solicit insurance business at a later date.

The Association of Registered Bank Holding Companies

(Turn to page 3, please)



**PICTURE OF THE WEEK — Dean Knudson** (right), pres., University B&T, Ames, Ia., has been named "Cy's Favorite Alum for 1974" by Iowa State University in Ames. Mr. Knudson flew back from the ABA convention in Honolulu to receive the

award at half-time (above) of Iowa State's Homecoming game from **Lou McCullough** (left), ISU athletic director. The award is presented annually by the Alumni Association and the Department of Intercollegiate Athletics for untiring efforts to promote the university program with a special emphasis on athletics. Mr. Knudson, who attended both Iowa State and the University of Iowa, was one of the founders of the Iowa State Cyclone Club, whose current 3,000 members are the backbone of the athletic program. He has been an officer of the Club and is a member of the Gold Club—a member who gives full scholarships to the program each year. Mr. Knudson has played a significant role in development of the new ISU stadium and has headed the fund drive for three years. He is a lifetime member of the University's board of governors and is a member of the Order of the Knoll. He recently completed two terms as president of the Iowa Independent Bankers.

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## Iowa News

**BELMOND:** The Iowa Lakes chapter of Bank Administration Institute will hold a meeting November 13 at Lynn's Lounge here. Del Van Horne, Iowa Development Commission, will discuss "Community Development."

**DES MOINES:** Nine applications are on file and awaiting further action in the Iowa department of banking. The applications and their status are:

**Grimes**—Application by Roy Meadows for a state chartered bank. Hearing held; awaits decision.

**Parkview**—Application for an office by Central Trust & Savings Bank, Eldridge. Hearing held October 31; awaits decision.

**Harcourt**—Application to merge Harcourt Savings Bank with Union Trust & Savings Bank, Fort Dodge, and retain office at Harcourt. No hearing date set yet.

**Battle Creek**—Application to merge First State Bank with Ida County State Bank, Ida Grove, and

retain office at Battle Creek. No hearing date set yet.

**Raymond**—Applications by Farmers State Bank, Jesup, and Gilbertville Savings Bank, Gilbertville, to open an office in Raymond. No hearing date set yet.

**Bettendorf**—Application by Security State Trust & Savings Bank for an office in Bettendorf. No hearing necessary; awaits decision.

**Cumberland**—Application to merge Cumberland Savings Bank, Cumberland, with Houghton State Bank (Hawkeye Bancorporation), Red Oak, and retain office at Cumberland. No hearing date set yet.

**Des Moines**—Application by Bankers Trust Company for office at southwest corner of S.E. 14th and Army Post Road. No hearing necessary; awaits decision.

**Des Moines**—Application by Capital City State Bank for office at 2590 Hubbell. No hearing necessary; awaits decision.

**ELDON:** Max von Schrader, Sr., and J. C. Blackford have announced that they have sold their stock holdings in The First National Bank here to J. William Dulin of Iowa City. Mr. Dulin has been elected president of the bank and

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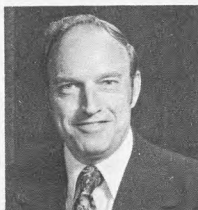
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## National Bank of Waterloo

has assumed active management. Messrs. von Schrader and Blackford have resigned as officers and board members and Mr. Dulin and John, his brother, were elected to the board.

**FORT DODGE:** Gene Richardson has been named instalment loan officer of The State Bank.


**UNION:** Officers and directors of the Union-Whitten State Savings Bank will host an open house from 5:30 to 6:30 p.m., November 7, for bankers visiting the newly-remodeled bank. A buffet lunch will follow at the South Hardin Recreation Area Golf Club in Union.

## Illinois News

**BLOOMINGTON:** A permit to organize has been issued for the Commercial State Bank, 503 Four Seasons Road. Total capitalization of the new bank will be \$900,000, consisting of \$360,000 in both capital and surplus and \$180,000 in reserve. Organizers include John M. Hamilton, Richard H. Hundman, Robert J. Lenz and Bernard E. Wall, of Bloomington, and Robert Markowitz of Normal.

**EAST ALTON:** Illinois State Bank has received consent to exercise limited trust powers.



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**ELMHURST:** A permit to organize the Suburban Bank of Elmhurst has been issued. Total capitalization of the new bank will be \$1,250,000, consisting of \$500,000 in both capital and surplus and \$250,000 in reserve. Organizers include Walter R. Frank and Alfred C. Nowaczyk, Elmhurst; Arthur J. Gilles, Jr., Maywood; Hugh S. Kelley, Palatine; Fred E. Newman, Riverside, and Robert O. Walcott, Lisle.

