

TECHNICAL ADVISORY

TA-100

March 3, 1997

SUBJECT: **New Regulations on Banks in Insurance**
Louisiana Department of Insurance Information Bulletin
Louisiana Office of Financial Institution Regulation

MAIN POINTS: The Louisiana Department of Insurance (LDOI) has recently issued an information bulletin outlining how existing insurance statutes would apply to banks in insurance. In addition, the Louisiana Office of Financial Institutions (LOFI) has issued a regulation providing guidelines to state banks which develop insurance operations.

BACKGROUND: The U. S. Supreme Court Barnett Bank decision has opened the way for banks in places of 5,000 or less to enter the insurance business. The parameters of bank entry into the insurance business are still confused and in question. There are many more questions at this time than answers. Who will regulate banks in insurance, federal or state regulators? Where and how may banks operate insurance activities?

The federal McCarran-Ferguson Act provides that states shall regulate insurance activities. The federal Office of the Comptroller of the Currency (OCC) has repeatedly challenged state regulation of national banks. This dispute will ultimately be resolved in court. However, at this time, there is a general presumption that states will regulate insurance activities.

The OCC regulates national banks. The Louisiana Office of Financial Institutions (LOFI) regulates state banks. The Louisiana Department of Insurance (LDOI) regulates insurance activities. All three regulatory agencies are trying to determine and negotiate their appropriate regulatory functions as banks enter the insurance business.

The Louisiana Department of Insurance takes the position that they regulate all insurance activities. IIAL has worked extensively with LDOI to develop the enclosed information bulletin, which outlines how existing Louisiana insurance statutes will apply to banks in insurance.

IIAL has also worked extensively with Banking Commissioner Larry Murray, and the LOFI in drafting the enclosed LOFI regulation

which outlines how state banks shall be regulated by LOFI with regard to insurance activity.

These regulations are the first steps to defining how banks will conduct insurance activities. While IIAL would have liked more consumer protection regulations on bank insurance activities, we were successful in having several important provisions included in these regulations. IIAL will continue to review both regulatory and legislative methods to provide appropriate consumer protection and maintain a level playing field between banks and insurance agents.

**NECESSARY
ACTION:**

Please review the enclosed LDOI information bulletin and LOFI regulation on banks and insurance. IIAL will provide additional information as it becomes available.