**GRANITE CITY:** Colonial Bank's application for Federal deposit insurance has been approved. The bank's capital accounts total \$1,000,000.

## Minnesota News

**COLOGNE:** Lester G. Mellgren has been promoted to president of the State Bank of Cologne. Also announced was the addition of Alan Klein to the bank's staff as assistant cashier, security officer and internal bank auditor.

## South Dakota News

**ARTESIAN:** A hearing will be held November 19 at 10 a.m. in Room 468 of the State Capital, Pierre, on the application of the Live Stock State Bank here to move its main office from Artesian to Mitchell and retain an office in Artesian.

**SIOUX FALLS:** Western State Bank's application for permission to establish an office at 1808 South Cliff Avenue here has been approved.

## Colorado News

**DENVER:** Election of the following two new officers of The Central Bank and Trust Company has been

announced: Jerry Starks, assistant auditor, and Fred Artes, commercial loan officer.

## Insurance Agents .....

(Continued from Page one)

(ARBHC) responded with a letter to the NAIC stating in part, "The agents associations' newest proposed State legislation has the same basic purpose as their earlier draft proposals, that is, to protect their members from competition from insurance agencies affiliated with bank holding companies, banks, savings and loan associations and credit unions.

"We submit that this legislation is anticompetitive, unconstitutional and not in the interest of the public generally, or of consumers particularly. We urge the National Association of Insurance Commissioners not to lend its good name to legislation of this nature."

The ARBHC acknowledged that Section 7 of the Bank Holding Company Act reserves to the states their power to regulate banks, bank holding companies and their subsidiaries, but contends this was not new authority but rather a preservation of existing powers. "The intent of Congress," ARBHC maintains, "was to make sure that the Act was not construed to preempt all State legislation concerning holding companies. It is clear that Section 7 does not give States a basis for discriminating against bank holding companies and denying them equal protection of the laws.

"No Federal statute can validly authorize a State to enact a statute which is unconstitutional. We submit that the proposed prohibition against the licensing of an

insurance agency to write certain types of insurance simply because it is affiliated with a bank holding company is an unfair and unreasonable restraint on trade and commerce and not constitutional."

Noting that the NAIA has taken credit for enactment of "anticompetitive statutes prohibiting lending institutions from being licensed as insurance agents in several States," the ARBHC comments:

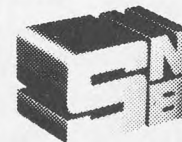
"Leaving aside the conspiratorial aspects of this effort, it remains to be seen whether these statutes can withstand a court test of their constitutionality."

The ARBHC concluded by saying that the legislation proposed by NAIA and NAMIA runs counter to various federal acts and state laws and repeated, "The legislation proposed by the agents associations is unnecessary, unconstitutional, and against the public interest because it is intended to stifle competition."

A high official of NAIA told the *Northwestern Banker* some time ago that one of the major causes of agent concern over banks writing insurance had been the activities of large bank holding companies in the Carolinas and other southern

# Maybe you should take a fresh look at things.

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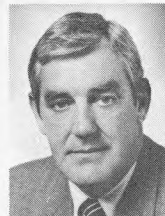


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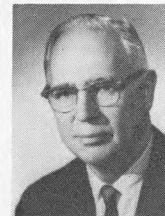


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states. He said NAIA members claim they have evidence of lending institutions there using coercive tactics to get borrowers to purchase insurance from them, rather than leaving the selection to the borrower. There was not widespread evidence of similar restrictive activities in other states, he said.

A midwest insurance association official told the **Northwestern Banker** that complaints received by his office about banks are few and scattered. He emphasized that banks in many small communities are providing a needed service and doing it well through their insurance agencies. Many bank agencies belong to the state insurance agency associations, he pointed out, and are valued members of the association. "All we ask," he said, "is that the insurance business be kept distinctly apart from the lending business so the customer does not feel he's being pressured to buy his insurance at the bank when he might prefer to deal with his own independent agent."

Apparently, the thrust of NAIA's effort is to ask the NAIC for the toughest possible ruling in the hope that ensuing discussion will at least result in a modified position that will curb the flagrant violations.

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